

HDE 7

1

DEPARTMENT OF DEFENCE



THE MODAC INVESTIGATION  
OF  
TECHNOLOGY AND ARMAMENT

**ACQUISITION**

IN THE  
DEPARTMENT OF DEFENCE

8 AUGUST 1996

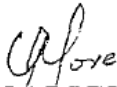
## FOREWORD

The White Paper on Defence, as approved by Parliament on 14 May 1996, states that the SANDF shall be a balanced, modern, affordable and technologically advanced military force, capable of executing its tasks effectively and efficiently. The services of an efficient defence industry are required to address the need to do maintenance, upgrading and, where necessary, the replacement of weapons and equipment of the SANDF. The acquisition and maintenance of military equipment shall also take account of the particular requirements of peace support operations.

The White Paper states that management expertise for the specialised procurement function be located within the Department of Defence (DoD).

I issued an instruction in August 1994 that the acquisition function in the DoD be investigated. A Steering Committee under my chairmanship and a Departmental Project Team were appointed. The Project Team became known as the MODAC [Ministry of Defence Acquisition] Workgroup. The Workgroup was instructed to investigate and make proposals with respect to the management, execution and structure of the acquisition function in the DoD. The Workgroup conducted the investigation in three phases and produced the reports contained in this document. These were presented to the Steering Committee and approved as Departmental policies.

I thank the members of the Steering Committee and the MODAC Workgroup for the high quality of the work they have done and congratulate them for the valuable product they have produced.



---

Joe Modise  
Minister of Defence

8 August 1996

## CONTENTS

	Page
INTRODUCTION .....	5
EXECUTIVE SUMMARY .....	8
<i><b>MODAC 1 REPORT: TECHNOLOGY AND ARMAMENT ACQUISITION MANAGEMENT IN THE DEPARTMENT OF DEFENCE</b></i> .....	
1. Executive summary .....	10
2. Introduction .....	12
3. Fundamentals of acquisition .....	12
4. Requirements planning .....	14
5. Requirements planning .....	16
6. Inter-relationship .....	18
7. Technology acquisition management .....	20
8. Armament acquisition management .....	23
9. Defence industrial development management .....	26
9. Arms trade control .....	27
Appendix A. Terminology .....	28
Appendix B. Applicable documents .....	37
Appendix C. Constitutions of the AAC, AASB and AACB .....	38
<i><b>MODAC 2 REPORT: DEFENCE INDUSTRY POLICY</b></i> .....	
1. Introduction .....	45
2. Acquisition policy .....	47
3. Industrial development policy .....	49
3. Industrial development policy .....	53
4. Arms trade policy .....	57
<i><b>MODAC 3 REPORT: THE ORGANISATIONAL STRUCTURE OF THE DEFENCE ACQUISITION PROGRAM MANAGEMENT ORGANISATION</b></i> .....	
1. Introduction .....	59
2. Role of the DAPMO .....	61
3. Analysis .....	62
3. Analysis .....	62
4. Finding .....	70

## INTRODUCTION

With the establishment of a civilian Defence Secretariat in 1994, it became clear that the management, policies and structure of the acquisition function in the DoD will have to be reviewed.

The Minister of Defence instructed on 5 August 1994<sup>1</sup> that the acquisition function in the DoD be investigated in view of the envisaged transformation of the Ministry/Department of Defence, and to improve transparency and accountability. The investigation was to be carried out with due cognisance to:

- a. The accepted proposals advanced by the Ministry of Defence Work Group regarding the "*Balanced Model*" of the future Ministry of Defence.
- b. The *National Policy for the Defence Industry*, prepared by the Defence Industry Working Group, April 1994.

Instruction was given to investigate and make proposals with respect to the management and execution of the acquisition function in the DoD. To this end, the roles, functions, structure, division of responsibilities, organisational positioning and interface between the SANDF, Defence Secretary, Armscor and the Armaments Industry must be addressed. Other aspects, such as the maintenance of the RSA's military technology development capability, armaments industry, marketing of armaments and arms trade control, were also to be investigated.

The investigation were carried out as a project and the following project organisation was established:

- a. **Steering Committee** consisting of the Minister of Defence, Deputy Minister of Defence, Chief of the NDF, Defence Secretary and Executive General Manager of Armscor, to approve proposals put forward by the project team.
- b. **Project Team** consisting of the following members:

Maj Gen P O du Preez	SANDF
Cdre S J Verster	SANDF
Maj Gen A Ismail	Defence Secretariat
Brig B S Carpenter	Defence Secretariat
Dr A J Buys	Armscor
Mr H de W Esterhuysen	Armscor
(The following members were only involved during part of the investigation.)	
Brig M J Louw	SANDF

---

<sup>1</sup> *Planning Directive: Ministry of Defence, Office of the Minister of Defence, 5 August 1994.*

Col R Saloojee	Ministry of Defence
Adv F Hlongwane	Ministry of Defence
Mr S Shaik	Defence Secretariat
Mr T Illingford	Defence Industry (SADIA)
Dr W P van Reyneveld	Armcor
Mr P C Smith	Armcor

The project team consulted other functional experts and other parties in the course of their investigation. The investigation was done in three phases and the following reports were published:

MODAC 1: The management of technology and armament acquisition on the DoD.

The roles, functions, structure and division of responsibilities of the role players in the DoD were investigated and a new management structure was proposed. The MODAC1 report defined the roles of the different parties within the Department of Defence and established a new acquisition management process and approval structure. The Steering Committee approved the MODAC 1 report on 10 February 1995.

MODAC 2: Defence Industry Policy.

The defence industry was investigated and a new industrial policy for the DoD was proposed. This policy deals with acquisition, industrial development and arms trade. The Steering Committee approved the MODAC 2 report on 26 September 1995.

This Policy states that:

Acquisition policy

South Africa should no longer strive for complete self-sufficiency in arms development, but only limited self-sufficiency in selected areas. Domestic procurement of defence equipment should be preferred above imports, provided good value for money can be obtained. In some cases requirements could be met by importing the products, but with a maximum amount of local production and technology transfer. All major foreign procurement contracts should contain countertrade agreements. Competition should be encouraged as far as is practicable in the procurement of arms. Adjudication of tenders should be based on value for money and life-cycle cost. Armcor should advertise requirements, but only companies registered as accredited defence suppliers should be allowed to compete for defence contracts.

Industrial development policy

No new industry establishment by the state should be undertaken where capabilities already exist in the private sector. Strategic non-profitable facilities should be retained in the public sector. These include facilities such as specialised defence research facilities, test ranges and test laboratories. The Government should encourage and assist defence companies to utilise their defence technology and capabilities to meet