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CHAIRPERSON: Good morning. Can the witness confirm that he is still under oath?

MR FERREIRA: I do.

ADV MPHAGA: Thank you Chair When we adjourned on
5 Friday the Lawyers for Human Rights acting for Mr Holden and Van Vuuren requested to consider whether they should bring an application to cross-examine the witness, I think Ms Snyman is here to inform the Commission about what the position is.

ADV SNYMAN: Thank you Chair, good morning, good
10 morning Commissioner Musi. Our instructions are that we do wish to cross-examine this witness. Might I just enquire of the Commissioner, is it necessary now to make a formal application to do so or may we proceed with cross-examination?

CHAIRPERSON: I thought that was dealt with on Friday, we
15 postponed in order to give you an opportunity to decide whether you would want to cross-examine or not. Now if you say you want to cross-examine I think you can proceed and do that.

ADV SNYMAN: Thank you Chair.

20 **CROSS-EXAMINATION:**

ADV SNYMAN: Mr Ferreira, I don't have a lot of questions for you this morning, there are just several points of clarity that we wish to make and enquire from you. Firstly in your testimony on the 11th of November, and I'd like to take you to
25 pages 3270 to 3271 of the Commission Transcript.

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MR FERREIRA: Morning Chair, morning Commissioner, I do not have copies of the transcripts with me, do we have (indistinct) two pages?

5 ADV MPHAGA: Chair, we also don't have the transcripts with us, we never thought that they would be referred to.

ADV SNYMAN: Chair, I can just read from them unless you wish to refer to them.

CHAIRPERSON: Which page is that?

ADV SNYMAN: Starting on page 3270.

10 CHAIRPERSON: From which line are you reading?

ADV SNYMAN: From line 19.

CHAIRPERSON: From line?

ADV SNYMAN: 19.

15 CHAIRPERSON: Seeing that some people don't have a copy of the record do you mind to read those paragraphs that they are referring to?

ADV SNYMAN: Yes I will thank you.

CHAIRPERSON: Thank you. From line 19 I'm starting from your own testimony Mr Ferreira and I quote:

20 *"Now you must remember we are evaluating these aircraft as part of two-tier system then still, still what we were looking at that point in time, it had a training requirement capable of training pilots for type and operation perversion purposes. The*
25 *fighter pilot training process from wings to frontline*

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5 *fighter to be followed the whole process and then all the suppliers except for the Mirage 2000 confirmed that pilots can convert onto the proposed aircraft directly from the ASTRA. Now this was the statement made in 1997, I can't recall that this principle has ever been applied anywhere by the people who bought Gripen's after that date and I'm angry at those people, they still use the three-tier system".*

10 Mr Ferreira, my clients found this assertion a bit confusing, could you explain what exactly you meant that you couldn't recall that this principle has ever been applied anywhere by the people who bought Gripen's after that date?

MR FERREIRA: Chair, this is where we were looking at the
15 two-tier system, as I said on Friday for three months out of about a 30 year period we were considering the two-tier system. All the ... Remember there were three aircraft that we were looking at, the Mirage 2000, the AT-2000 which was a paper aeroplane and the Gripen, and they all came back and
20 said yes, and it is possible to move from the ASTRA Basic Trainer directly to the Gripen. In that statement made by these people making offers to us ,what I said is looking today who is flying the Gripen aircraft because I did a whole list of countries (indistinct) and Switzerland and also out in the east, I can't
25 recall that any of them are going directly from the basic

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training aircraft into the Gripen, so although they made the claims there, the contractors that it is possible I can't recall that anybody is actually implementing this concept of a two tier training system, they still all have somewhere in between the basic trainer and the Gripen another training aircraft, that was
5 the statement I made on the other day.

ADV SNYMAN: Thank you. You also averred that you were angry at those people, can you explain to me ...

CHAIRPERSON: I'm sorry Ma'am, can you talk into the mic
10 because we can't hear you.

ADV SNYMAN: Is this better? Mr Ferreira, you also averred that you are angry at those people; can you explain who exactly you are referring to and why you are angry at them?

15 MR FERREIRA: Chair, I can't recall the word "angry".

ADV SNYMAN: If I can refer back to the quotation from the transcripts at pages 3271 at line 4 we read that you said, "I'm angry at those people, they still use the three-tier system".

20 ADV MPHAGA: Chair, I also couldn't recall Mr Ferreira saying angry, it must have been a typo or something.

MR FERREIRA: Chair, the word might be I do not agree with those people, I can't recall the word angry.

ADV SNYMAN: Thank you, we move on. Mr Ferreira, you
25 were also asked to respond to a number of assertions made by

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our clients on your final day of examination and these are assertions that come from our clients' submissions to the Commission. In the first instance you were asked a question regarding the cost effectiveness of the two *versus* three-tier Value System, I'm going to quote again from the transcripts on
5 page 3554.

CHAIRPERSON: Thank you.

ADV SNYMAN: It starts on page 3553, the last line on the page at 25. Advocate Mphaga stated, and I quote, and here he
10 is quoting from our clients' submissions:

*"And then they say first the entire SA Air Force Design was changed from a two-tier to a three-tier system despite the fact that this would end up costing considerably more in acquisitioning and
15 lifecycle cost and despite the fact that every supplier had confirmed that the planes that were offered at this stage could neatly fit the requirements of a two-tier system".*

Then Advocate Mphaga requested if you had any comments on that and your response Mr Ferreira was that and I quote:
20

*"Commissioner, as I've indicated for 30 years we had a three-tier system, after three months we were considering a two-tier system before we moved back to the three-tier system, so I do not agree with that
25 costing of the two-tier system would have been*

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5 *better. The other statement I want to make is I also
said I can't recall having (indistinct) but that any of
the countries that bought Gripen's after us used in
the two-tier system (indistinct) I can go and
investigate that but I think the answer is going to
be confirmed that they all still got the tier training
system".*

Mr Ferreira, as far as my clients understand you are suggesting
now that a two-tier system would not have been cheaper than a
10 three-tier system, is this correct?

MR FERREIRA: Chair, it all depends how you do your
calculations and I think one of the things that we can consider
yes, the two-tier system might be more, it might be more
expensive than the three tiers in terms of you have to acquire
15 two types of aircraft, but you also might (indistinct) back to the
two-tier system you might to acquire more of the expensive
aircraft as operating at the higher cost per flight hour than the
intermediate.

To give a good answer here I actually have to go
20 and to a total lifecycle cost calculation, I have to take into
account the possibility of losing expensive fighter aircraft due
to people that move onto an aircraft without the intermediate
training, so you have to take all these factors into account
before you can make a statement that the two-tier would have
25 been (indistinct), we need to take the total cost over lifecycle,

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that's what lifecycle means, lifecycle cost means the cost of acquiring aircraft, if you acquire more aircraft at a higher price you need to take, factor that into your calculation, you have to factor in the loss of possible aircraft due to that, of getting exposure and building up training. If you recall what I said last week is once a pilot has been trained on the LIFT he then flies for another year on the squadron building up expertise and knowledge on how to follow these aircraft before we moved him onto the higher performing aircraft.

5
10 ADV SNYMAN: Mr Ferreira and Chair and Advocate, and Commissioner Musi, can I refer you to page 63 of Mr Ferreira's Unclassified Document bundle?

