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CHAIRPERSON: Good morning everybody. Okay sir.

ADV SIBEKO: Good morning Chair, good morning Commissioner Musi, today we are going to proceed in tendering the evidence of retired general Pierre Steyn, if I may request
5 that he be sworn in?

PIERRE DERKSEN STEYN: d.s.s.

ADV SIBEKO: Chair before Mr Steyn tenders his evidence I would like to make just one request, that you will notice during the course of Mr Steyn's evidence that he will be giving
10 evidence in largely relating to his role as the secretary of defence during the relevant period.

Now during the course of his evidence he will touch on matters that various other witnesses would have testified before him have touched on, however, we have tried to keep his
15 references to evidence that has been tendered previously to a minimum, and this is intended to put some context to his evidence.

So we will be running the risk from time to time to be traversed in things that may have been traversed previously,
20 but I would request the Chair and Commissioner Musi to please bear with us, because some of the things we would need to traverse with him he deals with from the perspective of the position he held at the time of defence secretary, and these would relate to the manner in which he was required to carry
25 out his functions in the capacity as directed by policies and the

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applicable legislation at the time. So I make this remark Chair not with any disrespect, but just to apprise you that there may be instances where we may be running the risk of appearing as being competitive, but we, I will request that the Chair and
5 Commissioner Musi please bear with us because there is a different nuance in which these matters would be dealt with. Thank you Chair.

EXAMINATION BY ADV SIBEKO: Mr Steyn is it correct that in preparation to give evidence to this commission you
10 have prepared a statement?

LT GEN (RET) STEYN: That's correct, I've prepared a statement Chair.

ADV SIBEKO: Do you have that statement in front of you?

15 LT GEN (RET) STEYN: I do, I have had a look at it and it is the statement I've prepared.

ADV SIBEKO: Chair I believe there is a bundle that has been placed in front of you, that's bundle contains Mr Steyn's statement together with various documents to which he intends
20 to lie, I believe there are 31 annexures that are contained in the bundle which we will deal with in the fullness of time.

Mr Steyn can I ask you to have regard to the bundle that you have in front of you, do you see your statement there?

LT GEN (RET) STEYN: I do.

25 ADV SIBEKO: Now can I ask you to turn to page 6 of that

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document, you will see at just below the heading *introduction*,
is written:

“I the undersigned Pierre Derksen Steyn.”

Is that the statement? Page 6 of the document?

5 LT GEN (RET) STEYN: Yes.

ADV SIBEKO: May I then ask you to turn to page 49 of
that statement? There is a signature there, do you confirm that
is your signature?

LT GEN (RET) STEYN: Chair I confirm it is my signature.

10 ADV SIBEKO: Alright, at page 50 of the bundle of
documents that appears to be a profile ...(intervene)

CHAIRPERSON: ...(indistinct)... when was it
...(indistinct)... signed ...(indistinct)...?

15 ADV SIBEKO: Yes, I beg your pardon Chair, when did you
sign this statement Mr Steyn?

LT GEN (RET) STEYN: Chair the statement was signed
on the evening of Friday, 9 May, is that correct, ja.

20 ADV SIBEKO: Thank you Chair, it is indeed that the
statement was signed on Friday, 9 May this year. Once again
Mr Steyn may I ask you to refer to page 50 of that bundle of
documents, it is Annexure PS1 to your statement, do you
confirm that is the profile, that is your profile?

LT GEN (RET) STEYN: Chair I confirm this is my
profile.

25 CHAIRPERSON: I'm sorry, okay sorry, just for my

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understanding, I see on this page 50 it says ...(indistinct)... August 1998, and some of the documents seems to suggest that you sat until November 1998, can we just get clarity from you Mr Sibeko?

5 ADV SIBEKO: Yes we will, we will be getting to that point, but we will deal with it presently now. Mr Steyn it is correct that during 1994 you were appointed to the position of Secretary for the defence, in the Ministry of Defence correct?

LT GEN (RET) STEYN: Chair that is correct.

10 ADV SIBEKO: I believe that was a fixed term contract in terms of which you were appointed, is that correct?

LT GEN (RET) STEYN: I was appointed for a term of five years, that's correct.

ADV SIBEKO: Right, and you held that position until you resigned, can you please tell the commissioners when you resigned?

LT GEN (RET) STEYN: I resigned during the course of August, so the commissioner is correct, I actually served up until November, my apology for that. So I resigned during the month of August 1998, and I stayed in my position until end of November.

ADV SIBEKO: So despite the tendering of your resignation during the month of August 1998 you stayed on until end of November of 1998?

25 LT GEN (RET) STEYN: That's correct.

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ADV SIBEKO: Alright. Now before your appointment as secretary for defence it is correct that you were employed by the Department of Defence some time previously is that correct?

5 LT GEN (RET) STEYN: That's correct, I joined the South African Air force in 1960, and retired prematurely in 1993.

ADV SIBEKO: In fact your history with the Ministry of Defence in your capacity as a uniformed, as unformed
10 personnel as is set out at page 7 of your statement, could you turn to page 7 and let's deal with that? Do you have page 7 in front of you?

LT GEN (RET) STEYN: I do Chair.

CHAIRPERSON: Also there is one small issue, I see you
15 know in this document and also in his profile at times you say that you were secretary for defence, at times you say that you were secretary of defence, which is the correct one, secretary for defence, secretary of defence, because I see on one page you know he has used both of them?

20 LT GEN (RET) STEYN: Chair you are correct, there is much debate on that, I believe that my counterparts which hold the rank of secretary of defence is usually of political appointment, and therefore it was decided that I drop the *of* and substitute *for*, so I became secretary for defence, thank
25 you sir.

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ADV SIBEKO: Now perhaps just for purposes of completion, when the position of secretary for defence was introduced within the ministry of defence what informed that decision?

5 LT GEN (RET) STEYN: The institute for defence policy did a research project and took note of the content, scope and roles and functions of various defence forces in democracies, most if not all of them reflected a civilian component in the Department of Defence. The government adopted that
10 particular model and instructions was given that that civilian component should be created in the defence department.

ADV SIBEKO: Now in due course we will refer to the noted reports, it is recorded therein that the position o secretary for defence that was created in 1994 was a civilian
15 component within the ministry of defence is that right?

LT GEN (RET) STEYN: Yes, the purpose was to create a civilian component staffed by civilians, but it was apparently quite difficult to source people to actually start in an old office, one desk, telephone and a secretary, and I then had to
20 recruit people, and many of them, not all, actually came from the retired ranks of the officers rank.

ADV SIBEKO: Now it is also correct that in your capacity as secretary for defence, you also were the accounting officer for the department?

25 LT GEN (RET) STEYN: Chair that's correct, umm, the

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dual responsibility of serving as secretary for defence also brought with it the roles and responsibilities appropriated to a Director General of a department, and as such they sealed in accordance the roles and responsibilities of an accounting officer.

ADV SIBEKO: Right, perhaps just to complete that one section of the role you played in the Ministry of Defence as a secretary for defence, what other structures did you serve in within the department other than being its director general?

10 LT GEN (RET) STEYN: Chair I joined in 1960, the Air Force at the age of 17 and did so as a youngster to fly, towards my 20's I did the necessary courses for promotion and rose very slowly through the ranks in various flying squadrons and bases. Then when you reach approximately the age of 30 most
15 of us who served as pilots were then put into staff positions for a short while and then you could return to flying.

Now the notable staff positions which I filled was that of director of force preparation which held then the rank of Brigadier General, today a General, and thereafter chief of
20 staff personnel of the Defence Force as well as Chief of personnel of the Defence Force, and later just before my retirement I served as the Chairman of the Joint Staffs, I had no line function, I chaired the meetings of the various senior or top ranking functions.

25 ADV SIBEKO: Now if I may ask you to just turn your

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attention to page 50 which is your profile, at the end of the second paragraph under the heading *Service in the South African Defence Force*, it is recorded there that after you received your wings in 1960 you served as a flying instructor and Training Officer until 1966, that did that position entail?

LT GEN (RET) STEYN: The flying instructor role at that time was focussed on teaching youngsters who entered the Air Force to fly, basic flying training. The training officer part was associated with my appointment at the military academy which is the academic wing of the University of Stellenbosch where I lectured on aeronautics, that was the training officer part.

Later in my career I also served as an instructor but for advanced training, and when you discuss the LIFT aircraft for example that is the environment where I served as well, and then you are dealing with qualified pilots and your instruction is then transferred to them to learn them how to use the aircraft as a weapon.

ADV SIBEKO: You were also appointed as Commander of the Air Force base Hoedspruit 1982 to 1984, directing the force preparations of three squadrons, which squadrons were these and what did that job entail?

LT GEN (RET) STEYN: The role of the commander of a base, the South African Air Force is not a line commander, you're entrusted with the force preparation of a number of

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prepared squadrons, in my case number 1 squadron was F1's, two squadrons was Cheetah's and 31 Squadron with two types of helicopter served on my base. And my job was to ensure that they remain conduct ready at all times. On many occasions during that period of time all the squadrons or part of them were transferred under the command of an operational commander wherever it was required to send them.

ADV SIBEKO: In the next paragraph it was recorded that you served in several staffed positions where you assumed responsibility for advanced training, pilots and preparation forces for combat, can you just elaborate on that?

LT GEN (RET) STEYN: Okay, here is a connection between the role of a base commander and the staff officer referred to in my profile. This staff officer was responsible to ensure that there is a curriculum to follow, apart from having trained the ...(indistinct)..., these ...(indistinct)... were held at combat readiness according to the directives as set out from the position of a Force Preparation Director at Air Force Head quarters.

ADV SIBEKO: From about 1985 you also served or were responsible for various acquisition projects, could you just give examples of these projects?

LT GEN (RET) STEYN: At 1985 I assumed the rank of Brigadier General, force preparation, and one of the divisions that served under me was called the projects division. Now

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historically at that time the Air Force had great difficulty in acquiring new equipment, and together with the local industry that that would be ARMSCOR and ...(indistinct)... many updates were done during the course of a project.

5 So for example the Cheetah E Aircraft is a new transformation of an old Aircraft such as the M-Orange 3, it was a very exciting project, initially I served on the project, later on I directed it. It is interesting to note that the F1 which is a later version of the M-orange 3 never had a benefit of an
10 update, some of them have not even had a major service.

 I also note there that when ...(indistinct)... also at that time the idea to post that, we ought to have developed a compact helicopter, and later we in act brought it into services, and the first pilot to fly them was the helicopter pilots who
15 have been sent back to ...(indistinct)... to get the culture of a fighter pilot, in other words fly a helicopter but ...(indistinct)..., thank you.

ADV SIBEKO: Now just before your early retirement as you point out in 1993 you state that you served in various
20 senior top management staff positions holding the Rank of Major General, and Lieutenant General, and you retired there as in a position of chief of staff, what did that position entail as chief of staff?

LT GEN (RET) STEYN: The latter position is a
25 Lieutenant General convening his peers also at the same rank

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but being responsible for the following functions;

- Personnel.
- Intelligence.
- Operations.
- Logistics.
- Finance.

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So these staff functions are then replicated at the arms of service and the staff divisions served them with the necessary administrative and policy support, my role was the integrate all these functions into one.

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ADV SIBEKO: So through the various positions you held at the Department of Defence prior to being pointed as the secretary for Defence would it be correct to say you were involved in acquisition projects especially relating to Aircrafts as a result of which you acquired extensive insight into one of the workings of the various aircrafts and to the acquisition processes that were required to be followed within the DOD system?

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LT GEN (RET) STEYN: I had a passion for projects and I soon realised that you can only be successful if you follow as standard prescript from the moment you generate the idea of what you want until such time as the state machinery has placed you in a position to acquire that and to put it into service, and for that purpose the Defence Force of that time together with the ARMSCOR created rules and regulations that

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would serve as a guide on the one hand for a project officer, in the Arm of service, and for his counterpart the project engineer

An example of that was for example Mr Erik Esterhuysen who in junior ranks served as a project engineer together with me as a project officer. Does that answer your question?

ADV SIBEKO: Yes. Now you will see that the discussion we have had so far would bring us to page 7 of your statement where you will find a heading under paragraph 4 where you say the relation of evidence to the commissions terms of reference could you briefly explain to the commissioners what you intended to achieve by what you set out at paragraph 4.1.1 and 4.1.2?

LT GEN (RET) STEYN: Chair it is possibly of note that I recently acquired the LLB degree, this was done after I turned 65 and had free time to myself, so I'm very fond of looking at the law and decisions that had been made regarding the questions that we deal with today.

I read the terms of reference of your commission, and then did the search to see whether there are any inspiration from judgments which you no doubt are familiar with. In this particular quote from Judge Davies, he addresses the Transport legal Culture that:

"Public authorities must be held accountable for their negligent actions where the requirements of

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legal causation and damages have been satisfied.”

And it continued to say:

“This is particularly the case when given the legal convictions of the community and taking into account the spirit, purport, and object of the constitution.”

With this in mind and a quote from administrative justice as our justice ...(indistinct)... see it, I then did my research on the available document and hope to provide you with enough material in which you and your colleagues may be able to tease out the problems as stated in this particular endeavour.

ADV SIBEKO: Now having made that research and having referred to the judgment that you referred to is it your view that the evidence you are about the tender going forward to this commission resonates from the judgment that you referred to?

LT GEN (RET) STEYN: Chair I certainly hope so, the test of course will be once you have given me the opportunity to present my evidence that it might be of use to you in your considerations and with regard to your terms of reference.

ADV SIBEKO: I think you can accept that by responding to your subpoena that was sent to you that is the opportunity that you are being given to present your evidence as you see, but having said that you say that, it is correct that the incidents in respect of which you're giving evidence happened

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very many years ago, some 14 or 15 years is that correct?

