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CHAIRPERSON: Can we first get the witness to confirm that he is still under oath?

MR NORTJÉ: I do.

CHAIRPERSON: Thank you. Advocate Lebala.

5 ADV LEBALA: Esteemed Commissioners, we are ready to proceed. My attention has been drawn by my colleague Ngobese that I need to remind you Commissioners that I haven't taken my jacket out of disrespect, I suppose you do permit me to proceed with my jacket on?

10 CHAIRPERSON: Advocate Lebala, for the past few days you have been taking it off even without telling me, so you may as well continue.

ADV LEBALA: Chairperson, may the record reflect that it was not out of disrespect but thanks for your generosity. Mr
15 Nortjé, let's refresh ourselves about where we are, you remember before we adjourned yesterday we were still on bundle 1 of your signed statement of the 30th September 2013.

MR NORTJÉ: Affirmative Chair, I confirm.

ADV LEBALA: Now let's highlight, let's just highlight the
20 most significant aspects of your testimony yesterday, you demonstrated to the Commission that the project officer's function and those of the programme manager to an extent overlap but the project officer is the leader of the team?

MR NORTJÉ: That is a factually correct position Chair, I
25 cannot recall that I actually testified to that effect yesterday

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but it is a correct statement.

ADV LEBALA: I could be hitting on the themes but it's confirmed that the project officer is the leader of the team, he's above the equals I suppose.

5 MR NORTJÉ: I think what you would call it in Latin is *primus inter pares* Chair.

ADV LEBALA: And the programme manager is responsible for the planning phases of the project, short of saying he makes the project to happen?

10 MR NORTJÉ: Yes Chair the planning, initial planning build up to the actual start of the work to be done on the project is in the hands of the Defence Force as explained previously. The project manager is very much involved in erecting the commercial and contractual environment where this
15 could actually be realised.

ADV LEBALA: And you talk to the Combat Suite, you reminded us that like the Ship Platform which has got component parts, the Combat Suite has got component parts that we call subsystem elements?

20 MR NORTJÉ: Affirmative Chair.

ADV LEBALA: And you remember we actually focused on seven elements, parts of the Combat Suite, albeit you reminded the Commission advisedly so that it's not only seven parts, there are more parts but we were focused on seven parts,
25 seven elements.

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MR NORTJÉ: I recall that Chair.

ADV LEBALA: I think it would be appropriate to pause here and just direct you in another direction in as far as these elements are concerned because we are going to focus on them. Is there another element of the Combat Suite which one would qualify as the databus?

MR NORTJÉ: Yes Chair, it was asked by yourself yesterday, by the evidence leader yesterday and I did mention that that was one of the controversial subsystems in the Combat Suite.

ADV LEBALA: Now do you qualify it as the seventh one or the eighth one or part of the seven that you have mentioned?

MR NORTJÉ: Chair, I don't want to make a mistake with this, perhaps we should quickly count them. It was the three from overseas, it was the MDS, it was the SMS ... Please help me Evidence Leader?

ADV LEBALA: It was the IPFF.

MR NORTJÉ: The IFF, okay, we have not quite mentioned it by name yesterday but yes. And the seventh one no, I ... Would that be the IMS? I beg your pardon, I get flustered.

ADV LEBALA: IPMS.

MR NORTJÉ: Chair, I can't recall that we mentioned the IPMS yesterday but the IPMS are not part of the Combat Suite.

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ADV LEBALA: Now what is significant, I think let the record reflect without confusing, would the seventh one be the IMS?

MR NORTJÉ: The IMS could be one of those that we
5 need to focus on, yes indeed.

ADV LEBALA: Now of significance we are just refreshing ourselves that the Combat Suite has got component elements, that's the theme of your testimony and we'll unpack them if need be, particularly those that are controversial, you also
10 mentioned that the databus was mentioned yesterday if you remember well.

MR NORTJÉ: Yes, indeed it was mentioned yesterday.

ADV LEBALA: And you just mentioned it now that you also, we also drew a line between the foreign elements of the
15 component parts of the Combat Suite and there were three of them that is the Surveillance Tracker Acquisition Radar, the Surface-to-Surface missile and the Hull Mount Sonar.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: And of course we'll still focus on the local
20 ones, there were four, of course with significance of mentioning the databus and it just reminded us that there's an entity or a subsystem called the Integrated Platform Management Simulator.

MR NORTJÉ: Yes Chair, the full name is actually
25 Integrated Platform Management System Simulator, it was a

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simulator that mimicked the Integrated Platform Management System for training purposes.

ADV LEBALA: Okay, I think my attention is being drawn to the four but we will deal with them and I appreciate Ms Charles' assistance. Even during the consultation she was very clued up with these component parts, we'll come back to them. Now of significance yesterday also we referred to the contracting philosophy that used to happen prior to the 1990's where when we had to acquire a Corvette there was a way in which we would look at the Ship Platform that we would get overseas and the Combat Suite that would be locally based, am I right?

MR NORTJÉ: Indeed, yes.

ADV LEBALA: And we talked about the percentages that then, then before the 1990's, the philosophy was to make the Combat Suite to be concentrated at 60% and I beg your pardon, the Ship Platform to constitute 60% and the Combat Suite 40%.

MR NORTJÉ: Chair, I would not say that it was a philosophy that there was an intent to make it in those percentages, it just turned out that way, it was the way when you built the ship and you put it together you found that that were more or less the ratios.

ADV LEBALA: Thanks for that clarity, but we, actually we will deal with this before we even start with your testimony, this is the last question in the background that we went through

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yesterday. In as far as the warships are concerned were the percentages split the same way 60/40%, 60% the Ship Platform, 40% the Combat Suite?

MR NORTJÉ: Chair yes, the percentages changed over
5 time, over decades I should say, when you go back to the days
of the 2nd World War you may have found, I didn't have any
particular figures but you may have found that the platform was
even a higher percentage than the Combat Suite for two
reasons, they were still building ships with 12 inch, 18 inch
10 thick armour plating and the combat suites were not nearly as
sophisticated as they are today because technologies,
particularly electronic technology enabled combat suites to
become much sophisticated, so over time because of these
developments you found that the balance of expenditures
15 started shifting away from the platform and towards the Combat
Suite, but that was just a natural phenomenon, it was never a
pre-planned policy.

ADV LEBALA: Thanks for that clarity. Now we are going
to proceed. Bundle 1 page 4 paragraph 2.6, the background
20 that we have just laid, especially the last part will find nexus
with what we say in paragraph 2.6. May I read it to you
please?

25 *“During 1995 to 1997 it also became gradually
evident that the capability to integrate the complete
vessel and more specifically a modern Combat Suite*

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*did not exist to a sufficient extent in local industry
...”*

Let's pause there. What has become clear is that there was some capability in as far as the local industry is concerned,
5 isn't it?

MR NORTJÉ: Yes Chair, there was certainly such a capability existing.

ADV LEBALA: Now how do you marry this with what is being said in this statement that I've read?

10 MR NORTJÉ: I beg your pardon Chair, I do not quite follow the question?

ADV LEBALA: Remember I've just read to you that during 1995 to 1997 it became evident that the capability to integrate the complete vessel, especially with regard to the modern
15 Combat Suite, remember we've gone past the Defence Review, the White Paper, we are in 1997/95 period, around there, we want modern capabilities in line with the Strategic Defence Procurement Packages, are you with me? Now it's being said here that that up to so far the Commission has seen that local
20 capability has always been there, now here it is said that there was no existing self-sufficient expertise or knowledge in the local industry, hence we want the capabilities that this vessel to be modernised we've got to go somewhere. In line with that what are you saying about this local capability that we have?

25 MR NORTJÉ: Yes Chair, the local capability had been

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built up over decades, bits and pieces through various participation and various projects, not only in the Navy but also in Air Force and Army projects, of course we were looking at the Naval part of it largely and there was a growing process in the South African industry like happens in any other industry when one starts out with nothing and then build up your capability gradually. What was particularly, I won't say missing, but what was in short supply at the time that which we realised was specifically more so in the area of integration of a complex Combat Suite, we had some experience but we realised that we did not have the full experience to confidently embark on a project to put together and integrate a complex system as we had envisaged it, not that the system was complex compared to international standards, it was perhaps even a little bit modest compared to international standards but it was certainly rather complex compared to what the Navy had been using up to then.

ADV LEBALA: Now do I understand you to be saying that modern Combat Suite in this context refers to a complex one?

MR NORTJÉ: More or less by necessity, yes Chair.

ADV LEBALA: Now based on what you have said let's read on line number 3:

“... and that it was desirable to form some partnership with an experienced foreign comb at suite contractor in order to bolster the local

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integration capability which was regarded as a strategic capability”.

You have just confirmed that, let's read on.

MR NORTJÉ: Confirm.

5 ADV LEBALA: *“The envisaged project contracting model was therefore changed to that of a single main contractor responsible for the complete vessel but in such a manner that local South African industry would still play a significant role in supply of the*
10 *Combat Suite elements”.*

I think this part you have dealt with, you have clarified so well, you are simply saying we have to look at the single main contractor overseas based because of the expertise, because of this complexity of a modern Combat Suite but we still have
15 to look at the local industry interest.

MR NORTJÉ: Confirmed Chair, and in particular as far as the integration part is concerned we were not only looking for a knowledgeable and experienced partner, we were also looking for technology transfer to South Africa for future
20 benefit.

ADV LEBALA: And this is confirmed by what the last portion of this paragraph says:

25 *“... Local South African industry would still play a significant role in the supply of Combat Suite elements as well as in Combat Suite integration,”*

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What you have just said now:

“... So as to utilise and expand the local industry”.

Now you will appreciate why we started with the background of showing the foreign elements of the Combat Suite and the local elements, we are starting to unpack that, can you see?

5

MR NORTJÉ: Yes Chair.

ADV LEBALA: Now:

“This approach was in accordance with the stipulations in the following documents: ...”

10 Now one starts to realise that this was not in the abstract, it was informed by policies, isn't it?

MR NORTJÉ: I'm not quite sure what you mean with, by informed by in the abstract by policies? May I ask for some clarification Chair?

15 ADV LEBALA: All that we have mentioned, it was not something that was decided in the air or picked up or thumb-sucked.

MR NORTJÉ: That is perfectly correct Chair, it was informed by policy as well.

20 ADV LEBALA: Now 2.6.1 we could draw the Commission's, and it's very important because the process of acquisition of the Combat Suite has to satisfy the commissioners that it was fair, it was well-informed, it was not haphazard, albeit we are still going to go through the balances
25 and rapids in your testimony but let's start with 2.6.1, the

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policies.

CHAIRPERSON: Advocate Lebala if you don't mind I think we have had several witnesses who spoke about this document and policies, we are fairly comfortable and I'm sure you will not
5 lose anything by just skipping them, I think we are ready now (indistinct) documents.

ADV LEBALA: I'm beholding Chair and Commissioner Musi, and I think it would do us good if the commissioners draw our attention to that which could expedite your testimony and
10 that journey has started and I suppose it eases the burden. I'm certain that we could have spent some more time, 10 minutes on these policies but let's go to page 5, page 5 of your statement:

*"When the project resumed in 1997, the collective
15 mind-set had shifted to a main contracting model, where ARMSCOR and the South African Navy would carry little or no risk".*

Now this is ... The Commission has heard this but we are going into a territory which is very sensitive, I've got to be
20 careful not to testify, now you associate with this statement, that is why it's put in your signed statement isn't it?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: Now why was the risk factor so significant?

MR NORTJÉ: Chair, whenever one embarks on a major
25 project the risk is one of the most important factors to consider

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always because risk invariably when it materialises leads to delays and delays costs money and at the time in the middle 1990's there were a few examples of major naval shipbuilding projects going wrong and risk materialising, so we were very sensitive for risk issues.

ADV LEBALA: Now at this stage and context the risk issue affect the price and the cost of the capability?

MR NORTJÉ: Chair, I'm afraid risk always has a bearing on the price and it depends very much who carries the risk and how one caters for risk in one's contract, so risk is one of the many things that the project team and the project manager have to balance against other things, so risk and cost are very often balanced against each other and there's never a clear answer, it depends on a case to case basis.

ADV LEBALA: I would like to start referring you to the bundles to start dealing with this important aspect that you have just talked to, I would like you to look at Volume 4.

MR NORTJÉ: Bundle?

ADV LEBALA: Bundle 4. Bundle 4. Commissioners, please bear with us when we use the word bundle and volume interchangeably, it signifies one and the same thing. Volume 4, I would like you to go to page 9, 221, we are just going to highlight just the significant parts.

ADV LEBALA: I'm sorry Advocate Lebala, on which page?

ADV LEBALA: We are starting on page 9 Chairperson,

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Volume 4 page 9. I see the Commissioners are nodding, are you at page 9 Mr Nortjé?

MR NORTJÉ: I have found it, yes.

ADV LEBALA: Now this document is headed "Letter of
5 Promulgation". Let's look at the bottom who are the signatories to it, the left is R C Simpson-Anderson, can you see?

MR NORTJÉ: Yes Chair.

ADV LEBALA: And to the right is s Shaikh who was the
10 Chief of Acquisitions.

MR NORTJÉ: That's correct Chair.

ADV LEBALA: Now are you refreshed about what this document is about?

MR NORTJÉ: Chair, I have not recently read and studied
15 this document but I was familiar with it at the time.

ADV LEBALA: Now just to get to the point, does it talk about the goals and the principles relating to the acquisition of the new Corvettes?

MR NORTJÉ: Chair yes, as my memory serves me right it
20 did talk to that.

ADV LEBALA: And it informs on how this acquisition of new projects has to be executed?

MR NORTJÉ: I think it was a suggestion as to how it should be done, it was not yet an instruction as such.

ADV LEBALA: And are you refreshed if I were to say that
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this document also mentions the question of risks, costs and the price?

MR NORTJÉ: Chair, I repeat, I have not read the document recently but I would be surprised if it does not
5 mention those.

ADV LEBALA: Let's go to page 12 of the self-same document. We know that up to so far the theme of the document is to set out the goals and principles relating to the execution of the new acquisition of the acquisition of the new
10 Corvettes and we know that, or we're told that this document in a way addresses the question of risk, cost and price. Now page 12 paragraph 7, please read it, the paragraph headed "Project Goals".

MR NORTJÉ: Chair, is the request that I read the entire
15 paragraph?

ADV LEBALA: Just paragraph 7, not the entire paragraph but paragraph 7, not a, b, c, paragraph 7.

MR NORTJÉ: Thank you Chair.

*"The goals of this project are the acquisition of the
20 cost effective Corvettes, submarine and maritime helicopter by: ..."*

ADV LEBALA: Now the question of cost in as far as the Corvette, we are dealing with the subject Corvette now and the Combat Suite comes there, I would like you to go to page 14
25 paragraph 13, please read it.

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MR NORTJÉ: Chair, paragraph 13:

“The principle of ‘value for money’ shall be applied. Cost and cost benefit are major factors to be pursued throughout the acquisition phases. Whilst the initial capital cost is important, optimising the through life cost is an equally important requirement to ensure that the constraints of the Navy’s overall cash flow envelope are not exceeded. As a principle, acquisition management decisions will be taken on the implications on through-life support. Functional characteristics may, guided by a value system and subject to Chief of the Navy’s approval, be adjusted as a trade-off against rises in cost. Adjustment of individual operational requirements shall be managed in such a way as to retain a balanced overall Combat Suite [sic] user system of acceptable quality and growth potential”.

ADV LEBALA: Now of significance is what we see on page 9, go back to page 9 quickly, below...

MR NORTJÉ: Page 9.

ADV LEBALA: Below the identification of the Chief of the Navy, there’s Department of Defence, can you see a date October 1998?

MR NORTJÉ: Yes Chair.

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ADV LEBALA: Now as at that stage the successful bidder had not been informed or identified.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: Now we know that the issue of cost and risk was positively addressed even by then.

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: Now read paragraph 14, page 14 paragraph 14.

MR NORTJÉ: Chair, paragraph 14 reads as follows:

10 *“The contracting model shall be based on the principle of a single point of accountability per project. This entails the acquisitions of the platforms (ships and submarines), Combat Suite elements and integrated logistic support as one*
15 *project from a single Prime Contractor per project”.*

ADV LEBALA: Proceed to page 15. I beg your pardon, proceed to paragraph 15.

MR NORTJÉ: Paragraph 15 Chair:

20 *“The development and maintenance of a local logistic support and integration capability is of strategic importance to ensure the through-life supportability of the vessels. The technology transfer of overseas expertise to the RSA shall be*
25 *pursued to the maximum benefit possible. The priority for technology transfer shall be a level 4*

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and level 5 system knowledge support and operations capabilities”.

ADV LEBALA: Now the Commission will appreciate where we are going with this, we know that you have already touched
5 on this but please turn to only one paragraph on page 15, paragraph 16, the next page.

MR NORTJÉ: Paragraph 16:

*“Preference may be given in the procurement of defence products and services from local suppliers
10 provided such procurement represents good value for money”.*

ADV LEBALA: Now the question of price comes local industry, it is very critical, risk factor have been addressed by these paragraphs we took you through but let’s complete this
15 document by going to page 21, the paragraph headed “Risk Management”, page 21 of the self-same document. Please proceed to read paragraph 63.

MR NORTJÉ: Chair, paragraph 63 reads, and it is under the heading of “Risk Management”, it reads:

“Projects shall have a Risk Management Plan which shall allow high level risk to be made visible to the project director. The Risk Management Plan shall ensure that a controlled environment is created within which risks can be:

a. Identified.

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- b. *Recorded.*
- c. *Analysed for impact in terms of schedule, cost and performance, and;*
- d. *Handled to minimise the impact or to avoid the risk”.*

5

ADV LEBALA: Now it's going to be demonstrated that when you go to the controversies the question of risk which has been addressed as early as October 1998 has always been the sore thumb in as far as the pricing, the budget and the intention to achieve these capabilities. I would like us to go back to page 5 and complete paragraph 2.7, let me read it:

10

“It was envisaged that an experience overseas ship builder ...”

The Commission has heard that would form a suitable teaming arrangement with local industry to enable single integrated main contract for the entire integrated vessel.

15

“... as indicated in the request for the final offer and as further described below: ...”

Commissioner Musi, I'm with you Sir?

20

COMMISSIONER MUSI: I'm there.