COMMISSIONER MUSI: Page?

ADV SNYMAN: Page 63.

15 CHAIRPERSON: You are saying its page 63 of the declassified documents?

ADV SNYMAN: Yes, of the Declassified bundle.

COMMISSIONER MUSI: You are referring to this document that it's entitled Project Ukhozi "Current Situation and Future Planning", is that the one you are referring to?

20 CHAIRPERSON: Thank you.

ADV SNYMAN: Mr Ferreira can you confirm the nature of this document?

MR FERREIRA: Could you repeat your question please?

25 ADV SNYMAN: The document on page 63, do you have it?

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MR FERREIRA: Yes, I do.

ADV SNYMAN: Can you confirm what this document is?

MR FERREIRA: Chair, this is an attachment to Ukhozi Control Council Meeting 16/1997, it goes around Project
5 Ukhozi, the (indistinct) situation and the future planning.

ADV SNYMAN: Thank you. Can you now turn to page 69 which is followed in this page 63 of the same bundle? This is the page from the document that you had just identified, can you please read the document from the line "cost implication"
10 until the line "... designed to available cost approach".

MR FERREIRA: Chair yes, it starts with "Cost Implications". This goes around the new fighter aircraft (indistinct). Now what I must say is this is my client's domain and where they are supposed to speak. This is an Air Force
15 document, it's an Air Force calculation, it's an Air Force submission that make (indistinct). The strategy of the future is the Air Force preference or whatever and not at ARMSCOR, we only executed the work the Air Force done. At this meeting the Air Force was then looking at the two-tier system, if you recall
20 at the time this was before the package deals where there was limited funds available and the Air Force were looking at how could they get the best for the Air Force within the basic money available and I would have suggested that the Air Force answer these questions, however, I will read the paragraphs. "Cost
25 Implications":

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“Significant lower acquisition cost”.

They got 8.415 versus R13bn, a R20 million unit fly-away cost, so they say there’s a R4.7 billion saving.

“Significant lower operating cost (indistinct) operating from one base”.

5

Yes, the operating cost would have been lower because you are operating only one aircraft, but it all depends if this aircraft was a high performing Gripen type of aeroplane, (indistinct) cost, it’s still more expensive than the (indistinct) is per flying hour, there’s around a \$1 000 per flying hour if not more (indistinct) flying a Hawk, flying a Gripen.

10

“Secondary cost saving. Fuel aircraft”.

There (indistinct) unit. Again this is the Air Force to make that recommendation; again it’s an Air Force planning document.

15

“Design to available cost approach”.

Again there is that you look, if you only have R10bn you have to (indistinct) in terms of numbers, in terms of support concept, spends, (indistinct) in terms of functionality. Does that answer your question?

20

ADV SNYMAN: Thank you. (Indistinct) my clients’ interpretation from this documents, that notwithstanding what you have explained that there weren’t clear cost implications for the adoption of the two-tier system, in particular (indistinct) position and operational costs.

25

CHAIRPERSON: I’m sorry Ma’am, can I ask you again to

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talk into the mic, we're struggling to hear what you are saying.

ADV SNYMAN: Thank you Chairperson. Mr Ferreira, notwithstanding your explanation of this document it still seems to our clients that there were clear cost implications for the adoption of the two-tier Value System, in particular reduced acquisition and operational costs. Would you like to comment on this discrepancy?

MR FERREIRA: Chair, I think the one factor that wasn't taken into account here was how many aircraft we would have lost over the (indistinct). I think General Bayne, and I've already explained that he used the, he said if you buy your kid a car you don't buy him a Ferrari, you buy himself else, if I recall correctly, and again the questions are (indistinct) Air Force I believe is a duty, a responsibility, all that we as (indistinct) to do is we are implementing what they want us to do (indistinct) by law, the acquisition authority, I'll go to my understanding of lifecycle cost, I believe I've got good experience on lifecycle cost, we can actually go and do calculations of that and the rest I cannot be (indistinct) two-tier or three-tier, whether it would have cost more or less.

CHAIRPERSON: I'm sorry, am I right to say that General Bayne dealt with this question because he's from the Air Force, they did the calculations and he tried to give an explanation why they moved away from the two-tier system that they were investigating and reverted back to the three-tier system, as I

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recall his evidence he said it was because this is what they have been doing for many years, 30, 40 years and therefore that you know that system is a much more workable and much more convenient and cheaper way of doing things.

5 MR FERREIRA: Chair that is correct, General Bayne addressed it, and also what I want to let the people know, it all depends what was our second tier, if our second tier was a L159 it might have worked, if our second tier was a Gripen, these calculations were not based on the Gripen type of
10 replacement.

ADV SNYMAN: Mr Ferreira with that in mind though, do you dispute what was stated in this document and if you did dispute it seeing that it formed part of the Ukhozi Control Council's own minutes did you raise any objections to this at
15 the time?

MR FERREIRA: Chair if you recall at that point of time we were waiting for the Defence Review to be completed and the funds to be available to go ahead with Project Ukhozi, the AFT section, the Advanced Fighter Trainer, it was not really up to
20 the same level and (indistinct), and if I recall, and I can go and look for it, what aircraft was on the shortlist at that time, I believe it was the AT-2000, the paper aeroplane that (indistinct) anything on paper, I recall, I think it's the Yak-130, it's the L159, I could not recall that the Gripen was on
25 that shortlist.

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ADV SNYMAN: Thank you. Mr Ferreira, returning to answers you gave to statements attributed to my clients I now want to draw you and the Commission to that which appears on pages 3554 to 3555 of the transcript starting at line 21.

5 MR FERREIRA: It's not on my computer, could you please read it?

ADV SNYMAN: I'm going to read two paragraphs into the record starting at line 21, Advocate Mphaga was quoting from page 107 of our clients' submissions and the quotation I'm
10 going to actually take from our clients' submissions and not the transcripts which had a couple of typos, the quotation is:

*"The Gripen was chosen after a key component of the bids of its closest competitors was not submitted; later in (indistinct) suggested that the
15 repeated requests that were apparently made to the other bidders to get their houses in order so as to continue their competition (indistinct) may have not been made at all".*

And then Advocate Mphaga requested your comments to which
20 you Mr Ferreira answered:

*"If I'm referred to RFO the Gripen were up against the paper aeroplane the AT-2000 which was still in the design phase, also against the Mirage 2000. If
25 I recall there were some (indistinct) not provided by the French, we asked for them and they did not*

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5 *provide it. At the end of the day I believe that those were the only three aircraft, that there were only two aircraft in that competition as the AT-2000 (indistinct) a wish list that was designed in the future and the, and I don't think that gave the Gripen any advantages at the end of the day".*

That's the end of your quotation Mr Ferreira, where after the chairperson said:

10 *"I'm sorry, so the simple answer is that the statement is not correct?"*

To which you answered Mr Ferreira:

"That's correct".

