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ARMAMENTS CORPORATION OF SOUTH AFRICA LTD
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BOARD OF DIRECTORS MEETING TO BE HELD ON :

MEMORANDUM NR :

AGENDA ITEM NR. :

FILE NO :

BULLETIN : PILATUS ASTRA PRODUCT SUPPORT

PROGRAMME NAME : PILATUS ASTRA PRODUCT SUPPORT

SUBJECT : PILATUS ASTRA AIRCRAFT PRODUCT SUPPORT

1. OBJECTIVE

The objective of this submission is to seek ratification of the approval granted by the Chief Executive Officer that:

- 1.1 Enter negotiations with _____ refine statements of work, to negotiate better-fixed prices than those offered and to negotiate better prices on ceiling price items.
- 1.2 Inform _____ that their tender was not successful.
- 1.3 Delegate to the Armscor Acquisition Authorisation Committee the placing at a later date of orders to a value not more than _____

2. PROJECT BACKGROUND

2.1 Reason for urgency

The present Pilatus Astra PSS contract terminates on 30 June 2000. A Request for Proposal to have a new contract in place by 1 July 2000 was issued to the industry in December 1999. The SAAF requirement changed during January 2000 and an amended RFP was issued during February 2000. This change in the client's requirement has now caused the urgency of this submission. Should the contract not be placed by 1 July 2000 then the Astra Aircraft will be grounded resulting in severe pupil pilots training schedule disruption.

2.2 Client

System Owner	:	Education Training and Development
System User	:	Central Flying School - Langebaanweg
Weapon Support System Manager	:	
Product Support System Manager	:	

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2.1 Project Status:

- 2.3.1 Pilatus Astra Support is an approved SAAF requirement
- 2.3.2 DAPD and the SAAF have accepted Armscor's recommendation after evaluation of the tenders in accordance with A-Proc-097.
- 2.3.3 A contract has not been placed.

2.4 Scope

- 2.4.1 The SAAF intends to introduce an Integrated Logistic Support Concept to maintain the Pilatus Astra PC7 MkII System for a contracting period of three years.
- 2.4.2 Costs as quoted by the most favourable contender for a period of three years are as follows:

Fixed costs	:	
Projected costs	:	

Note: The ceiling amount (projected cost) shown was calculated by using statistics of previous years. This amount is more realistic than the amounts offered by either of the two contenders.

TOTAL MAXIMUM AMOUNT

- 2.4.3 The contract term will be for a period of three years, ie 1 July 2000 to 30 June 2003 with the benefit of improving the contract and reviewing financial aspects once every twelve months.

2.5 Description of Project

This project encompasses the application of Integrated Logistic and Engineering Support elements to ensure effective and efficient support of the Pilatus Astra PC7 MkII system.

2.6 Industrial Impact

- 2.6.1 will subcontract local industry to maintain electronic and certain mechanical elements.

- 2.6.2 will be subcontracted to perform selected engineering elements.

2.7 Risks

considered to have an overall low risk in terms of management, financial and technical aspects.

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3. MOTIVATION

The tender evaluation system, based on Armscor's document A-Proc-097 (practice for the selection of contractual sources dated 1 November 1997) was applied to determine the most favourable contender in terms of a "value for money" index.

3.1 **Evaluation Process**

The following is a summary of the evaluation process and the results as described in Appendix A hereto.

- 3.1.1 The tender evaluation system was compiled prior to the tender closing date.
- 3.1.2 The evaluation panel members were identified prior to the tender closing date and consisted of the following members:
- 3.1.3 The evaluation criteria and their respective weights were derived through collective reasoning and calculated by the APM prior to the tender closing date.
- 3.1.4 The tenders were evaluated through collective reasoning and individual scoring.
- 3.1.5 The evaluation results were calculated by the APM.
- 3.1.6 The cost analysis was performed by the APM.
- 3.1.7 performed an evaluation audit function.

3.2 **Criteria Weight Allocation**

The criteria weight allocation process consisted of collective reasoning and individual inputs.

3.3 **Criteria**

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3.3.1 **Critical Criteria**

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Contenders were required to comply with the stipulated critical criteria in order to be considered for further evaluation.

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3.3.2 Discriminating Criteria

The discriminating criteria consisted of:

- General compliance
- Element compliance
- Predicted performance and
- Solution benefits

3.3.3 Risk Assessment

This assessment refers to the consideration of factors concerning the contender, which may effect the uncertainty in the outcome of technical financial and schedule performance:

Scale: L = Low risk
 M = Medium risk
 H = High risk
 NA = Not Applicable
 U = Uncertain.

3.4 Evaluation Model

The evaluation of the tenders was carried out by using the Value for Money evaluation model as prescribed by Armscor document A-Proc-097 (practice for the selection of contractual sources - dated 1 November 1997).

3.5 Risk Assessment

The table below shows the major factors in terms of which any potential risks associated with the contenders were assessed and the respective scores that each contender received:

RISK FACTOR		
Management	Low = 4 Med = 1	1 Low = 3 U = 1
Track record	Low = 2 Med = 1	Low = 1 Med = 2
Resources	Low = 3	Low = 3
Quality	Low = 3	Low = 2 Med = 1
Other considerations	ARMSCOR SECURITY Low = 2	Low = 1 Med = 1
TOTAL RISK COUNTS	2012-06-06 Low: 14 Med: 2 DECLASSIFIED	Low: 8 Med: 7 Uncertain: 1

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The evaluation panel considered of having a low to medium risk in the areas of management, quality, technical approach and other considerations, whilst was considered of having an overall low risk.