LT GEN (RET) STEYN: That's correct, that's correct,
14, 16 years ago.

ADV SIBEKO: And you say that the evidence you will be
5 giving before the commission relates to matters that followed in
your personal knowledge and some of which you have obtained
from documents that were furnished to you?

LT GEN (RET) STEYN: That is correct Chair.

ADV SIBEKO: And the documents that have been
10 furnished to you among others by the department of defence
you have used these documents to refresh your memory so that
you can remember things that happened many, many years ago?

LT GEN (RET) STEYN: I did, and I rediscovered let's
15 say three distinct periods in that time which we may deal with
later when we come to it, but briefly it indicate first of all my
intimate participation with the minister, especially in 1996
when we took great pains to consult with regard to the creation
of the defence review and subsequently almost concurrently
drafting the white paper on defence.

20 And then the next year much time was spent on how
to acquire what you need, in other words to consider
regulation, how you would go about it, and the final here is
probably characterised by the Fact that once the department
has made up its mind as to what it requires, how we would go
25 about doing that and from who.

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ADV SIBEKO: Now in the middle of paragraph 4.2 on page 8 of your statement you say that the views you express, you expressed them firstly by submitting them in your Capacity as the department of Defence Accounting Officer during the relevant period, secondly as a career officer with 34 years experience in the South African Air Force which experience includes among others directing and conducting numerous Aircraft acquisition projects.

Now sitting here right now and perhaps going back a few days to the time when preparing your statement, do you have any recollection of the number of acquisition projects or Aircraft acquisition projects you may have been involved in during you tenure at the department?

LT GEN (RET) STEYN: Chair my personal involvement, my personal involvement and responsibility or projects revolved around the project to transform the M-orange 3 into what it was then when it was phased out I 1998/99 the Cheetah, and then I director a number of aircraft projects which included guided missiles, improvement of performance of aircraft, replacing existing engines and systems and ...(indistinct)...

In the 60's many of the equipment were large and heavy and this rapidly changed in the latter 60's and 70's when valve technology was replaced by a much smaller component, that was very, very exciting stuff.

And then in the early 80's I actually returned to

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projects and was also tasked with overseeing the development of Air force base Hoedspruit, interesting from this point of view is that many of the engineers were young national service conscripts, and the seniors who gave guidance to them were then the contractors, so from that point of view it was satisfying that the base took shape and was put in place in the Eastern Part of the country and apart from the brief oversight by one of my colleagues I became the first official officer commanding in the base.

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10 ADV SIBEKO: Now going to paragraph 4.3 and following of your statement you deal with the functions of the secretary for defence I believe, which is the equivalent director general of a state department under the provisions of the ...(indistinct)... Act, could you just briefly summarise your
15 functions during that time?

LT GEN (RET) STEYN: One should remind oneself that when the defence secretariat was created it was done with a fair measure of resistance from the Defence Force itself, and the reason is very apparent, the defence secretary because the holder of the purse, I was responsible for drafting the budget, for the ensuing years and later in 1997 we started participating in the medium terms expenditure framework, and once those moneys were voted in parliament I assumes responsibility to re-appropriate the voted funds to the various arms of service
20
25 and staff divisions.

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That is the most important responsibility of an accounting officer, but the defence secretariat goes further than that, the models that served in Britain and France, and America and so on suggests that you should separate the physical power of generals from the policy, so the Defence policy became one of the major divisions in the secretariat, headed up by the deputy director general. Then there was a deputy director for finance and the rest of the functions were put below them, so the policy one was fairly large and one of the chief directors that served with the deputy director policy was the division for acquisition.

So the acquisition function earlier resided with the chief of logistics in the defence force. So you will have noticed that in many of the minutes of meetings both gentlemen sat, initially there was some strain, because one needs to remind yourself that the chief of logistics had custody of acquisition, now it was taken away and it resides with the defence secretariat, the trick was to allow the chief of acquisition to work closely with his colleagues in the logistical divisions not only of the defence force but also in the arms of service.

Hence, you will note that we talk about integrated projects teams, and he had a very important role to oversee the integration of those efforts.

ADV SIBEKO: But would it be correct then to summarise

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your duties and functions as secretary of defence/accounting officer of the department of defence as including 1) the control of the budget, and 2) the function of acquisition by the department of the needs of the defence force.

5 LT GEN (RET) STEYN: Yes it does capture it all but I should also point out that the policy I've referred to is not only operational policy or acquisition policy but also policy for people should the defence force use transcript systems or not. So that particular consideration of policy that's revolved
10 around it also resided with the secretary, alright?

ADV SIBEKO: But for purposes of the exercise that we are about it would be correct that acquisition of ...(indistinct)... and the control of the budget resided with the position that you held?

15 LT GEN (RET) STEYN: You are correct, Chair.

ADV SIBEKO: And the, perhaps the various functions that the ...(indistinct)... Act confers on the director general we can find in the provisions of the ...(indistinct)... Act.

LT GEN (RET) STEYN: Yes in fact the Act that served
20 then was from 1997, I haven't really checked whether it has been updated, I merely used this because at that time it guided me.

ADV SIBEKO: Yes, now a lot has happened since the time you left and things have changed now.

25 LT GEN (RET) STEYN: Yes.

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ADV SIBEKO: This brings us to paragraph 4.5 of your statement, still on page 9, do you have that in front of you?

LT GEN (RET) STEYN: I do.

ADV SIBEKO: Now you have a discussion in paragraph
5 4.5 relating to the interaction between the ...(indistinct)... and the joint standing committee of the defence on the one hand as well as the interaction that the department of defence or the ministry of defence had with the joint standing committee of defence, could you just elaborate on this, it will in due course
10 ...(indistinct)... with the roles it wouldn't played, the joint standing committee could have played with the SDP?

LT GEN (RET) STEYN: The joint standing committee of defence and there were many standing committees, played a very important role, I will tell you why, whatever the minister of
15 defence has in mind be it the deployment of forces or changing the structure of the defence force, or for that matter acquiring new equipment, he would first interact with the joint standing committee in order to ensure that when he later provides parliament with the context to solicit the vote for his budget he
20 can at least rely on a committee that is staffed by, maybe not all but the major political parties in parliament.

And I must say that the arrangements for a regular annual program was done by the committee secretary and the defence secretariat and we placed on their program regular
25 interactions. The agenda for these interactions were often

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informed by the time of the year, is it budget time, do I lobby now, we extensively use the joint standing committee in 1996 when they assisted us in soliciting participation by public and other interested parties in drafting the defence review. It really was a big thing.

It serves as a blueprint for what the minister of defence wanted to do later on, and very soon after that, in fact almost in concurrence we started drafting the white paper on defence, and they actively took part in this. So I expressed my appreciation then and I do now for the role that they've played.

I lament the fact Chair that unfortunately when the program for the SDPP started growing in stature in the belly the joint standing committee in my view were not as vigorously lobbied and we didn't sought, we didn't get their support as we should have done that, that is my opinion but we can come back to that later, thank you sir.

ADV SIBEKO: Now you say in your evidence if I understand correctly that the joint standing committee of defence play a pivotal role during the process of the defence review and was lobbied also during the preparation of the white paper, and you also say that the defence reviewed provided a blue print of how the department of Defence would look going forward. What role specifically did the joint standing committee play?

LT GEN (RET) STEYN: Chair let's think about the

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defence review and the white paper as a wish list, I state in my statement that it didn't provide authority for acquisition, you cannot buy what you state you need in your defence review.

5 Now since you will then put out a program of acquisition, hopefully not all at the same time, the resources required from a financial logistic and personnel point of view will find its way through finances on your budget proposals, and exactly this is why a support from this particular standing committee was invaluable for the minister when he presents his
10 budget for voting.

ADV SIBEKO: So accepting that the acquisition of the ...(indistinct)... required finance one would have expected that in the course of conceiving the various projects, the acquisition projects, the standing of the joint standing committee of
15 defence would have been kept informed, is that how I understand your evidence?

LT GEN (RET) STEYN: That is correct, Chair you are also at this stage aware of the importance of MODAK, it is a system that prescribed how you acquire. Now there are a few
20 of the elements on the SDPP that actually followed the MOEK process, when we come to that it would be project Winchester, which is a aircraft similar to LIFT in the SDPP and also the Corvette, and both of these projects had in accordance with MOAK fairly mature paperwork.

25 And as a consequence I would state that the joint

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standing commission had visibility of those projects, because at staff target time and staff requirement time those moneys were transferred to a budget, and a note in the budget would have informed those who studies that document. So I hope that
5 does answer your question.

ADV SIBEKO: So to a point while the joint standing committee for defence played the supportive role in various ways that you've described it also played a supervisory role is that correct?

10 LT GEN (RET) STEYN: Chair I believe the word is oversight, I don't think any minister would really be fond of the supervision.

ADV SIBEKO: Now what did this oversight function entail?

15 LT GEN (RET) STEYN: The oversight function was nothing more than checking whether the executive acts in accordance with what he has agreed in parliament. So having presented on an annual basis his updated budget, he speaks to that, he tells the parliament what he intends to do that year
20 and then finally they vote on it.

The joint standing committee is invariably already briefed on what he is going to say, even before that event takes place, brief interactions between the staffs of the minister who would assist him in the vote takes place with
25 members if not all of the joint standing committee, did I get

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your question?

ADV SIBEKO: Now accepting for as you have stated what role the joint standing committee played, especially where it was approached for support for the appropriation for certain moneys for specific budgetary requirements, what would have been the position in instances where acquisitions were to be embarked upon without any, or the availability of the budget?

LT GEN (RET) STEYN: It is not uncommon Chair for the department of finance then, treasury now, to make financing available other than gathering public money through taxes. Now I might be corrected by experts, but as far as I'm concerned the joint standing committee did not concern themselves with funding outside budget, they simply didn't have the mandate to do so, neither did they have the skill to pronounce on that.

Now what concerned me in 1998 I indicated that with regard to the maturity of this program the baby's kicking in the belly, it I about to come out, there is no food, there was no money put on the current budget of 1998 nor the next year to reflect moneys available other than those projects which I mentioned that had started their life as MODAK projects, so the Corvette and Winchester I would presume benefited from that, but the other elements of the package unfortunately did not.

ADV SIBEKO: I am certain we will deal with that in the fullness of time, can I ask you to turn to page 10 where you

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find paragraph 5 under the heading the foundation of the strategic defence package ...(indistinct)... program, this is here we start dealing with the SDPP organisation. Could you just explain it?

5 LT GEN (RET) STEYN: Okay as I indicated the defence review was a new product to infill new players in government, after the creation of our democracy in 1994 we soon started this, many questions were posed, what does the defence force look like? What has been the aims and
10 objectives? From a strategic point did things change? Many, many questions, and therefore the importance of the defence review should not be underestimated.

It pronounced on what we ought to do taking into account threats at that time and I recall, I can't remember
15 whether it is what actually ...(indistinct)..., I recall that we tried to find integration with the other programs that became visible, it later became the DP, development program, the white pattern on defence is a more formal document, the defence review read like a book, like a story, the white paper was
20 almost more prescriptive, and these two documents I propose gave the defence family, minister included the confidence to embark on replacement projects, because it is well known that at that stage many of the systems in the defence force, especially the one that I know, the Air Force, many systems
25 had reached its shelf life, the Impala for example had been

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introduced in the, I think the late 50's, 60's, wonderful Air Craft but it was not serving its purpose, and there are other examples as well, the Corvette's from the Navy and so on.

ADV SIBEKO: At paragraph 5.2 of your statement you
5 talk about the aim of the Defence review as you've just described and the context in which it was done being the aging systems of the Defence Force and the need to execute the constitutional mandate of the defence force that could be dealt with.

10 Now you state in the middle of that paragraph you say the approval of the Defence Review was not an endorsement for the acquisition of the necessary arms and equipment, it was obviously a matter which would need to be considered separately in the light of completing national
15 priorities and the availability of funds, could you just explain what you mean by that?

LT GEN (RET) STEYN: Chair as director general and Defence Secretary I didn't work in isolation, the president of that time often arranged meetings with the various ministries
20 and the ministers would then invite their director generals along. At a very early time in my tenure of defence secretary I became aware of the horse training amongst ministers for the available moneys, and there was certainly a gravitation of the available funds towards upliftment, economic uplift and
25 schooling and all those exigencies which needed to be funded.

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I was initially brought under the impression that then defence family need briefly to stand back and accept gradual cuts in their appropriation in the budget, so consequently, gradually in 1994, 1995, 1996, 1997 and 1998 will reflect this gradual decrease of the appropriation of Defence moneys, so much so that I, I think I recall that the defence budget reflected something like 2% or maybe even slightly less than the GEP, when I started my tenure it was very close to 3%.

10 ADV SIBEKO: At paragraph 5.4 you mentioned that, it goes without saying that the budgetary provisions and expenditure for implementation of an ambitious program that was envisaged in the defence review ought to have been in accordance with the financial regulations of the ...(indistinct)...
15 Act, why do you say that?

LT GEN (RET) STEYN: The ...(indistinct)... Act of 75 assumed that ...(indistinct)... for moneys expended unless it has been formally voted for my department. Now you might even delete the word *ambitious*, it should actually read *every*
20 *program*, you are not allowed to embark on expenditures if you haven't reflected those needs, services and products on your budget that have been voted in parliament. If you use it otherwise you are actually breaking the law, and I thought that in the absence of formal appearance of the SDP requirements
25 on the budget this caused great concern as far as I'm

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concerned.