15 Now Mr Ferreira, my clients believe that you were not asked this question in an adequate manner or that the context of this conclusion that was put to you on the submissions was not placed in a (indistinct) context. In my clients' submission regarding this issue they did not in fact make this criticism in relation to the technical evaluation of the Gripen which you were part of, instead this criticisms relates to the fact that
20 neither Dassault nor Daimler Chrysler submitted sufficing information to be evaluated on the financing domain and that in that the order to (indistinct) could find no evidence that Dassault or Daimler Chrysler were approached to get this information leading to a non-competitive evaluation. I'd like to
25 ask whether you have before you or have had sight of our

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clients' submissions?

CHAIRPERSON: Just hold on. I don't quite follow the question, the question is so long, you were referring to so many documents I am even missing the essence of the document. If you don't mind can you repeat so that the witness can understand exactly what is being ... You referred to what he said in the statement during his evidence that I can understand. Now I see you are referring to other documents which are not before me at this point in time, can you just repeat that and tell him the relevance thereof to the statement that you have made?

ADV SNYMAN: Thank you Chair. I'm referring to the quotation from our clients' submissions that were put to Mr Ferreira when he was led in evidence. The short answer to the statement that our clients made in their submissions was that he disagreed with the submissions and finds them to be incorrect. The point which we're trying to make is that the context from which our clients' submission was made was not given and so in the context that the conclusion our clients had was put was incomplete, resulting in Mr Ferreira saying in his view that our clients' submission was incorrect. I'm trying to give the context that our clients' submission put to him was actually (indistinct). Mr Ferreira, if you could just confirm whether you have received or its part of the bundle as you have our clients' submissions?

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MR FERREIRA: Chair, I see that very late, in fact the day that I was questioned on the statements made in the bundle I received the bundle. If you are referring to financial or DIP agreements I have no comment on that, it was not part of my technical evaluation, if you recall correctly when I said we did the technical evaluation and we went back and I can take you to page 188. (Indistinct). Basically what we said is on the engineering plans, we got a very bad engineering plan on the Mirage 2000, but it only counted 7% to our decision making and it would not impact. The rest we got a good function description on the Mirage 2000, we got a good perceived functional description on the AT-2000 (indistinct) scored and we got a good function description on the Gripen, which counted 85%. Where there was gaps in the proposal (indistinct) it would have been in the engineering plan and in the programme management plan but we have no insight into the financial or the DIP or the NIP, so if there is a gap in those documentations I cannot answer on them.

ADV SNYMAN: Thank you, that does answer my question as the point which we were trying to make is that the conclusion our clients made in their submission was in the context of financing aspects of the Gripen contract and it appears that you answered the question or that the submission was put to you in relation to the technical evaluation of the Gripen which you were part of. This is why our clients are of

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the view that this particular answer of yours that their submission was incorrect needs to be clarified with the Commission considering that our clients' criticism in relation to the claims that our clients did not make the criticism in relation to the technical evaluation but in relation to the financial
5 evaluation. With this in mind would you then retract your answer that our clients' statement refers to was incorrect?

MR FERREIRA: With your permission Chair I may just answer in terms of the technical evaluation, I said at the beginning I had no insight on the rest of the process and I
10 don't know whether it, I should actually retract because technically that's still valid.

ADV SNYMAN: Then in the circumstances of this submission of our clients being made in terms of the financial evaluation which was the context of the submission would you
15 retract that their statement is incorrect?

MR FERREIRA: Chair sorry, there was no mention in the document about any financial, any evaluation, there was a statement made that there was insufficient data, that's how I
20 read the report put forward to me.

ADV SNYMAN: Thank you. Then Chair, Commissioner Musi if you would bear with me I would like to show that the context of the submission that was put by Advocate Mphaga to Mr Ferreira did relate explicitly and specifically to the financial
25 evaluation and not a technical evaluation despite that not being

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here when the question was put. In this regard I'm referring to page 107 of our clients' submissions that (indistinct) conclusion that was put to Mr Ferreira.

CHAIRPERSON: What page are you referring to?

5 ADV SNYMAN: Page 107 starting at the second paragraph with "The decisive area ..."

CHAIRPERSON: Paragraph?

ADV SNYMAN: Paragraph 2. I'm going to read from paragraph 2 and just before I commence the two paragraphs I'm
10 about to read are the ones that include the conclusion and then the submission that was put to you:

*"The decisive area in which the BAe SAAB outsourced their competitors was in the evaluation of the financing proposals. In the case of the
15 Gripen it was selected after Dassault and Daimler Benz had failed to submit any information regarding their financing offers. This means in short that only the Gripen was given a score for a part of the bid that would count 33% towards the final score.
20 Needless to say it was largely on this basis that the Gripen emerged as the preferred bidder, not on the basis of an equal competition between bidders but as a result of the alleged failure of Dassault and Daimler Benz to submit their financial information".*

25 I then move on to the final sentence of the third paragraph:

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5 *“The Auditor-General’s office could not locate any requests that had been sent to either Dassault or Daimler Benz requesting further information, a claim that was allegedly supported by both Dassault and members of the South African Department of Finance who noted that no attempt was ever made to approach Dassault and Daimler Benz for additional information regarding their bids”.*

10 And now I’m going to move back to the quote that was initially in question and this was the one we started with from page 350, 2554 that was put to you as the conclusion of our clients that:

15 *“The Gripen was chosen after a key component of the bids of its closest competitors was not submitted. Later information suggested that a repeated (indistinct) that were currently made to the other bidders to get their houses in order so as to continue their competition with the Gripen may not have been made at all”.*

20 Our point here is that this submission quoted to you from our clients was in the context of the financial but not the technical evaluation. With this in mind would you then retract your answer that this statement was incorrect?

25 MR FERREIRA: Commissioner, you can go to page 117, page 117 of that document. Page 117 of the Critics bundle.

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The third paragraph says, and this is the question I responded to:

5 *“Second, the Gripen was chosen after key components of the bids of its closest competitors were not submitted. Later information suggested that the repeated requests that were apparently made to the other bidders to get their house in order so as to continue their competition with the Gripen may have not been made at all”.*

10 There’s nothing about finance in this paragraph, I did respond on technically, I did respond on technically that there were elements where the people were short in terms of engineering and management plans and we did, there was an effort to try and rectify these in these responses. To this question I
15 responded in the transcript.

ADV SOLOMON: Chair, Commissioner Musi, if I could just come in here, I think the witness Mr Ferreira has made his position clear, it’s true perhaps if one reads this all in a certain context, the context that my learned friend for Lawyers
20 for Human Rights wishes Mr Ferreira to read it, it may have one meaning, he’s looking at it literally, he says he doesn’t see the word “financial evaluation” or the words “financial evaluation” in this paragraph, he dealt with it in the context of the technical evaluation. I don’t think the witness can be taxed
25 any further on this, she’s not prepared to retract the statement,

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it's something that they can argue that quite clearly that paragraph must be read with page 107 which puts it into a financial context, but I don't think one can continue trying to convince this witness that one must read into this paragraph
5 that he responded to on page 117 the words "financial evaluation".

ADV SNYMAN: Thank you Advocate Solomon, you pre-empted my response. Chairperson, Commissioner Musi it is exactly this point which we wish to make clear, the submissions
10 of our clients was held to be incorrect via this witness was not placed in the context of which the submission was made by our clients as can be seen from the context of their statement. I'll now move on to the next question.

