

**MINISTRY OF DEFENCE & MILITARY VETERANS**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**1242. Mr S J F Marais (DA) to ask the Minister of Defence and Military Veterans:**

With reference to her reply to question 666 on 13 April 2018, (a) what was a certain person’s (name and details furnished) (i) relationship and (ii) involvement with FeverTree Consulting before joining Armscor, (b) what were the amounts budgeted for the turnaround of Armscor, (c) what amounts have been spent on the turnaround as at the latest specified date for which information is available, specifically in favour of FeverTree Consulting, and (d) what are the details of (i) all the achievements and (ii) savings listed against the contractual milestones to date? NW1341E

**RESPONSE**

1. (i) The status of Mr. Ramaphosa’s association with FeverTree Consulting (Pty) Ltd is as follows:
2. At the time of the appointment of FeverTree Consulting by Armscor, Mr Ramaphosa had resigned on 25 June 2012 from FeverTree Consulting and had no interest in the company and was not in any way associated with the company by any direct or indirect means.
3. What were the amounts budgeted for the turnaround of Armscor, (c) what amounts have been spent on the turnaround as at the latest specified date for which information is available, specifically in favour of FeverTree Consulting,

The total value budgeted for the Armscor Turnaround was R 56 283 616.00. The total amount paid to Fevertree Consulting by 30 April 2017 (end of Phase 1) amounts to R55 420 538.21. To date an additional R2 886 657.74 has been paid to Fevertree as part of Phase 2 of the turnaround implementation.

Payments made were against contracted deliverables and divided according to work streams. Six work streams were established with a total of 213 deliverables listed as follows:

|  |  |  |
| --- | --- | --- |
| **Work streams** | **No Deliverables** | **Amount Paid** |
| 1. Designing a new vision for the future
 | 23 | R10 226 630.40 |
| 1. Developing New Revenue Driven Strategies
 | 42 | R 9 695 641.71 |
| 1. Enhancing and Improving Core Functions
 | 28 | R 5 861 433.40 |
| 1. Communication and Change Management
 | 40 | R 5 318 500.78 |
| 1. A New Governance Model for Armscor
 | 45 | R10 949 337.69 |
| 1. Driving Greater Efficiencies
 | 35 | R13 230 201.60 |
| **Total**  | **213** | **R55 281 755.58** |

The contracting model adopted in phase 2, allows Armscor to approach various service providers by tender process, for support during the implementation using an approved panel of service providers. To date an additional R2 886 657.74 was paid to Fevertree Consulting, for 14 deliverables, as part of Phase 2 of the Armscor turnaround implementation, for the following projects:

|  |  |  |
| --- | --- | --- |
| **Project No**  | **No of Deliverables** |  |
| Project 001 - Strategic Planning Implementation | 9 |  R2 402 192.64  |
| Project 008 - Dockyard Sustainability Plan | 5 |  R 484 465.10  |
| **Total**  | **14** | **R2 886 657.74** |

**QUESTION 3**

And (d) what are the details of (i) all the achievements and (ii) savings listed against the contractual milestones to date?

**RESPONSE**

Phase 1 of the Armscor Turnaround focused on an As-Is assessment and the creation of plans to bridge the gap between the current and desired end state.

1. This table lists the key achievements of Phase 1:

|  |  |
| --- | --- |
| *Drive Revenue by Leveraging Core Strengths* | * To leverage the core (traditional) strengths; 16 opportunities were identified with 4 prioritised in the Acquisition service line.
* 3 non Acquisition related opportunities were identified i.e. Gerotek Testing Center, AB Logistics & the Disposal of Defence Equipment
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| *Commercialisation of technologies & patents* | * 62 commercialisation opportunities were identified which may be considered for commercialisation of IP and Technology in the civil Sector 5 with a recommended framework and approach to commercialisation
 |
| *Championing Innovation (Business Development)* | * Developed a set of Business Development Frameworks for Armscor’s participation in revenue earning initiatives
* Developed a framework for the potential Products and Services offering that Armscor can take to the market on a revenue earning basis
* Developed a life cycle process for Higher Order Solutions sales
* Developed a framework for the potential business models and structures related to the Products and Services categories
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| *Acquisition and SCM* | * Developed a framework for the introduction of an Acquisition Standards and Processes Knowledgebase that will streamline the programme specific tailoring of acquisition processes to enable more efficient acquisition programmes without compromising Armscor’s service delivery accountability.
* Developed a framework for the introduction of an Acquisition Programme Tracking and Management Reporting Systemthat will enable the gathering of acquisition programme related information supporting the further optimisation of processes and issue resolution processes with clients and industry.
* Developed an architecture for a more efficient Armscor Procurement Management service.
* Developed a model for the extension of Armscor’s Procurement Management (SCM) services into a marketable revenue generating function
* Developed a concept for the introduction of an e-Procurement ICT platform supporting the above Business Development initiatives.
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| *Technology Management and Administration* | * Developed a framework for the introduction of a *Technology Portfolio Management* function that will address the Client expectations.
* Developed a framework for participation of the TMA function in future *Armscor Business Development* related programmes
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| *Sweating Special Assets* | * 4 Armscor property assets were identified and recommended as priorities for sweating and realising revenue
* Developed a study on all Assets & a Strategy with a legal framework for sweating assets in FY 18/19
* Established an SLA with DOD for sweating DOD assets.
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| *Defence SOE Collaboration* | * Identified and prioritised opportunities for SOE collaboration (Transnet, CSIR, Denel)
* Modelled an operating partnership framework and contract between Armscor and SOEs
* Developed a Framework for localization, indigenization and defence SEZ participation.
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The above mentioned frameworks and plans are the basis of the implementation Phase 2.

1. A total of R88,17m worth of savings were identified to be realised within a period of 12 months after the project. An amount of R 61,7m was accepted as potential savings for the organisation to pursue and implement. To date R23,45m of the accepted savings has been realised. Various Opex savings have been implemented and their consolidated gains will be quantified at the end of the FY 18/19.