ADV LEBALA: Thank you. Thank you Commissioner Musi. We're on paragraph 2.7 page 5, rehashing what we have heard and I think by now Commissioners the theme of what we are emphasising is remaining in your heads and you are going to appreciate it fully when we start dealing with the controversy

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surrounding the subject of the Combat Suite. I don't have to repeat this paragraph Commissioners because it's what the witness has already laid a foundation about. Let's look at paragraph 2.8, you've also mentioned it, let me read it:

5 *"The fundamental acquisition philosophy was still to focus primarily on the suitability of the platform being a fixed an inflexible investment for 40 years and to acquire only the essential combat systems for the primary role".*

10 Now those systems are the component parts of the Combat Suite, am I right?

MR NORTJÉ: Affirmative Chair.

ADV LEBALA: *"Thus it became about that frigate size platforms were required with the relatively modest Combat Suite of Corvettes. The platform to Combat Suite cost ratio was approximately 60:40 whereas it is usually 40:60 for warships".*

15

The Commission has already heard about that.

"Experience has shown that it is invariably the Combat Suite of a ship that gets upgraded and replaced repeatedly during the life of a ship and thus this philosophy was well-suited to the practical reality".

20

Now you have testified to that.

25 MR NORTJÉ: Yes, indeed.

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ADV LEBALA: The case of local participation I think the Commissioners have heard about it, I am not going to take them through the policies even what we demonstrated by referring to bundle 4, the promulgation they could see that the
5 issue, irrespective of the foreign element, the local industry was always catered for.

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: That's why we have Project Suvecs and Project Diodon, or rather Project Suvecs.

10 MR NORTJÉ: Affirmative Chair.

ADV LEBALA: We are going to jump paragraph 3.1, 3.2, but 3.3 lays the foundation for the controversies that we are going into. I would like us to look at 3.3 on page 6
Commissioners:

15 *"The intent was therefore to integrate and to exploit as far as reasonably possible South African Combat Suite technology base, which had been established over the previous two decades".*

That is the reason why the Project Suvecs was there isn't it?

20 MR NORTJÉ: Yes Chair that is the reason why Project Suvecs was there.

ADV LEBALA: The remaining parts over-emphasise what the Commissioners have heard, I think it has become a theme on their mind that local industry in as far as the Combat Suite
25 is concerned would be protected:

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“This approach would keep local capabilities viable and available for maintenance, support and future upgrade, at vastly reduced cost ...”

The cost factor comes again there:

5 *“... and with much shorter turnaround times compared to overseas sourcing, while also enabling the ease of incremental upgrading in the future. It would hopefully also enable local contractors to win contracts”.*

10 Let’s not go to 3.4, the Commission has heard about it. 3.5, they’ve heard about it. 3.6, we need to read it because it lays a basis to what’s the controversy of cost and risk:

15 *“In addition apart from the money already invested in local industry capabilities as described about the local Combat Suite components represented good value for money, largely due to the ability of local industry to tailor their designs to the relatively modest capabilities that the South African Navy could afford”.*

20 3.7 I think the Commissioners have heard about it. 3.8, they have heard about it. We need to actually regurgitate Annexure “FN10” as a foundation also to what are the controversies. Let’s look at Annexure “FN10” Commissioners, pages 227 to 239 of the self-same bundle, page 227. At this stage the
25 Commission has been advised that the issue of risk, cost and

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price has ignited controversy in as far as some of the elements of the Combat Suite are concerned. Now before we even start dealing with the real controversies let's complete the picture by taking the Commission through a document starting on page 5 227. This document is titled the "South African Navy Patrol Corvette Combat Suite Element Costing and Description". Does it refresh your memory when I mention the title?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: Look at the date, it's dated 10 30th September 1997, can you see?

MR NORTJÉ: Yes Chair.

ADV LEBALA: Before we even shortlisted, I suppose we are still going through the RFI's at that stage isn't it?

MR NORTJÉ: I was not directly involved in the RFI's 15 Chair as my senior showed, I only took responsibility for the project overall much later, but yes, if my memory serves me right that was approximately the time of the RFI's going out.

ADV LEBALA: Please turn to page 228, you will see that the document has been signed by Captain Kamerman who is 20 going to come and testify a witness of this Commission, can you see?

MR NORTJÉ: Yes Chair.

ADV LEBALA: This is the self-same Captain Kamerman who became the project officer of Project Sitron, am I right?

25 MR NORTJÉ: Small correction Chair, he was the project

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officer of Sitron right from the inception.

ADV LEBALA: Thanks for the clarity and I suppose the record would reflect that correction which is very important, but the document informs us in the paragraph headed "Approval" about the period. If, let's read that paragraph, it says:

"This document is approved for issue as the Patrol Corvette Combat Suite element costing ..."

Can you see?

"... and description".

10 The question of costing is coming again.

MR NORTJÉ: Yes Chair, cost is a very important factor whenever you tackle any project.

ADV LEBALA: *"... and description for purpose of assisting invited countries to prepare proposals for the supply off our Patrol Corvette Vessels and associated logistic support to the SA Navy, in terms of the Minister of Defence letter".*

MR NORTJÉ: So noted Chair.

ADV LEBALA: Now I want to ask as to whether does it refresh you that is it about the period that it was during the time the RFI's were going out?

MR NORTJÉ: The dates would seem to indicate such Chair, but you would also see that this was a letter signed at, this particular page was signed in January 1998, that was after the RFI stage.

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ADV LEBALA: Thank you. For the record this is common cause. Before this Commission the Commissioners have seen that the Minister of Defence has written letters of RFI's inviting different countries. Don't bother about it, don't agonise, it's
5 common cause, but let's go to page, we are not going to read the whole document, let's just read the important note of these documents, its highlights, go to page 229 paragraph 4, please read it.

MR NORTJÉ: Chair paragraph 4 reads:

10 *"In that invitation has been issued to a shortlist of countries to make a best and final offer of Patrol Corvettes to the SA Navy, a ceiling cost and scope of the Combat Suite Element will be provided to each contender in order to ensure a common
15 proposal baseline for this element".*

ADV LEBALA: Go to page 230 paragraph 5, please read it.

MR NORTJÉ: Chair, paragraph 5:

20 *"Aim. The primary aim of this document is to describe the Patrol Corvette Combat Suite Element at a high level including the ceiling cost (plus all assumptions included in the cost), scope, product breakdown and suppliers in order to enable the
25 drawing up of proposals for the supply of four Patrol Corvette Vessels and associated logistic*

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support to the SA Navy”.

ADV LEBALA: Paragraph 6 mentions “Vessel Costing”.
The cost element comes in as paragraph 7 which is headed
“Ceiling Cost and Inclusion Assumption”. Please read
5 paragraph 7.

MR NORTJÉ: Chair, paragraph 7 reads:

*“The SA Navy ceiling cost for the Combat Suite
element is set at Rm1 470 in predicted April 1998
Rands. These costs arise from a recent and
10 comprehensive audit of the Combat Suite with all
local suppliers providing detailed budgetary
estimates to a common baseline against an
approved workbreakdown and specification. Costs
for the overseas sourced items of supply are
15 derived from budgetary estimates supplied by the
manufacturers to the SA adjusted to the same
costing baseline as the locally sourced system”.*

ADV LEBALA: Let’s quickly heed the notes and close this
aspect and start dealing with the cost and the price and the
20 controversies and the risk, for instance page 231 you will see
paragraph b is an element of cost. C, cost ceiling. D, ceiling
cost. F, a ceiling cost. G:

*“The supply of the following South African Navy
Custom Furnished Equipment to the Combat Suite is
25 assumed at the ceiling cost”.*

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Can you see?

MR NORTJÉ: Yes, I do Chair.

ADV LEBALA: Page 232 paragraph h:

5 *“The supply of the following SA Navy Customer
Furnished Services is assumed in the cost ceiling”.*

J:

“The ceiling cost includes ...”

Can you see?

MR NORTJÉ: Yes Chair, indeed.

10 ADV LEBALA: Page 233 paragraph 10, this one we need
to read only a portion thereof, the paragraph headed “Foreign
Source Subsystems”, that’s why we started where we started
just to make it stick on the Commission’s mind that there were
foreign elements, there were, there was local element, even the
15 foreign elements were absorbed on this highlighted aspect of
price and cost.

20 *“The RSA has a reasonably well-developed Naval
Combat System industry across a wide range of
products and technologies. As the maintenance and
expansion of these capabilities affords the South
African Navy certain strategic and cost efficiency
advantages the Patrol Corvette Combat Suite
Element is mainly locally sourced”.*

The cost factor is still there. Paragraph 11, “Cost
25 Effectiveness” at the bottom, the last line, can you see?

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MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: Now having laid this background ...
Commissioners, my colleague Ngobese was reminding me that
we only take a break at 11h00. I don't know why I thought it's
5 at 10h30 but we are ready to proceed. Page 6 paragraph 3.4,
3.5, 3.6, 3.7 we have dealt with the "FN10", 3.8 we don't have
to deal with it. Page 7, we've just gone through the Programme
Management Plan over-emphasising costs, reminding us about
that the cost and the price and the risk would also impact on
10 even the foreign element, that has become clear to the
Commission. 3.11, it is what has become common cause to the
Commission, let's refresh the Commissioners about it, 3.11,
page 7. Please read it.

MR NORTJÉ: Could you repeat the particular paragraph
15 number please Chair?

ADV LEBALA: It's paragraph 3.11.

MR NORTJÉ: Chair, paragraph 3.11 reads:

*"In November 1998 Cabinet announced that in the
case of the Corvettes the German Frigate
20 Consortium ("GFC") had been selected as the
preferred supplier and accordingly mandated the
International Offers Negotiating Team ("IONT") to
negotiate through the structures at various levels
with each of the preferred bidders in order to
25 finalise affordable contracts".*

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ADV LEBALA: That has become common cause, we are not going to waste time on paragraph 4, the Commission has heard that there was a negotiating team which was two-pronged, the one looking at the umbrella contracts represented
5 by the IONT headed by Mr Jayendra Naidoo and the one dealing with Supply Terms in which programme managers and project officers were part of the team, am I right?

MR NORTJÉ: Affirmative Chair, that is correct.

ADV LEBALA: All that is to be mentioned is that in
10 paragraph 4.2 I would like the Commission's attention because the Commission's interests are going to be heightened when we start dealing with individuals who sit in some of these committees when we go to controversies. 4.2:

*"The negotiations commenced in November 1998 and
15 terminated in December 1999".*

This has become common cause.

*"Giving my role as programme manager I had a direct involvement with this process in partnership with the South African Navy's Project Officer
20 Captain Jonathan Kamerman, who was the official team leader assisted by Captain Kevin Watson, the South African Navy Project Engineer; Lieutenant Commander Andrew Cothill as South African Navy
Combat Suite Project Engineer; and Mr Louis
25 Mathieson, ARMSCOR Combat Suite Manager".*

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MR NORTJÉ: Affirmative Chair, but please allow me if you would indulge me Chair, that these were just a few names, the team was considerably larger than that albeit it a part-time basis. I have for instance not given recognition to the logistic
5 team that was operating in the background but just for the record the logistic team was also a very important part of the entire negotiation.

ADV LEBALA: Well, the Commission will be refreshed when we get to some of these names which are relevant to the
10 controversy surrounding the Combat Suite. Shall we pass, because we have dealt with page 8, it refreshes us about the umbrella agreement and the Supply Terms and the teams that came, that were under the umbrella agreement. Paragraph 4.5, the Commission has heard about it. Now the Project Control
15 Board comes again, just to assist the Commission because we are, I think after tea we are going to start dealing with the controversies and the Commission knows from what to summarise what the Project Control Board is. Just to assist the Commission once again let's look at Volume 4 page 6.
20 Volume 4 page 6.

MR NORTJÉ: I found it Chair.

ADV LEBALA: The Commissioners are still looking for their bundles, bundle 4 page 6. I see the Chairperson is nodding, I suppose Commissioner Musi has the bundle too?
25 Volume 4 page 6. The Commission will appreciate that there is

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a bundle of the documents that involve the minutes of the Project Control Board when we deal with the controversies of risk, the price and cost in as far as the Combat Suite is concerned. Does this refresh you?

5 MR NORTJÉ: Yes Chair, indeed. Yes Chair, it does refresh me.

ADV LEBALA: Now just refresh the Commission. At this stage we are not going to take them back to this document. You have summarised what the Project Control Board does.
10 You, if I'm not mistaken, you said, you conceded that it's an organ of the Department of Defence.

MR NORTJÉ: Yes Chair, I said so.

ADV LEBALA: Now the Commission has said about this before but probably we could (indistinct) the themes that would
15 remind them when you go to that bundle dealing with those controversies, for instance page 6 informs us that particularly "Purpose" paragraph 2, if I may read it:

*"The purpose of the Project Control Board is to enable the Department of Defence and ARMSCOR to
20 direct the Joint Acquisition Activities of cardinal projects of the South African Navy".*

Yesterday you did mention that its role is to control acquisitions.

MR NORTJÉ: Affirmative Chair.

25 ADV LEBALA: "Functions of the Project Control Board"

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paragraph 3a:

“a. Direct the overall project acquisition strategy”.

It emphasises acquisition.

*“b. Determine or clarify high level policy as it may
5 impact the projects.*

*c. Provide guidance and direction to the project
teams.*

d. Monitor milestone decisions.

*e. Make decisions or obtain higher level
10 authorisation concerning matters outside of the
responsibility for the Project Team”.*

*f. Act as the interface between the Project Team
and the Armaments Acquisition Steering Board and
Strategic Offers Committee (“SOFCOM”).*

g. Overall control of activities of the Project Team”.

Now is it true that these functions have also impacted on the
activities and conduct of Mr Young?

MR NORTJÉ: Yes Chair, it did.

ADV LEBALA: Now this aspect is very important because
20 we will be getting there, we were just laying a foundation for it
just to remind ourselves as we start dealing with the issues
that are at the heart of some of the interest witnesses of the
Commission, including Mr Young. Let’s look at the composition
of the Project Control Board. Paragraph 4:

“The permanent members of the Project Control

25

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Board are ...”

Now let’s look at it during the times of the Strategic Defence Procurement Programmes, if you could remember the names please mention the names, if you can’t do not agonise Mr
5 Nortjé. Let’s start with the Chief of Acquisitions Chairperson, who was he, if you are refreshed, if you could remember?

MR NORTJÉ: Chair that was Mr Chippy Shaikh of the DoD.

ADV LEBALA: Chief of the Navy?

10 MR NORTJÉ: Chair that was Admiral Simpson Anderson.

ADV LEBALA: The Chief of, the Chief Executive Officer of ARMSCOR?

MR NORTJÉ: Chair that was Mr Llew Swan.

ADV LEBALA: The Director Navy Acquisition?

15 MR NORTJÉ: Chair that was a position that changed over time, if my memory serves me correctly at this time October 1998 when it was written Director Naval Acquisition was Admiral Howell.

ADV LEBALA: General Manager Acquisition?

20 MR NORTJÉ: That was an ARMSCOR official Chair and that was Mr Sipho Thomo at the time.

ADV LEBALA: What about Mr Esterhuyze?

MR NORTJÉ: Chair, I will have to search my memory, Mr Thomo I seem to recall took over from Mr Esterhuyze at a
25 certain point in time, I cannot recall exactly when but I think if

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we go to the minutes of (indistinct) Control Meeting my recollection is that it was always attended by Mr Thomo rather than Mr Esterhuyze, but I think it's a question of timing as to when the takeover happened.

5 ADV LEBALA: Project Director?

MR NORTJÉ: The Project Director, if my memory serves me correct at the time, was a DoD official by the name of Admiral Van der Schyf, he might have been captain at the time, and I'm not sure.

10 ADV LEBALA: Senior Manager Maritime?

MR NORTJÉ: Chair, that was an ARMSCOR official and it was in main Mr Kevin Hanafey.

ADV LEBALA: I'm asking a general question at this stage with a view as prelude to where we are going. These
15 individuals that you have mentioned, have they played a role in as far as the Combat Suite Elements that are controversial, particularly those pertaining to the interest of Mr Richard Young are concerned, have these individuals played a role in that regard?

20 MR NORTJÉ: Chair by virtue of the fact that they were all members of the PCB and were therefore charged with the responsibility of taking note of things like this and fulfilling the functions as mentioned above in paragraph 3 of the document
25 yes, they were involved, that does not necessarily mean that they were directly involved and participating in all the

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discussions but in an oversight role they were most definitely involved.

ADV LEBALA: Thank you. Let's go back to page 8 and speeding up let's put our foot harder on the pedal now, let's
5 accelerate. 4.6 It's common cause.

CHAIRPERSON: I'm sorry Advocate Lebala, can I suggest that when we adjourn for tea, can the witness confirm the names that he has mentioned because he kept on saying, if my memory serves me well, if my memory serves me well, can I ask
10 him to look at the relevant documents during the tea break in order to confirm the names?

ADV LEBALA: We will do Chair. I see the witness wants to respond.

MR NORTJÉ: I beg your pardon Chair, I was drawing in
15 my memory, I will try to confirm by looking at relevant documents.

ADV LEBALA: Chair, could we utilise these 10 minutes just to clear the fork which is standing on our way on this non-controversial cost issues. 4.6, I think that the Commission has
20 heard what the Joint Project Teams and the Integrated Project Teams did in as far as the Vessel Contract Baseline is concerned, actually Mr Rob Vermeulen as far as the submarines are concerned explained those functions which are more or less similar in as far as the Corvettes are concerned with minor
25 differences. Let's not spend time. For instance if you look at

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page 4, page 9 paragraph 4.6.5, the Factory Acceptance Trials, the Harbour Acceptance Trials, the Sea Acceptance Trials, the Integrated Team had to do it to assure that we are getting a better product to South Africa isn't it?

5 MR NORTJÉ: Yes Chair, that is indeed standard practice whenever we do acquisition of whatever nature it always ends with a suitable set of acceptance trials to confirm that what has been delivered or is about to be delivered conforms to the requirements as specified in the contract.

10 ADV LEBALA: And this paragraph, for instance 4.6.7 informs us that negotiations took place so that the best deal should be achieved for the South African Navy and to stay within the Cabinet ceiling, isn't it?

MR NORTJÉ: Yes Chair, we certainly tried our best to
15 obtain the best deal for the South African Navy.

ADV LEBALA: Now we are about to go to the controversies now, the rapids will be starting, I suppose we can start after tea, we are going to paragraph 5 headed "Negotiation: The Platform". Now the Commission would raise
20 its eyebrows as to why the Ship Platform is mentioned but they will appreciate that it will be in the context, in the context of the gearbox which is the subject of controversy, am I right?

MR NORTJÉ: I have noted Chair that there was a little bit of controversy about the gearbox, yes.

25 ADV LEBALA: Now we deal with the platform in that

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context only, isn't it?