CHAIRPERSON: I'm sorry, before you do that I think you
15 know one must also note that also make notes. When you reply to that question he was replying on the basis of the statement made on page 117, this is the statement that he was referred to and he gave an answer. The paragraphs that you have just read (indistinct).

ADV SNYMAN: Thank you Chair, and that is exactly our
20 point that the paragraph that was put to him in his evidence in chief was not put to him in context which we've tried to flesh out here. Mr Ferreira, I now refer to page 3417 of the transcript. This records your testimony on the
25 13th of November. To refresh your memory ...

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CHAIRPERSON: Just hold on. Yes okay?

ADV SNYMAN: May I proceed?

CHAIRPERSON: Yes.

ADV SNYMAN: (Indistinct). Mr Ferreira to refresh your
5 memory your testimony here related to the fact that in the
selection process by which a shortlist was generated in the RFI
phase of the LIFT component it was decided not to include cost
as a criteria ...

CHAIRPERSON: I'm sorry Ma'am, where 3417, it's a whole
10 page, I'm not sure from where are you reading.

ADV SNYMAN: Apologies Chair, I'm not reading right now,
I'm summarising before I read. Let me start again then. To
refresh your memory your testimony here related to the fact
that in the selection process by which a shortlist was generated
15 in the RFI phase of the LIFT component it was decided not to
include cost as a criteria for the generation of the shortlisted
candidates to receive final requests for offer. In your
examination you were asked whether or not the exclusion of
cost as a criterion was a deviation from the Value System and
20 here you answered at line 16, and I'll quote:

*"Chair, it was not consistent with the Value System,
the Value System we have to provide them a
Military Value of performance divided by cost".*

Mr Ferreira, my clients feel it would be useful to clarify what
25 you mean here as first you refer to the RFI Value System. Can

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you confirm where the RFI Value System was approved?

MR FERREIRA: Chair, I would like us to go back to page 34 of bundle 3, that was the presentation you will remember we made on Thursday where we explained how we moved from the
5 (indistinct) proposal we made as a Project Team to where the first meeting where there was a line drawn at 60 to the second meeting to 68 where we explained with the drawing and the graph how we moved up until the final recommendation was made.

10 CHAIRPERSON: Where will that be?

MR FERREIRA: We are looking now on bundle 3 page 34. Chair, when we made this presentation we took the Commission through all the steps and then we said there that the RFI (indistinct) date was 6th of April 1998, the Value System was
15 approved on the 8th of April 1998 but there were a provision set that no proposal should be opened before the Value System was approved, so in fact when we opened the proposals which we received there was an approved Value System.

ADV SNYMAN: Thank you. Can you briefly summarise the
20 role and the importance of the RFI Value System?

MR FERREIRA: Chair, I think we have done this many times, we have done it on the AFT RFI, we did it on the ALFA RFI, we did it on the LIFT RFI where we stated the role of the RFI was to see what products are out there that might meet
25 our requirement, to fulfill the requirement of the user. We

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were looking at companies and we were also looking at products available. It's the same that if you go on the internet and search "Who makes something for you?" from there you can start collecting the data in order to get to the shortlist. I would like to repeat or refer them to our submission specifically where we went out on an RFI information both in the Value System and on the RFI where this statement was repeatedly made.

ADV SNYMAN: In the context of your previous question, the short answer that 8th of April 1998 was the date when the RFI Value System was approved, can you confirm exactly when the decision was made to make this deviation from the Value System by excluding costs as a criterion?

MR FERREIRA: Chair, if you followed what was said this week we went in detail into the process that was followed and I think I would like to repeat what was said on page 34, the integrated Project Team proposed a group of aircraft, if you recall there were two clusters, a high performance group and a medium performance group, we were formed out of the less capable lower cost, the L59, the MB339, the L139 and the (indistinct) C101. That is what the integrated Project Team proposed to Ukhozi Control Council 22A/1998.

At that meeting and I've explained last week why, the Control Council decided that would you look at aircraft with a Military Value above 60 and allow (indistinct) cost

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effectiveness of bigger than 8. They then, based on this criteria they proposed the L159, the MB339, the S211A and the Hawk 100. On the following meeting which was held on the 30th of April Ukhozi Control Council 22B it was decided that the
5 Military Value should be above 68 and no costs taken into account.

Now Chair, if I refer you to previous page, page 33, the Project Team made a recommendation out of the biggest circle of aircraft, the red line represents the Military Value of
10 60 and the aircraft with red dots was proposed by the first Ukhozi Control Council to go ahead. The L159 at the cost effective of less than 8. And then if we move up to the blue line which was the second Ukhozi Control Council meeting where we pushed up the value to 68 and then took away cost
15 the only aircraft that was advanced by this decision was the Yak-130 and the MIG18 because both of them, military effectiveness the last time with the cost was less than 8, but taking out cost in that if you are looking now at the cost effectiveness, these aircraft moved into the group and they
20 were then selected on the 30th by Ukhozi Control Council.

On the (indistinct) it was decided by the AASB not to go ahead with the MIG18 because of our experience with the Russians which left the 339, the L159, the Hawk 100 and the Yak-130 to go forward, the AMX was also removed because it's
25 more an operational vehicle that you can do some training on

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and all these decisions were documented in my submission.

ADV SNYMAN: Thank you Mr Ferreira. When you say that the exclusion or where you said that the exclusion of the cost criterion was not consistent with the Value System does this
5 imply that ARMSCOR's standard acquisition policies were ignored in this instance?

MR FERREIRA: Chair, as the document now reports we put forward cost effectiveness, I don't know if, if you understand what cost effective is, is you take the value and the product
10 received and you divide that by the lifecycle cost in order to get the cost effectiveness, so many points per billion or million Rand spent. ARMSCOR as a division can only do was it instructed (indistinct) by the DOD, we were acting on behalf of the DOD. The fact that cost was taken out brought one more
15 aircraft into our analysis, the others were already in, and remember this was RFI, from here was the shortlist and we went through another process in order to determine from the RFO stage who would get the final contract.

ADV SNYMAN: From what you are saying it does appear
20 that, whichever way we call it, there was some deviation of the standard process and so my question is if ARMSCOR's standard acquisition policies were ignored and the Value System was deviated from, is it reasonable to conclude that the RFI Value System became effectively null and void in the generation of
25 the shortlist for the RFO phase?

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MR FERREIRA: Chair, I don't believe it is null and void, I believe if you look at those days you have, what (indistinct) cost effectiveness that you are prepared to pay some more money to get more value out of the system, that's what we meant by cost effectiveness, today we cannot use anything like the cost effectiveness (indistinct) an item which gives me more value for every Rand I spend, I do not believe that (indistinct) null and void, I believe we did meet our objective of providing a ranking of aircraft that will meet the user requirement, whether you put cost effective in or out those aircraft, the 339, the L159 and the Hawk 100 (indistinct) even with cost effectiveness, all that happened without, we brought the Yak-130 also into the competition.

ADV SNYMAN: Thank you Mr Ferreira, that is my last question to you, I just have one final submission that I would like to make to the Chair and Advocate Musi that arises from this evidence and that relates to during the examination ...

CHAIRPERSON: Just hold there, what procedure are you following now, are you done with the cross-examination or not? If you are done with the cross-examination then I must move to the next stage which is re-examination. Are you done with that cross-examination?