ADV SIBEKO: Now would it have made any difference if a decision had been made to fund the proposed acquisitions from sources outside your normal budgetary expenses as was the position?
5

LT GEN (RET) STEYN: No, that would've had no concern to me and in fact I took note of the fact that it is possible for treasury or department of finance to gain finances outside the budget, for example ...(indistinct)..., although I've never been charged with the accounting for such funds. But imagine if they did find funds of that nature and it is not reflected of the budget there would have been a mechanism given by treasury to this defence ...(indistinct)... to say this is how you will deal with it.
10

15 But in the absence of that I only had the prescripts of the ...(indistinct)... Act to refer to, so I'm not saying it's not possible, but the mechanisms were never in fact used.

ADV SIBEKO: So to the extent that the mechanisms existed I gather from what you're saying that at the very least these mechanisms would have been employed with your cooperation, or at least you would have been informed of how to deal with moneys that would have been obtained for to fund the acquisition?
20

LT GEN (RET) STEYN: I would have really have appreciated that fact that I could be kept informed of how
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financing would have been obtained to acquire these programs and to be informed what role I should play, I have no problem if they have done that. 2) I cannot say that financing in that manner ought to be treated any different than finding money in the ...(indistinct)..., and therefore I say they could have done it that way but to keep parliament and public informed.

ADV SIBEKO: Okay, I suppose we will deal with that in due course, in paragraph 5.5 you make mention of the ...(indistinct)... as serving on the board of ARMSCOR as an ex-official director, could you explain why that was?

LT GEN (RET) STEYN: At the time I became defence secretary there was a vibrant defence industry, the patron of the defence industry was Denel some of the industrial components resided with Denel, and there were many companies outside Denel that contributed to the acquisition programs of the defence force.

My seat on the board was important because it was very important for the defence family, or the acquisition defence personnel to interact smoothly with its counterparts in ARMSCOR, and once contracts have been bestowed on the various industry within Denel or outside that we work closely with them, so I've inserted this paragraph to indicate the sympathy and empathy I have with our local industry.

Or minister expressed strong concerns regarding the maintenance of the industry ...(indistinct)..., I agree with

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that statement, hence the inclusion of this paragraph.

ADV SIBEKO: Now I think it has become common cause that at the time and up to this point ARMSCOR was the tender board, or functioned there as the tender board for the acquisition arm of the department of defence, and I assume
5 that as the accounting officer, the person who holds the strings to the purse and the person responsible for acquisition it was natural that it be –ex-official member of the board in your capacity of defence secretary?

10 LT GEN (RET) STEYN: That's correct Chair, now you will recall that a project reaches a stage of having an approved acquisition plan, it is very detailed and the financial figures in it is not rounded, I'm not suggesting ...(indistinct)... but it is firmly established that this is what it is going to cost, the
15 counterparts in ARMSCOR would take note that the project has come to the stage where the moneys are approved, we know exactly what we want, and that exactness of what we want can be captured in issuing tenders.

And the ARMSCOR is entrusted through its board to
20 make selection in accordance with weighted criteria, the same ...(indistinct)... never ever changed afterwards. And then once they have made a decision it is customary for the ARMSCOR board, and therefore its officials to get the endorsement of their uniformed counterparts, and as a consequence of that
25 closeness of effort in the program I sat on the board.

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ADV SIBEKO: Chair I see we are about to start with the various policies which the witness will be giving evidence on regarding acquisition, I was just wondering if this would be the appropriate time to take the tea adjournment?

5 CHAIRPERSON: Thank you, I think we will come back after 20 minutes.

LT GEN (RET) STEYN: Thank you Chair.

(PROCEEDINGS ADJOURN)

(PROCEEDINGS RESUMES)

10 PIERRE STEYN: s.u.o.

ADV SIBEKO: Thank you Chair, Commissioner Musi, Mr Steyn we are now at page 11 of your statement, we are about to start with the various acquisition policies that ... (indistinct) ... application on the department of defence starting with the MODAK acquisition policy, do you have that in front of you?

LT GEN (RET) STEYN: Yes I do.

ADV SIBEKO: Now in dealing with the discussion under paragraph 6 of your statement I would like for you to put a finger on your annexure PS3 where it starts at page 54, that would be the MODAK policy. Now it is common cause before this commission through the evidence of various witnesses who have testified before the commission that during about 1994 the minister of defence at the time requested an investigation into the management and execution of the acquisition function

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within the DOD and by in large this investigation was brought about by the introduction of the civilian function through the appointment of the secretary for defence is that correct?

ADV SIBEKO: That is correct Chair.

5 LT GEN (RET) STEYN: We also do know that during that time there was the VB1000 which the department of defence used for acquisition and also the PK1000 which was also used by ARMSCOR which regulated the acquisition process, will you confirm?

10 LT GEN (RET) STEYN: I can confirm that sir.

ADV SIBEKO: Right this investigation that was undertaken had to be undertaken by a number of people, if I asked you to turn to page 57 of the bundle of documents, that will be at PS3, page 57 Chair, do you have that page in front of
15 you Mr Steyn?

LT GEN (RET) STEYN: I do have it.

ADV SIBEKO: You will see that after the introduction this is what we would have dealt with in a short while, there is a steering committee, could you talk to us about what the
20 steering committee was intended to do? I see your name there, perhaps we could start by first confirming that you were a member of the steering committee is that correct?

LT GEN (RET) STEYN: I was indeed sir.

ADV SIBEKO: Together with the minister of defence the
25 deputy minister of defence, the chief of the national defence

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force at the time and the executive general manager of ARMSCOR, all of you formed the steering committee for the MODAK investigation?

LT GEN (RET) STEYN: That is correct.

5 ADV SIBEKO: Now what was the function of this steering committee in the context of that proposed investigation?

LT GEN (RET) STEYN: Part of the function can be found in the subject matter of the various MODAK reports, if you look at MOAK 1 you can see it is the management of
10 technology and ...(indistinct)... acquisition in the DOD, there would be a collaboration between the various players mentioned in project team B, it reflects the diverse attendance of the chief of logistics, it shows an operations person, it shows for example Ishmael who headed up the policy.

15 Dr Buys was a prominent figure in the ARMSCOR and so was Mr Esterhuyse, so the second MODAK policy attended to the defence industry policy attended to the defence industry policy, so the bias would then move more towards the members that could talk on that from the ARMSCOR, and then
20 thirdly the structure of the defence acquisition program management organisation again integrated the efforts of the various participants, and the steering committee simply gave sanction to the participation of its immediate subordinates, in my particular case it would have been to support Mr Ishmael's
25 Brigadier Carpenter, Mr Shaik ...(indistinct)..., ja Mr Shaik, ja

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that's it.

ADV SIBEKO: Would I be correct to say that the steering committee together with the project team that was appointed had their responsibility as being to conduct the investigation that was proposed by the minister together with formulating these new policies that were contemplated as an outcome of that investigation?

LT GEN (RET) STEYN: Correct, as you can see the work on this started very soon after the defence ...(indistinct)... was established, but the covering page shows that this particular policy document was only promulgated on 8 August two years later in 1996, ...(indistinct)... comprehensive content, and I believe that it is about standing product of guiding those who participated in the joint programs that involved not only the defence family but ARMSCOR and the industry whether they belong to Denel or not, thank you.

ADV SIBEKO: Now while you are correct in stating that the policy or the MODAK reports were promulgated in 1996, if I ask you to turn to page 58 of that document with regard to MODAK 1 you will see that under the heading *MODAK 1*, the steering committee approved the MODAK 1 report on 10 February 1995, is that correct?

LT GEN (RET) STEYN: Ja correct, it was stages, as I said in my statement there were three reports, first one approved on February 1995, that same here number 2 was

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approved in September and I'm not too sure about the third one, probably out May 1996.

ADV SIBEKO: Now can I ask you to turn to page 60 of the bundle, you will see that is the executive summary of the MODAK 1 report which deals with the management of technology and ...(indistinct)... position on the DOD, I see there are various, there are yes, various role players in respect of which provision is made in this document and there is also the role of the defence secretariat in particular, could you just speak to that?

LT GEN (RET) STEYN: Okay I'm pleased that you actually point this out, because what is stated there is consistent with the description of my role, in other words to be responsible for high level program and budgeting in here and to control it and afterwards to interact with the auditor general when I need to account at ...(indistinct)... for the expenditure.

And of course the building of this budget is usually done and finalised in the so-called horse training exercise with my counterparts where we try and coax more money from a colleague where he might not be using it himself. So we are fully aware that the defence function need to be an integral part of the governments overall development plan.

ADV SIBEKO: The other role that is defined there, you will see from the first sentence is that the defence secretariat is responsible to ensure that all acquisition activities are

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executed with the national objectives, policies and constraints,
are you aware ...(indistinct)...?

LT GEN (RET) STEYN: More in terms of constraints, I
can't recall that we ever had to duff tail acquisition activities
5 with national objectives, there was hardly for example any
infrastructure development, it was at that time confined to the
acquisition of movable arms equipment.

But having decided on that and when it is translated
into budgetary requirements, your first hurdle is an
10 ...(indistinct)... meeting raised by the Minister of Finance and
his officials to justify in most cases why you asked for more
money than last year.

So you become well aware of national objectives,
policies and constraints while you are fighting to get the
15 moneys you need.

ADV SIBEKO: It is correct also that this MODAK 1 also
established new acquisition management processes that you
were part of?

LT GEN (RET) STEYN: Correct, the MODAK 1 provided
20 the players in the acquisition programs with very specific
guidelines as to how they ought to progress from an
operational need finally to obtaining permission or approval to
acquire ...(indistinct)... a system from the shelf or to cause
development of what you need.

25 ADV SIBEKO: Approval structures for these acquisition

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programs were also established in terms of MODAK 1, and you were a part of those?

LT GEN (RET) STEYN: Correct, and the various steps of the program are then tendered for approval or recommendation in the various structures. Now the structures that you are aware of at this stage includes but is not exclusive to the Arms Acquisition Control Board. In that you read integration, in other words to ensure that all the various programs comes together as a whole, and then this is the transfer to the agenda to the AASB which I chaired and where the preferred choices or recommendations according to the various steps of MODAK is then formulated in the form of recommendations to the arms acquisition council chaired by the minister.

So you can gather from this that the various bodies up until the Arms Acquisition Council had a collation and recommendation function, not much more.

ADV SIBEKO: If I ask you to turn to page 76 of the bundle you will then see there under paragraph 7 that ...(indistinct)... acquisition management in South Africa and related to that is what you find on the next page 77 under paragraph 7.3 the control function. Do you see that?

LT GEN (RET) STEYN: Yes I do.

ADV SIBEKO: Now 731 provides that:

“Fundamental to come ...(indistinct)... acquisition

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management is the control function. This control function is executed by the various parties within the MOD in accordance with allocated responsibilities and expertise. Although there is a
5 tendency towards clinical delineation of responsibilities and practice the parties should operate as a synergistic whole in order to optimise control.”

What was sought to be achieved by this statement?

10 LT GEN (RET) STEYN: The acquisition of, I wouldn't talk about service, but products, arms and equipment is not so simple as to select the product and neglect the implications of ownership, in other words the development of personnel or the training of them on those whether it be technical or operational
15 or to be considered.

The question would beg is the arm of service and its personnel ready to accept these equipment, and you will invariably find probably from the statements made here that part of the acquisition process involved sending key people to
20 the country of origin, and often thereafter training programs in country as well, this applies not only to the maintenance personnel but also to the operational personnel.

ADV SIBEKO: At 7.3.2 provision is made for the delineation of the roles of the parties involved, and there is the
25 role of the defence secretariat under paragraph C, you see

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that?

LT GEN (RET) STEYN: I do.

ADV SIBEKO: Do you confirm that this accords with your testimony that you've given already that is set out at roman figure 1, 2 and 3 as being the functions and the role played by the defence secretariat?

LT GEN (RET) STEYN: It is accurate because especially one ...(indistinct)... programming and budgeting, at the office of the secretariat the various programs are collated into the figures needed for each program in the minister's budget, his budget is divided into various programs and consequently the responsibility put that together is done at the level of the secretariat and the secretariat personnel both from acquisition and finance would then interact with their counterparts in the arms of service to produce what is required here.

ADV SIBEKO: At paragraph 7.3.3 a provision is made for the approval of structure for project submissions which is detailed on the next page, 78, where you see the ...(indistinct)... acquisition council that you have referred to, the ...(indistinct)... acquisition steering board and the ...(indistinct)... acquisition control board.

At 7.3.4 provision is made there that the highest level of approval for acquisition is the ...(indistinct)... acquisition council under the chairmanship of the minister of

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defence or his duly appointed nominee. The version I want to put to you is regard being had to what is set out therein, what is conspicuously absent is the council of defence, is it not contemplated to form part of the ...(indistinct)... structures?

5 LT GEN (RET) STEYN: The body called the council of defence is similar to the board of a private company, and the agenda is informed first of all by the business of that company, in our particular case its operations, defence operations. And then the rest of the discussions in the council defence would
10 take into account the inputs from logistics, intelligence, forward planning, strategic planning, operational planning and ...(indistinct)...

And if you take into account that the logistic function is part of the COD agenda it shouldn't surprise one
15 that deliberations at the Arms acquisition council could be transferred to the council of defence, but ideally this structure ...(indistinct)... the business of the system to acquisition only.

ADV SIBEKO: Thanks, now if one has regard to paragraph 7.3.4 and what you have just stated now can
20 decisions regarding the approval of acquisitions be taken at COD meetings?

LT GEN (RET) STEYN: I would submit now, I would submit no, and the reason I say that is that if you do that the question begs why would you want to take a final decision on
25 acquisition in a management board? The management boards

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will take notice of that and having made the decisions at the Arms acquisition council those decisions are then recorded at the council of defence, and that council would then ensure as a consequence of its role and functions that that acquisition
5 decision is integrated smoothly with all other functions of the department of defence.

ADV SIBEKO: Now can any acquisition related decision or approval be taken at the council of defence?