MR NORTJÉ: I'm in your hands in that regard Mr Evidence Leader.

ADV LEBALA: Chair, I think it would be an appropriate
5 time to take a break and we'll start after tea break.

CHAIRPERSON: Just before we take a break I see in your statement you refer to "Client Project Teams", is it the same as an Integrated Project Teams?

MR NORTJÉ: Yes Chair, there was reference to
10 Integrated Project Teams, Client Project Teams, Joint Project Teams, they were all fulfilling the same function namely a combination of DoD personnel and ARMSCOR personnel responsible for the negotiation and subsequent execution. The reason why they were called by different names was just to
15 differentiate them from each other.

CHAIRPERSON: Thank you. Then in that case we'll take a tea adjournment and we'll resume at 11h10. Thank you.

(Commission adjourns.)

(Commission reopens.)

CHAIRPERSON: Can the witness confirm that he is still
20 under oath?

MR NORTJÉ: I do.

CHAIRPERSON: Thank you.

ADV LEBALA: Thank you Esteemed Commissioners. Mr
25 Nortjé before we adjourned the Chairperson wanted us to

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confirm the names that we referred to in bundle 4 page 6 under the paragraph headed "Composition". Do you remember?

MR NORTJÉ: Yes, indeed Chair.

5 ADV LEBALA: Are you able to confirm as to whether the names that you have given are correct?

MR NORTJÉ: Yes Chair, with one exception that I have not been able to confirm in the documentation.

10 ADV LEBALA: Well, I and Ngobese have just confirmed that in actual fact you are correct, Mr Siphon Thomo took over from Mr Esterhuyze during the self-same period.

MR NORTJÉ: Affirmative Chair.

15 ADV LEBALA: Commissioners, may the record reflect that the General Manager Acquisition is Mr Thomo as correctly said by the witness, Mr Siphon Thomo. Just to complete the picture is it true that Mr Thomo took over from Mr Esterhuyze?

MR NORTJÉ: Yes Chair.

20 ADV LEBALA: Now let's proceed with your signed statement paragraph 9 on page 9, paragraph 5, the "Negotiation Platform". Is it true that your testimony in as far as the Project Sitron dealing with the Corvette is concerned only as to focus on the Combat Suite?

25 MR NORTJÉ: No, I am not sure that that is correct Chair. My testimony dealt with the entire project including the platform but due to the nature of the problems that we experienced at the time and the effort that was concentrated on

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the platform it might appear that my testimony concentrates on that.

ADV LEBALA: But your testimony will mainly focus on the Combat Suite isn't it?

5 MR NORTJÉ: Probably yes Chair.

ADV LEBALA: This confirms that a large component of your testimony in actual fact focuses on the Combat Suite?

MR NORTJÉ: Affirmative Chair.

ADV LEBALA: Now let's deal with the paragraph headed
10 "Negotiation – The Platform". Paragraph 5.1 Commissioners, page 9, paragraph 5.1:

*"During the negotiation phase, the extensively detailed technical specifications of the platform and machinery as well as the specifications of the
15 Combat Suite Elements and Integrated Combat Suite were addressed largely in parallel with much emphasis on the complete integrated vessel".*

We've heard that up to so far.

*"Logistical aspect and technology transfer were also
20 addressed comprehensively. Terms and Conditions were addressed after the Technical Phase".*

We've heard that. Paragraph 5.2:

*"Regarding the platform two noteworthy developments arose from these efforts, regarding
25 the gearboxes and the main diesel engine".*

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By way of background was there controversies surrounding the gearbox?

MR NORTJÉ: Yes Chair, there was a certain amount of controversy in the press regarding the gearbox.

5 ADV LEBALA: Were you involved with the gearbox?

MR NORTJÉ: Chair, I was involved in the entire project, so by extension yes, I was involved in the gearbox.

ADV LEBALA: By the way we are talking about the gearbox that propels and/or assist the Combat Suite, I mean
10 the whole Corvette isn't it?

MR NORTJÉ: Yes Chair, it fulfilled the function, still fulfils the function that the gearbox in your motorcar also fulfils.

ADV LEBALA: Now we know that there was controversy
15 surrounding the gearbox. Probably the Commission's attention has to start being drawn to Volume 2, page 88 Volume 2 page 88. This foundation will be completed by what you say in paragraph 5.3 and 5.4 of your statement. I would like us to start on, at Volume 2 page 88. You have just testified that the
20 fact that you were involved in the whole project, the Corvette Suite that is the platform and the Combat Suite, albeit we know that you mainly spent most of your time on the Combat Suite and that is the reason why you were able to deal with gearbox. Of course you dealt with gearboxes with limitations, there were
25 limitations and qualifications why you dealt with the gearbox

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isn't it?

MR NORTJÉ: Yes Chair, it is not my area of speciality for starters.

ADV LEBALA: Now let's look at page 88 Volume 2. Mr
5 Nortjé, where you are able talk to a document please feel free, I know that you are willing to assist the Commission to an extent to which you can, where you can't please advice accordingly. Now there's a letter on page 88 written in the letterheads of ARMSCOR at the top, can you see?

10 MR NORTJÉ: Yes Chair.

ADV LEBALA: And to the right under the heading "Fax Transmission" it's date 29 July 1999.

MR NORTJÉ: Yes Chair.

ADV LEBALA: And to the left just tell the Commissioners
15 who the letter is addressed to?

MR NORTJÉ: Chair, the letter is addressed to Mr Christoph Hoenings, Director of Thyssen Rheinstahl Technik in Dusseldorf in Germany.

ADV LEBALA: Now why was this letter addressed to Mr
20 Hoenings of Thyssen Rheinstahl Technik?

MR NORTJÉ: Chair, not being the author of the letter I cannot answer that authoritatively, suffice to say that Mr Christoph Hoenings was a senior officer of the German Frigate Consortium and that Thyssen Rheinstahl Technik was one of
25 the members of the German Frigate Consortium.

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ADV LEBALA: And below we see that the letter comes from J J Van Dyk, am I right?

MR NORTJÉ: Yes Chair.

5 ADV LEBALA: If you go down and look at the signature to your left you will see also that it's written Johan J Van Dyk, can you see?

MR NORTJÉ: Yes Chair.

ADV LEBALA: With the qualification "Senior Manager Defence Industrial Participation Division".

10 MR NORTJÉ: Yes Chair.

ADV LEBALA: What is significant is just to the right diagonally opposite to the signature of J J Van Dyk one sees that the letter is CC'd to Mr L Swan.

MR NORTJÉ: Affirmative Chair.

15 ADV LEBALA: Who was the Chief Executive Officer of ARMSCOR.

MR NORTJÉ: Yes Chair.

20 ADV LEBALA: And it's also addressed to Mr Chippy Shaikh who was the Chief of Acquisitions Department of Defence.

MR NORTJÉ: Yes Chair.

ADV LEBALA: Not even addressed, CC'd to them.

MR NORTJÉ: Affirmative Chair.

25 ADV LEBALA: Now at the top just below the date there's a handwritten note, can you see?

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MR NORTJÉ: Yes Chair.

ADV LEBALA: Whose handwriting is it?

MR NORTJÉ: It's my own handwriting Chair.

ADV LEBALA: Now let's read what you say in that
5 handwriting. May I take the liberty to read it?

*"The Project Team will do a technical comparison of
the two gearboxes (quick and to limited depth), but
will stick to previous instructions to keep our noses
out of DIP (Defence Industrial Participation) or NIP
10 issues".*

By the way, what does NIP stand for, assist me?

MR NORTJÉ: Chair, NIP was the National Industrial
Participation that was Industrial Participation in General
Industry in South Africa, not related to the Military.

15 ADV LEBALA: Thank you. Now this note informs us that
one way or the other you were involved with the subject of the
gearbox and particularly with the issues raised in this letter,
am I right?

MR NORTJÉ: Yes Chair.

20 ADV LEBALA: At the top of that handwritten note and the
date there is also a handwritten note, can you see?

MR NORTJÉ: Yes Chair.

ADV LEBALA: Please read it for the record.

MR NORTJÉ: Chair, the note says:
25 *"Frits, please discuss and action. Thank you."*

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Kevin”.

ADV LEBALA: Who is Kevin?

MR NORTJÉ: That was Kevin Hanafey, the senior manager to whom I reported regarding this project.

5 ADV LEBALA: Now what has become clear is that this subject which is being raised in this letter you can talk to, you have commented on it and even the person that you report to is, qualifies that you can discuss an action that issues captured by this letter, am I right?

10 MR NORTJÉ: Yes Chair, up to a certain level of technical depth only.

ADV LEBALA: Now let's read the letter, let's start with the subject: "Gearboxes for the South African Corvettes". Please read the paragraph starting with "I wish ..."

15 MR NORTJÉ: *"I wish to bring the following to your attention and would like to request your assistance in explaining the situation".*

ADV LEBALA: Proceed to the next paragraph.

20 MR NORTJÉ: Chair, the next paragraph:
"Originally the Blohm + Voss DIP business plan provided for Renk's participation in supplying the gearboxes which in turn would have involved Gear-ratio, a Division of Reumech-OMC,"

25 ADV LEBALA: Now what this paragraph tells us that there was a party called Renk which supplied gearboxes.

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MR NORTJÉ: Yes Sir.

ADV LEBALA: Please proceed further.

MR NORTJÉ: *“Renk signed a pro-active agreement with
ARMSCOR and in anticipation of its participation in
5 the Corvette programme placed orders on Gear-
ratio. The prospects for additional business
forthcoming from this venture are estimated to be in
excess of a R100m”.*

ADV LEBALA: The theme tells us that Renk went to put
10 some money in a programme and we know that it's in excess of
R100m. The next paragraph.

MR NORTJÉ: Next paragraph Chair:

*“However, the latest DIP business plans reflect that
Renk has been taken out and replaced with Maag as
15 [sic] a very low DIP value and allegedly now work
for Gear-ratio. On enquiry with Mr N Hopp, he
stated that the decision to use Maag instead of
Renk was based on technical considerations. Our
...”*

20 ADV LEBALA: Now we note that other than Renk there is
another party and/or rather entity or interested entity called
Maag that has become clear, there are two parties that relate
to this gearbox subject for the South African Corvettes.

MR NORTJÉ: Affirmative Chair.

25 ADV LEBALA: The other one we know is going to

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participate in the programme by putting R100m.

MR NORTJÉ: So it's made clear in the letter Chair.

ADV LEBALA: I just wanted to repeat reading paragraph 2 because you just read one word wrongly and it miss-
5 characterised the whole sentence. Start with: "However,"

MR NORTJÉ: Chair, my apology if I maybe stumbled over my words, I will try not to do that again:

*"However, the latest DIP business plans reflected Renk has been taken out and replaced with Maag, with a very low DIP value and allegedly no work for
10 Gear-ratio. On enquiry with Mr N Hopp he stated that the decision to use Maag instead of Renk was based on technical considerations. Our Project Team manager Mr F Nortjé stated that the gearbox was never considered on a technical comparative
15 basis by them (or the User/SAN)".*

ADV LEBALA: Now you agree with me that this further confirms that yourself as the Project Team manager was involved in this subject of the gearbox?

MR NORTJÉ: Amongst many other things, yes Chair.

ADV LEBALA: And what has become clear from this paragraph is that Renk has been replaced with another interested entity called Maag but the issue with Maag, it had a low Defence Industrial Participation Score.

MR NORTJÉ: This is what this letter is trying to say, yes

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indeed.

ADV LEBALA: Now at that stage was the DIP element, remember we are talking to the date of the 29th July 1999. Can you see at the top?

5 MR NORTJÉ: Yes Chair.

ADV LEBALA: Now as at that stage was the DIP element very significant?

MR NORTJÉ: Chair, it was my understanding that the DIP was significant in all the projects but the project team was never involved in the actual details of the DIP, so I would not be able to give any particular details regarding that.

10

ADV LEBALA: Now let's proceed to read the last paragraph.

MR NORTJÉ: Chair, the last paragraph:

15

“As you probably know, the DIP on the platform has been met by a slight margin and we fail to understand the B+V approach to this as the use of Renk will not only improve the DIP position but will also improve [sic] [work for the local company which forms a crucial part of the present and future support of a wide range of equipment in use by the SANDF”.

20

ADV LEBALA: Now from this paragraph the theme informs us that the German Frigate Consortium preferred Maag to Renk, am I right?

25

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MR NORTJÉ: This is what I understand from this letter Chair.

ADV LEBALA: And this was consigned to the Senior Manager Defence Industrial Participation Division.

5 MR NORTJÉ: Yes Chair.

ADV LEBALA: And you were requested to do some task hence paragraph 3 where it's mentioned in paragraph 3 where it's mentioned:

10 *“Our Project Team Manager Mr Frits Nortjé stated that the gearbox was never considered on a technical comparative basis by them”.*

MR NORTJÉ: That is correct Chair.

ADV LEBALA: And this confirms why the notes, the handwritten notes stand as they are on this letter.

15 MR NORTJÉ: Yes Chair, indeed.

ADV LEBALA: But below there's another handwritten note, can you see?

MR NORTJÉ: Yes Chair.

ADV LEBALA: Who is the author?

20 MR NORTJÉ: The author would appear to be Johan Van Dyk, it seems to be the same handwriting as the signature of the letter.

ADV LEBALA: Now please read it for the record.

MR NORTJÉ: The handwritten note says:

25 *“Kevin, both Llew and Chippy support the fact that*

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*we should endeavour to secure work for Gear-ratio.
Llew requested that the Project Team also looks
into this matter and should insist with B+V to use
the Renk gearboxes. Thank you in anticipation.
5 Regards. Johan”.*

And the date.

ADV LEBALA: Who was Llew by the way?

MR NORTJÉ: Llew was Mr Swan, Mr L Swan, the letter
was CC'd to Mr L Swan with ARMSCOR, and his first name was
10 Llew.

ADV LEBALA: And of course Chippy is Mr Shaikh?

MR NORTJÉ: Yes Chair.

ADV LEBALA: And this note informs us that Mr Shaikh
and the CEO of ARMSCOR are of the view that work should be
15 secured for the Gear-ratio.

MR NORTJÉ: So it is stated there, yes Chair.

ADV LEBALA: Which means that preference should not be
given to Maag but to Renk?

MR NORTJÉ: It would appear so, yes Chair.

20 ADV LEBALA: Because Renk was driving the DIP
favourable scores, we know that they were going to book
business in excess of R100 million.

MR NORTJÉ: I had no personal knowledge of that Chair,
but that is what the letter says.

25 ADV LEBALA: Now let's go to Volume 2 page 97.

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MR NORTJÉ: I have it Chair.

ADV LEBALA: Before we go there I would like you to start at page 95. You will see that the date of this document is the 30th September 1999 to your right, can you see?

5 MR NORTJÉ: The date is 30 September 1999, yes indeed.

ADV LEBALA: And the document is headed “Minutes of the Project Control Board Meetings held in the in the Zipper Conference Room at ARMSCOR on 24 August 1999 at 11h00 to
10 Review the Project Sitron and Wills”.

MR NORTJÉ: Affirmative Chair.

ADV LEBALA: Of course to review the project talking about the Corvette and the submarine.

MR NORTJÉ: Yes Chair.

15 ADV LEBALA: Now let’s look at those who were present at the meeting, amongst them was Mr Shaikh, can you see?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: Whom that letter on page 88 was CC’d to.

MR NORTJÉ: That is correct Chair.

20 ADV LEBALA: And was also Vice Admiral Simpson-Anderson, the Chief of the Navy.

MR NORTJÉ: Yes Chair.

ADV LEBALA: Just for the sake of completion the Commissioners would note that there’s a, to the left the
25 paragraph headed “Present”, its names. In the middle is the

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qualification of who those persons, who those names represent, and to the right is their titles, their appointments, so we'll do it that way. We note that as at that stage in 1999 the Chief of the Navy was Admiral Simpson-Anderson that has become
5 common cause. Now next was Rear-Admiral Howell representing the South African Navy and what does the "CDMW" stands for?

MR NORTJÉ: Chair, that stands for Chief Director Maritime Warfare.

10 ADV LEBALA: Just below that is Mr Llew Swan representing ARMSCOR and we know that it's common cause that he is the CEO whom the letter was also CC'd to.

MR NORTJÉ: Yes, indeed Chair.

15 ADV LEBALA: And we see that this Rear Admiral Van der Schyf from representing the DAPD, what does the DAPD stands for?

MR NORTJÉ: I think it stood for Defence Acquisition Procurement Department.

20 ADV LEBALA: And there under is Captain Reed from the self-same department POP Wills, what does "POP Wills" stand for?

MR NORTJÉ: Chair, it stands for Project Officer Project Wills.

ADV LEBALA: And...

25 MR NORTJÉ: Chair, with your indulgence I think this

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may be perhaps also an appropriate moment to point out that you see Admiral Howell presenting the Navy as Chief Director Maritime Warfare. Earlier on when the PCB started Admiral Howell was actually on the staff of the DAPD and he was
5 Director Naval Acquisition, DNA, and in approximately, if I judge by the names and when they appeared on the documents in April of 1999 Admiral Howell was succeeded by Rear Admiral Van der Schyf who was then Director Naval Acquisition as from April 1999.

10 ADV LEBALA: Thanks for the clarity and completeness and there under its Mr F Nortjé yourself, representing ARMSCOR, PMP Sitron, what does "PMP Sitron" stand for?

MR NORTJÉ: It stands for "Project Manager, Project System". I beg your pardon Chair, Project Manager Project
15 Sitron.

ADV LEBALA: Let's not waste time about the other names except that under the paragraph "Apologies" I would like to draw your attention to the last name Captain Kamerman, can you see?

20 MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: He also comes from the DAPD and POP Sitron we know that it's the Project Officer Project Sitron.

MR NORTJÉ: Yes, correct Chair.

ADV LEBALA: Now let's go to page 97 paragraph 12. I
25 would like you to read the paragraph dealing with the subject.

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What this paragraph informs us is that there was minutes of the Project Control Board on the 24th August 1999 which minute apparently was prepared or sent out around the 30th September 1999. Now let's focus on paragraph 12, the subject "Gearbox" that we know that you are qualified to talk to. Please read it.

MR NORTJÉ: Chair, the paragraph reads as follows:

"Acting Project Officer Project Sitron ("POP S") informed the Board that deliberations around the selection of either the Maag Gearbox or the Renk Gearbox were continuing and that Mr J Van Dyk, Senior Manager DIP was investigating the issue. The dilemma being that, whereas the Maag Gearbox is the approved selected option the inclusion of the Renk Gearbox would provide much needed work for Gear-ratio, a division of Reumech-OMC. Chief Acquisitions ("C Acq") stated that the key issue was compliance with the technical baseline and if both gearboxes meet this baseline, preference will be determined by DIP related issues. He instructed the project team to take the lead in determining the requirement".