ADV SNYMAN: Chair I am done with the questions to Mr Ferreira, there is one question that I, one request that I have to the Commission following on evidence that was referred to

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relating to documents that we are requesting that I can make that question after re-examination.

CHAIRPERSON: The procedure is simple and straightforward, it's not complicated, the witness leads evidence, cross-examination, re-examination, and the witness is excused. What do you want to do now, where does it fit in, in the whole scheme of things?

ADV SNYMAN: It fits into evidence which was led by this witness where he referred to a specific document, we would like to place on record that we are requesting a copy of this document, it was a document that was raised for the first time by this witness and it's in this context that we wish to highlight it now that we are requesting a copy of it.

CHAIRPERSON: Ma'am, have you finished cross-examining the witness?

ADV SNYMAN: Yes, I have.

CHAIRPERSON: Thank you. Any re-examination?

ADV SOLOMON: Thank you Chair, Commissioner Musi.

RE-EXAMINATION:

ADV SOLOMON: If we could just return to page 34 that you were dealing with a short while ago Mr Ferreira, which is bundle 3, do you have it?

MR FERREIRA: Yes.

ADV SOLOMON: Chair, do you and Commissioner Musi have it? It's the last page of that soft bundle, bundle 3. You

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referred to the yellow blocks which led one up to the RFI stage, the conclusion of that stage and the recommendation which is the final recommendation which is the fourth block in yellow which was made by the joint meeting of the AASB and the AAC
5 on 30 April 1998, is that correct Mr Ferreira?

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: Now if we just move on to the two blocks in blue, this is now the RFO phase is that correct?

MR FERREIRA: That's correct.

10 ADV SOLOMON: We know that the first block has got "Military Value Cost Effectiveness" and there's the "Risk Moderation" that took place which you have described and then to its immediate right the last block and the second block in blue has got "Military Value No Cost" but there was also the
15 "Risk Moderation", is that correct?

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: And we know that from the Valuation Report which you, I'm not going to go there but which you have described which I think it starts at page 559, that's the RFO
20 Valuation Report, that that took into account the, we have the tables where Military Value cost effectiveness was taken into account and where it wasn't, but with the risk moderation.

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: Am I correct in saying if regard be had to
25 these two blocks in blue, the outcome of the RFO, that both

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instances if where in the one, on the one hand where Military Value cost effectiveness was taken into account and on the other hand where it wasn't, the MB339 was still the winner in the technical evaluation category.

5 MR FERREIRA: Chair, that's correct.

ADV SOLOMON: And the only difference between the two was that the Hawk had moved up from third to second place and had displaced the L159.

MR FERREIRA: Chair, that's correct.

10 ADV SOLOMON: Now I'd just like you to, you can put that aside, I'm finished with bundle 3, if we could go back to your second volume, your witness statement and I wanted to take you to the document that you did give some evidence about, it's a memorandum from Mr André Kock, it's to be found Chair
15 and Commissioner Musi at page 735. We'll just wait to see if Chair and Commissioner Musi have the page. I see Chair is nodding, Commissioner Musi, do you have page 735? Mr Ferreira, this is, you were asked about this document in your evidence in chief by my learned friend Mr Mphaga, you
20 indicated that this memorandum had been prepared by André Kock. Just remind the Commission what Mr Kock's role was?

MR FERREIRA: Chair, Commissioner, Mr Kock was my colleague and during the negotiation phase up until the point where we signed the contracts he was the ARMSCOR
25 Programme Manager on both programmes and I was supporting

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him in the process.

ADV SOLOMON: Was he, were you his subordinate?

MR FERREIRA: That's correct.

ADV SOLOMON: Now the, particularly the chair and to a
5 lesser extent Commissioner Musi were concerned to try and
understand where the non-cost option had first reared its head.
You referred to this memorandum at page 736 where you
testified in regard to paragraph 2.1 where it was stated by Mr
Kock that the first time that it was minuted that the LIFT
10 evaluation should not take cost into consideration was when
the LIFT RFI aviation results were presented to a special
Ukhozi Control Council meeting on the 30th of April and he says
refer to Appendix "A" which we see two pages on at page 738.
Do you confirm that that's the meeting that's been referred to
15 there and that you were present at that meeting?

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: And in particular you have already testified
in this regard at page 739 5.1.2, this is what you testified now
under cross-examination that the Military Value result from the
20 Value System was to have a cutoff point at 68% and
furthermore that cost would not be taken into account at all,
that's where this comes from, is that correct?

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: And you have indicated that by not taking
25 cost into account it allowed the Yak and the MIG to enter into

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the shortlist.

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: If we could then just go back to the memorandum, 2.3, what Mr Kock is saying, that's at page 736,
5 do we have it Chair, Commissioner? It's stated here in this memorandum that at a special SAAF Command Council meeting held on the 29th of June the LIFT recommendation to be presented to the SOFCOM was formulated and approved and there's then reference to Appendix "C", is that correct?

10 MR FERREIRA: Chair, that's correct.

ADV SOLOMON: If we could just go to Appendix "C" because I don't think you were taken to this document by my learned friend, it's at page 746 Chair and Commissioner Musi. I see Chair is nodding; does Commissioner Musi have the
15 document? Do you have it Mr Ferreira?

MR FERREIRA: I do.

ADV SOLOMON: I'd just like you to go to page 747 under paragraph 3, "Recommendation". And we see that as a preamble it said:

20 *"Before recommendation could be made a number of issues were highlighted for incorporation into the evaluation results, they were the following; ..."*

Could you then just read 3.1 and 3.2?

MR FERREIRA: Paragraph 3.1, "Decision":

25 *"Although the risk associated with each option was*

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5 *considered and quantified it was not taken into
account in the calculation of the Military Value for
each contending aircraft. This should be taken into
calculation after the adapted Military Value in the
presentation of the results to the SOFCOM,
Strategic Offers Committee and further on”.*

ADV SOLOMON: Before you move on to 3.2 what is being
dealt with here?

10 MR FERREIRA: Chair, this is a risk moderated Value
System where we took 85% of the value in (indistinct) C and we
adjusted that value, the outstanding 15% by a risk figure.

15 ADV SOLOMON: I don't want to move you around the
document but if we look at the Evaluation Report that the, the
RFO Valuation Report we, that's at page 559 we know that that
report was signed in 1999 if we look at page 560, does Chair
and Commissioner Musi have the Evaluation Report? Yes,
continue Mr Ferreira.

20 MR FERREIRA: Commissioner, if you can recall we had a
very short period in preparation of our results to the SOFCOM,
this report was only finalised after this, the presentation to
SOFCOM was made and that's why it is signed at a later date.

25 ADV SOLOMON: I take it that the evaluation results that
are contained in this document and both the costed and non-
costed options were presented to the SOFCOM meeting on the
1st and 2nd of July 1998 even though this document itself was

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only completed and signed the following year in 1999.

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: And if we have regard to page 650 and following of the same document we see that there was reference to the risk moderated Military Value, was that taken into account as a result of this meeting that we have been looking at the SAAF, the SAAF Command Council meeting on 29 June 1998?

MR FERREIRA: Chair, that's correct.