LT GEN (RET) STEYN: Chair your question is *can*, I
10 would answer to that it shouldn't, it shouldn't , and the reason why I say this is that if you, if you leave an audit trail of decision milestones which culminates in a decision it culminates at the ASC, there is no line of subordination to the council of defence, it is chaired by the same person and
15 actually populated by the same individuals but they put different caps on, so I would submit that being informed at council of defence by the arguments to reach an acquisition decision is wrong.

Wrong for the reason that as far as the
20 ...(indistinct)... of a specific program is concerned it doesn't culminate in the record of the decision of the AAC, it now branches out to something else. Now from a practical point of view the minister has a very busy program, you will notice that council of defence meetings virtually took place every month,
25 but in practice it would be about 9, 10 per year, it is long, it

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takes a day, often more, and ...(indistinct)... the business of the AAC, the business of AAC would not be so comprehensive had it not been for the big package.

5 Because if you decide to start replacing absolute furniture in your home you won't buy everything at the same time, well I can't, and neither does the defence force, they shouldn't be doing that, but it happened, and therefore the business of the AAC is volumeless, and I think the minister of defence used the opportunity to conduct the affairs o these two
10 structures on the same day, often not reconstituting itself to an AAC, but simply taking deliberations on recommendations from the lower structures of the ...(indistinct)... and decide on them in COD and not AAC. Your question was can they, yes they can and they did, but they shouldn't have.

15 ADV SIBEKO: And especially if one has regard to provisions of 7.3.4 that I referred it to earlier?

LT GEN (RET) STEYN: Exactly.

ADV SIBEKO: At paragraph 6.1.1 of your statement on page 11 you talk about rules, procedures and standard and also
20 the various approval of bodies, and you state in the third last sentence the following:

“The MODAK does not provide for any other entity to interact directly with the MODAK structure.”

Could you expand on this?

25 LT GEN (RET) STEYN: The answer is simple, if a

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structure dares to interfere in the business of MODAK that attempt should be stopped, it has no place, it was otherwise, you can't follow the trail of the business, deliberations of programs in MODAK should be captures and recorded in MODAK systems, or in MODAK data systems. So my statement says if you haven't, if you created an entity outside MODAK ... (indistinct) ... deliberations on the acquisition program I submit it is not a MODAK program it is something else, and this is what happened to SDPP.

10 ADV SIBEKO: At this stage what structure comes to mind which would have been outside MODAK structures?

LT GEN (RET) STEYN: Other than the council of defence?

15 ADV SIBEKO: You will note that during the course of 1997 the uniqueness of this program venturing beyond the lines of demarcation of MODAK the defence family and secretariat assist the minister by creating work groups, they're actually not structures, they're work groups and they're associated with the program.

20 For example the international office management committee, we will get to that, I submit that that body was created in direct support of MODAK and should not be regarded as an entity on its own which interfered with MODAK, unlike SOFCOM was created outside MODAK with no mandate to create it.

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And it continued functioning and interacting both with MODAK and with council of defence, you will notice that SOFCOM. had a preference to interact with the council of defence rather than the MODAK structures.

5 COMMISSIONER MUSI: Can I just ask for some clarity before we go forward, this council of defence or council of defence where does it find its origin, how did it come about?

LT GEN (RET) STEYN: The council of defence was created by the minister of defence, and the purpose of the body was to assist him in managing his defence function, and therefore his deputy serves on it, the chief of the national defence force with uniform, the secretary for defence, a civilian and in the same family the Chairman of ARMSCOR, that's it, anybody that sits in those meeting are there by invitation sir.

15 COMMISSIONER MUSI: Does its formation predate the modern structures?

LT GEN (RET) STEYN: The council of defence has existed as long as I can remember Commissioner, and it existed before MODAK came about and it existed before the launch of the SDPP program.

COMMISSIONER MUSI: ...(indistinct)... it seems it has the same composition as the AAC, why is it so?

LT GEN (RET) STEYN: Commissioner the composition is the same but the agenda is not, the typical agenda at the council of defence would deal with functions and events and

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recommendations for decisions that does not reside on the agenda for the AAC.

For example let's say we have continuous infringements of the border on the Eastern side, they cut the fences, they move into the Kruger National Park and they kill the rhinoceros, then typically requests from public or maybe from the police or whoever it may be could be accommodated on the agenda of the council of defence, why, because there they would decide that they would make the following deployments.

The army would deploy to units, in this particular example they might not play a role, but the air force would, they would supply logistic support and mobility. So those discussions simply don't have a place on AAC, if you argue that the discussions on AC could just as well take place in the council of defence you are right, but it ought not have been because this MODAK policy states where you demarcate the functions, sir.

COMMISSIONER MUSI: It does seem that in fact did take place and no one seems to have objected.

LT GEN (RET) STEYN: Sir I don't know whether they felt an objection, I simply didn't feel confident to challenge the minister on that decision sir.

COMMISSIONER MUSI: Thank you.

ADV SIBEKO: Thank you Commissioner Musi, Mr Steyn

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just by way of example, can I ask you to turn to page 182 of the bundle?

LT GEN (RET) STEYN: Ready.

ADV SIBEKO: That is the minute of the special council on defence meeting held on 8 December 1997 while accepting that this is not the full minutes of that council meeting, you see what is recorded under item 2 *transformation*, would these be matters that among others are generally dealt with by the council of defence?

10 LT GEN (RET) STEYN: Correct, and even the second one, government to government office, I acknowledge as a typical agenda for the COD, and once you've ...(indistinct)... of government to government office it has to resign back to AAC. So the fact that government to government agreements or
15 memorandums of understanding has been agreed to it serves *inter alia* and guidance for those who would be busy them in the MODAK structures.

ADV SIBEKO: Yes. So in response to the question put to you by Commissioner Musi that issues relating to acquisitions
20 could also form part of the COD meeting, what do you say then in this regard?

LT GEN (RET) STEYN: The nature of the decisions, if it is defines as a decision that could promote approval in the MODAK structure it was no place on the COD. If at any stage
25 of the deliverance of deliberations in the MODAK structure, for

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example a defence policy or a personnel policy or even a financial policy comes about the mere fact that it is now ...(indistinct)... and then merely the acquisition suggests that it ought to be accommodated for policy decisions at COD yes.

5 ADV SIBEKO: And could you talk to us about the secretaries of each of the bodies the COD and the AAC?

LT GEN (RET) STEYN: The minister of Defence has as his personal staff a uniformed individual at the rank of Brigadier General, at the time of this event the position was
10 filled by Brigadier Ken ...(indistinct)..., he is deceased now. The secretary for the structures in MAIN ORDINANCE DEPOT reflect that that role is bestowed on the chief of acquisition, so he would in fact capture minutes at the ...(indistinct)... and the AAC. So the two secretaries at the level of the AAC and the
15 COD is different, and so I might add I'm not a stickler for administration but in this particular case the filing system of the AAC resides with the MODAK system, whereas the filing system for the council of defence resides in the office of the minister, which is totally different.

20 So you can see the implication of capturing information and putting it on the minister's office system where in fact it ought to reside at AAC.

ADV SIBEKO: So the agenda items discussed at these bodies are different and so are the secretaries and the filing
25 system?

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LT GEN (RET) STEYN: Yes I think it is natural Chair for the selection of Chair of those bodies to be the chief of acquisition, that's his business and therefore his background, his knowledge, his skills is consistent with what is needed as a secretary at either of the MODAK structures. The role of the private secretary of the minister is very wide, apart from the fact that Mr Modise had, wat is a raadgewer?

UNKNOWN: Advisor.

LT GEN (RET) STEYN: An advisor as approved by parliament, that advisor usually interact with, at the ...(indistinct)..., but the secretary to the minister and myself personally often interacted in preparation for presentations to parliament and to the various committees, it could be the defence portfolio committee, money, defence standing committee or scope ...(indistinct)...

So his role and functions encapsulated the role and functions as wide as the minister will have it. In the case of chief of acquisition it was narrow, only acquisition.

ADV SIBEKO: And perhaps to put this to rest and without intending or any intention on my part to confuse you can I ask you to turn to page 151 still on that point, I know this is a matter we will deal with in due course, this is the matter dealing with the DOD policy directive number 4/147, you see that?

LT GEN (RET) STEYN: I do.

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ADV SIBEKO: Now if you turn to page 152 you will see there appears your signature there PD Steyn and there is something written in long hand approved in council of defence 8 August 1997, do you see that?

5 LT GEN (RET) STEYN: I do.

ADV SIBEKO: Now the policy decision that is referred to here is that of relating to the process whereby international government to government defence equipment offers are dealt with in the department of defence and ARMSCOR which is to be done in accordance with policy director which includes MOD policy in appendix A. Now appendix A that is referred to that appears at page 154, do you see that?

LT GEN (RET) STEYN: I do see it Chair.

15 ADV SIBEKO: Can I ask you to go to paragraph 6 of that policy, it says that policy is accordingly designed for in paragraph A approval by AAC, do you see that?

LT GEN (RET) STEYN: I do.

20 ADV SIBEKO: Now in the context of the discussion we have had up to this point would I be correct to say that while the policy directive 4/147 was approved at COD meeting of 8 August 1997, it was in fact also designed for approval by the AAC?

LT GEN (RET) STEYN: Yes correct.

25 ADV SIBEKO: Especially because it relates to matters of acquisition.

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LT GEN (RET) STEYN: Yes it does ja. ...(indistinct)...
actually served at AAC.

ADV SIBEKO: Will I also be correct to say that this
statement serves to demonstrate the delineation of functions
5 between this COD on the one hand and the AAC on the other?

LT GEN (RET) STEYN: Excellent example yes.

ADV SIBEKO: Right, perhaps it will then be convenient to
go back to your statement at page 11 so we can try and deal
with the matters set out therein with some speed. If one has
10 regard to paragraph 6.1.2, okay 6.1.2 we have already dealt
with the matters covered there, and 6.1.3 actually refers to the
matters raised by Mr Greysel in his evidence with regard to
the status of some of the different programs at the time of the
...(indistinct)..., this will then bring us to the ARMSCOR
15 standard solicitation and evaluation process KB1000.

The acquisition policies that you have summarised
there you would recall in the course of the preparation of your
statement, you accept that these were dealt with by Mr Dawie
Greysel with regard to the KB1000 as well as VB1000 having
20 been dealt with by Captain Jordaan.

LT GEN (RET) STEYN: Mr Chair I view the way in
which the relevant ...(indistinct)... and regulations were dealt
with is as accurate as I can see and there agree fully with it.

ADV SIBEKO: You have nothing to add in that regard?

25 LT GEN (RET) STEYN: No I don't sir.

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ADV SIBEKO: That will then bring us to page 13 where you talk about deviations from standard practices. Could you elaborate somewhat on this aspect that's from paragraph 6.5 in your statement?

5 LT GEN (RET) STEYN: Chair for appearances of this investigation I would submit that I confine myself not to ... (indistinct) ... things but rather to important things that have a as far as I'm concerned a serious bearing on the outcome. First of all the role of the ARMSCOR board as a tender board
10 became absolute, if you ask me when I'm at a loss to tell you, it happened.

Then the DOD director 4/147 had to deal with a specific problem, the various policy documents such as the KB1000 and the VB1000 assumed that there was an initiative
15 from our side, we need something, we've got the money, we believe you will be interested with providing us with either a service or a product and here we go we would like to have information, we use the information to further firm up our requirements and then finally you issue a request for office or
20 tenders.

Now what happened in 1997 as not catered for by MODAK or any of these policies, why? Because the initiative was not taken visibly from the defence family but by governments acting in consort with their own industries, the
25 ... (indistinct) ... for examples, the Germans, the French and the

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Italians.

And since our reaction to those proposals were not consort with MODAK activities, the officials in the department decided to assist the minister in producing this document, and the fact that both myself and ...(indistinct)... made his sign this and then I appended the note to say go for it, use it, it is because there was a hurry, I will later allude in my statement to the unseemly ...(indistinct)... that there was at that time.

So therefore I didn't wait for the confirmation of the minister, I agreed with the minister, minister this can go out this afternoon, in fact the same day, myself and Goerge Meiring signed it and there it went.

Now the next formal step if you have an administration hat on is to wait for the minutes to come back, preferably it should have been an AAC minute, but it wasn't, it was considered at council of defence, but whether it was conferred or not is neither here nor there.

It ...(indistinct)... away and why was because soon after that, I think within a month the minister was ready to instruct that we should go out on initiatives of our own, now we engage those who have engaged us before from our side and we take the initiative, by taking the initiative MODAK again applies and the state tender board vested in the ARMSCOR board should have applied as well.

So I can go ...(indistinct)... whether 147 prevailed

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or not, it didn't, it was superseded by the only ...(indistinct)... process that ought to have been followed.

ADV SIBEKO: Now this DOD directive 4/147 as you signed ...(intervene)

5 CHAIRPERSON: Sorry Adv Sibeko, you know let me just try and understand what the witness is saying, he is saying this directive did not apply, it was superseded by MODAK ...(indistinct)... decision, I don't quite understand that, because as I understood it the MODAK processes or procedures
10 ...(indistinct)... been in place when this ...(indistinct)... was issued.

Now I'm not quite sure how can you know the directive be superseded by someone which was in existence and which the director tried to manage or to Act, maybe you
15 can just try and explain exactly what he means by saying it was superseded by MODAK procedures?

LT GEN (RET) STEYN: Chairman I understand your question and it is a valid question. First of all let me stress that the purpose of drafting the 147 was to deal with the
20 initiatives of foreign countries, foreign initiated and unsolicited proposals, in my language I could say as a consequence of that there may be government to government MOU's between for example the Brits and South Africa. The nature of that business cannot be captured in ...(indistinct)...