ADV LEBALA: Now does this paragraph tell us that Mr Van Dyk requested you to assist him with the investigation given what is said in the letter of the 29th July 1999 on at page

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88 of the self-same bundle?

MR NORTJÉ: Yes Chair.

ADV LEBALA: But what is significant is that it appears that as at that stage according to this paragraph Maag's Gearbox was the selected option, isn't it?

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MR NORTJÉ: Yes Chair, as selected by the GFC, the main contractor.

ADV LEBALA: I want us to go to Volume 4 page 119, page 119 Volume 4. I beg your pardon, page 119. My colleague Ngobese has just drawn my attention that it's not 19 Commissioners, Volume 4 page 119. For you to appreciate what page 119 is about one has to start looking at page 117. 117, 118, 119 relates to the same report, am I right?

10

MR NORTJÉ: Yes Chair.

ADV LEBALA: Page 117 informs us that the three documents relate to the report, look at 117 at the top, Project Sitron, Project Report, so the three documents relate to the report, to the Project Control Board 24 August 1999.

15

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: And this is what is addressed by those minutes referred to on page 97, am I right? Volume 2, page 97.

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MR NORTJÉ: Chair, this report is appended to the same minutes.

ADV LEBALA: This report also deals with some of the

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controversial issues we'd be dealing with, for instance the risk cost pertaining to CS BUS, what does CS BUS stand for if you read page 117 Volume 4?

MR NORTJÉ: It stands for Combat Suite Bus Chair.

5 ADV LEBALA: And below that I'm interested and would like to draw your attention to 1a. what does 1a stands for?

MR NORTJÉ: It stands for CCII databus, CCII being the abbreviated name of the particular company.

10 ADV LEBALA: And what does CCII databus in completeness called?

MR NORTJÉ: Chair, I'm not from the top off my head exactly sure what the CCII stands for, I can quickly link it up in the documents if so required.

15 ADV LEBALA: Let me refresh you, doesn't it stand for C-squared, I-squared?

MR NORTJÉ: Yes Mr Chair, that indeed is yet another abbreviation, I think it stands for something like Communications, Computers, Intelligence, something to that effect, I can look it up.

20 ADV LEBALA: I'm always fascinated by your scientific thinking, but let's get back, come back, come back. Do you agree that CCII databus stands for C-squared I-squared databus?

MR NORTJÉ: Yes Chair, it does.

25 ADV LEBALA: And we know that there's controversies

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regarding the C-squared, I-squared databus.

MR NORTJÉ: Yes Chair.

ADV LEBALA: And the C-squared, I-squared is a company owned by Mr Richard Young?

5 MR NORTJÉ: Yes, that is correct Chair.

ADV LEBALA: And below that 1b there's a subject called DETEXUS databus.

MR NORTJÉ: That's right Chair.

ADV LEBALA: Now C2I2 databus and DETEXUS databus
10 are also subject of controversy in as far as costs pertaining to the Combat Suite are concerned.

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: We'll be dealing with that at a later stage, but let's go back to page 119. At this moment we are dealing
15 with the gearbox, we know that page 119 refers to the report to the Project Control Board relating to the minutes of the 24th August 1999, we have taken you through those minutes pertaining to this subject. Now let's read what page 119 say, "Gearboxes", paragraph 1, please read it for the record.

20 MR NORTJÉ: Chair, paragraph 1 reads:

"Request from ACSA/DIP ..."

And that stands for Armaments Corporation of South Africa Defence Industrial Participation:

"Request from ACSA/DIP to investigate selection

25 *RENK Gearbox".*

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ADV LEBALA: Now as at that stage we know that the Maag Gearbox was the preferred gearbox.

MR NORTJÉ: Correct.

ADV LEBALA: And you were given instructions to
5 investigate the subject of the gearboxes not Maag's gearbox,
not Renk's Gearbox. Mr Van Dyk, a senior manager of the DIP
Division gave you a task to investigate the subject.

MR NORTJÉ: A small correction if I may Chair, the
instruction was actually coming from the PCB on the request of
10 Mr Johan Van Dyk.

ADV LEBALA: In actual fact thanks for the clarity there,
instruction seems to, according to came from a higher body
actually.

MR NORTJÉ: That's correct Chair.

15 ADV LEBALA: Paragraph 2, please read on.

MR NORTJÉ: Paragraph 2 says:

*"Preliminary response from GFC advising possible
risks".*

ADV LEBALA: We see that the risk factor comes again.

20 MR NORTJÉ: Yes Chair, very much indeed.

ADV LEBALA: Paragraph 3.

MR NORTJÉ: Paragraph 3 says:

"Implications advised by GFC".

ADV LEBALA: I would like you to focus on the relevant
25 one 3, go to c, forget about a, b and d. All that (indistinct) the

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cost factor comes to the fore, can you see?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: What does c tells us?

MR NORTJÉ: c tells us that Maag has increased their
5 DIP content to the amount of US\$3.5 million.

ADV LEBALA: Now we know that although Renk appears
to have been over-emphasising the DIP Element Maag at this
stage at one time or the other did also increase its DIP
element.

10 MR NORTJÉ: That is what I gleaned from this Chair,
bear in mind once again that we were not involved with the
direct DIP.

ADV LEBALA: Fair enough, but we know that you got
involved at one time, I think that has become stubborn. You
15 know facts don't tell lies, those letters told us. We know that
it's limited but let's look at it now. I beg your pardon, the
Commissioners might be concerned with something.

CHAIRPERSON: No, no, we were just commenting about
something.

20 ADV LEBALA: Commissioner Musi, May I proceed Sir? e,
Signatures. Forget about d "Technical". We know that you did
some investigation on the technical aspect.

MR NORTJÉ: Yes Chair, the team did.

ADV LEBALA: Do this note on d correlate with what you
25 investigated?

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MR NORTJÉ: Yes Chair, it does.

ADV LEBALA: What does it mean?

MR NORTJÉ: Chair, it means that we had advice from the GFC as the paragraph started saying that it is possible to
5 accommodate the Renk Gearbox instead of the Maag Gearbox, that it would be more complex to do so and that the quality would be comparable.

ADV LEBALA: Now according to what you tell us as at that stage the main contractor, the German Frigate Consortium
10 still advised you that it could accommodate the Renk Gearbox but that would be more complex.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: Now does it inform you and the Commission that as at that stage the German Frigate
15 Consortium still preferred Maag?

MR NORTJÉ: That was my understanding at the time that they still preferred the Maag, yes.

ADV LEBALA: Let's read e, "Signatures".

MR NORTJÉ: "Signatures" reads:
20 *"MAAG has a good signature. RENK worse than MAAG".*

ADV LEBALA: What does that mean?

MR NORTJÉ: Chair, that refers to an acoustic signature and acoustic energy radiated into the water by the ship which
25 can be detected by other ships or other sensors in the water, it

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is a fact that the vibrations caused by machinery are translated through the hull into the water and this refers to the amount of such vibration being transferred from the particular gearbox through the hull into the water.

5 ADV LEBALA: Thanks for simplifying this complicated detail and language but as at that stage we are informed that Maag was better than Renk.

MR NORTJÉ: Yes Chair.

ADV LEBALA: Let's read further, "Progress".

10 MR NORTJÉ: *"Progress. MAAG integration design advanced. Technical impacts still to be negotiated by GFC/Renk".*

ADV LEBALA: So, as at that stage it was confirmed that the Maag design was superior and advanced and still Renk technical impact has to be negotiated.

MR NORTJÉ: Yes Chair.

ADV LEBALA: With the German Frigate Consortium.

MR NORTJÉ: Yes Chair, but I think the paragraph says "To be negotiated by GFC and Renk".

20 ADV LEBALA: I beg your pardon, by the main contractor, the German Frigate Consortium.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: 4.

MR NORTJÉ: Chair, 4 reads as follows:

25 *"RENK still to reply to specification regarding*

current offer and price”.

ADV LEBALA: Now Renk still had limitations.

MR NORTJÉ: Yes, at that stage it did Chair.

ADV LEBALA: 5?

5 MR NORTJÉ: 5 reads as follows, it appears to be a quotation from the GFC advice that we received, it reads:

“GFC:

10 *‘... intend to go with the manufacturer which is more convenient to the SA Corvette Project, but on proviso that RENK must fulfil and agree to the conditions MAAG had already agreed’”.*

ADV LEBALA: Are you aware of those conditions that are being referred to?

15 MR NORTJÉ: No Chair, that was the subject of subcontract between the GFC and its supplier and we did not have insight into all those details.

ADV LEBALA: But this paragraph informs us that as at that stage the main contractor, the German Frigate Consortium still saw limitations in as far as RENK is concerned.

20 MR NORTJÉ: Yes Chair.

ADV LEBALA: Let’s go to bundle 4, letter C.

NOTE: Caucus.

25 ADV LEBALA: Before you even go to 145C let’s start at 145A. Throughout this Commission the question of scores, figure of merit, weights, play a very significant...

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COMMISSIONER MUSI: I only have one 145 Advocate Lebala, I don't have A, B, C *et cetera*.

ADV LEBALA: Chairperson, Commissioner Musi, you are supposed to be having 145 accompanied by 145A to B.

5 COMMISSIONER MUSI: The chairperson has got, but I don't have.

ADV LEBALA: Then I beg your pardon, I assure you that the team that has prepared these statements, very capable, you can see from the statements that speak for themselves, I sense
10 that it must be an inadvertent error.

COMMISSIONER MUSI: Thank you.

ADV LEBALA: Thank you. The Commissioners are ready to proceed. Just to highlight something, you did sit through some of the testimonies of your colleagues if I'm not mistaken.

15 MR NORTJÉ: Some of it, yes Chair.

ADV LEBALA: You are aware that the question of scores, figure of merit and weights are very important.

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: You agree that there's a basis upon which
20 the Commission could be better informed that the process was fair?

MR NORTJÉ: Yes Chair.

ADV LEBALA: Transparent?

MR NORTJÉ: Yes Chair.

25 ADV LEBALA: Cost effective.

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MR NORTJÉ: Yes Chair.

ADV LEBALA: Which also addressed the price and risk, am I right?

5 MR NORTJÉ: Very much Chair, cost effective addresses a number of issues.

ADV LEBALA: Now let's look at page 145A. I would like us to go to the subject that we are busy with Gearboxes. We know that you played a role in as far as the technical evaluation is concerned, am I right?

10 MR NORTJÉ: Chair, I was not directly involved in it, it was done by a mechanical sub-team of the Project Team.

ADV LEBALA: But you did play a role?

MR NORTJÉ: Yes Chair.

15 ADV LEBALA: That has become clear from the documentation we took you through, am I right?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: I want you to read paragraph 1 under the "Gearboxes".

20 MR NORTJÉ: Paragraph 1 Chair reads as follows:
"Technical Evaluation Conducted.

a. RENK 93%.

b. MAAG 96%".

ADV LEBALA: Now this tells us that MAAG still trumps RENK.

25 MR NORTJÉ: Yes Chair.

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ADV LEBALA: Looking at the technical evaluation which became a subject referred to the team including you.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: Let's read paragraph 4,
5 "Recommendation|".

MR NORTJÉ: Chair, the Recommendation in paragraph 4 reads as follows:

10 *"No significant technical difference. Select on DIP if it is still a strategic imperative or else do not disturb the agreed technical baseline".*

ADV LEBALA: The fact that there was no technical difference doesn't mean that MAAG didn't trump RENK, am I right?

15 MR NORTJÉ: That is correct Chair, it only says that the difference was not significant.

ADV LEBALA: But DIP was always significant in all fairness?

MR NORTJÉ: Yes Chair.

20 ADV LEBALA: And we know that RENK was providing DIP?

MR NORTJÉ: Yes Chair.

ADV LEBALA: And MAAG had increased its DIP?

MR NORTJÉ: Yes Chair.

ADV LEBALA: Let's look at page 145C.

25 COMMISSIONER MUSI: I note somewhere there Advocate

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Lebala, just for interest sake that under 3 on page 145A Gear-Ratio has now been bought out by Vickers UK.

MR NORTJÉ: That is correct Chair that was reported in the press at the time.

5 ADV LEBALA: Well, the record will reflect that and we will address the Commission on closing submissions on it. I'm indebted to Commissioner Musi. Let's look at page 145C, D and E. Let's start at 145C. The document is headed 'Memorandum', can you see?

10 MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: To whom is it addressed to, look at your left?

MR NORTJÉ: It is addressed to Mr Llew Swan who was the CEO of ARMSCOR and it's addressed to Mr Chippy Shaikh
15 who was the Chief of Acquisition in the DoD.

ADV LEBALA: I see in (indistinct) above the addressees and the heading "Memorandum" to you left, whose emblem is it?

MR NORTJÉ: I beg your pardon Chair, I didn't quite catch the question?

20 ADV LEBALA: Look at memorandum, can you see?

MR NORTJÉ: Yes, indeed.

ADV LEBALA: To your left there is something like a symbol or an emblem, can you see?

MR NORTJÉ: If you mean the symbol that signifies
25 ARMSCOR on the top left yes, then I can see it.

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ADV LEBALA: Okay, let's call it a symbol. Whose symbol is it?

MR NORTJÉ: That is the ARMSCOR logo Chair.

ADV LEBALA: What does that mean, this memorandum is
5 from ARMSCOR?

MR NORTJÉ: Yes Chair, indeed.

ADV LEBALA: We look at 145E at the bottom, the signatory is J J Van Dyk, can you see?

MR NORTJÉ: Yes Chair, except in my copy it doesn't
10 appear to have an actual signature.

ADV LEBALA: That's fair enough, the writer, the author, I beg your pardon, you're right. May the record reflect that I don't have to mislead the witness Esteemed Commissioners, there's no signature, I'm referring to what we see. The writer
15 appears to be J J Van Dyk, am I right?

MR NORTJÉ: Yes Chair.

ADV LEBALA: And we know that it is not signed.

MR NORTJÉ: Yes Chair.

ADV LEBALA: And to the right it's K P Hanafey.

MR NORTJÉ: That is correct Chair.
20

ADV LEBALA: You have informed the Commission that K P Hanafey as at that stage was your boss.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: You are reporting to him. You are
25 reporting directly to him?

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MR NORTJÉ: Indeed, yes indeed Chair.

ADV LEBALA: So this memorandum is prepared by your division and the DIP Division of ARMSCOR.

5 MR NORTJÉ: Chair no, my interpretation is that it was prepared by the DIP Division but requiring the co-signature of the Maritime Division, that's my interpretation and I take that from the top of the letter where it says: "From Johan Van Dyk – Senior Manager DIP".

10 ADV LEBALA: Fair enough. But the other interpretation also means that your boss Mr K P Hanafey also associates himself with this memorandum.

MR NORTJÉ: Only as and when he signed it Chair.

ADV LEBALA: But we know that Van Dyk hasn't signed it too.

15 MR NORTJÉ: Yes Chair, so I see.

ADV LEBALA: So at this stage Van Dyk and Hanafey are similarly situated, can you see?

MR NORTJÉ: It so follows from the letter, yes.

20 ADV LEBALA: It appears that they are the addressors of this memo and they haven't signed it.

MR NORTJÉ: That's correct Chair.

ADV LEBALA: So they are both equal and similarly situated.

MR NORTJÉ: Yes Chair.

25 ADV LEBALA: So you agree that it's from the DIP

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Division of ARMSCOR and also from the Maritime Divisions Senior Manager's office.

MR NORTJÉ: Yes Chair.

ADV LEBALA: Let's go to page 145C. By the way Mr
5 Hanafey is also an employee of ARMSCOR?

MR NORTJÉ: Yes, Chair.

ADV LEBALA: Whilst we are still at 145E to the bottom
we realise that there is still to the left L Swan, CEO ARMSCOR,
can you see?

10 MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: And to the right Mr Chippy Shaikh.

MR NORTJÉ: Yes Chair.

ADV LEBALA: Does it mean that this letter has been CC'd
to them?

15 MR NORTJÉ: No Chair, the way I understand it this
letter is meant to be a recommendation as shown in paragraph
4 on page 145E. The recommendation to be signed by J J Van
Dyk and K P Hanafey for the approval as indicated at the
bottom of the page "Approved/Delete", whichever one is not
20 approved, signed then by Mr Swan and Mr Shaikh, so it was a
recommendation emanating from Mr Van Dyk and Hanafey to Mr
Swan and Shaikh for their approval or otherwise.

ADV LEBALA: Thanks for the qualification but what it
also informs us is that the attention of this memorandum was
25 also drawn to Mr Swan and Mr Shaikh?

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MR NORTJÉ: Yes Chair.

ADV LEBALA: And below J J Van Dyk and K P Hanafey in the middle I see a circle plus ... Just read. Just read that handwritten note?

5 MR NORTJÉ: The handwritten note says: "Rear Admiral O Van der Schyf, Director Naval Projects (DAPD), DoD".

ADV LEBALA: What does that mean?

MR NORTJÉ: I would not be able to say authoritatively Mr Chair, I do not know whose handwriting it is, I would
10 surmise that it refers to the fact that, suggestion that Rear Admiral Van der Schyf should also co-sign this letter, that's my interpretation.

ADV LEBALA: Fair enough. Let's go to 145C. In actual fact you are correct, you corrected me and I think the record
15 reflects that the only person if you look at 145C that the letter is CC'd to is Mr S Thomo.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: By the way he was the manager. What was he, Mr Thomo at the stage?

20 MR NORTJÉ: He was the General Manager of the Acquisition Department of ARMSCOR.

ADV LEBALA: Taken from Mr Esterhuyze?

MR NORTJÉ: That is correct Chair.

ADV LEBALA: We know that it's from the DIP Division
25 Senior Manager Mr Johan Van Wyk?

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MR NORTJÉ: That's right, Chair.

ADV LEBALA: And to the right it is dated the 6th of September 1999.

MR NORTJÉ: That is correct Chair.

5 ADV LEBALA: Now it still talks to the subject "Gearbox Recommendation for the Corvette". Read paragraph 1 "Background".

MR NORTJÉ: Chair, paragraph 1 "Background" reads as follows:

10 *"Initially B+V indicated that RENK would be the gearbox supplier, however, this changed in the meantime and B+V recently indicated that MAAG is now their preferred supplier. ARMSCOR subsequently launched an inquiry into the subject*
15 *matter as it seemed that certain Defence Industrial concerns have not been properly addressed with B+V appointment of MAAG".*

ADV LEBALA: Now what informs us in this paragraph honestly speaking is that one cannot tell whether MAAG or
20 RENK was the actual preferred supplier in as far as B+V is concerned.