10 ADV SOLOMON: If we could then just return to page 747, you were going to read subparagraph 3.2 to the Commission and just tell the chair and Commissioner Musi what was being dealt with there.

MR FERREIRA: Paragraph 3.2:

15 *"A credible way of introducing risk into the final recommendation both with and without cost of the aircraft should be identified and applied on the results of the evaluation. This revised result will then be presented to the SOFCOM".*

20 That is the risk moderated value we were speaking about.

ADV SOLOMON: And also of interest to Chair and Commissioner Musi because of their interest in the costed and non-costed options it refers to the fact that the SOFCOM which you have already confirmed would be presented with both a cost and non-costed evaluation.

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MR FERREIRA: That's correct.

ADV SOLOMON: Then if you could read 3.3.

MR FERREIRA: *"A separate recommendation is required where cost is not taken into account as per the request of the Minister of Defence".*

5

ADV SOLOMON: Now we don't yet have the minutes of the AAC and AASB meeting of the 30th of April available to present to you Chair and Commissioner Musi, but is that a reference, the request from the ministers, that a reference to what was discussed at the AAC and AASB meeting?

10

MR FERREIRA: It's correct.

ADV SOLOMON: And then if you would just read 3.6 out to the Commission and explain what is contained therein.

MR FERREIRA: *"The final recommendation gives two alternatives; the first alternative (a) has been the most cost effective solution based on achieved Military Value with the aircraft taken into account the associated risk and cost of the aircraft system. The second alternative does not take the cost of the aircraft system into account and therefore the recommended aircraft based on the achieved Military Value associated risk".*

15

20

ADV SOLOMON: This instruction from the Command Council Meeting, was that adhered to by the IPT and the other members of your team?

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MR FERREIRA: Chair, at that point we have already submitted, we did adhere to these when we submitted the presentation to the SOFCOM.

ADV SOLOMON: And just to put it beyond any doubt Chair
5 and Commissioner Musi, if I could take you and Mr Ferreira to page 661 and 662 of the Evaluation Report, the RFO Evaluation Report and if Mr Ferreira could confirm with regard to those two pages that that gave a voice to the decision that had been taken on the 29th June 1998. Do you have it Chair,
10 Commissioner Musi?

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: At page 661 we see that there's a recommendation which was a cost effectiveness based on a preferential rank order, that's the costed option, over the page
15 it's 662 at the foot of the page 16.2, we have risk moderated Military Value based on a preferential rank order that excluded the cost effectiveness.

MR FERREIRA: Chair, that's correct.

ADV SOLOMON: Thank you. Mr Ferreira, we could put that
20 file one side then. I just want to deal very briefly with some of the answers that you gave in regard to the submissions of the various of the so-called critics. Could we just go Chair and Commissioner Musi, it seems to be in a separate file although I don't have the separate file but I've got it in different places, I
25 see my junior has given me his file, if we could go to page 118

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of that file, it's the critics, it's headed "Submissions to the Arms Procurement Commission by Other Parties – File 1". Page 118, this is part of the joint submission of Mr Feinstein and Mr Holden and this was what my learned friend for *inter*
5 *alia* those two gentlemen was putting *inter alia* to Mr Ferreira. I wanted to just draw his attention to the last paragraph of that section at page 118, do you have it Chair and Commissioner Musi? I see they're nodding. Would you just read that last paragraph out again and then I'm going to just ask you
10 something in that regard.

MR FERREIRA: *"Lastly the cost of the Hawk's and Gripen's were so considerable that the reduction of the helicopters still did not bring the Arms Deal within the approved expenditure limits. Cost cutting exercises were conducted on both the Hawk and the Gripen which included removing significant elements of both aircraft functionality. The results of these exclusions was that the Hawk would lose considerable value as a training aircraft while the*
15 *Gripen would end up be less technological suitable for combat than the 50 Cheetah Aircraft already owned by the SAAF".*

ADV SOLOMON: Now I know you were asked about this and in particular the chair wanted to get particularly your feedback
25 on whether one was no better off in the new scenario than one

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was in the old scenario with the 50 Cheetah Aircraft. Could you just, I think it requires some elaboration and expounding. Could you just explain what is being contained herein, if you agree with this statement and what advantages were really realised by the acquisition of the Hawk and the Gripen compared to the Cheetah and the Impala that we had?

MR FERREIRA: Chair, as you can recall the IONT Negotiation Team agreed with BAe Systems the record of understanding where they proposed that certain elements be removed from both the Hawk and the Gripen to make it more affordable. We as a Project Team has looked at these recommendations and we, with the support of the Air Force has proposed alternative recommendations be put forward in order to save costs. On the Hawk the biggest issue was the helmet mounted display. Because there is no range sensor in the Hawk the Air Force said they would prefer them to have a helmet mounted capability which will enable the pilot to point a missile in the direction he was looking, this helmet mounted capability was eventually added as an option in the contract and we are now busy (indistinct) to see if we can incorporate this in the aircraft baseline. Other things that (indistinct) proposed that we should remove is we cut the support package, we do not agree on that one and then we rather went along and attached some of the operational equipment onto the aircraft in order to meet their requirement. The objective was to save

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around \$31 million, we managed through our recommendation to put the proposal forward of \$21 million. On the Gripen they also made proposals for to reduce functionality by removing some options amongst the (indistinct) out of the aircraft, in the
5 Gripen where the objective was to save \$72 million, we ended up with our proposals by putting a saving forward of \$53 million. One of the things that we agreed for was for instance removing the squadron level training; we still got a simulator in the aircraft.

10 The Air Force then requested that the Evaluation Team must try and ensure that the radar (indistinct) package is one included into the contract, as well as the data link. These were two options that were very important to them, first of all on the (indistinct) package 1. This functionality was already in
15 the Cheetah and they would like to maintain the same radar, get the same capability as in the Cheetah.

 This was included as an option in the contract and it was funded out of the reduction of the aircraft, so it's got a (indistinct). On the rest the aircraft the two aircraft is non-
20 comparable, the group that exceeds all other functionalities to the Cheetah aircraft was only these two areas of the radar mode, the data link where there was a concern that they would not be the same (indistinct) Cheetah, but the rest is confirmed that we can't compare these two aircraft.

25 ADV SOLOMON: Thank you Mr Ferreira. Chair,

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Commissioner Musi, there's just two other aspects I want to deal with very briefly hopefully. It's in the Attorney-General's report bundle; I think its bundle 1. I want to refer you first to page 162 Chair, Commissioner Musi and then page 164. Chair
5 do you have it?

COMMISSIONER MUSI: The Auditor-General's report?

ADV SOLOMON: The Attorney-General's report yes, page 162. I'm looking at the typed page at the foot of the page. Does Commissioner Musi have it?

10 COMMISSIONER MUSI: Yes.

ADV SOLOMON: Mr Ferreira, I just want to go through because it seems to me you were asked this in cross-examination but it was put to you 5.13 under the "Conclusion" as one paragraph and not dividing it up. Could we just take it
15 sentence by sentence and if you are able to comment just indicate that you are able, if you are unable, if you don't mind. The first sentence:

*"According to documentation the Minister could have influenced decisions by certain role players
20 during the process to select BAe SAAB as the preferred bidder for the Gripen and Hawk Aircraft".*

Are you in a position to comment on that?