36 **Cost Analysis**

3.6.1 **Fixed Costs**

The value system issued to all recipients clearly stated that particular emphasis will be placed on the fixed costed management elements which is to be used as a baseline amount when determining Value For Money. Both contenders adhered to this request which was subsequently utilised in the formula to calculate the Value for Money Index.

3.6.2 **Projected Costs**

Armcor calculated the projected costs using contender mark-up policies and budgetary requirements specified by the SAAF. These projected costs were added to the fixed costs to determine an overall cost for a period of three years.

The table below summaries and compares overall fixed and projected costs per contender:

Table 1.0

DESCRIPTION
Projected Costs Material supply Maintenance
Fixed Costs PHS and T Management
TOTAL OVERALL COSTS

Note: The ceiling amount (projected cost) shown was calculated by using statistics of previous years. This amount is more realistic than the amounts offered by either of the two contenders.

Note:

Deduced from the table above terms of cost.

merged as been the most favourable in

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37 Overall Results

The table below reflects the results of each criteria together with the overall performance index per contender:

Table 2.0

DESCRIPTION	POSSIBLE SCORE
Critical Criteria	NA
Risk	NA
Predicted Performance	18,69%
Element Compliance	38,41%
Solution benefits	22,9%
General Compliance	20%
OVERALL PERFORMANCE INDEX	100%

3.8 Value for Money (VFM)

The VFM index for each contender is calculated by examining the ratio between the performance criteria results and the cost analysis results:

Table 3.0

DESCRIPTION	
Overall performance result	
Fixed Cost Analysis result (R)	
VALUE FOR MONEY INDEX	

Deduced from the table above emerged as been the most favourable contender with a VFM index of 69.76% as opposed to a VFM index of 50.03% for

3) **Evaluation Conclusion**

Deduced from tables 1.0, 2.0 and 3.0 the following conclusions were derived:

3.9.1 **Critical Criteria Assessment**

Both contenders conformed.

3.9.2 **Risk Assessment**

Contender 1 were generally assessed as having a low risk in terms of all risk factors relevant to this project. There were a total of 14 low risk counts, 2 medium and no high risk counts.

Contender 2 were generally assessed as having a low to medium risk in terms of all risk factors relevant to this project. There were a total of 8 low risk counts, 7 medium risk counts and no high risk counts.

3.9.3 **Predicted Performance (Weight 18,69%)**

Contender 1 emerged as the most favourable contender in this category with a 5,157% advantage.

3.9.4 **Element Compliance (Weight 38,41%)**

Contender 1 emerged as the most favourable contender in this category with a 10,09% advantage.

3.9.5 **Solution Benefits (weight 8%)**

Contender 1 emerged as the most favourable contender in this category with a 4,11% advantage.

3.9.6 **General RFP Compliance (Weight 20%)**

Contender 1 emerged as the most favourable contender in this category with a 4% advantage.

3.9.7 **Overall Costs**

Contender 1 emerged as the cheaper of the two contenders with an overall fixed cost advantage of

3.9.8 **Value for Money Assessment**

Contender 1 emerged as the most favourable contender in terms of performance and cost with a VFM index of 69,76% and 50,03% for Contender 2.

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4. RECOMMENDATION

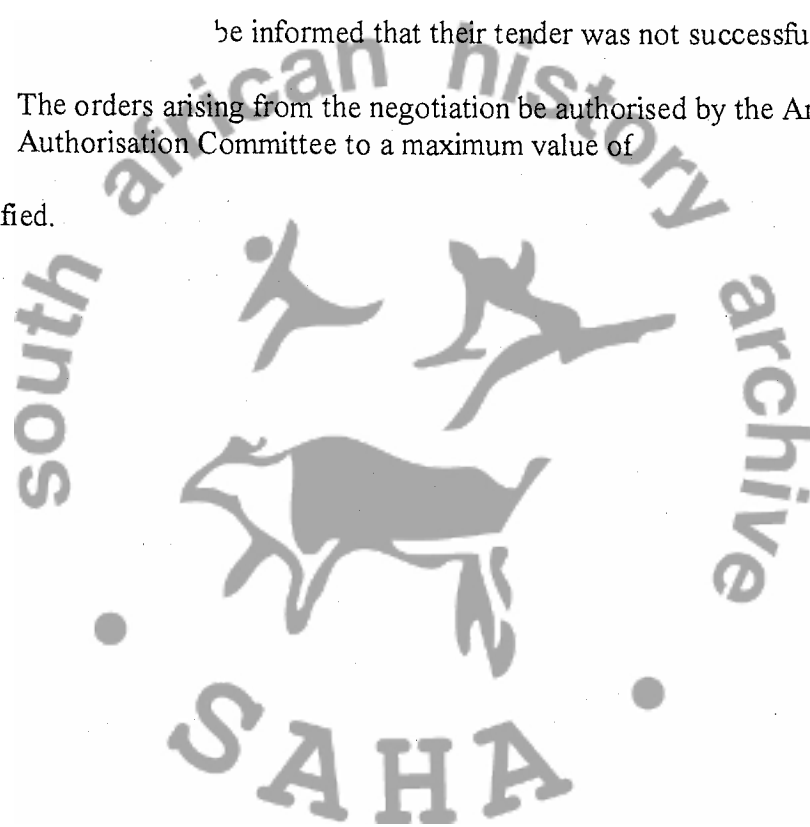
The Screening Committee wishes to recommend to the Board of Directors that the approval given by the Chief Executive Officer that:

4.1 Armscor enter into negotiations with _____ a respect of refining statements of work and a reduction of prices.

4.2 _____ be informed that their tender was not successful.

4.2 The orders arising from the negotiation be authorised by the Armscor Acquisition Authorisation Committee to a maximum value of _____

be ratified.



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