MR NORTJÉ: That is the implication of that paragraph Chair.

ADV LEBALA: And ARMSCOR was concerned with the DIP
25 element.

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MR NORTJÉ: That is correct Chair.

ADV LEBALA: Paragraph 2 added DIP benefits, let me read the first paragraph starting with “When ...”

5 *“When comparing the DIP offered by the two gearbox suppliers it became evident that not only did RENK offer a much more substantial DIP package ...”*

Let’s pause there. This paragraph or sentence tells us that as at that stage both gearbox suppliers were offering DIP.

10 MR NORTJÉ: Yes Chair.

ADV LEBALA: They also directed all their businesses to the local company Gear-Ratio, I think that over-emphasises what we have just said:

15 *“Gear-ratio plays an extremely important part in the maintenance of a host of defence equipment mainly on the Army side”.*

Now does the Gear-ratio relate in a way to Integrated Logistic Systems, ILS?

20 MR NORTJÉ: I’m not quite sure that I follow the full extent of the question Chair, may I ask for the simplification of the question?

ADV LEBALA: I think I should leave the question. Its okay let me leave the question. Let’s proceed from line number 5:

25 *“A lack of orders the last couple of years has*

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severely impacted on the company's cash flow and turnover to such an extent that (indistinct) alleges that they might have to mothball the company".

Next paragraph:

5 *"The planned business of RENK will provide a lifeline for maintaining the capabilities and to some extent the capacities of Gear-ratio in support of the SANDF Logistic Support imperatives until such time that the new vehicle programmes can take its*
10 *effect".*

On this paragraph RENK is being punted.

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: Next paragraph:

15 *"The MAAG proposal is substantially less than what RENK offered and their business plan is started amongst several companies".*

Now one gets the feeling that the authors of this memo are relegating MAAG and punting RENK, do you agree?

MR NORTJÉ: Yes Chair, so it appears.

20 ADV LEBALA: Let's look at page 145D paragraph 3, "Technical Considerations". We can do the academic exercise of looking at the DIP comparison between MAAG Gear, AG and RENK, but that's not significant, we both, we know, it's common cause that DIP was very important but let's go to the
25 real nub because we have to finish this line of your question,

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there are other aspects that we need to deal with. Paragraph 3
page 145D:

5 *“ARMSCOR requested B+V to present a best and
final offer on the two gearboxes. B+V subsequently
arranged a full-fledged presentation by both MAAG
and RENK on the 5th of September 1999”.*

In summary the following seems evident, purely from a DIP
perspective, point 1, both MAAG and RENK are reputable
suppliers. Two; both companies boast the same expertise.
10 Three, both gearboxes comply with the specification and user
requirements. Four, the MAAG Gearbox in its new
configuration is already in use on the Australian (indistinct).
Now let me ask you a question, doesn't that give MAAG an
edge in your view?

15 MR NORTJÉ: If viewed in isolation it could be
interpreted as such Chair, but one would be, I think should be
careful to judge that on just one ship programme, there are
many other ship programmes that one should probably look at
before we come to such a conclusion.

20 ADV LEBALA: Well, let's test whether you'll still stick to
what you are saying when you read the next point:

*“The new RENK gearbox is fitted with German F1
(indistinct) Frigates needs to be ...”*

MR NORTJÉ: *“... needs to be proven”.*

25 ADV LEBALA: So, it hasn't been tested, yes it still needs

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to be proven, can you see?

MR NORTJÉ: In that particular ship, yes Chair.

ADV LEBALA: So, if you take 4 and 5 together doesn't that give MAAG Gearbox an edge?

5 MR NORTJÉ: It's May, yes Chair.

ADV LEBALA: Next point:

"MAAG can allegedly deliver four weeks earlier than RENK, although this does not have an impact on the delivery of the platforms".

10 Now does MAAG have an edge?

MR NORTJÉ: Chair, I would say so because the important point for us is delivery of the platforms, not the delivery by the individual subcontractor.

ADV LEBALA: Yes, but let's address ourselves to what we see. MAAG can allegedly deliver four weeks earlier than RENK, although this does not have an impact on the delivery of the platforms. Let's forget about delivery of the platforms. Doesn't the first sentence give MAAG an edge?

20 MR NORTJÉ: Yes Chair, so it would appear but I am sorry if I sound stubborn. From the user's side the critical thing was the delivery of the platform, if the platform still gets delivered at the same time then that difference in delivery time at the subcontractor level doesn't really concern us.

ADV LEBALA: Fair enough. Maybe I'm being unfair but let's focus on the first part of the sentence. Let's say I agree

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with you given your technical expertise on the second part, doesn't the first part tell us that MAAG has an edge?

MR NORTJÉ: Yes Chair, if you so insist.

ADV LEBALA: 8:

5 *"Both gearboxes have a similar layout".*

9:

"Both gearboxes fit into the hull as required, limited space".

We can see that there are similarities in strengths, they both
10 have strengths. Page 145E, it seems that the MAAG Gearbox is a nose-length ahead of RENK. Let's pause there, does this give MAAG an edge?

MR NORTJÉ: Yes Chair, it would give them a certain edge.

15 ADV LEBALA: *"B&V however stated it is like comparing a Mercedes with a BMW:*

Of course the one is Class, the other one is a Series. What do you say about that? I should be careful not to testify but what do you say about that?

20 CHAIRPERSON: Advocate Lebala I think you are right, don't try and testify. The report says that the one is, it looks like a Mercedes Benz and the other one looks like a BMW, let's leave it at that, I'm sure you can try and offer an opinion here, we'll find about 10 different opinions on the same issue.

25 ADV LEBALA: I stand corrected Chair, let's proceed.

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MR NORTJÉ: Thank you for coming to my rescue Chair.

ADV LEBALA: *“B+V stated also that although they would prefer the MAAG Gearbox they will abide by ARMSCOR’s DoD’s ruling as long as it is made clear that it was ARMSCOR’s/DoD’s decision”.*

5
Now we know that in the beginning I drew your attention to the fact that if they get paragraph 1, the Background, 14, page 145C, paragraph 1, the Background, remember in the beginning we drew your attention to the fact that it appeared that as at
10 that stage initially B+V indicated that RENK would be the gearbox supplier, however, this changed in the meantime and B+V recently indicated, they summersaulted it appears, that MAAG is now the preferred supplier. That’s the first part, but when you read this part against that B+V stated also that
15 although they would prefer the MAAG Gearbox they will abide by ARMSCOR’s DoD’s ruling as long as it is made clear that it was DoD’s/ARMSCOR’S decision. Now throughout it appears that B+V has always punted MAAG Gearbox.

MR NORTJÉ: That is correct Chair.

20 ADV LEBALA: *“This is to prevent B+V being accused by other subsystem suppliers of selectively opening the competition for subsystems. B+V also stated that as in the case of all other equipment they take full responsibility”.*

25 I suppose that relegates itself to Category B and Category C

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that the Commission is going to hear about.

MR NORTJÉ: The equivalent of Chair because the categories B and C referred only to the Combat Suite, there were no such things in the platform and the platform, the GFC
5 took full responsibility from stem to stern.

ADV LEBALA: Okay, we'll get there. Thanks a lot for the clarity and correction, the Commissioners will be clarified and I know it's simplified for them now. Here comes the nub of the issue, "Recommendation":

10 *"As it seems that there is no real evidence to support a technical preference for either gearbox and that rank has proposed a very valuable DIP Package it is recommended that RENK be appointed as the gearbox supplier for the four Meko A200*
15 *Corvettes".*

Now isn't it true that as at this stage the MAAG DIP had been increased?

MR NORTJÉ: Yes Chair, according to the letter they have increased.

20 ADV LEBALA: Next paragraph:

'If, however, the ruling should be in favour of MAAG the DIP Division request the opportunity to renegotiate the MAAG DIP business plan in order to try and secure a similar or better deal for Gear-
25 *ratio".*

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Now I would like to ask you an unfair question, did the DIP Division discuss with MAAG?

MR NORTJÉ: I have no knowledge of that Chair.

ADV LEBALA: Do you appreciate what the last paragraph
5 says? I want to read it to you and probably I'll tell you why I would like to you to comment if you can, it has become clear that both provide the DIP, the other one was R100 million but we've seen that the other one increased, there are academic scores of the DIP between the two and still one ...

10 CHAIRPERSON: I'm sorry Advocate Lebala, just make sure that you make the right proposition to the witness, particularly as far as the increment of the DIP of MAAG is concerned. Just make sure that your proposition is correct because if I'm not wrong I seem to have got the impression that it was increased
15 to US\$3.5 million-something and the other one, it was over US\$100 million. Just make sure that you put the right proposition to the witness.

ADV LEBALA: Thanks Chairperson.

COMMISSIONER MUSI: Just hold on.

20 CHAIRPERSON: Just hold on. Advocate Solomon, I see you (indistinct), do you want to say something?

ADV SOLOMON: Thank you Chair, Commissioner Musi, I don't want to gang up against my learned friend Mr Lebala but I think in fairness to Mr Nortjé he's trying to be as helpful as he
25 can in dealing with this document for the assistance of the

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Commission, but he has said clearly that he was not at all involved in the DIP Evaluation, he doesn't know anything about the DIP Evaluation, it was something outside of his knowledge and to try and question him on the rationale for the decision from the DIP point of view I think is unfair. I mean he obviously knows that in the end RENK was selected, he's the project manager/programme manager, that he knew but he wasn't involved at all in this evaluation from the DIP point of view and if I may remind you he, in one of the earlier letters we looked at where we had Mr Nortjé's manuscript writing on the top right hand corner he quite colloquially put it he's going to keep his nose out of the DIP Evaluation and I think that's what he did, so I'm not sure if there will be any value in trying to ask him what happened at the DIP level in regard to this selection process. Thank you.

CHAIRPERSON: Thank you, and from my reading of these documents it's clear that RENK was the preferred engine as far as the DIP Division is concerned because they offered better DIP offers and Mr Nortjé, as he rightly pointed out (indistinct) the DIP matters.

ADV LEBALA: Chair, I...

COMMISSIONER MUSI: And I could also, the last paragraph of that document makes it clear that MAAG would have to improve its DIP offering if it were to be recommended.

ADV LEBALA: Chair, Commissioner Musi, I've noted the

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valid objection of my colleague Mr Solomon SC. and your concerns and I think my question should not be directed in the manner in which I've directed them to this witness, especially on the DIP, but permit me to close this aspect with the following question noting the objection of Solomon SC. and the

5 Esteemed Commissioners, who could come and answer this question relating to the last paragraph as to whether MAAG DIP was discussed with it? Can you answer it? If you can't answer please say.

10 MR NORTJÉ: Chair, I cannot really answer, I was not present when my DIP colleagues gave their presentation last week, I would perhaps have expected that Mr De Beer might have touched on the subject but I think the question as to who should be addressing it should be addressed to our DIP people.

15 ADV LEBALA: If I may be specific, if you look at page 145E is Mr J J Van Dyk still in the employment of ARMSCOR?

MR NORTJÉ: No Chair, he has not been in the employ of ARMSCOR for quite a considerable time.

ADV LEBALA: Mr Hanafey, is he still in the employment

20 of ARMSCOR?

MR NORTJÉ: Yes Chair, he is.

ADV LEBALA: Okay.

ADV SOLOMON: Sorry Chair, if I could just be of assistance and Commissioner Musi, I understand that Johan Van Dyk who

25 is, we obviously see as the author of this report was an

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employee of ARMSCOR is no longer. We have, and with the knowledge of certain evidence leaders been trying to engage with him to see if he can make himself available to give evidence. I'm not sure if he is on the list, the difficulties from
5 ARMSCOR's point of view is to decide whether they would want to include him as one of the witnesses that they would act for but my instructions are he would be best placed to deal with this issue if it becomes necessary to do so. He was, just to tell you, I wasn't here when Mr De Beer gave evidence but I'm
10 sure he would have told the Commission that his predecessor was Mr Van Dyk in the DIP Division, he was a long-standing member of the DIP Division, was one of the parties who was instrumental in creating the DIP Policy and he then did hand over the reins to Mr De Beer at some stage, but obviously at
15 this stage he still was involved in the DIP process. As I say I wasn't here but that's my understanding from having attended certain consultations when he was present, but I understand from my instructing attorney that he would be the party who could deal with this if the Commission so requires.

20 CHAIRPERSON: I understand that Advocate Solomon and from my reading of this document it clearly says that Renk had offered better DIP. Whether MAAG was asked to improve their bid or not I'm not quite sure whether that is going to change the position. We, what we have from the ARMSCOR people was
25 that DIP was a very important element for them, so whether

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they did go back or they did not back I'm not quite certain how that is going to assist us, but Advocate Lebala you can take a decision at a later stage whether you still want somebody just to come and deal with that specific issue or not. Thank you.

5 ADV LEBALA: Thank you Esteemed Commissioners. Remember we still have to come and make closing submissions to you. We'll park this point at this stage but the relevancy of this testimony becomes significant if you appreciate the last question that we'll put to this witness under this heading.
10 Please look at your signed statement page 10 paragraph 5.3 line number 7, and I would like you to appreciate why we had to take you through this exercise, if you read the last sentence saying:

15 *“Thus, after the GFC indicated their agreement the gearbox supplier was changed from MAAG to RENK at no additional cost”.*

Can you see?

MR NORTJÉ: Yes Chair, indeed.

ADV LEBALA: Now the critics are saying that's not true, they say in actual fact Renk was more expensive and this process was done at extra cost, what do you say about that?
20

MR NORTJÉ: I did not see any cost increase in the price of the platform Chair, I do not know whether there were costs in other areas but the GFC has not approached us for additional costs on the platform regarding this issue.
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ADV LEBALA: In as far as the gearbox is concerned, the pricing, have you tried to better inform yourself as to whether the critics are correct that the gearbox Renk price of, the gearbox price of Renk was more expensive and it was acquired at extra cost?

MR NORTJÉ: Chair, we've got to differentiate here, I do not know what prices the German Frigate Consortium paid to Renk or what price they had with Maag, we only saw the resultant platform price.

ADV LEBALA: I think that's adequate to address this aspect. Permit me to finish this line of questioning by reading paragraph 5.3 page 9 of your signed statement. Firstly we know that ... Actually let's recapitulate and appreciate the nexus between 5.3 by reading 5.2:

"Regarding the platform, 2 (two) noteworthy developments arose from these efforts, regarding the gearbox and the main diesel engines".

5.3:

"Firstly, the platforms were offered with gearboxes from Maag, a Swiss company. The JPT (Joint Project Team) was requested by the DIP Team to investigate whether gearboxes from the German company Renk would also be suitable, because Renk apparently already had a working relationship with the local company Gear Ratio and could thus

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offer attractive DIP opportunities. For this purpose, the JPT requested the GFC to obtain suitable technical information from both companies, which was then evaluated against an ad hoc Value system compiled by the technical specialists in the JPT's team. The scores obtained by the contenders during this evaluation were extremely close to each other, with the result that the JPT indicated that there were no technical grounds to prefer either above the other".

I think you have testified to that up to so far.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: Is there anyone who could come and testify with certainty telling us as to whether the gearbox, we know that the gearbox affects the Ship Platform, you don't want to separate them, but is there anyone that you know who could come and testify to advise us about the price of the gearbox? We know that the DIP aspect of Renk was superior to that of Maag, there's no doubt about that but the expense in as far as the gearbox is concerned in line with what the critics say, is there anyone that you could recommend who could come and enlighten the Commission about this detail?

MR NORTJÉ: Chair, I would need clarification on that question, do we refer to the price that GFC paid to them or do you refer to the price that we paid for the platform because we

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did not pay for the gearbox as such and we didn't see the price of the gearbox.

ADV LEBALA: In actual fact I think we should leave this for closing submissions, I'm just putting a version of what the critics are saying. From what you are saying you are saying whether the price increased or not it did not affect the client.

5

MR NORTJÉ: That is correct Chair.

ADV LEBALA: But still the element of cost effectiveness, pricing comes to play a role in a different context in as far as the main contractor is concerned?

10

MR NORTJÉ: That may be so Chair but cost effectiveness, we concerned ourselves with cost effectiveness to ourselves only.

ADV LEBALA: If it's cost effectiveness and price that affects the main contractor does it make a difference?

15

MR NORTJÉ: Chair, this become a little bit of an academic discussion, the...

CHAIRPERSON: Just hold on. Advocate Lebala, with the greatest of respect I don't see which point you are trying to prove now. The witness clearly says that whatever GFC paid it has got nothing to do with them, they (indistinct) to GFC and there was no price increase, whether Renk or Maag was cheaper that has got nothing to do with them, or whether you know one of them was more expensive, that has got nothing to do with them. Be (indistinct) to look after the interest and the

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resources of their principles, not with the Germans, so I'm not quite sure what are you trying to achieve by that line of questioning.

ADV LEBALA: Thank you Chair. I think we'll leave this aspect for our debate at the end with the Commissioners if need be, and I've got to say this cautiously, if need be in line with what the critics say, albeit you are appreciating what we put to you in as far as the critics are concerned on this aspect, but what has become significant is that it did not affect the client.

MR NORTJÉ: Yes Chair.

ADV LEBALA: 5.4, the engine was not controversial, what paragraph 5.4 on page 10 signifies is that there was operational savings and the client got the best diesel engines.

MR NORTJÉ: Yes Chair, indeed so.

ADV LEBALA: Now we are going to go into a new chapter now where we are starting to deal with the controversial subsystems, we are going to the negotiations of the Combat Suite, page 10 Commissioners, paragraph 6.1:

"Regarding the Combat Suite the strategic approach is described above, and more fully in the RFO, the draft Programme Management Plan, the Naval document describing the generic Combat Suite as part of the RFO, and in particular in a document titled 'Clarification on the approach to achieve the

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Vessel Contract Baseline for the Patrol Corvette Programme' written by Mr Byrall Smith in September 1998".

5 The Commission has heard that, we are not going to dwell on that. The issue of the RFO, I think they have seen it during the testimony of Mr Byrall Smith and there was no need for us to go back there.