MR FERREIRA: Chair, I cannot comment on that.

ADV SOLOMON: Then the next sentence:

25 *"Furthermore during investigation it became*

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apparent that preference was given to BAe SAAB by making changes to value systems midway through the process”.

I think we can safely assume that the changes that are being referred to here are the addition of the non-costed option.
5
Could you just comment on that sentence?

MR FERREIRA: Chair, on cost, non-cost option I agree with that as (indistinct) for both proposals into the system.

ADV SOLOMON: Do you agree with the fact that it gave
10 preference to BAe SAAB and that was the reason for the costed and non-costed options introduction?

MR FERREIRA: Chair, in both cases it was still the 339 that came out top, I did not know what other parameters were taken into account as it moved further through the evaluation
15 process.

ADV SOLOMON: But from your perspective you don't agree with this statement?

MR FERREIRA: The only thing we can say that did impact is that the difference between the 339 and the Hawk were
20 (indistinct), they didn't change, and they didn't put the Hawk into this position.

ADV SOLOMON: Then the third sentence:

“This caused the Hawk aircraft to be ranked, first followed by the MD339-FD”.

25 Do you agree or disagree with that statement?

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MR FERREIRA: Looking at the technical (indistinct) evaluation, I disagree with this statement.

ADV SOLOMON: Then the last:

5

“The MD339-FD could have been acquired much cheaper whilst also meeting the SAAB LIFT requirements adequately”.

10

MR FERREIRA: Again Chair we were only looking at the technical value, this is what we as a team put forward and yes, we had to improve that, taking other factors into account I do not know what's going on.

ADV SOLOMON: And those other factors are you referring to the industrial participation and the financial considerations and evaluations?

15

MR FERREIRA: Chair, we had no insight into what else is used for them to make a final decision.

ADV SOLOMON: Then finally page 164 5.14.10, you were taken to this paragraph, I again want to divide the two sentences and deal with them separately, first sentence, does Chair and Commissioner Musi have it? The first sentence:

20

“The relevant bodies with authority should make proper recommendations to ensure that the Cabinet does not have to decide on the best acquisition options as was decided by the AAC”.

25

Now if we could just pause there a moment, we know from the evidence of Mr David Griesel and others who have testified

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before you that the AAC was the body that would receive the recommendations from the IPT once they had performed their technical evaluation, is that correct?

MR FERREIRA: Chair, that's correct.

5 ADV SOLOMON: And the IPT Team's work in performing the technical evaluation was part of the three silo effect, it was working in tandem but separately with the other two evaluations that were taking place, the industrial participation and the financial evaluation.

10 MR FERREIRA: That's correct Chair.

ADV SOLOMON: And we know that after the AAC there would ultimately be a recommendation that would go to the Minister's Committee and thereafter to full Cabinet for their decision, that is how the process was to work, is that correct?

15 MR FERREIRA: Chair that process was unknown to us, so I cannot comment on that.

ADV SOLOMON: That's fair enough. Would you then comment on that, in that, in the context I've just sketched on the first sentence of 5.14.10 if you can, if you can't, please
20 indicate.

MR FERREIRA: On the first sentence I cannot comment because I did not know what was put forward.

ADV SOLOMON: Then the last sentence of 5.14.10:

25 *"This in essence meant that the acquisition process for LIFT was a fruitless exercise".*

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Now it seems to me that in dealing with that paragraph you dealing with both components of the paragraph seem to indicate that you agreed with that statement. Would you comment?

5 MR FERREIRA: Chair, unknowing what (indistinct) the other side, it might have impact the decision. Where we sat as the Project Team we never got the feedback what went forward. Looking at the work we've done I think it was valuable work, the work that was done there was used in contract negotiations
10 to get a very good contract in place, the products delivered by us are very good products, we cannot default on them today, so I don't believe that the integrated Project Team technically raised was a fruitless exercise.

ADV SOLOMON: Yes thank you Chair, Commissioner Musi;
15 I've no further questions for this witness.

COMMISSIONER MUSI: I just have one or two questions for seeking clarity on one or two aspects of your evidence.

QUESTIONS BY COMMISSIONER MUSI:

20 COMMISSIONER MUSI: Do you know how many Cheetahs' were there at the time?

MR FERREIRA: Commissioner, I can't know exactly this, all I know is that we had the Cheetah-D which is a dual seater aircraft, there is still a Cheetah-E which is a previous version
25 of the Cheetah Aircraft that (indistinct), as well as the

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Cheetah-C's. I do read here we are expecting about 50, but I have no, the actual figures I can't recall out of my head.

COMMISSIONER MUSI: Now if I understand the situation the Cheetah's were going to reach their lifecycle somewhere in 5 2012, is that correct?

MR FERREIRA: Commissioner, I was involved in the programme on the Cheetah D's and the E's, we extended the life of the Cheetah D's up to about 2008, that's the dual seater. The Cheetah-C's expected life was up to 2012 when it was 10 phased out and that is where the programme Project Kambro would have kicked in to replace the Cheetah's (indistinct).

COMMISSIONER MUSI: My question is still there was around 15 years of the lifespan of the Cheetah still outstanding, why was it necessary to replace them in 1997?

15 MR FERREIRA: Chair, I think that is the question we should ask to the people of AAC because they accepted that the AFT (indistinct) be included into the SDPP packages.

COMMISSIONER MUSI: The evidence I've heard from you is that the programme that you were initially busy with, the 20 Advanced Fighter Trainer, the AFT programme was meant to be a replacement for the Impala MK1 and MK2, is that correct?

MR FERREIRA: Commissioner that is correct, as we started in 1994 looking at the Impala replacement it was the AFT programme. As I explained the other day the AFT 25 programme which was Ukhozi eventually became (indistinct)

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and Project Winchester which is the Impala (indistinct) in 1998.

COMMISSIONER MUSI: I understand what needed to be replaced in fact was the Impala and I'm trying to find out why was it necessary to come up with the ALFA Project.

5 MR FERREIRA: Commissioner, as I said here the Impala Aircraft was on the list to be replaced, I do not understand or I can't comment on why the AAC then decided to bring the AFT into the SDPP packages, pushing up its performance and then they decided to bring back the Lead-In Fighter trainer, we only
10 as ARMSCOR executed our instructions be given to us by our client.

COMMISSIONER MUSI: Could it be because these other countries like Britain, France *et cetera* had offered a package that included all (indistinct) Gripens as well as the submarines
15 and the Corvette's, could it be the reason that it was decided that once you take that offer then you have to scrap everything else?

MR FERREIRA: Commissioner it's possible. If you can recall on the AFT programme we were waiting for the
20 completion of the (indistinct) to confirm what the Air Force require in the future and we were also waiting for the five year planning to put the necessary funds on for us in order to allow us to go out on the Request for Offer. This whole process was stopped, as I said in the beginning due to interference from the
25 United Kingdom making an offer to the Government, not even to

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ARMSCOR they were followed by the French and the Germans and then other countries followed, eventually we went out on a government-to-government agreement for these packages.

COMMISSIONER MUSI: The other thing I just want to broach
5 with you quickly, I don't know how significant it is, but I noted that in your evidence you said that the ALFA Project was to replace the Mirage, the Cheetah as well as the Impala MK2, is that correct?