25 Now those offers were not preceded by initiatives of

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ARMSCOR to issue tenders, but soon after 8 August the minister reverted back to the prescripts of MODAK and instructed tenders to be issued, so the word is probably not superseded but reverted back to MODAK, would that answer your question sir?

ADV SIBEKO: Perhaps we should go to the policy directive to try and clarify this matter better, you have page 151 before you?

LT GEN (RET) STEYN: Okay, go.

ADV SIBEKO: Now you will see the heading on that document it says DOD policy directive, MOD policy for dealing with international defence equipment ...(indistinct)... in the MOD. At paragraph 1 of that document:

“The policy decision required is the process whereby international government to government defence equipment offers are dealt with in the department of defence and ARMSCOR is to be in accordance with this policy directive which includes MOD policy in appendix A.”

Now I have referred you to appendix A earlier which you will find at page 154 where you will find the following being record at paragraph 1.

“Several international defence equipment offers have been presented to the MOD and others have been proposed.”

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Perhaps if we pause there to considered who made these offers and what was offered. ”

LT GEN (RET) STEYN: This sentence Chair is very descriptive, *international defence offers that have presented to*
5 *MOD and there were others to come*, it was not initiated by the defence family and certainly not ARMSCOR. So this policy had the ...(indistinct)... to deal with that unexpected procedure which was not normative in MODAK.

ADV SIBEKO: Now I presume that when this police
10 directive was issued there were certain offers on the table which may have been made by certain persons. Now were there offers that had been made at the time?

LT GEN (RET) STEYN: Correct, you will see in my
15 statements that early in January of that same year the first visit from the defence export organisation of the Brits came out to South Africa, it was followed up three months later in March of that year and they made certain assumptions which was later changed, but you will be referred to my statement to say that the Brits assumed that the primary requirement in our package
20 would be ...(indistinct)...

Whether the minister has prompted them to make a proposal with regard to the right fighter aircraft is ...(indistinct)... I don't know, but that also eventually formed part of that, at that time May 1997, LIFT did not form part
25 because there was a project called Winchester in MODAK that

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actually served the same purpose.

The Germans, the French and the Italians if I recall correctly made similar unsolicited proposals. It was widely known that the defence family had completed its work as far as the defence review and white paper is concerned and because
5 it was public knowledge that went out to refurbish the defence equipment, and they're they took the initiatives and this part was meant to deal with that.

ADV SIBEKO: Now if I understand your evidence properly
10 and perhaps we will link it to the evidence of other witnesses later, is that the matters arising out of the defence review were known and the needs of the South African Defence Force at the time were well known, the offers then came about as a result of what was disclosed in the defence review, is that correct?

15 LT GEN (RET) STEYN: That's correct, any marketing officer that is worth his salary would've noted the opportunities presented in the defence review and white paper of South Africa and go for it.

ADV SIBEKO: Now at various times early in 1997 at least
20 we know the British Government represented by ...(indistinct)... made a presentation to the department in terms of which they made an offer to sell a package, this we will deal with in due course of your evidence, correct?

LT GEN (RET) STEYN: That's correct.

25 ADV SIBEKO: And you say also in your evidence the

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Italians, the Germans and the French also presented unsolicited offers of similar packages is that correct?

LT GEN (RET) STEYN: They did yes.

ADV SIBEKO: Now if you go back to page 155 and have
5 regard to the aim of the policy at paragraph 3 it is to provide
the MOD policy guidelines and management procedures for
dealing with foreign initiative, international government to
government defence equipment offers relating to
...(indistinct)... acquisition of the South African National
10 Defence Force.

So this policy, and correct me if I'm wrong, had as
its intended objective to deal with or it sought to provide
guidelines and management procedures for dealing with 1)
foreign initiative offers, correct?

15 LT GEN (RET) STEYN: [no audible response].

ADV SIBEKO: 2) These foreign initiated offers were
viewed as international government to government offers,
meaning, or what is your understanding of the government to
government offers?

20 LT GEN (RET) STEYN: What happens in practice is that
during the course of 1996 the minister of Defence took by
invitation the Chairman of ARMSCOR and other dignitaries to
England and I think on one occasion it was to attend the
International ...(indistinct)..., now it is customary for ministers
25 to be received by their counterparts and this in fact happened.

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My counterpart in the British Defence Family was a Mr Richard Motra, and I did not attend those meetings but he indicated in his letter to me and it is part of my statement that whether it was verbal or otherwise a government to government agreement came about, now whether this was eventually ...(indistinct)... in the memorandum of understanding I can't really recall, but I have to acknowledge that there was a government to government agreement.

And in the ...(indistinct)... manner in which he wrote, Their Pierre, signed yours Richard, I gave support to the fact that there was expectations, in fact in his letter he alluded to the affect that as a consequence of those engagements the engagement in January of 1997 we now in March 1997 ought to move towards he says, some letter of intent from the defence family, a letter of intent.

Now I was at a loss to deal with that in March, discussions and recommendations resulted in this particular policy by August to deal with it, but fortunately the matters became for formal, and it was normalised where the different elements, I think six of them, were aligned with MODAK principles and considered in the structures as prescribed.

So that's why I said that the family actually reverted back to MODAK prescripts which existed and it wasn't necessary to use 147 anymore.

ADV SIBEKO: Now if we stick to what the aim of this

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policy is as set out in paragraph 3 you will see also that in paragraph 2 it is accepted that these foreign initiated international government to government defence equipment offers fell outside the scope of existing acquisition policies is that correct?

LT GEN (RET) STEYN: That's correct ja.

ADV SIBEKO: The example being that offer made by Deyssel which came or offered some kind of a package deal that would be financed in the particular way not contemplated in the existing policies?

LT GEN (RET) STEYN: Yes I think the creation of this policy although it was briefly, reflected the flexibility we had to apply to contract that, if you don't have a policy that can deal with a foreign initiated one then you have got to express yourself from a policy point of you such as we did here, and what you are saying in 2 and three is actually confirmed by paragraph 4, delineation of the ...(indistinct)... mandate. This policy addresses only defence ...(indistinct)... initiated international government to government cooperation proposals.

But having done that during the course of 1997 we normalised the relationship between the defence family and especially the Brits, and therefore one could revert and normalise the procedure to get the contract eventually.

ADV SIBEKO: Now there is evidence before the commission tendered by various witnesses and most recently

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Mr Eric Esterhuysen who was the general manager at ARMSCOR at the time that sometime around September/October 1997 that various invitations were sent to various embassies to assist with the RFI's relating to the various ...(indistinct)... that were eventually acquitted, could you comment on that?

LT GEN (RET) STEYN: I comment by giving you my personal opinion, you can tease it out as far as prescripts are concerned.

CHAIRPERSON: Adv Sibeko I'm not quite certain whether at this stage there is time for personal opinions, I think you did ask a direct question, the witness was involved in that process, let him tell us exactly what happened and not his personal opinion, because ...(indistinct)... there is evidence already on record you know with those issues, can your witness just try and tell us what happened and not give us his opinion at this stage?

LT GEN (RET) STEYN: ...(indistinct)... Chair I was not involved, those letters were drafted by Mr ...(indistinct)... and sent by him, without as far as I can gather the support of the MODAK procedures and structures and therefore I gave my opinion. It is as far as I'm concerned irregular.

ADV SIBEKO: You will recall that there was a letter ...(intervene)

COMMISSIONER MUSI: Sorry whilst you're there, I see this passage that has been quoted page 154 paragraph 4, the last

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sentence says ...(indistinct)... government supported
...(indistinct)..., the SDPP ...(indistinct)... this definition of
non government support ...(indistinct)..., the last part of my
question, the SDPP aren't they excluded from the category of
5 non-government support ...(indistinct)... product proposals?

LT GEN (RET) STEYN: Commissioner you are correct, as far
as I can gather the SDPP is a program that is in all cases
supported by the relevant governments, I'm not aware that the
ARMSCOR has in fact issued tenders to non-government
10 supported providers, and hence I would imagine that that
particular sentence would then capture or exclude that from the
policy, does that answer your question sir?

COMMISSIONER MUSI: If the definition here does not
include the SDPP doesn't it mean that ...(indistinct)... 147?

15 LT GEN (RET) STEYN: I will try and answer your question
but I'm not sure whether I understand your question correctly,
first of all the heading says *International defence equipment
offers*, it does say government, but it is implied. The meaning
of that last part of paragraph 4 is to exclude unsolicited offers
20 from private defence equipment providers, in other words it
doesn't carry the sanction of a government, if I recall the
French, the Germans, the Italians, the Brits all had under
protection of their government made their unsolicited offers
and this was the purpose of this policy commissioner.

25 COMMISSIONER MUSI: You see the sentence says *non-*

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government support ... (indistinct) ... proposals, ... (indistinct) ...,
and you say the ADPP cannot be included in this definition.

LT GEN (RET) STEYN: No on the contrary ... (intervene)

COMMISSIONER MUSI: ... (indistinct) ... yes I they cannot be
5 included in this definition then it should mean that they are
then ... (indistinct) ... by this policy.

LT GEN (RET) STEYN: The policy is aimed at government
supported offers, the SDPP is such a program, this last
Sentence of paragraph 4 is an attempt to avoid any offers that
10 are not sanctioned by the relevant country's government.

COMMISSIONER MUSI: I don't follow, but let's leave it
there, maybe we will address it later.

ADV SIBEKO: Perhaps let me try and clarify this with
you, we have been dealing with, or at least this policy seeks to
15 deal with foreign initiated, international government to
government defence equipment offers, do you confirm that?

LT GEN (RET) STEYN: I do confirm that.

ADV SIBEKO: Now paragraph 4 expressly provides that
the policy only addresses the defence equipment offer
20 ... (indistinct) ... of foreign initiated international government to
government cooperation proposals, correct?

LT GEN (RET) STEYN: Absolutely, that's the key.

ADV SIBEKO: The next sentence in that paragraph
provides the structure of these proposals dictates the scope of
25 inter-departmental involvement. Now would you accept that the

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packages contemplated in the SDPP, especially with regard to the financing proposed the industrial participation proposed would have, would fall under the scope of inter-departmental involvement?

5 LT GEN (RET) STEYN: Absolutely correct.

ADV SIBEKO: Now this last sentence that Commissioner Musi was trying to get explanation on, or clarity on, provides non-government supported single product proposals are not addressed in this policy. Now what do you understand about
10 that?

LT GEN (RET) STEYN: Let's for example say that there is a good marketing manager at Douglas Aircraft in America, and they have a surplus of refurbished F60 Aircraft this is what happened, can they make a proposal, no. It wasn't sanctioned
15 by the government and therefore not calling a spade a spade a company, this is an example, a company like that, like Douglas couldn't make such a proposal because the rest of the SDPP program reflected government to government ...(indistinct)... cooperation with their own industry.

20 ADV SIBEKO: Now did the Russian and Czechoslovakian bids were these supported by their governments?

LT GEN (RET) STEYN: I cannot say for sure but I would obviously be surprised if it was not the case, and I suggest if you, if you want to confirm this Mr Esterhuyse is probably in a
25 better position than I am.

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ADV SIBEKO: Now there is evidence to the effect that requests for information was sent out to various countries and various companies responded, this process was followed by the issuing of other ...(indistinct)... request for offers to companies
5 which qualified to receive these requests.

Are you aware that in dealing with these requests for offers if these found the support of the governments in which these, of the countries in which the companies who responded to the offers requests ...(indistinct)... request for
10 information was present?

LT GEN (RET) STEYN: I simply don't have that information, for example the ...(indistinct)... I can't recall any response on that ...(indistinct)... government showing a enthusiastic response to that, that particular letter was a strange one to
15 me.

ADV SIBEKO: Are you aware if the Italian Government responded to the invitation sent to its ...(indistinct)...?

LT GEN (RET) STEYN: If you ask me whether I'm aware of any responses to those eight letters I don't, I was not involved.

20 ADV SIBEKO: Specifically by governments or companies demonstrating support of government?

LT GEN (RET) STEYN: I understood the question to be in response to those eight letters that was sent, I was not privy to the train of responses and re-responses, not at all, it was done
25 at a level of the office of the minister and the office of the

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Chairman of the ARMSCOR board. I concerned myself with MODAK orientated activities.

ADV SIBEKO: Would this be a convenient time to take the lunch adjournment Chair?

5 CHAIRPERSON: We all adjourn, we will adjourn until 13:45.

(PROCEEDINGS ADJOURN)

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

LT GEN (RET) STEYN: Yes, I do Commissioner.

10 ADV SIBEKO: Thank you Chair and Commissioner Musi. Perhaps Mr Steyn, just to give this confusion or put the confusion to bed, and let's take one last chance, can I ask you to have regard to your statement at paragraph 6 on page 13 where the discussion regarding the DoD Policy Directive No
15 4/147 starts, page 13.

LT GEN (RET) STEYN: Paragraph?

ADV SIBEKO: 6.9.

LT GEN (RET) STEYN: I'm with you.

ADV SIBEKO: In 6.9 you state when the policy was
20 issued at 6.9.1, you state that:

"The international defence equipment offers fall outside the scope of acquisition policy, ..."

Do you see that?

LT GEN (RET) STEYN: Yes, I do Chair.

25 ADV SIBEKO: And during the course of the discussion we

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had earlier today before we adjourned for lunch we were agreed that MODAC policies did not make provision for foreign initiated offers, is that right?

LT GEN (RET) STEYN: That's correct Sir.

5 ADV SIBEKO: And that's because the MODAC Policy did not make provision for foreign initiated government-to-government offers, this policy was intended to provide a guide for the management procedures for dealing with these offers, correct?

10 LT GEN (RET) STEYN: Correct.

ADV SIBEKO: This much you confirm at paragraph 6.9.3 that these offers or this procedure deals with unsolicited offers, right?

LT GEN (RET) STEYN: Correct Commissioner.