10 *"This document is annexed hereto marked 'FN11". As mentioned in the RFO documentation, specifically in the South African's 'nomination' document there were three Combat Suite elements or sub-systems which were to be procured from overseas sources via a competitive bidding process".*

15 Now let's pause there. We've already dealt with this aspect, we've shown the Commission from the onset that there were the foreign Combat Suite elements and the local Combat Suite elements. I think for the sake of clarifying this let's look at Volume 4 page 81 and we can look at that Volume 4 page 81
20 against Volume 2 page 129, I would like us to look at both at the same time to complete this issue of the elements because we are going to controversies now. I would like us to, Commissioners, to collate Volume 4 page 81 together with Volume 2 page 129. Let's simplify it by starting at page 129
25 Volume 2. These ... Volume 2 page 129.

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MR NORTJÉ: I beg your pardon Chair, I understood page 1 to page 9. Let me find page 129 quickly.

ADV LEBALA: 129. Volume 2, 129.

MR NORTJÉ: Thank you Chair.

5 ADV LEBALA: Now you don't have to dwell on this, what does this page tell us about these component parts of the Combat Suite, foreign or local?

MR NORTJÉ: Page 129 refers to local elements of the Combat Suite.

10 ADV LEBALA: Now does it refresh you about the four that we earlier mentioned? Remember we mentioned seven, three foreign based and four local based.

MR NORTJÉ: Yes indeed Chair, it does refresh me.

ADV LEBALA: Which one is missing, the fourth one?

15 MR NORTJÉ: It would be the IMS, information Management System or databus.

CHAIRPERSON: I'm sorry Advocate Lebala I think I missed the witness's answer to your question relating to this document which is on page 129, was this document used to source local products or was this document used to source foreign products?

COMMISSIONER MUSI: Local.

MR NORTJÉ: Yes Chair, it was sourced local products in competition to another local supplier.

25 CHAIRPERSON: Thank you.

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ADV LEBALA: I see the Commissioners have finished taking their notes, now just for the sake of completeness just refresh the Commissioners that earlier on we mentioned seven elements, seven parts, seven subsystems of the Combat Suite, three foreign, four local. Now we see three on this page 129 Volume 2. Which is the fourth one which is missing?

MR NORTJÉ: As mentioned already Chair that would be the IMS, it stands for Information Management System or commonly referred to as the databus.

10 ADV LEBALA: Now just to take the Commission along with us which of these local-based subsystems was the subject of controversy?

MR NORTJÉ: Those were the first two mentioned on page 129 Chair namely the Navigation Distribution System, although that itself is not really subject to controversy, it was actually number 2, the System Management System or SMS that was contested.

ADV LEBALA: What about the Information Management System, the database?

20 MR NORTJÉ: Yes indeed Chair, that was subject to controversy but that's not mentioned on this page in this letter.

ADV LEBALA: Now let's go to Volume 4 page 81. We are going to go through a laborious process to try and show the Commissioners about the contest, the crisis, the weights, the value system and we'll try and summarise this, summarise it by

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just going to the scores if need be, but let's refresh ourselves with the foreign elements. I think it's before the Commission that the four local subsystems that were contested were one local entity contest against the other, are those foreshadowed in 129 Volume 2. Now "Foreign Elements" page 81 at the bottom, are those all the foreign elements? At the bottom "Foreign Elements", can you see "Foreign Elements"?

MR NORTJÉ: Yes indeed Chair, I can see it and they are indeed the STAR, the sonar system, the HMS, the (indistinct) Sonar and the Anti-Ship Missile, SSM.

ADV LEBALA: Were they the subject of any controversy?

MR NORTJÉ: No Chair, there was no controversy around them.

ADV LEBALA: We are not going to focus on the three foreign elements because they were not the subject of controversy. Chair, I note that it is 12h50, I don't know whether it would be the appropriate time before we go to the heavy loaded subject of the contested subsystems that we could adjourn. I'm in your hands, if you want us to utilise these 10 minutes we will but we're just trying to refresh you by laying a basis for you in as far as the subsystems are concerned, annihilating those which are not the subject of controversy, the foreign elements and we'll start rejuvenated after the adjournment with the focus on these four and those that are contested.

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CHAIRPERSON: Maybe let's adjourn until 14h00, we'll start after lunch, we'll start at 14h00. We'll now adjourn.

(Commission adjourns.)

(Commission reopens.)

5 CHAIRPERSON: Thank you. Can the witness confirm that he is still under oath?

MR NORTJÉ: I do.

ADV LEBALA: Thank you Esteemed Commissioners. Mr Nortjé before we adjourn the last aspect that we dealt with was
10 the gearbox, do you remember?

MR NORTJÉ: Yes Chair, I do remember.

ADV LEBALA: It has become common cause that you did not want to poke your nose, if I were to restate what you said, into the DIP issue, isn't it?

15 MR NORTJÉ: Yes Chair, but I was more than just "want to", we had right from the beginning instructions not to get involved with the DIP side.

ADV LEBALA: I know that there are witnesses who are better qualified to come and talk to this aspect but you see it's
20 very important given the challenge that this Commission has. Remember during our consultation I reminded you that this Commission has to establish facts?

MR NORTJÉ: Yes Chair.

ADV LEBALA: It has to make findings?

25 MR NORTJÉ: Yes Chair.

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ADV LEBALA: It has to enquire into?

MR NORTJÉ: Yes Chair.

ADV LEBALA: And finally make recommendations.

MR NORTJÉ: That's true, Chair.

5 ADV LEBALA: And you are testifying to assist this like any other witness who testified before you?

MR NORTJÉ: Yes Chair, to the best of my ability.

ADV LEBALA: Now I've got to be cautious to assist this Commission too in in my role together with my colleague Mr
10 Ngobese as evidence leaders. We do not know what will happen, we are not creating a buffer for ourselves to fall into but it's for the sake of completing this piece of your testimony. There's just one last question that we want to ask you on the gearbox, we know that you have dealt to an extent to which it
15 was limited with Mr Van Dyk in as far as the gearbox is concerned. That has become common cause.

MR NORTJÉ: Chair, actually we dealt with the PCB, we did not deal directly with Mr Van Dyk.

ADV LEBALA: So, you dealt with each other through the
20 PCB?

MR NORTJÉ: Yes Chair.

ADV LEBALA: Now are you aware that Mr Van Dyk requested an opinion on the subject of the gearbox pertaining to the DIP requirements of Renk?

25 MR NORTJÉ: I am not aware Chair.

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ADV LEBALA: Fair enough. Other than Mr Van Dyk is there any person that you think could assist and give us information about the awareness of this opinion?

5 MR NORTJÉ: Chair, in that Mr Van Dyk was the initiator and the driving force behind this I could not think of anyone better, I have already mentioned to the Commission Chair that possibly Mr Barry De Beer, my colleague who did testify, perhaps gave evidence on this, I do not know.

10 ADV LEBALA: Now my final question on this before we go to the local elements of the Combat Suite is haven't you heard anything relating to the following detail and/or information, that Mr Van Dyk elicited an opinion and got an opinion that advised the DIP section that particularly in his capacity as a senior manager to the effect that Renk did not meet the requirements
15 of DIP, are you aware of that, yes or no?

MR NORTJÉ: Chair I would not be able to comment on that, I was not aware of the detail that they went into.

ADV LEBALA: Thank you. Let's part ways with that line of questioning. When we adjourned we were on paragraph 6.1,
20 I want to direct you to line number, page 10 Commissioners paragraph 6.1 page 10 of bundle 1, the sentence starting with:

"As mentioned in the RFO ..."

I don't know whether the Commissioners are with us? I'll wait for Commissioner Musi to finish making a note, it seems to be a
25 very important note. I see the Commissioners are with us.

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Paragraph 6.1 line number 6 page 10 of bundle 1:

5 *“As mentioned in the RFO documentation,
specifically in the SA Navy’s ‘nomination’ document
there were three Combat Suite element or
subsystems which were to be procured from
overseas sources via a competitive bidding process,
namely the Surveillance and Target Acquisition
Radar (STAR, or main radar), the Surface-to-
Surface missile (SSM) and the Hull Mounted Sonar
10 (HMS)”.*

This has become common cause. All that I want to do is just to
take you to relevant portions that demonstrate that that
process was competitive and the results thereof, but before we
go there there’s a significant aspect that I think we need to lay
15 a foundation for given that we are going into that controversy.
The role of ADS, whether one looks at it as Altech Defence
System or African Defence System, let’s look at it as African
Defence System when the SDPP’s were effectuating. We know
that from ... I think the Commissioners needs to be refreshed.

20 I would like you to look at bundle 1 Annexure “FN8”
page 42, bundle 1 Annexure “FN8” page 42. This is the RFO
that we went into with other witnesses, we know that under this
context and content you are talking to it with your cap on as a
programme manager of the Project Sitron dealing with
25 Corvettes, more particularly the subject of Combat Suite. Now

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if you look at page 38, it just reminds us that it's the RFO, we are not going into it. Page 39 confirms the Request for Final Offer, the same with page 41, but we want to draw your attention to page 42, the paragraph headed "Combat Suite Contractor", can you see?

MR NORTJÉ: Yes Chair, indeed.

ADV LEBALA: The Commissioners have heard about this but I would like you to read it for the record.

MR NORTJÉ: Chair, the paragraph reads as follows:

10 *"It is envisaged that the Combat Suite contractor will be a South African industry consortium wherein Altech Defence Systems (ADS) plays a leading role co-responsible for the overall design, integration and supply of the Combat Suite Element".*

15 ADV LEBALA: Now am I right to say Altech Defence Systems has been substituted by African Defence System which later joined hands with Thompson CSF which later became (indistinct)?

20 MR NORTJÉ: Chair yes, but on a pedantic note it is, Altech Defence Systems had not been replaced, they had been taken over and there was a change in name but it remained the same company with the same capabilities and the same people.

ADV LEBALA: Now this aspect of your testimony is very critical and if we have to go and deal with the controversies I think let's deal with it, laborious as it might be, but I think the

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litany of it would educate us all and I would like you to look at the slide bundle, this might be the appropriate time to go to the slides, even if they are not projected the Commissioners have got hardcopies. I would like you to look at the slide bundle.

5 Commissioners, let me refresh you, the slide bundle is that bundle that we gave you which is transparent on the face of it and at the back of it, and it has got navy blue. I know that males are colour blind, is this navy blue or blue? Blue. The first page of that bundle is the supplementary statement of Mr

10 Nortjé, I would like you to page past it and we will see that there is a slide bundle document which consists of 30 pages. Commissioners you will see that the first two pages are supplementary statement of Frits Nortjé and from there there's a page marked 1, it starts with 'Information Management

15 System". I see Commissioner Musi is nodding, I see the Chair is nodding. I would like to draw your attention to page 29 of the slide bundle. The slide has got 30 pages.

Esteemed Commissioners, I would like to draw your attention to page 29. This is a moment where we would like

20 you to explain the role that Altech Defence System played, how it metamorphosed, how it changed complexion, its dimensions that resulted in it being amalgamated into partnerships or takeovers if any, and why it became a significant component in as far as the local industry is concerned, and this subsystems

25 component parts of the Combat Suite that are the subject of

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dispute are concerned. Now you could start, if you want to, on page 29, you can take the Commission through history but just summarise the most important aspects.

MR NORTJÉ: Thank you Chair. With your permission
5 Chair I would like to refer not only to page 29 but also to pages 27, 28 for, and I will try to keep it short Chair, but it is relevant to understand the context of the matter. Does the Chair and Commissioner Musi find that acceptable? Thank you very much.

10 I started yesterday by mentioning that the 1990's was an interesting decade which I called the Decade of Globalisation. Why was that? I gave a short explanation and I will just repeat it briefly, yesterday, that the political tension in South Africa was dramatically easing in the early 1990's,
15 that led to lesser spending in the Military industry which in turn led to the local military industry looking for other markets overseas and they were desperately trying to find such markets by the middle 1990's, but we discovered, they discovered that it was difficult to compete with the big established
20 multinational defence companies because typically the local South African Military industries could offer niche products, very often very nifty niche products but still niche products, they could not offer a complete system and it doesn't matter now whether it was ships or whether it was something else.
25 So, they were learning, they being the South African Military

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Industry that they would be in a better chance to have success overseas in other markets if they can align themselves with big partners from overseas where they could offer their niche products as part of a greater system offering by the international companies. That's on the one side.

On the other side in the very same timespan as I mentioned yesterday early 1990's, actually from November 1989 the international Cold War was coming to an end and there was, they (indistinct) an easing of tension the world over.

ADV LEBALA: You are addressing page 28, I think we should take the Commissioners with us, the slide headed "Military Industry Worldwide. You are done with the slide on page 27 headed "The 1990's Decade of Globalisation and Military Industry in South Africa". Yes, you may proceed.

MR NORTJÉ: My apology Chair and Commissioner, and thank you to Advocate Lebala for correcting me in that regard. Please assist me as and where necessary. So yes, page 28. The Military Industry worldwide was also experiencing a certain downturn in their business for similar reasons that it happened in South Africa and in exactly the same timespan, easing of international tension, fewer contracts going into the military complex and therefore the overseas multinationals were also looking for other markets outside themselves and a lot of markets were opening up to them, especially in Eastern Europe,

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which they did not have access to previously. That is not the only thing that happened and the Military Industry in Europe as well as in the USA and in South Africa for that matter to some extent there was a fair amount of rationalisation meaning that companies merged, there were takeovers, usually but not necessarily always but often accompanied by reduction in staff and so on and so forth.

ADV LEBALA: Now I see you are addressing whether takeovers and amalgamations, you are looking at the slide on page 28, "Some Examples in Europe". Let's be specific, British Airways matched with GEC". What does it stand for?

MR NORTJÉ: Chair that were General Electric Company.

ADV LEBALA: And BA stands for?

MR NORTJÉ: British Aerospace.

ADV LEBALA: Matched with?

MR NORTJÉ: Or British Airways.

ADV LEBALA: Yes. It matched with?

MR NORTJÉ: (Indistinct) which was a shipyard in the UK.

ADV LEBALA: And then come Thompson which I think we will be talking a lot to and Marconi Sonar. What does that combination mean?

MR NORTJÉ: Thompson is a French company at the time, active amongst many other things in the sonar industry, Marconi was a British company also active in amongst others

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the sonar environment.

ADV LEBALA: And we have seen that below is Thompson and Signal, Thompson we know that it's French and Signal?

MR NORTJÉ: Signal was a Combat Suite contractor or
5 still is a Combat Suite contractor and from all accounts a very capable one in the Netherlands, their full name was Hollandse Sinjaal Apparaten and they were somewhere in the middle 1990's, they were taken over by Thompson.

ADV LEBALA: We see DASSA and Aerospatiale, just
10 explain, DASSA is Germany if I'm not mistaken?

MR NORTJÉ: That is correct Chair, I think it stands for Deutsche Aerospace Systems ..., I'm not quite sure what the acronym means but yes, it was a German company which was also already a conglomerate of military industries merging
15 together and they formed a new company together with the French Company Aerospatiale which they called EADS, and I think that stands for European Aerospace and Defence Systems.

ADV LEBALA: So EADS, the combination, the
20 amalgamation of DASSA and Aerospatiale?

MR NORTJÉ: That is correct Chair, it is EADS and it's got nothing to do with the South African ADS.

ADV LEBALA: The Commissioners are going to hear about both DASSA and Aerospatiale when you go to the
25 controversies. And SAAB and Volvo?

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MR NORTJÉ: Yes Chair, I do not have much information about it but we all know SAAB and Volvo from the motor side, motor vehicle side, but both of them were active in the military environment as well, SAAB were aeroplanes, Volvo probably more known as a supplier of gas turbines and so on and so forth, and it is my understanding that they also merged during that time.

ADV LEBALA: They are both Swedish or it's only SAAB? What is Volvo?

10 MR NORTJÉ: Both are Swedish Chair.

ADV LEBALA: Now you have explained that the climate that changed throughout that period resulted in the merging of powerful entities in Europe to try and split the cake. Now let's go to page 29, the relevancy to South Africa. You have laid a foundation already that that also impacted on South Africa. Please proceed.

MR NORTJÉ: Thank you Chair. Yes, I've given the background that the South African Military Industry Companies were trying to find markets overseas, finding the best way to do so was to do it in conjunction with multinationals where they could offer niche products as part of a larger system. Similarly I mentioned that overseas companies, multinationals were also looking at various other markets that were opening up to them, South Africa was one such market that opened up to them because up to the early 1990's, in fact up to the middle 1990's

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there were, as you, as was common cause, there were military sanctions against South Africa which were now starting to disappear, so South Africa became an interesting market for them.

5 The table was actually there Chair for more amalgamation and more globalisation and it so turned out that the multinationals, looking at South Africa and realising that here was a certain industry, it may be small but quite capable industry, and the local companies realising that they need the
10 selling muscle of the big companies, it was perhaps inevitable that they would be starting to come together to form partnerships, more pertinently that a number of multinational companies were taking ownership either in part or in full, or in stages, firstly partly and then in full of South African
15 companies and ...

ADV LEBALA: Now let's shoot directly to these combinations because I just want us to address the Thompson and ADS combination which is the subject of dispute but that also goes to other terms of references. For the moment let's
20 address the examples quickly. SAAB which is Swedish, it has become common cause, matched with Denel Aerostructures, please explain that combination, amalgamation?

MR NORTJÉ: Chair, I do not have specific details of it, I only know that SAAB took something like 20% ownership of
25 Denel Aerostructures and operated in that regard with Denel

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Aerospace.

ADV LEBALA: Denel Aerostructures is a South African entity?

5 MR NORTJÉ: Very much so Chair, it is a state-owned company.

ADV LEBALA: And we see SAAB, again Swedish, coming to an amalgamation with Grintek Avitronics.

10 MR NORTJÉ: Yes, indeed Chair, it was Grintek Avitronics for starters, Grintek Avitronics is a South African company at the time which was specialising in EW systems and equipment and I believe that SAAB later effectively took ownership of the entire Grintek Group of companies.

ADV LEBALA: But "EW" stands for Electronic Warfare?

15 MR NORTJÉ: My apology Chair, one gets so used to one's own jargon that one forgets that other people might not necessarily follow it. Yes indeed, it stands for Electronic Warfare.

ADV LEBALA: The next example is DASSA and (Indistinct) Radars. DASSA is Germany, am I right?

20 MR NORTJÉ: That is correct Chair, and as mentioned they were already a big conglomerate by themselves, one of the areas that they were active in was radars and they found a match with Reutech Radars in South Africa.

25 ADV LEBALA: The next is Vickers, its UK, am I right, and Reumech?

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MR NORTJÉ: That is correct Chair, again it is outside my direct field of technical knowledge but Vickers was at the time a British company active in the field amongst others of military vehicles and so was Reumech in South Africa and the
5 two companies decided that they had something in common.

ADV LEBALA: And the next is Zeiss and Denel Eloptro. We know that Denel Eloptro already informs one it's South African, and Zeiss?