MR FERREIRA: Commissioner, the AFT was only
10 replacement for Impala MK1 and MK2, we got to the (indistinct) so-called two-tier system were proposed, they pushed the requirement up to include the Mirage F1 and the Cheetah, but up to that point it was only looking at the Impala MK1 and MK2 and as I recall it also addresses Impala MK2 and MK2.

COMMISSIONER MUSI: You see what I'm trying to get at,
15 and in your evidence it is quite clear that you say that the whole purpose of Project Ukhozi was the replacement of the, not just the Cheetah's and the Mirage but also Impala MK2 and I'm interested because I see when you come to the LIFT then
20 Project Winchester becomes a project for the replacement of both the Impala MK2 and Impala MK2 whereas MK2 is already accommodated in Project Ukhozi.

MR FERREIRA: Commissioner that's correct. The Impala
25 MK1 is a dual seater aircraft, the Impala MK2 was used as a single seat and it was used by Defence Force, it was used by

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the Defence Force as a light attack aircraft, our requirement was to (indistinct) MK1 and MK2. Then if you move around and you get the revised Staff Target, Staff Requirement that the Air Force put forward to say there they referred to Impala MK2, 5 Mirage F1 as well as 2. Then we move to the Staff Target and Staff Requirement for the Project Winchester which then refers back to the Impala MK1 and Impala MK2.

COMMISSIONER MUSI: Thank you. The other thing that I didn't quite follow quite clearly, I understand that this non- 10 costed option came into play when you considered the LIFT RFI Evaluation. What was the situation with evaluation of the RFO was the non-costed option also applied to that?

MR FERREIRA: Chair, if you recall from the diagram we showed we put forward a proposal above a certain Military 15 Value with a certain cost effectiveness (indistinct) lifecycle cost. There we were then requested to remove the cost effectiveness part of the calculation which then brought in the YAK-130 and the MIG18, we did get to the RFO, again we put forward first our proposal with cost-effectiveness and then we 20 were asked to also provide a proposal without cost effectiveness, the only difference between these two proposals is you take the Military Value divided by cost in order to get cost effectiveness and the second one you only provide the Military Value.

25 COMMISSIONER MUSI: I see in terms of this document, and

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this is what you were asked about by Mr Solomon, it looks like you submitted two options to the SOFCOM, the costed one and the non-costed one.

MR FERREIRA: Commissioner, that's correct.

5 COMMISSIONER MUSI: You see, this non-costed option, one tended to get the impression and this is, I think questions that were asked of you, that it was introduced in order to advantage the Hawk, but then I take note that even with the non-costed option the MB339-FD Aermacchi still went on top in terms of
10 the evaluation, in other words whether you are (indistinct) the costed option or the non-costed option the Aermacchi MB339 was still the best in terms of Military Value, is that correct?

MR FERREIRA: Commissioner, the measurements we put down to look at the replacement or to meet the South African
15 Air Force's combined Staff Target and Staff Requirement, the measures we put down there, the Aermacchi Aircraft met that measurements better. If the aircraft came out with a Staff Requirement, Staff Target for less than a light attack aircraft the measurements might have been different, it might have
20 been that the Hawk might have come out best there, but the way that we measured against the (indistinct) we were looking at the Aermacchi fulfilled the role as a trainer the best, that's why the Military Value came out first and because of the price of that Hawk it even acme out better in cost effectiveness but
25 we from a technical team, both conditions as put forward the

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Aermacchi as our first aircraft based on our Value System.

COMMISSIONER MUSI: Yes, but doesn't it mean then that it make no difference whether you follow the costed or the non-costed option because at the end of the day whether you applied either of the systems the MB339 still became top?

MR FERREIRA: Commissioner, we had no insight what happens after we put in our proposals. Remember our proposal count one third of the final decision.

COMMISSIONER MUSI: Yes, and I'm only talking about your own evaluation, not, we don't know about the industrial participation evaluations and evaluations of the financing, what you call, requirements, we don't know about that, I'm only talking about why evaluation of the Military Value. And I know that you, in your recommendation actually you listed the MB339-FD as the preferred contender, followed by the Hawk 100 as the first alternative and then the third alternative was the other, I think is it the one, the L159?

MR FERREIRA: Commissioner, when we made our recommendations in terms of the cost effectiveness it was, first was the 339, second followed by the L159 and thirdly by the Hawk. When we put the recommendation through without cost, only in terms of Military Value again the 339 came out first, followed by the Hawk and then followed by the L159. So in the cost, non-costed the Hawk and L159 changed positions in terms of the recommendation but the 339 in both cases came out in

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the first place.

COMMISSIONER MUSI: And of course that is only insofar as it concerns a Military Value, the ultimate decision you had no part in because for the ultimate decision those other factors
5 that would come in, the industrial participation and the financing option.

MR FERREIRA: Chair, that's correct.

COMMISSIONER MUSI: Thank you, that's all.

CHAIRPERSON: Ms Snyman, you wanted to say something
10 after re-examination of the witness has been finalised.

ADV SNYMAN: Thank you Chair. Yes, I wish to refer to ARMSCOR's Internal Audit Report that was raised in the transcripts and it also appears to me now from the re-examination that there appears to be a third volume for this
15 witness, I'm not sure if that's correct. I raise this because when the undertaking was made to us that we would receive this witness's bundles and statements we received two volumes and our volume ends on page 676, so it appears that there is a third bundle. Now our point is that we would presume that if
20 there was an undertaking or indeed a direction from the Commission to make these documents available to us that should the third volume then be made or put together it would automatically be made available to us, this hasn't been the case and we do request it now.

25 Additionally the specific ARMSCOR Internal Audit

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Report that was referred to in the transcript would be very relevant to Mr Grobler's evidence which we understand will be led, and also to our clients' own witness statements, to our clients' own evidence. I'd like to record that we'd seek a copy
5 of this, as well as the entire volume 3.

CHAIRPERSON: Ms Snyman can I release this witness because you were always here when this witness testified.

ADV SNYMAN: Yes Chair, we are quite happy for this witness to be released, we are done with our cross-
10 examination. We weren't here every day of his testimony, which is why we sought the transcripts prior to cross-examining but we are done with cross-examining this witness, yes that is correct.

CHAIRPERSON: So the witness can be released?

15 ADV SNYMAN: Yes, thank you Chair.

CHAIRPERSON: Thank you, you are released then.

MR FERREIRA: Thank you Sir.

CHAIRPERSON: Thank you. Advocate Mphaga.

ADV MPHAGA: Thanks Chair. Chair, if there are any
20 documents that Ms Snyman is still requesting we'll deal with that after the adjournment, but the second witness was supposed to be Mr Johan Odendaal, Chair we didn't know how long this cross-examination were going to take today, we therefore, we still have to publish the summary of his statement
25 on the website and we also have to look into other documents

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which are awaiting declassification. Chair, we then would request that this, for an adjournment until tomorrow where we will be able to lead the evidence of Mr Odendaal if it's suitable Chair.

5 CHAIRPERSON: Thank you, we'll adjourn until tomorrow.

(COMMISSION ADJOURNS)