15 ADV SIBEKO: At paragraph 6.9.4 of your statement you state that this policy was not applicable to ARMSCOR. Can you just briefly elaborate on that before we deal with that last sentence of paragraph 4 of the Policy.

20 LT GEN (RET) STEYN: When ARMSCOR is involved it goes out on a tender and in a tender document it lists the participants with regard to future contract, and whilst invariably governments would support such responses from the industry it's not under the umbrella of a government-to-government initiated programme.

25 ADV SIBEKO: And if I may take you back to paragraph 1,

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I beg your pardon, page 151 of your bundle this would be "PS5".

LT GEN (RET) STEYN: I got that.

5 ADV SIBEKO: Have a look at paragraph numbered 5 on that page. It refers to "Supplementary Instructions", it's recorded there:

10 *"The directorate weapon systems within the DoD will be responsible for the administration of this policy directive. This policy is designed for use within ARMSCOR on authorisation by the Armaments Acquisition Council (AAC)".*

Are you aware if the AAC or are you aware if there is any decision that was taken by the AAC to authorise the application of this policy by ARMSCOR?

15 LT GEN (RET) STEYN: The only approval on that day which I alluded to beneath my signature is the approval we received when the presentation was made to the Council of Defence. As far as I recall this particular policy never served on the agenda of the AAC.

20 ADV SIBEKO: Now again as I pointed out earlier if you have regard again at page 154 at paragraph 6 you will recall that provided for a policy being designed for approval by the AAC and not CoD.

LT GEN (RET) STEYN: Correct.

25 ADV SIBEKO: Can I ask you to go back to page 152 and

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you will see there 152, you will see provision, just below handwritten note: "Approved in a Council of Defence 8 August 1997", both you and General Meiring signed and provision is made for signature by J Modise, Chairman of the AAC, that was not signed. Do you recall if at any stage the CoD meeting you are referring to there was then converted to sit as an AAC?

LT GEN (RET) STEYN: Chairman as far as I can recall I don't.

ADV SIBEKO: Right.

LT GEN (RET) STEYN: They utilised the meeting of the CoD to give approval to this policy and whilst there is provision for this to be signed by the chair of the AAC I cannot recall whether he has been presented with this policy to sign. At Ministry what could have rescued this thing is that the minutes of the CoD that was prepared later regarding discussions on the 8th of August as far as I recall did not approve the policy, although both of us signed this on the *bona fide* understanding that the Minister was happy with it.

ADV SIBEKO: Now at the end of paragraph 6.9.4 you state that:

"The policy would not apply to the standardised procedure whereby ARMSCOR would invite multilateral offers to acquire defence equipment".

Do you see that?

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LT GEN (RET) STEYN: Yes, I do Counsellor.

ADV SIBEKO: Evidence has been tendered before this Commission that the RFOs which were considered in the SDP Packages were issued to companies which responded to these RFOs. Now having made that statement that the issued tenders these companies responded, ARMSCOR issues tenders to companies which responded to RFIs, the companies would then respond to the tenders. If I take you to page 154 paragraph 4, the last sentence of paragraph 4 which says:

10 *“Non-government supported single product proposals are not addressed in this policy”.*

Having regard to what evidence has been tendered what is your evidence with regard to whether or not the SDPP, what is your evidence with regard to, your evidence regarding the SDPPs relation with what is set out in this paragraph where it says:

15 *“Non-government supported single product proposals are not addressed in this policy”?*

LT GEN (RET) STEYN: By way of your introduction you confirm that that, in the example the ARMSCOR issued tenders. Now in those tenders normally there are a number of participants that are listed, governments are not normally listed, not normally, they aren't listed. Although one might argue that the response by a country's industries would enjoy the support of government but in this sentence the package, the package concept is now excluded because we are dealing

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with the single products. Does it make sense?

ADV SIBEKO: We know that BAE for example tendered for supply of the Hawk, it did not tender for submarines or Corvettes, it just tendered for the Hawk, correct?

5 LT GEN (RET) STEYN: That's correct, it's a single product.

ADV SIBEKO: We know that the German Frigate Consortium tendered for the supply of a frigate, that is a single product, is that correct?

LT GEN (RET) STEYN: Still correct.

10 ADV SIBEKO: Now with that knowledge again I refer you to that sentence, please comment with regard to the applicability of the Policy 4/147 to the various single products which formed the subject matter of the SDPP.

LT GEN (RET) STEYN: By definition the 147 would be
15 excluded.

ADV SIBEKO: Having said that you concede or you state in paragraph 6.10 as having signed this DoD Policy Directive together with General Meiring on behalf of the Minister. Can you take us through that?

20 LT GEN (RET) STEYN: Do you want me to take you through paragraph 6.10?

ADV SIBEKO: Yes.

LT GEN (RET) STEYN: In this paragraph I explained why
myself and General Meiring signed and I draw the attention to
25 the note beneath our signatures. It stated that on the *bona*

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fide understanding of his instruction that we may now apply this policy, however, I state that when the minutes of the meeting of the 8th of August was later submitted for confirmation the Minister qualified the policy as a draft only and that the participants using this policy should study the draft policy further and if necessary to make inputs by all concerned. I also state that the fact that there may be an uncomfortable time-lapse between the event of the meeting and its subsequent minutes is not straight, it's a very busy department. It happens all the time and usually it's dealt with effectively, but as I explained events after this date implicated that the normative process of the ARMSCOR to issue RFOs was sanctioned by the Minister, in fact he said: "Do that". And now we revert to non-governmental supported single product proposals for which 147 does not make provision. It's interesting to remark that if you turn to page 157 this policy intended to guide those who would make an assessment of the offers and the policy indicated that there would be different orders of assessment. None of those orders, first order, second or third order actually took place.

ADV SIBEKO: Now let's just round off what you are remarking about at paragraph 6.10, you mentioned that or you mention that:

"When the CoD minutes of the meeting of 8 August 1997 was later submitted for confirmation

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...”.

This is at paragraph 6.10 page 14 of your statement:

“... the Minister qualified the policy as a draft only
by deciding that the draft policy must be studied
5 further and inputs made by all concerned”.

My point has regard to this statement. Could it be fair to infer
or conclude, and correct me if I'm wrong, that what was, is
stated there resulted in undermining the approval that you
believed had been obtained at the CoD meeting of
10 8 August 1997?

LT GEN (RET) STEYN: I lost you in part of the preliminary
...

ADV SIBEKO: Right.

LT GEN (RET) STEYN: Sorry.

15 ADV SIBEKO: I'll try and explain. If you have a look at
the last sentence of your statement, of that paragraph 6.10, do
you see that?

LT GEN (RET) STEYN: Yes.

ADV SIBEKO: It says:
20 “The conclusion is clear: DoD Directive Policy 4/147
reverted to draft status”.

Do you see that?

LT GEN (RET) STEYN: Correct.

ADV SIBEKO: Now you state in, just before that sentence
25 that you requested a copy of the relevant CoD minutes to

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corroborate the statement relating to the Minister's reaction but you have been informed that the documents in archives is incomplete, do you see that, and could not be made available, see that?

5 LT GEN (RET) STEYN: It's correct, I do.

ADV SIBEKO: But it is so that you attended the sub..., the meeting in which the Minister qualified the earlier approval at the meeting of 8 August 1997.

LT GEN (RET) STEYN: Sir, the last sentence please?

10 ADV SIBEKO: You attended the meeting on 8 August 1997.

LT GEN (RET) STEYN: Yes, I did.

ADV SIBEKO: Now the minute of that meeting 8 August 1997 was submitted for confirmation.

15 LT GEN (RET) STEYN: Yes, it was submitted for confirmation.

ADV SIBEKO: And when it was submitted for confirmation it became apparent that the Minister's attitude towards the policy was that it was still a draft policy.

20 LT GEN (RET) STEYN: That is correct. Whilst we intended applying the policy it so, the outcome of that was that it retained its status as a draft until it was [indistinct] procedure as indicated by MODAC.

ADV SIBEKO: So, while the policy remained as a draft
25 are you aware if it was ever confirmed as approved and ready

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to be applied?

LT GEN (RET) STEYN: Not to my knowledge, no.

ADV SIBEKO: And as I read the last or the second-last sentence of paragraph 6.10 you say you are not able to provide
5 a copy of that minute because you were informed that there exists an incomplete form or version of that document?

LT GEN (RET) STEYN: Yes I was told there are two pages from this minute, but since it cannot be put into context of the whole there was an unwillingness to release it as declassified.

ADV SIBEKO: Now you have already testified that IOs were issue, well subsequent to discussions between the management, the committee and representatives of DESO, the process that was subsequently followed was the issuing of multi-tenders by ARMSCOR to various companies, is that
10 correct?
15

LT GEN (RET) STEYN: That's correct, Commissioner.

ADV SIBEKO: And this resulted in the MODAC processes being followed subsequent thereto.

LT GEN (RET) STEYN: Correct.

ADV SIBEKO: Can I ask you to turn to page 15 of your statement where you state at paragraph 6.12 that:
20

"The practical outcome of the Minister's decision ..."

That he had referred to in 6.10, that would have been
25 confronted by the absent minute and the fact that the policy

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document was never later made mandatory meant that the MODAC policies, procedures and structures remained applicable and prevailed.

LT GEN (RET) STEYN: Yes, I stand by that statement.

5 ADV SIBEKO: Alright. During the course of giving a response to a question I asked you referred to page 157 and dealt with what is contained at paragraph 15 being the "MoD Management of Assessment Offers". And that is where ... Do you have the page in front of you?

10 LT GEN (RET) STEYN: I do Counsellor.

ADV SIBEKO: Page 157 at paragraph 15. You will see at paragraph 15 that provision is made for three tiers in the evaluation process, you see that?

LT GEN (RET) STEYN: I do.

15 ADV SIBEKO: Now as the person who co-signed this policy I assume that you understand these provisions and will seek clarity to try and understand some of the issues provided for therein. Now with regard to the three tier system contemplated there what is the first order evaluation, what
20 does it entail?

LT GEN (RET) STEYN: The first order evaluation is at a very high level where future cooperation between defence Forces, say for example from South Africa and Britain is contemplated, a similar consideration given in NATO. So, if for
25 a common purpose evidence of the forces from the two

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participating countries are deployed then this evaluation is important because it will, it will address possible compatibility, or incompatibility between the two countries.

5 For example if you have joint operations at sea then the forces would need common frequencies, possibly share the commonality of ammunition and so on, so that is the first order of evaluation. It has a specific strategic content.

ADV SIBEKO: Now we read at paragraph 15 of that page that:

10 *“Prior to translating an offer into separate standard armament acquisition projects, an assessment procedure incorporating the following iterative, multi-tier approach is to be followed; ...”.*

And (a) provision is made for the First Order and there it is provided:

15 *“An authorisation to evaluate a defence equipment offer is to be obtained from the Minister of Defence. This authorisation would include the appointment of an MoD workgroup to undertake a first order*
20 *evaluation of the strategic implications of the offer. A first order value system incorporating the military evaluation (par 8 a above) ...”.*

To which we shall go to shortly:

25 *“... of the supplier government and the equipment is to established”.*

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Now having stated this are you aware, or maybe let me ask the question differently; are you aware if any authorisation to evaluate defence offers, equipment offers was obtained from the Minister of Defence as contemplated in this paragraph and
5 whether any authorisation was given to the appointment of an MoD workgroup to undertake a first order evaluation strategic implication of such offers?

LT GEN (RET) STEYN: No authorisation to evaluate defence equipment at that level was given and consequently no one
10 could be, could [indistinct].

ADV SIBEKO: Are you aware that a first order value system incorporating the military evaluation of the supplier governments and of the equipment to be supplied was ever established?

15 LT GEN (RET) STEYN: No Commissioner, I'm not aware of any.

ADV SIBEKO: Now for completeness I mentioned that paragraph 15(a) makes reference to paragraph 8(a) regarding military evaluation and that provides as follows at page 155 it
20 says: "Policy and Planning":

*"In all instances where defence equipment offers are considered, a security agreement between the governments must be in existence, or is to be established as a priority. The following aspects of
25 the offer are to be developed;*

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(a). *The military appreciation is to determine the military strategic advantage”.*

Are you aware if this exercise was ever embarked upon?

5 LT GEN (RET) STEYN: No, in the short time that this policy existed it was not done.

ADV SIBEKO: Especially in the context of the SDPPs?

LT GEN (RET) STEYN: No Counsellor.

ADV SIBEKO: Now going back to page 157 15(b) ...

10 Before we get to 15(b) there is a note at the end of the First Order which reads:

“These recommendations and the first order value system are to be prepared for presentation at the interdepartmental level”.

Are you aware if any of this was done?

15 LT GEN (RET) STEYN: No it couldn't have been done because the second order evaluation is informed by the first order evaluation which was not completed.

20 ADV SIBEKO: I was referring to the first note at the end of the First Order. Are you aware if any of the recommendations, presentations ...

LT GEN (RET) STEYN: No Commissioner, I was not.

ADV SIBEKO: Yes. Now we get to the Second Order, what is the second order evaluation?

25 LT GEN (RET) STEYN: The first order addresses strategic considerations between the participating governments. Once

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that evaluation had been done by the suggested bidder the second order evaluation would involve not only the Defence Department but other departments as well, for example if you were talking about the common defence of a seaway then it could be the Department of Foreign Affairs. If it has to do with acquisition it could be that the countertrade proposals would impact on the Department of Trade and Industry, but this hasn't happened, so.

ADV SIBEKO: Would it be correct to say that the existence of the first order evaluation is predicated upon the existence of the first order?

LT GEN (RET) STEYN: Exactly.

ADV SIBEKO: And in fact it is provided for in the contents of paragraph (b) where the following is recorded:

“Upon acceptance of the first order evaluation, implementation of the recommendations should be via appointment of a representative MoD evaluation team to develop a second order MoD value system concurrent with the development of other national criteria emanating from the interdepartmental forum”.