MR NORTJÉ: Zeiss was a Swiss company, still is I
10 believe, which has been famous all through the years for optics, and I mean optics like in camera lenses and so on and so forth but real professional lenses, but they also were active in the military side where it was a little bit more than lenses when it came to electro optics and they found a partner and
15 took a part ownership of the Denel Division that was called El-Optro at the time.

ADV LEBALA: And Rheinmetal as against Swartklip and Somchem? I already know that Swartklip and Somchem was South African. Explain this amalgamation.

MR NORTJÉ: Chair, Rheinmetal is active amongst others
20 and a big player in the world with military ammunitions of various kinds. Somchem and Swartklip are also active in the field of military ammunition as well as the chemicals that serve as propellants for ammunition and rockets, they got together
25 and the Rheinmetal took a certain ownership in Swartklip and

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Somchem.

ADV LEBALA: Which country is the, are the origins of Rheinmetal?

5 MR NORTJÉ: I beg your pardon Chair, Rheinmetal is a German company.

ADV LEBALA: Now we come to the real nub, Thompson, later Thales and ADS which gravitates towards the next column, now take the Commission through this amalgamation in the context of what we are seeking to gravitate to. You may
10 proceed.

MR NORTJÉ: Thank you Chair and I will do so briefly. As mentioned here in the bottom slide of page 29 ADS had a fair amount of experience with what I call the passive side of combat management systems for the Navy, or for Naval ships.
15 That refers to the collation and the display of information from various sensors in a format suiting the SA Navy doctrines and operating procedures. It should be mentioned here Chair just as an aside every Navy has got his own operating procedures, his own way of how he wished to have his operations room look
20 like and how the various functions should be done, so invariably when a ship product, a ship project happens, the heart of this operations room, namely the Combat Management System gets customised to the particular Navy's requirements. So ADS had some experience on that but only and what I term
25 the passive side, in other words collecting, collating and

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displaying the data from sensors.

ADV LEBALA: If the Combat Management Suite is the heart, what would be the brain of the Combat Suite?

MR NORTJÉ: Chair yes, it's perhaps jumping forward a
5 little bit but it doesn't matter, it's an analogy that I have often
used because it makes it easier for understanding. The combat
management system, and perhaps with your permission Chair
and with the permission of Advocate Lebala, maybe I should
just look at the next point as well because that will, I think,
10 better answer the question. Is that in order?

ADV LEBALA: You may proceed.

MR NORTJÉ: Thank you very much. So that was the
passive side of the Combat Management System where ADS had
a certain expertise built up over years of interaction and
15 having had contracts from the Navy in various regards. The
part where ADS was inexperienced was, if you wish, the active
side of the Combat Management System where this information
was now analysed by a computer and you got a computer
assisted analysis of the threat and the severity of the threat
20 and then activating weapons or at least recommending which
weapons need to be activated and start doing the firing
solution. So, that is the part where ADS was not experienced
enough to tackle a project as complex as we had with the
Corvettes which was considerably more complex than the strike
25 craft that they had experience with as I mentioned before.

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So now returning to the question of the brain. I have always used the analogy that the Combat Management System is the brain of the Combat Suite and you can compare it to a human body Chair, you have sensors in your eyes and your ears and nose and so on and so forth, all of which feed information to the brain which gets evaluated and depending upon what the brain finds, the brain activates the weapons, if you wish, the actuators, it tells the mouth to shout for help or it tells the feet to run away or it prepares the body to fight, whatever the case might be. So, that's why I call The Combat Management System the brain, it fulfils that function in the Combat Suite.

ADV LEBALA: So, the Combat Suite gets built around the Combat Management Suite, it's an important part of the Combat Suite?

MR NORTJÉ: It is indeed the central part of the Combat Suite Mr Chair and yes, very often the interfaces have to be tailored to suite the Combat Suite, the Combat Management System.

ADV LEBALA: Are we done with page 30? Please look at page 30 of the slide "Thompson/ADS CMS". CMS is an abbreviation for?

MR NORTJÉ: Chair, again with your permission and the permission of Advocate Lebala may I just also draw the attention to the very last bullet on page 29 where it's said:

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“It would be advantageous to ADS to have an experienced partner or parent to obtain knowledge transfer from and thus expanding the local capability in a crucial area of integration”.

5 And now I'm on page 30, the question was please?

ADV LEBALA: What does the ..., you see the heading in that box is Thompson/ADS CMS”. What does “CMS” stands for?

MR NORTJÉ: Chair, “CMS” stands for Combat Management System as it was indicated on the pervious page.

10 ADV LEBALA: Now the rule of ADS which we see starts from page 42 of the RFO when ADS was named as Altech Defence Systems could be qualified better as the main contractor in its own right?

MR NORTJÉ: I'd be hesitant to say though Chair, the
15 main contractor can of course take very many variations and responsibilities higher or lower, but our view was always that we were buying a complete integrated vessel which means a platform, together with a Combat Suite integrated into the platform which forms the vessel and therefore I would be
20 hesitant to say that ADS could be described as the main contractor, we prefer to describe them as the Combat Suite contractor. Now it is true that the Combat Suite contractor plays the role of a main contractor for the Combat Suite but not the main contractor for the entire vessel. There they would,
25 there it must be the role of the Ship Platform contractor as

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well.

ADV LEBALA: So, we could qualify ADS as the main contractor for the Combat Suite?

MR NORTJÉ: One could do that if one so wished Chair,
5 we prefer to use the words, or should I say not “we” my predecessor Mr Byrall Smith chose to use the words “Combat Suite Contractor”. It is, I think perhaps more descriptive as well.

ADV LEBALA: I think at this stage we have laid the
10 foundation that Thompson and ADS amalgamation or merging was not something which was sucked out of the thumb isn't it?

MR NORTJÉ: Yes, certainly Chair. As I said South African companies were looking for partners overseas and ADS to my knowledge was no exception, it was also in the middle
15 1990's more or less open secret that Altech wanted to divest from the military industry and they were looking for possible buyers from overseas or even locally, preferably from overseas to get additional knowledge injection, so to my knowledge as far as I know, ADS and Altech were actively looking for various
20 partnerships with the various overseas Combat Suite contractors.

ADV LEBALA: Now to complete it what would your comment be if I were to say the amalgamation of Thompson and ADS was influenced by world economics and markets?

25 MR NORTJÉ: From what I have described Chair there is

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certain, certainly a large element of truth in that, yes.

ADV LEBALA: Let's go back to your statement bundle 1 to complete that part because we are now leading into the controversies. The issue that has become clear is that the
5 foreign elements of the subsystems had to be contested, am I right?

MR NORTJÉ: Yes Chair that was our intent.

ADV LEBALA: The fact that there were foreign elements doesn't mean that cost effectiveness, risk element wasn't
10 playing a significant role.

MR NORTJÉ: Those factors remained very significant Chair.

ADV LEBALA: Now at this stage I think let's complete the picture. Actually I'm reminded to refresh ourselves and the
15 Commissioners, do you remember the year in which Thompson and ADS amalgamated?

MR NORTJÉ: Chair, my memory tells me that, and it was in the press all the time, that Thompson took a 50% share in ADS during 1998 and they took the further 50% to have a 100%
20 ownership early in 1999.

ADV LEBALA: I'm not trying to sensationalise this but when the SDPP's were effectuating is it true that the Chief of Acquisitions' brother was a shareholder in ADS?

MR NORTJÉ: I was not aware of that at the time Chair, I
25 only became aware of it through the press at a much later

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stage.

ADV LEBALA: We'll come back to that at the relevant time, I just want to deal with the aspect that the Commissioners have to make note of, that all these elements were contested
5 even from the foreign side. At this stage I would like you to go to Volume 2 starting with page 61. I'm just going to run through it, I'm not going to waste time because there's no controversies in as far as these subsystems are concerned, but just to show the Commission that the process was contested.
10 Let's start on page 61. You will see that the title pertains to the User Requirement Specification for the Hull Mounted Sonar Subsystem. Page 61.

MR NORTJÉ: Yes Chair.

ADV LEBALA: Please go to page 80, page 80. At the top
15 of page 80 you will see that this is the Score Sheet for HMS, which we know that stands for Hull Mounted Sonar and it was contested by two entities, can you see?

MR NORTJÉ: Yes Chair.

ADV LEBALA: If you look to the right the entities were
20 STN ATLAS, it has become clear that it's a German entity.

MR NORTJÉ: Correct Chair.

ADV LEBALA: And Thompson CSF that we know is a French entity.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: If you go to page 83 you will see the
25

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scores because the Commission's attention has to be drawn to the prices. Let's look at the scores, to your left is the price score of STN ATLAS and to the right is the price score of Thompson CSF. You can see in Rand value if you look at the last sentence starting with "Including VAT at 14% ZAR", can you see?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: If you had to look at the two amounts, for instance the left it's ZAR 119, STN ATLAS-odd Rand, am I right to say I should not testify, I've got to be careful. What does ZAR stands for?

MR NORTJÉ: ZAR is the international abbreviation for South African Rand like USD is the international designation for United States Dollars.

ADV LEBALA: Thank you Mr Nortjé. And look to the right, there's another ZAR figure, can you see?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: If you compare the two figures which one is more than the other?

MR NORTJÉ: The STN ATLAS figure is larger than the Thompson figure.

ADV LEBALA: Okay, at this stage we don't want to waste the Commission's time, we could take, show them how the basis is arrived here, but we know that at this stage it appears that the STN ATLAS figure is more expensive than the, that of

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Thomson CSF?

MR NORTJÉ: That is correct Chair.

ADV LEBALA: Go to the next page, page 84, the heading still "Score Sheet FOR HMS Evaluation". If we look at the top
5 it's both STN ATLAS and Thompson CSF, to the left it's
Functionality, can you see?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: If you look at the total at the bottom to
your left it's 269 at the bottom, it's Subtotal Functionality, can
10 you see?

MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: If you look to the left it says 269 and to
the right it says 296.

MR NORTJÉ: Yes Chair.

15 ADV LEBALA: So the functionality of Thompson CSF
trumps that of STN ATLAS?

MR NORTJÉ: Yes Chair.

ADV LEBALA: If we look at the next page 85 it talks
about "Characteristics".

20 MR NORTJÉ: Then you will find the STN ATLAS offer
was better than the ADS offer, I beg your pardon, the Thomson
offer.

ADV LEBALA: We can go past that and go to page 86.

MR NORTJÉ: Yes Chair?

25 ADV LEBALA: "Logistic Support". Yes, comment?

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MR NORTJÉ: “Logistic Support” came to the same score for both companies.

ADV LEBALA: My score tells me that the total score at the bottom is 432 for STN ATLAS and 420 for Thompson CSF.

5 MR NORTJÉ: That is correct Chair.

ADV LEBALA: But let’s recapitulate and go back to page 85. What does it mean to say the characteristics of STN are higher than that of Thompson CSF?

10 MR NORTJÉ: Chair, it refers to the characteristics as listed there.

ADV LEBALA: We can see them, we don’t want to waste time, it is not a controversial subject, if the critics wants to come and cross-examine they could look at the transcript, I just want you to explain why is it giving the result as we see it on
15 page 85. Don’t explain the characteristics.

MR NORTJÉ: that is in order Chair. Chair, there was a small committee of people that was assembled to do the assessment of these offers in the various categories against the value system that we had traversed a few minutes ago and
20 these were the scores that were allocated to the, to individual contenders by this committee and it added up to those figures.

ADV LEBALA: Now in simple language, well I know that you could give an engineering response to it but simplify, does
25 it mean that the characteristics of STN ATLAS are superior

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than those of Thompson CSF? Remember this is not the subject of dispute.

MR NORTJÉ: Yes, I understand it's not a subject of a dispute and yes, it means that on that sub-part it would favour
5 STN ATLAS. Characteristics Mr Chair, if allowed, if you look at it you could call it features as well.

ADV LEBALA: So the features of STN are superior than that of Thompson?

MR NORTJÉ: They had more features, yes Chair.

10 ADV LEBALA: Let's look at the next page 86 "Logistic Support".

MR NORTJÉ: Well Chair, apparently the two companies have submitted very similar offers regarding the logistic support and that is why the committee afforded them the points
15 that they got, which came out to the same value.

ADV LEBALA: In as far as the submarines were concerned we noted something, that the logistic support played a very significant role in the weight that, of the score that is being awarded to the bidder.

20 MR NORTJÉ: Yes Chair, that is...

CHAIRPERSON: I'm sorry Advocate Lebala, once you know, I don't want to restrict you in your leading of evidence, and I'm not quite sure where does this evidence lead us to.

ADV LEBALA: Chair,

25 CHAIRPERSON: To be honest with you I'm not quite sure

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because I thought you know this witness's statement covers some of the most important aspects that he should cover. Now the details that you are now trying to go into, I'm not quite sure that that is going to be helpful to us.

5 ADV LEBALA: Chair,

CHAIRPERSON: The witness is in your hands, the best that you think you want to ... Our own view is that at this stage we are not quite sure whether this portion of the evidence is material.

10 ADV LEBALA: Chair, we agree with you. I think let's summarise this as follows; in as far as the three foreign elements are concerned, the Surveillance Target Acquisition Radar, the STAR, it was contested between Thompson of France and DASSA of Germany, and Thompson succeeded, am I
15 right?

MR NORTJÉ: Yes Chair, that is correct.

ADV LEBALA: In as far as the Hull Mounted Sonar is concerned, the second foreign element it was contested between Thompson Marconi of France and STN ATLAS of
20 Belgium and Thompson Marconi of France succeeded?

MR NORTJÉ: That is correct Chair.

ADV LEBALA: In as far as the surface-to-surface missile is concerned, the third foreign element, it was contested between the Aerospatiale and Aerospatiale of, is it Germany, is
25 it Germany Aerospatiale?

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MR NORTJÉ: Negative Chair, Aerospatiale is a French company.

ADV LEBALA: Aerospatiale of France over SAAB of Sweden and DASSA, there were three contested and
5 Aerospatiale trumped both the Swedish SAAB and the German DASSA.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: We close the subject of the foreign
10 elements, we are not going back to them. Record reflects that it was contested in line with cost-effectiveness and the spec of price and costs.

MR NORTJÉ: Chair, permission to add something to that
15 statement please? Thank you Chair. At the risk of sounding pedantic and, but to avoid any doubt, perhaps the words “those subsystems were contested” may not be the best word, maybe we should say that there was competition for those subsystems, if the Commission find that in order.

ADV LEBALA: Would you like to assist the
20 Commissioners, I see, my instincts inform me that they need more clarity because there’s a fine line between that distinction. Please assist.

COMMISSIONER MUSI: I think I understand.

CHAIRPERSON: I’m sorry Advocate Lebala, don’t talk for
me. I was nodding because I understand what he is saying.

25 COMMISSIONER MUSI: Tell him I also understand.

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CHAIRPERSON: Judge Musi sitting next to me says that he was nodding because he understands what the witness is saying. If you want a replication say so, don't say you want clarification on our behalf.

5 ADV LEBALA: I apologise Esteemed Commissioners, I sincerely apologise. Shall we proceed to what the Commission would like to hear, but the basis starts from paragraph 6.1 line number 11:

10 *“User Requirement Specifications were compiled by the South African Navy for each of these Value Systems were compiled under the guidance of various ARMSCOR specialists”.*

There's no need to go back to show the process, it's there in Volume 2 if anyone wants to look at it.

15 *“After obtaining competitive bids via the German Frigate Consortium this way evaluated under the guidance of ARMSCOR specialists and allocations made. The STAR ...”*

20 That's what we talked about. Now let's go to paragraph 6.2 page 11.

“Much of the Combat Suite negotiations concentrated on ...”

CHAIRPERSON: Just hold on. Thank you.

25 ADV LEBALA: I beg your pardon Commissioners, bundle 2 page 11 paragraph 6.2, the controversies are starting here:

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“Much of the Combat Suite negotiations concentrate on the Joint Project Team acting as a facilitator between the main contractor and the Local Combat Suite Industry”.

5 You played a significant role in that regard, am I right?

MR NORTJÉ: Yes we did Chair.

ADV LEBALA: Together with the Project Officer Admiral Kamerman.

MR NORTJÉ: Yes indeed Chair, it was the Joint Project
10 Team that (indistinct).

ADV LEBALA: And other members of the team, I suppose?

MR NORTJÉ: Quite correct Chair.

ADV LEBALA: *“The quoted price of the individual
15 elements of the Combat Suite had escalated significantly since the initial estimates had been made”.*

I think at this stage I would like us to look at Volume 4 page 60 to page 62, Volume 4 page 60 to page 62, and the critics are
20 very harsh here, they say they don't understand the logic and you are confirming the same fact and you have to explain to the Commission about this part of the controversy that the cost heightened. Page 60 Volume 4. If you look at page 60 Volume 4 you will see at the top that it's a Report to the Project
25 Control Board dated the 28th April 1999, can you see?

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MR NORTJÉ: Yes, indeed Chair.

ADV LEBALA: The next page, page 61 is a briefing to the Naval Board of the 26th March 1999.

MR NORTJÉ: Yes Chair.

5 ADV LEBALA: You have clarified the distinction and the difference between the Naval Board which focuses exclusively on the Navy interest and we know that the Project Control Board is an organ of the DoD focusing on acquisitions. I think that has become clear. Now let's start on page 61 because it's
10 an earlier date than the other. Paragraph 2, read it.

ADV SOLOMON: Sorry, sorry Chair, Commissioner Musi, not to unduly interfere with the flow of my learned friend's leading of Mr Nortjé, I think it should be pointed out to Mr ...

15 CHAIRPERSON: I'm sorry Advocate Solomon, can you speak up your words a little bit?

ADV SOLOMON: Sorry Chair, Commissioner Musi, not to interfere with the flow of my learned friend's leading of the evidence of Mr Nortjé but just to be of assistance to the Commission and Mr Nortjé it should be pointed out that that
20 document at page 60 and following are an appendices to a Project Control Board meeting which you find at page 54 which was held on the, I think 28th of April, the minute starts at page 54 and these are appendices, Mr Nortjé was at the meeting. It would just assist Mr Nortjé to know where those documents fit
25 in. I'm sorry for the interruption.

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MR NORTJÉ: Thank you Chair.

ADV LEBALA: In actual fact I'm indebted to my colleague Solomon, I wanted to start the other way around but let's complete this picture. Go to page 56.

5 MR NORTJÉ: Yes Chair.

ADV LEBALA: The paragraph headed "Combat Suite", please read it, paragraph 15.

MR NORTJÉ: Paragraph 15a, reads as follows:

10 *The Project Officer provided feedback on the project negotiations and gave a brief explanation of the reasons behind the unexpected increase in the Combat Suit cost. (See Appendix 'A'). He explained that the Project Team had managed to reduce Combat Suite cost by reducing its scope of supply and some performance without reducing essential capabilities or local industry participation".*

15b.

20 *"C Navy stated that it must be noted that the scope of supplier has been reduced fairly extensively since the original SAAF Requirement and that the Delta ..."*

That means "the difference":

25 *"... Would have to be addressed by separate projects".*

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ADV LEBALA: Just to complete the picture and concretise what Mr Solomon drew our attention to, please look at page 54.

MR NORTJÉ: Yes Chair?

ADV LEBALA: You can see that the document is dated
5 the 25th May 1999 and it's headed the: "Minutes of the Project Control Board Meeting Held at DAPD on 281045B Apr 1999 to Review the Project Sitron and Wills".

MR NORTJÉ: That is correct Chair.

ADV LEBALA: We know that this meeting was held
10 sometime in April 1999.

MR NORTJÉ: It was held on the 28th of April Chair, I can read the code that the Military used.

ADV LEBALA: The record reflects that it was held on the
15 28th April 1999. Now let's go to page 61, the paragraph headed "Combat Suite Budget based on". What we know is that there are raptures that inform us that the Combat Suite costs are heightening, we've seen that, am I right?

MR NORTJÉ: Yes, indeed.

ADV LEBALA: Now just explain what you see in that
20 paragraph headed "Combat Suite Budget Based On".

MR NORTJÉ: Chair, I will first read the paragraph, it says:

25 *"The Combat Suite budget is based on detailed annual estimates by local industry under Project Suvecs".*

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Which the Commission has been informed about, and it also says that:

“The Combat Suite budget is based on the last estimate May 968 escalated to November 98”.

5 So, what it says Chair is the, if one goes to the previous paragraph, I beg your pardon, that was the submitted. Now it effectively says that the expectations that we had for the Combat Suite was based on these estimates that we obtained from Local industry at a certain point in time and it was just, it
10 was adjusted to a certain extent for (indistinct) inflation since.

ADV LEBALA: And the time period of May 1998 escalating to November 1998 informs the reader that it's before the foreign element or the foreign entities come into the picture.

MR NORTJÉ: Chair, no, those figures include the foreign
15 entities but it was an estimate.

ADV LEBALA: But let's be specific. By then, let's start with May 1998 the bidder was not chosen.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: We know that by November 1998, that's the
20 time when the bidder was identified.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: But you will remember that if we look at Annexure “FN8” page 41 bundle 1 page 41, Annexure “FN8” bundle 1 Commissioners, page 41.

25 MR NORTJÉ: Yes Chair?

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ADV LEBALA: Paragraph 114 informs us that as at that time the amount had a ceiling budget of R1.4bn.

MR NORTJÉ: That is correct Chair.

5 ADV LEBALA: And as at that time there was no foreign element.

MR NORTJÉ: I'm not sure that I can agree with that Chair, I think that included an amount for the foreign (indistinct).

10 ADV LEBALA: What I'm saying, I think let me be specific, you are probably right when you say that included an amount for the foreign part but we thought having engaged a particular successful foreign entity that succeeded in the bid.

15 MR NORTJÉ: That is also correct Chair, also correct Chair, which tells you that whatever estimates that went into the figure for such foreign entities was really broad estimates.

ADV LEBALA: Now when it escalated to November 1998 as at November 1998 had that been a successful foreign bidder in terms of this note?

20 MR NORTJÉ: I beg your pardon Chair, may I ask a little bit of further clarification regarding the question?

ADV LEBALA: You know that as at the last estimate of May 1998 there was no foreign successful bidder, that's common cause.

MR NORTJÉ: That's correct Chair.

25 ADV LEBALA: We know that the German Frigate

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Consortium was identified as a successful bidder during or around November 1998.

MR NORTJÉ: That's correct Chair.

ADV LEBALA: My question is based on what we see on
5 this report and note, could one say that as at the time when
this budget and estimates were being considered there was no
foreign successful bidder at all?

MR NORTJÉ: That is correct Chair.

ADV LEBALA: Read the next note.

10 MR NORTJÉ: Which note would you, do you Evidence
Leader, were you referring to?

ADV LEBALA: Starting with the GFC. Starting with "The
GFC" on page 61, page 61, I beg your pardon. I beg your
pardon, page 61.

15 MR NORTJÉ: I beg your pardon Chair, I was still in the
other volume.

20 *"The GFC obtained proposals for Combat Suite and
of same functionality and scope of supply in
February 1999 which came to approximately
R3 300 million".*

Which...

ADV LEBALA: Now this informs us that as at
February 1999 its common cause that the German Frigate
Consortium had already been identified and the reality starts to
25 sink.

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MR NORTJÉ: That's correct Chair.

ADV LEBALA: Now when one look at the estimate of May 1998 that escalated to November 1998 one could say that this estimate was out of touch with reality because there was
5 no identifiable foreign successful bidder.

MR NORTJÉ: That is certainly true Chair.

ADV LEBALA: Now let's make the synergy of the two paragraphs and notes that you have read by reading the next bullet point: "Increasing Combat Suite costs due to ..." Please
10 read on.

MR NORTJÉ: *"Increasing Combat Suite costs due to:*

- *Contracting model (SA Arms Industry not contracted by ARMSCOR)".*

But rather by a ... I beg your pardon, now I'm adding which I
15 shouldn't be doing.

- *Increase in handling fees, warrantees, risk provisions etc.*
- *Increase in management costs due to overseas contracting".*

20 ADV LEBALA: Yes, just briefly explain the "Contracting model (SA Arms Industry not contracted by ARMSCOR)".

MR NORTJÉ: Yes Chair, South African industry was used to being contracted by ARMSCOR and they were used to ur contract conditions and our approach to contract management
25 and penalties *et cetera, et cetera, et cetera*, and without, I

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don't want to sound trite but we were a hard task master but perhaps also a very understanding task master and now they were starting to contract to an overseas entity and it was real tough international business rules that applied.

5 ADV LEBALA: Now let's read on starting with "Much more stringent ..."

MR NORTJÉ: That couples directly to what I have just said Chair:

10 *"Much more stringent contracting environment which was new to the SA Arms Industry".*

ADV LEBALA: Proceed with the next point.

MR NORTJÉ: "SA Arms Industry inexperienced in estimating for a major complex acquisition project".

15 There was an underestimation of complexity of the task, there was underestimation of risk provision and there were omissions, miscalculations and error.

ADV LEBALA: Now what occasioned this Mr Nortjé?

MR NORTJÉ: I do not quite follow, how do you mean what occasioned this?

20 ADV LEBALA: What created this short-sightedness for underestimation of risk provision which you have demonstrated that from the onset has always been critical, miscalculation which goes to costs which has always been critical, underestimation of the complexity of the task which goes to
25 price and that has always been critical.

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MR NORTJÉ: Thank you Chair for the guidance regarding the question. As explained Chair, the complexity of the task was in many respects greater than both industry and even ARMSCOR and the Navy had expected and if one goes to the underestimated of risk provision I have pointed out earlier in my statement that ARMSCOR used to often contract on a basis whereby the state, that is ARMSCOR and the Defence Force, effectively pursued the risk responsibility for the contract, we did not hold the individual contractors responsible for the full impact of risk assets materialised, that was our contracting model in many instances, as explained it was the original plan to contract that way for the Corvette programme in the early 1990's and now our South African industry was required to contract directly to an international entity who expected to extract the full risk provision from them.

ADV LEBALA: I think we could just run down on this once without explaining them because the foundation has already been laid. The next point is

"Increase in cost of Combat Management System from rudimentary ..."

Before then actually I went past:

"Increased in cost of integration due to significant participation of overseas engineering management".

I mean there's a foreign player now, the reality is starting to sink, it's no longer ARMSCOR alone which is in the picture.

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MR NORTJÉ: That is correct Chair.

ADV LEBALA: *“High Risk local system to capable low-risk TAVITAC-based system”.*

What’s the significance of that?

5 MR NORTJÉ: I think I tried to explain a little bit earlier
Chair that ADS was experienced in the so-called “passive side”
which is the easier part of the C combat Management System
but they were inexperienced in tackling the complexities of the
active part of the Combat Management System. Now if ADS
10 would do that all by themselves that would represent a very
high risk but they have now found a partner which brought the
relevant parts of the French TAVITAC –system to the party that
reduced the risk but the TAVITAC being an overseas product, it
had an impact on the cost.

15 ADV LEBALA: By the way as at February 1999 was ADS
already in partnership with Thompson CSF?

MR NORTJÉ: Chair, I’m not exactly sure when the
partnership started and when it was fully cemented, I do know
that the two parties have been talking to each other in forming
20 a joint main contractorship consortium from the very early
days, but I’m not sure how well the discussions and the
agreements progressed, I had the impression that it was a
bumpy road and I, my impression is that it was only really
cemented towards May, April/May of 1999.

25 ADV LEBALA: Let’s read furthermore:

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More complex, more expensive architecture due to the Combat Management System.

- *Increase in man-hour cost due to local personnel market conditions in certain sectors”.*

5

How did that affect the increase in Combat Suite costs?

MR NORTJÉ: Chair, the estimates that we used for increase from the original baseline which was established I think in 1997, May 1997 if my memory serves me correct, we
10 assumed a certain rate of escalation which was typically around the CPI but the reality is that certain sectors in industry, and that was not in the military only, certain sectors of the industry, the cost escalation would actually cost quite significantly more than the CPI rate because electronic
15 engineers and software engineers were in short supply and they were sought after.

ADV LEBALA: Next, this one makes sense:

“Over-budgeting due to misinterpretation of the User Requirement Specification”.

20

By the way, if you were to simply, refresh us the User Requirement Specification, are you talking to the wish list or how would you simplify it?

MR NORTJÉ: Yes Chair, the URS is the User Requirements Specification, in this case for the Combat Suite
25 which is a thick document. The implication of what is written

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here is that wherever local industry was unsure about exactly what the meaning was they budgeted for the worst case.

ADV LEBALA: *“Extraneous costs due to unnecessary Terms and Conditions”.*

5 That’s clear.

“Unacceptable/inexplicable increases in certain items”.

Now let’s go backward, let’s recapitulate and go to page 60.

Now this time it’s a report to the Project Control Board at the top of the 29th of ..., on the 28th or referred to the day the 28th April 1999.

MR NORTJÉ: That is correct Chair.

ADV LEBALA: Now let’s look at the paragraph “Combat Suite Status”. We know that there were costs that played a significant role around 26 March 1999, there was an increase in the Combat Suite costs, it has become clear, a report has already been made to the Naval Board arising from the minutes of a meeting of 28 April 1999. Now this refers to the report to the Project Control Board referred to that date, read the paragraphs headed “Combat Suite Status”.

MR NORTJÉ: Chair, first paragraph says:

“Price discussions/negotiations commenced Feb 99 with Combat Suite price at Rm3 900”.

ADV LEBALA: Now does it mean that as at February 1999 the South African Navy and/or ARMSCOR was better informed

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because as at that stage the foreign element had come in, was the chosen bidder, the German Frigate Consortium.

MR NORTJÉ: Chair, we were starting to learn about the realities that were guessing at previously.

5 ADV LEBALA: We should bear in mind that in terms of the Request for Offer, remember we referred to that page 41, 42 or 41, it started at the price of how many, R1.4bn?

MR NORTJÉ: It started at the price of R1.4bn Chair yes, but that was reference to probably May 1997.

10 ADV LEBALA: Now it's standing at R3.9bn.

MR NORTJÉ: Yes Chair, as indicated in the next page that we previously handled. At the time with allowing for reasonable costs as increase of inflation and so on and so forth, and the rate of exchange, the, our expectation was for
15 the Combat Suite to be approximately R2 000 000 000 (Two thousand million).

ADV LEBALA: If I were to ask, has it increased twice or threefold?

MR NORTJÉ: I beg your pardon Chair, there was some
20 interference along the line?

ADV LEBALA: Has it increased twice or threefold?

MR NORTJÉ: It went to double the amount approximately.

ADV LEBALA: Now the next point:

25 *“Substantial reduction in prices now as a result of*

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...”

There’s an attempt to deal with the question of risk, price and cost that has always played a significant role, there’s an attempt to reduce the price. The reality is sinking now that it can be R1.4bn, it’s R3.9bn, and we know that there were increases, now there’s an attempt to reduce the prices.

1. *Substantial reductions in scope of supply and performance but essential combat”.*

Simplify it.

10 MR NORTJÉ: Yes Chair, faced with this reality that we were sitting with a price which we perceived we could not justify and get approval for, we embarked on a road to try and reduce the price of the Combat Suite. In fact I should add from here on the entire negotiation around the Combat Suite was heavily price driven, not forgetting of course about the risk attached to the issues as well.

ADV LEBALA: Next:

20 *“Capabilities and local industry participation maintained. Example: Reduce SAM shit fit to 16 missiles from 32 9FFBNW). Reduce SSM stock to minimum required with lease/purchase option”.*

Are these some of the items that were reduced?

25 MR NORTJÉ: Yes indeed Chair that couples to the first sentence which says “Substantial reductions in scope of supply”. If you look at the reduced surface-to-air missiles, the

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same ship fit to 16 million ..., from 16 missiles to 32 you will see it is a halving of that which means the substantial (indistinct) scope of supply and similarly the surface-to-surface missile, the SSM was also reduced by approximately 50% from 5 32 to 17 in number.

ADV LEBALA: I would like you to look at page 62 which ironically it's part of page 61. Let's go to the "Programme Cost Summary Today". We know that this relates to the briefing to the Naval Board referred to in the date of 26 March 1999, what 10 does that mean, the Programme Cost Summary in relation to the Ship Platform R3.7bn, Combat Suite R2.3bn, Project Manager R100 million and the total is R6.1bn?

MR NORTJÉ: Chair, my interpretation of that is that was the estimates that the programme manager who submitted this 15 report, the estimates that he thought that was realistically achievable at the time.

ADV LEBALA: Now does this show an increase or a reduction?

MR NORTJÉ: It shows an increase about our initial 20 expectations but it shows a substantial reduction against what was quoted so far.

ADV LEBALA: In what sense?

MR NORTJÉ: Well Chair, I have explained that after 25 allowing the R1 470 million to be adjusted for inflation and rate of exchange to approximately R2 000 000 000 and the

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expectation of the project officer here is that we could come in at R2 300 000 000, that means still an increase above our expectations that was R2 000 000 000, but if we compare that figure, the estimate that we hopefully could achieve at
5 R2 300 000 000, and you compare that to the R3 300 000 that the quote was standing from the contractor you will see that that means that there would have to be quite a substantial reduction to be wrestled from the main contractor to reach this figure.

10 ADV LEBALA: I would like us, I just want to read the relevant portions, especially the last part, please read it and explain it: "Therefore ..." starting with "Therefore ..." the last, last point.

MR NORTJÉ: *"Therefore I can report that Corvette is
15 within goal of Cabinet approved Rm6 001".*

ADV LEBALA: Now significantly the issue of costs, price we've demonstrated that it has played a significant role from the onset of the Strategic Defence Procurement Packages in as far as the Corvettes are concerned, it huffed and puffed, wrong
20 estimates in the beginning, the Project Team got better educated, it started being within the correct price at the realm of R6bn, is that what this documents inform us?

MR NORTJÉ: That is what this document is conveying, yes Sir.

25 ADV LEBALA: Now let's go back to your sworn statement.

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I beg your pardon, signed statement. 6, paragraph 6.2 page 11, you have demonstrated that the quoted price starting on line number 2 Chairpersons, paragraph 6.2, page 11:

5

“The quoted price of the individual elements of the Combat Suite had escalated significantly since the initial estimate had been made by the Joint Project Team”.

That has become clear.

10

“This was largely due to unexpected high prices quoted to the German Frigate Consortium by local industry as well as due to the layout risk provision in the quotations from the German Frigate Consortium as main contractor. Firstly there was a risk provision from the main contractor on the Combat Suite contractor (Thompson/Thales/ADS), and secondly the Combat Suite contractor added further risk provision on all the Combat Suite elements. With this risk strategy in place the South African Navy was in danger of having to reduce the Combat Suite functionally quite significantly in order to fit into the budget constraints”.

15

20

25

I think we need to demonstrate how the risk factor played a role, I would like you to go to your slide bundle page 8. I would like you to summarise the risk factor, I don't know, I sense that you want to have some water, you look exhausted. I

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don't know whether the Commissioners, I've got to be careful not to speak for you.

MR NORTJÉ: Thank you Chair, the concern is appreciated. I beg your pardon if I perhaps look exhausted, 5 tired, I'm not exhausted. Yes it is tiring sitting here with a finger (indistinct) at the mic (indistinct) but I don't think that should detract from our progress, I'm prepared to go on.

CHAIRPERSON: I'm sorry Advocate Lebala, do you want us to adjourn now?

10 ADV LEBALA: I'm in your hands Commissioners.

CHAIRPERSON: Oh.

ADV LEBALA: I'm willing to go on, I am in your hands.

CHAIRPERSON: Oh I see, I thought maybe (indistinct).

ADV LEBALA: I...

15 CHAIRPERSON: We can adjourn now as it's already 15h30.

ADV LEBALA: Chair, probably this is the appropriate time to adjourn, we've started a topic on cost reductions which you know has been a controversial subject in its own right, you know what the critics are saying in as far as the Combat Suite 20 is concerned. We'll traverse a new area tomorrow on the slide to explain how the risk played a role and how it was played around with but it's an appropriate time to adjourn Chair.

CHAIRPERSON: Thank you. Maybe let's adjourn until tomorrow morning. Should we start again tomorrow at 09h30, 25 unless there's objections from anybody?

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ADV LEBALA: We'll be ready to start at 09h30 but I've seen that realistically we end up starting at 09h45 Chair.

CHAIRPERSON: Yes, I thought this morning you'll apologise for coming late, I was made to understand that we started late because we were waiting for you. So, can we just
5 make sure that tomorrow we are all here at 09h30?

ADV LEBALA: Certainly Chair, I apologise. I was exactly here at 09h30 but I apologise.

CHAIRPERSON: No, but then you can't apologise if you
10 were here at 09h30.

ADV LEBALA: I was in the bathroom but I was here at 09h30.

CHAIRPERSON: Okay make sure that tomorrow at 09h30 that you are in the room so that we can start at 09h30.

15 ADV LEBALA: Thank you Chair.

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

(COMMISSION ADJOURNS)