LT GEN (RET) STEYN: Correct. You will notice that the first order is intergovernmental, in the second order it's national interdepartmental.

ADV SIBEKO: There is also a note at the end of the

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Second Order commentary which reads:

“These recommendations and the second order value system are to be prepared for presentation at the interdepartmental level”.

5 Are you aware if this happened?

LT GEN (RET) STEYN: It didn't happen but for example if the workgroup had been able to do this then the workgroup would be appointed [indistinct] report to the principals of the various departments [indistinct].

10 ADV SIBEKO: And then there is the Third Order. What do you understand thereby?

LT GEN (RET) STEYN: The Third Order now drops into the business of the product itself, it addresses the value system of the chosen product and the project team is the level that attends to the value system. But again where one and two is void, three didn't take place in the context of this policy.

ADV SIBEKO: Now you will see that with regard to the Third Order the following is recorded:

20 *“The project teams must develop third order value systems for the individual elements of the offer in accordance with the second order value system, and proceed to solicit competitive proposals for evaluation of the best solution for the approved requirement statement in accordance with the MoD Acquisition Policy”.*

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Could you explain that?

LT GEN (RET) STEYN: The project teams at this level are not supposed to work in isolation, so their third order value system needs to be informed sequentially from the first level to
5 the second level and then to be ..., they will be informed in accordance with the value systems developed at one and two and then they will apply that to their own level in the project team itself, or teams.

ADV SIBEKO: Would I be correct then to conclude or
10 infer that the solicitation of competitive proposals that is contemplated in the discussion under the Third Order must be preceded by what is in the first and second orders as set out there, according to this policy?

LT GEN (RET) STEYN: Stated correctly.

ADV SIBEKO: Now that discussion that we have just had,
15 if you have regard to your statement you will see it goes right up to paragraph 6.12.2.3 on page 16. Do you confirm it? You can just have a quick look at those paragraphs and confirm them.

LT GEN (RET) STEYN: Correct.

ADV SIBEKO: Are you satisfied that it is captured in the way that the statement is captured?

LT GEN (RET) STEYN: We actually discussed paragraphs
6.12.2.1 through to 6.12.2.3 in more detail, yes.

ADV SIBEKO: Thank you. Now in paragraph 6.13 you
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deal with various "Milestones in the Acquisition Processes". The Commission has heard evidence from Captain Jourdan regarding the various, and also Mr Griesel regarding the various milestones in the acquisition process. Now in your
5 capacity as Secretary for Defence is there anything that you would like to add or comment on in relation to these documents?

LT GEN (RET) STEYN: No Commissioner I don't need to. The milestones described here is something which have been
10 applied on a regular basis, a normative system and I concur with this.

ADV SIBEKO: Now before we leave that you say that, and this is just a summation of all of that, you talk about mandatory documents that you need to underpin the acquisition within the
15 DoD, could you just briefly deal with that?

LT GEN (RET) STEYN: The operational requirements doesn't talk to money, it is merely an opportunity for the arm of service to say there is a specific operational requirement that will be met by a system still to be decided, so no money. But
20 between the operational requirement and the Staff Target one would normally refer to a provisional study which will then form rounded figures from a money point of view for your staff target, so the staff target is the first opportunity where a budgetary figure in rounded figures will be inserted into the
25 budget, but usually not for the company here because by

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implication that is not a mature stage in the project. The feasibility study is not mandatory from an approval point of view because the outcome of the feasibility study informs the staff requirement document. Now that is a much more detailed document and the original figure put down by the budgetary officer when he made the staff target visible is now able to refine that figure, especially from a maintenance point of view, a personnel point of view, infrastructure requirements and so on. Now at that stage there is still no specific product in mind, it hasn't got a name and the project study is intended to explore various ways of acquiring the right system. It could be straight-off-the-shelf acquisition, it could be that there is an opportunity for the local industry to participate and therefore a combination of acquisition licensing for the local industry and so on. And the outcome of that statement is not significant as it is to finalise the acquisition plan, so from the project study a selection is made and that selection with all its implications with regard to personnel, capital expenditure, operating expenditure and so on is captured in the so-called ...

CHAIRPERSON: I'm sorry Advocate Sibeko, we have heard more than five, six witnesses testifying about the same issues. What he's saying to us now is repeating what other parties have said and other witnesses have said. Shouldn't you better try and concentrate on areas where he seems not to agree with what we have on record?

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ADV SIBEKO: I will deal with that Chair. But these various documents you are referring to form part of your MODAC acquisition policies?

5 LT GEN (RET) STEYN: Yes, it does. It does. And I think I'm wanting to respond to your question where you say which of them are important from my point of view, but the Commission has indicated that [indistinct], I was not aware of that. I apologise.

10 ADV SIBEKO: Now at paragraph 6.15 you deal with "MODAC Structures", we have already touched on these. Now in your capacity as Secretary for Defence is it correct that you were a permanent member of the Arms Acquisition Council?

LT GEN (RET) STEYN: Yes Councillor, I was.

15 ADV SIBEKO: And this was according to what we have alluded to earlier this morning, the highest decision making body in the acquisition process within the Department?

LT GEN (RET) STEYN: Correct, and the Acquisition Council would debate and decide on submitted acquisition plans but that's not the end of the acquisition process.

20 ADV SIBEKO: And there was the Arms Acquisition Steering Board of which you chaired.

LT GEN (RET) STEYN: Correct, I chaired that body and I was informed ...

25 CHAIRPERSON: I'm sorry Advocate Sibeko, is it the same thing as the Armaments Acquisition Steering Board, the Arms

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Acquisition Board that is referred to?

ADV SIBEKO: The Arms Acquisition Steering Board is what is the "AASB", it's in terms of the hierarchical structure of the MODAC, it is the authorisation body just below the AAC.

5 CHAIRPERSON: But then my question is he says it's the AAMS [sic] and I think somewhere I've seen that they refer to it as the Armaments Acquisition Steering Committee [indistinct].

LT GEN (RET) STEYN: Yes, it does. It does.

10 ADV SIBEKO: The concept of Armaments or Armaments, are these used interchangeably?

LT GEN (RET) STEYN: Yes it's used, both are used by [indistinct].

15 ADV SIBEKO: Now at the end of 6.15.4 you deal with "Integrated Project Teams", we have already heard evidence regarding what these, what role was played by the Integrated Project Teams. Earlier during the course of your evidence Commissioner Musi asked you about the origins of the CoD, that's where we are now, the Council of Defence at 6.16. Could you remind us what, how this originated?

20 LT GEN (RET) STEYN: Yes. In this set of paragraphs I address the MODAC structures and because I'm aware of the fact that there is sometimes confusion as to whether the CoD is part of [indistinct] or not, I decided to include paragraph 6.16 and in the paragraph I tried to explain that the Council of
25 Defence has a much broader agenda than the agenda that

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would serve at the AAC, AAC is narrowly focused on acquisition, Council of Defence would consider a wide variety of function of issues and policies, budget and so on, so it's the Management Board of the Defence Department which may
5 include or may not include matters of acquisition.

ADV SIBEKO: You say in the middle of that, that is the second sentence of that paragraph after setting out how the CoD functioned, you say:

10 *“However, from time to time matters of the SDPP would be placed on the agenda of the CoD for departmental discussion and decision making”.*

You have already pointed out earlier in your evidence that this was not the proper procedure to be followed with regard to the MODAC policies.

15 LT GEN (RET) STEYN: I said it's not a proper procedure but it is not improper in terms of a strict rule, it is an adopted procedure to build the agenda of the CoD with general management functions of the department and which may include from time to time decisions that had been made at the AAC, so
20 the AAC's decisions informs the meeting of the CoD and that is captured into their record.

ADV SIBEKO: We do know, as we will deal with later, that submissions of SOFCOM were also made to the CoD for decision and/or approval.

25 LT GEN (RET) STEYN: Yes, that happened Commissioner.

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ADV SIBEKO: Now if you turn the page to 19 you see “Lines of Communication between the SDPP” and there at 6.17 you allude to the evidence of Mr Eric Esterhuyse who dealt extensively with this.

5 LT GEN (RET) STEYN: Yes, I do and I think he attended to it eloquently with a variety of diagrams to illustrate how the lines of communication has in fact evolved over time, I think some of them which you have already considered Commissioner is where the typical MODAC structure sees the line of
10 communication running from the Project Team through the AACB, [indistinct] to the AAC and then another diagram which shows that the CoD is also involved. The existence of the IONC, a support structure, formed part of the MODAC procedure but it still followed the prescripts of the MODAC
15 lines of communication. One or more of Mr Esterhuyse’s diagrams would illustrate that when the SOFCOM appeared after April 1998, in some cases but not necessarily all, it circumvented the AACB and AASB.

ADV SIBEKO: Now that brings us to the conclusion of
20 your paragraph 6.18 of your statement at page 19 and brings us to what you referred to as the: “Relevant chronological events in meetings and relevant correspondence with regard to the SDPP”. In paragraph 7, 7.1, 7.2 up to 7.6, perhaps up to 7.9 you deal with the interaction between the DESO which is the
25 Defence Export Service Organisation of the United Kingdom

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and the DoD, and earlier in your evidence you alluded to correspondence that you received from the representatives thereof. We have touched on this earlier on, will you just briefly summarise to 7.9 there.

5 LT GEN (RET) STEYN: Counsellor would you like me to go, start at where, 7.2 or 7.9?

ADV SIBEKO: You can start at 7.5 because at least to some extent the evidence of Mr Eric Esterhuysen also touched on the interaction between the Department and DESO.

10 LT GEN (RET) STEYN: The reason why I thought it is important for the Commissioners to take note of this is that it followed on the first meeting which was rather informal and whilst there was good interaction there was nothing conclusive, but now a follow-up meeting in March followed. It was
15 preceded by a letter from the British Under-Secretary of State Mr Richard Mottram, and in that letter which is also in my pack, he conveyed expectations, he made assumptions, for example that he was of the view that the naval equipment already identified as a requirement could be expanded upon, but now
20 he was referring to an overall package of complete defence equipment and he would like to see this under the framework or umbrella of a government-to-government commitment and he envisions that the progress of that cooperation would be steered by a joint committee or at least to oversee it. Then he
25 states that in order to give this structure he suggest that some

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sort of statement of intent should follow, which makes reference to the existing memorandum of understanding which is in his letter.

Now I state there in paragraph 7.6 that when I read
5 his letter I was not aware of a second order translation of what the politicians have decided amongst themselves, I'm not disputing that it happened, all I'm saying is that there might have been a time for those who created that Government MoU to translate that in more administrative terms so that the
10 Secretary for Defence can give effect to it.

Now later on in his letter, and that is paragraph 7.7, he alludes to the fact that the financing of this so-called overall package of complete defence equipment might be beyond the capability of our defence budget, he was probably
15 informed as to that by those who attended the initial meetings in the first quarter of that year and now he said he proposes a so-called "gold dominated", I've never heard about the word "dominated", maybe denominated, but that's what he used, which would provide a buy-now, pay-later facility and the
20 interest rate would be beneficial as far as that was concerned.

Now further on in the next paragraph, it was a few days, I sensed, and so did my staff, a mood of urgency, let's ..., before we leave let's deal with this statement of intent, maybe attempt to populate in a steering committee and so on,
25 and when I discussed this with the Minister he echoed this, this

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urgency as far as dealing with the matters were concerned.

Now when the members of DESO met with, for example senior members of the Department such as the deputy director-general which is the ..., of Logistics, General Du Preez, he conveyed to them that where we are then, or where we were then saw a number of projects in different stages of its development in MODAC and many of them were not mature enough to generate the monies required in the future and therefore the financial requirements to require would not have been visible on any demand for budgetary appropriation.

But now in paragraph 7.9 they suggested financing arrangements which should be divorced from Project financial control. Now from an accounting officer's point of view, especially if we talk about a financing mechanism such as gold, this scared me cold, I was uncomfortable and I tried my best to wrap my head around how I would deal with his in terms of my strict regulations with regard to the Exchequer Act. Let me stop there Commissioner.

ADV SIBEKO: The letter that you have alluded to in the paragraphs you quote in your statement, that is the letter which you find at "PS6" of your statement at page 158.

LT GEN (RET) STEYN: That is correct.

ADV SIBEKO: Now that is a letter under the heading "Ministry of Defence, Main Building Whitehall, London", it's dated 6 March 1997, it has the seal of Permanent Under-

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Secretary of State Richard Mottram. Is that the person you are referring to?

LT GEN (RET) STEYN: Yes. My understanding is that a permanent under-secretary is an official and secretary of state
5 would be foreign affairs and I viewed him as my counterpart, hence the collegial addressing.

ADV SIBEKO: The collegial addressing you are referring to is “Dear Pierre” and it’s talking about “Strategic Partnership”.

10 LT GEN (RET) STEYN: That’s correct.

ADV SIBEKO: Can we then turn to page 159.

LT GEN (RET) STEYN: May I offer just something which came up earlier?

ADV SIBEKO: Yes.

15 LT GEN (RET) STEYN: You posed the question with regard to urgency. If you look at the last paragraph of Richard’s letter.

ADV SIBEKO: Does that paragraph appear at 159, the last paragraph?

20 LT GEN (RET) STEYN: That’s correct. And he says:

“There is an urgent need to expand the political support for this overall approach”.

Remember he’s an official and I’m an official.

CHAIRPERSON: I’m sorry, I think we’re lost. The
25 paragraph, on which page is it?

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LT GEN (RET) STEYN: Commissioner, page 159, it's the last paragraph in Richard Mottram's letter and it starts with: "Finally, we agreed ...".

5 ADV SIBEKO: Could you read that entire paragraph into the record.

LT GEN (RET) STEYN: *"Finally we agreed that there is an urgent need to expand the political support for this overall approach. I am therefore extremely pleased that the Deputy President and other senior cabinet members will receive a presentation from Charles Masefield on Friday 7 March. We look forward to feedback on how this is received".*

10

And they were indeed enthusiastic when they came here.

ADV SIBEKO: Are you aware of the present one, the presentation referred to in that paragraph took place?

15

LT GEN (RET) STEYN: Yes Commissioner, as far as I [indistinct] yes.

ADV SIBEKO: Did you attend?

LT GEN (RET) STEYN: Yes I think I did, but my memory does not serve me well, it's quite some time. 1977, it's quite some time.

20

ADV SIBEKO: You put it 20 years earlier than the time it actually happened, it was 1977?

LT GEN (RET) STEYN: What did I say?

25 ADV SIBEKO: 1977.

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LT GEN (RET) STEYN: No, it's 1997 and it's [indistinct].

ADV SIBEKO: In the next paragraph of your statement at page 21, paragraph 7.10 you deal with "Other Unsolicited International Offers". We have already dealt with these, is that correct? Perhaps you could just add some comment regarding what is set out at paragraph 7.12 at page 22.

LT GEN (RET) STEYN: I should refer you to paragraph 7.11 where two colleagues General Meiring and myself share our concern that we weren't able to deal with the stream of unsolicited offers, whether it's the British or the French and so on, and mindful of the fact that at that stage the expectation of our Minister was that within one year, in other words July 1998 he wanted decisions to be so frail as to go to Cabinet a month or two later and the first concern was there was simply not enough time to consider the implications of these offers in a MODAC mode .

Secondly with a few exceptions the [indistinct] and so on, a number of the other intended or chosen systems found its way on the proposed budgetary requirements, hence the letter which we wrote to the President and which is appended at "PS8". And then in paragraph 7.12 for the record I quoted from that letter. Would you like me to continue Sir?

ADV SIBEKO: I'd like you for the purposes of completeness, I see the letter you are referring to is at "PS8" at page 161 of your bundle. For purposes of completeness

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perhaps the record will read better if the letter is read into the record if you don't mind.

LT GEN (RET) STEYN: I'll do that.

5 ADV SIBEKO: The bit is referred to at paragraph 7.12 of your statement.

LT GEN (RET) STEYN: We addressed the advanced fighter trainer, which was later referred to as the Lead-In Fighter Trainer, LIFT, and we informed the President that the British proposal does not correspond to the outcome of the SAAF preference option which is an aircraft capable of bridging the gap between basic flying training on the ASTRA and the existing Cheetah/Medium Fighter replacement and of accomplishing combat mission success. We state further in the letter that the Hawk option is not optimal because there are cheaper options existing for the niche requirement that could be satisfied instead of the Hawk.

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Now the Gripen which was evidently preferred by the Minister is custom-designed for a small country such as Sweden. The wider perspective in which the SAAF preference options needs to be viewed is the variant approach which accommodated the potential to replace the Cheetah/Medium Fighter Replacement in the future as well as the current Impala Light Fighter Training Aircraft replacement and he stated at that stage that the German AT-2000 system at least, there may be others, provide for such a variant approach, for example

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[indistinct] airframe was different power plants for different applications and I refer to the letter.

ADV SIBEKO: Now that letter is dated 2 July 1997, is that right?

5 LT GEN (RET) STEYN: That is correct.

ADV SIBEKO: Now you mentioned in that letter, one of the matters you mentioned is that the Gripen is custom-designed for a small country such as Sweden, could you expand on that please?

10 LT GEN (RET) STEYN: It's not the size of the aircraft that matters, it is the ability of the aircraft to operate in a country which has dimensions similar to South Africa. If you compare the area of Sweden with South Africa there's a vast difference, so for example if you take into consideration that the current
15 Gripen aircraft are deployed at Louis Trichardt, ...

ADV SIBEKO: Makhado.

LT GEN (RET) STEYN: Makhado. Then depending on the type of operation that aircraft have, that aircraft has limitations with regard to the [indistinct] of weapons that it can carry over
20 a long distance, its ability to be refuelled, can it make intermediate landings or does it have to return to its base. The air refuelling capability of the Air Force had been decommissioned and therefore the inherent ability of the Gripen to effectively [indistinct] operational area was limited.
25 In that respect the existing Cheetah-E and D with its larger

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capacity to carry both [indistinct] fuel tanks and weapons made it superior to the Gripen and the F1 even more so. The F1-AZ could take off from Makhado and strike far into the east of the country and return to its base without intermediate landing or
5 air refuelling.

ADV SIBEKO: And you state also in that letter that the British Hawk option is not optimal because cheaper options exist for the niche requirements satisfied by the Hawk. Could you expand on that?

10 LT GEN (RET) STEYN: I suspect that the Commissioner is aware of the debate regarding a two and three tier system because I can in this regard refer to the evidence of General Hechter. Now he states, and I concur, that most air forces have a three tier system, the first tier is an aircraft that
15 provides basic flying skills, it does not allow the student to be trained on weapon systems for example, so if the young student passes that phase he then advances to the second tier.

Now since that is training one would select an aircraft that is cheap to operate. Now the Hawk operates at
20 that time, it may be more now, at something like R23 000 to R26 000 per hour. Now if you compare that with the MB339 the cost per hour would drop down to R13 000. Now one should be mindful of the fact that if you route, say for example 10 pupils on the course on that aircraft you have to spend R23 000 for
25 each hour. Now that course consumes, if I remember correctly,

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almost a 100 hours, and not all of those students progress now to the third tier which is the advanced fighter, on an average about six are chosen, so whilst you accept the fact that there is a loss from the system with regard to your choice of pupils, 5 the best pupils, one would want to do that economically.

But the second consideration, if you go to a war situation as we did with the Impala, then you would scale down the training activities on that aircraft and since it is equipped to do limited combat work the role of that particular unit will 10 change for the duration of combat. Now in comparison to the MB339 the argument goes that the Hawk is better suited, so I would agree that when you go to operational conditions the pilots would prefer to use the Hawk to fight. When you're in the training mode the preference would be on the 339, the 15 budget would be sufficient. In any event both the Hawk and the 339 can do both, it can train extensively and it can fight in a limited manner. The third tier is now the realm of your Gripen and the Cheetah and the F1 and so on. Does that answer the question?

20 ADV SIBEKO: Yes. The next page 23 at paragraph 7.12.1 you make reference to the structuring of the programmes being misaligned. Could you expand on that as you have set out in your letter?

LT GEN (RET) STEYN: Would you like me to quote this or 25 rather to talk on it?

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ADV SIBEKO: Whichever you prefer.

LT GEN (RET) STEYN: The meaning of this paragraph is that the programmes in MODAC are at all different stages of their milestone progress, so the one might be already past staff requirement and the other would still be attending to a feasibility study to draft the staff target and so on. Now if you consider a whole package such as Mr Mottram suggested, remember we're talking onto that, then it assumes that all the products that you are looking at have the same maturity but your staff work is not in place to be valued. In the case of the Corvette and in the case of the Lead-In Fighter the teams in the project would be quite comfortable to deal with that, but remember there was no, there was no stated requirement to replace the Cheetah and yet the Minister said: "General Hechter, I instruct you that you will receive the Gripen and you will phase out the Cheetah", he admit, he says that in his statement.

Now that is an example of where there is no staff work at all, not even a staff target, and General Hechter has told him: "Look Sir, we haven't even started looking at that because the Cheetah-E and D would have been good to perform their functions until 2012 and the F1 had not even had an update, so it could go even beyond that, so that is the reason why the disparity in maturity of requirement definition and corresponding solutions where Naval Corvettes are [indistinct],

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why the mismatch has been identified in the aircraft component. There was not much as far as compatibility requirements of land components, so it was eventually dropped.

ADV SIBEKO: Right. Now in the face of all of these
5 unsolicited offers from various foreign countries you then directed the Chief of Logistics to come with a mechanism to deal with these offers which MODAC did not make provision for. That you will find comment on as from paragraph 7.14 of his statement at page 23. You could deal with this with reference
10 to "PS9" which you will find at page 166, so if that does not confuse you too much.

LT GEN (RET) STEYN: No Counsellor, it doesn't. Okay, now the time is September, October of 1997, expectations ran high with regard to timescales and I think I've stated
15 somewhere in my statements and supported by minutes that the Minister actually wanted to aim for the mid-1998, July 1998, instead of suggested by the Defence Department that we ought to allow the teams to finalise their paperwork by the middle of 1999. Now since the Minister then indicated that time is of
20 essence Chief of Logistics produced the Management Directive Evaluation of International Offers which you can see at "PS9".

Now it is stated here that this Directive is consistent with the MODAC Policy and it is intended to give guidance with regard to evaluation of International Orders
25 received in response to a request for tenders. Remember

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ARMSCOR had then gone out to tender and that puts it firmly in the realm of the MODAC Policy, but the intention of this directive was to assist those who participated to beat the time machine, to do it faster. Now in paragraph 2 of the
5 abovementioned Directive it states:

“In the absence of interdepartmental policy or instructions ...”.

Mindful of the fact that the Department of Trade and Industry is also participating:

10 *“... the evaluation of the proposal accrued to the MoD Management Committee”.*

And I refer you to paragraphs 3 and 14 in that document.

“... establishes to address the proposals”.

And this Committee soon became known in short as the IOMC
15 Committee. You will notice that in the document at “PS9” on page 169 this IOMC Management Committee was chaired at the level of a DDG, Lieutenant General Du Preez, and you will notice that the rest of the Committee is populated by the arms of the service at Chief Director level, same with, for example
20 the participant Secundus and Leader at ARMSCOR, Mr Esterhuysen. And then further down you will notice that in order to incorporate the inputs from Department of Trade and Industry there’s also a Department of Trade and Industry, and a representative from Department of FIN.

25 In my statement you can also see my letter of

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invitation to my counterpart Ms Ramos, to field nominations to the subcommittees, so the next Committee that was created is a coordination committee. Now for that purpose only two people were necessary, one from the uniformed division and one from ARMSCOR. Then came the Industrial Participation and quite correctly the convener and chairman was Mr Ponsamy at the Department of Trade and Industry and you can see that the rest of the members in the Industry Participation corresponds mostly with the E-uniform [sic] and civilians from the Log Division or Acquisition. And then at paragraph 17 on page 170 the Finance Team was headed up by the-then uniform Chief of Finance Lieutenant General Raubenheimer.

Interesting to note that Lieutenant General Raubenheimer's counterpart in Defence Secretariat is a Mr [indistinct] with the same rank, but this is not relevant here but I need to note that their roles differ to a certain extent. It's commensurate with the service they support, so there are the number of subcommittees falling under the Management Committee for International Offers. Now if you turn again to paragraph 7.14.2, this paragraph, your page 24, and in my statement paragraph 7.14.2, the paragraph 4 I mention here is the one on page 167.

Mention is made that the second order value system applicable to these proposals consists of three elements, structured in a value for money formula. Now why did I put this

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here, because there's lots of discussions about first order and second order and third order evaluation. Now note that this is a second order value system, it's a thing, and if you turn to page 175, it's the next appendix, you will see what it looks like. I believe that Mr Esterhuysen has spoken on this one.

Now subsequent to the implementation of this Policy Directive the teams were charged with populating the diagram on 175, they gave it numbers, so there was a decision amongst them that Military Value will be expressed in these terms, Industrial Participation these terms and then the denominator at the bottom, Financing Consideration in these terms, and then you get a number, a value, and these will then, these will then come about when you do your evaluation. If you ask me to explain this diagram Sir, I am not on the par of Mr Esterhuysen as far as mathematics is concerned, I will not be able to talk on that.

ADV SIBEKO: Yes. According to the evidence of Mr Esterhuysen this diagram referred to, he described as the Best Value Equation and he spoke very eloquently about it and gave explanations as to how it is formulated.

LT GEN (RET) STEYN: So, briefly in paragraph 7.14.3 on page 24, mention is made of the six individual Defence Equipment Segments that will be conducted in accordance with the directive until second order evaluation is complete, this is the one I'm referring to now. 7.14.4, the directive also below

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the Management Committee creates the Coordinating Committee, paragraph 15, the Industrial Participation Evaluation Team paragraph 16, and finally Evaluation Team, Financing Evaluation Team at paragraph 17 and the six
5 Defence Equipment Evaluation Teams.

ADV SIBEKO: So this is where the issue of the Integrated Project Teams were formulated for purposes of evaluating the various responses that would be received?

LT GEN (RET) STEYN: That is correct.

10 ADV SIBEKO: At paragraph 7.15 you make reference to the letters that were sent to the various ambassadors requesting specific information on equipment offered and of the government-to-government strategic alliance partnership proposals which were to be responded to by 31 October 1997.
15 Do you see that?

LT GEN (RET) STEYN: I do.

ADV SIBEKO: It is common cause that these letters were sent, signed by the Minister of Defence under cover of the letter from the Chairman of ARMSCOR Mr Ron Haywood. That
20 would then bring us to the various COD meetings that dealt with the various aspects relating to this acquisition, do you see that?

LT GEN (RET) STEYN: I do.

ADV SIBEKO: In paragraph 7.6 ...

25 CHAIRPERSON: I'm sorry Advocate Sibeko, would this not

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be an appropriate moment to adjourn before you start with a new issue?

ADV SIBEKO: I believe so Chair.

CHAIRPERSON: Thank you. We'll start tomorrow morning
5 to the meeting that is referred to. Can we start at 09h30 tomorrow?

ADV SIBEKO: That's fine by us Chair.

CHAIRPERSON: Thank you. Then we will adjourn until tomorrow morning at 09h30. Thank you.

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(COMMISSION ADJOURNS)