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Zondo commission – Denel CEO Saloojee ordered favouring of Gupta company

It was former Denel GCEO Riaz Saloojee who proposed to a CEO within one of its divisions to favour Gupta-linked VR Laser in the awarding of a single source contract in 2015 because the company was politically connected. Stephan Burger, who led Denel Land Systems (DLS) at the time, told this to the commission of inquiry into state capture on Thursday.

“Mr Saloojee called me to his office one day and informed me that we should supply with an MoU – I’m not sure if the word MoU was used – that looks at single sourcing wherein the rights of Denel are protected.”

For Burger, the decision was a good one, as he favoured the quality and expertise of VR Laser, which DLS had contracted a year earlier for the supply of platform hulls. He did, however view Saloojee’s motivation to be that of pulling rank, as he generally appeared to be opposed to the decentralised model within the group that preceded his appointment, and therefore wanting to separate divisional heads from the major decisions, including political.

“He was suggesting that certain suppliers were politically well positioned. His opinion was that it would be good for Denel to place contracts with them.”

But evidence leader Paul Kennedy challenged Burger, asking that because they both wanted VR Laser to get business – albeit with different motivations – Burger did not dissuade Saloojee from suggesting the favouritism, because the company was assured business from DLS.

“If this had been the first instance, then it would probably have raised more alarm bells,” said Burger, arguing that a similar proposal had been made in the past with another supplier.

“As I sit here, I have no regret that I supported the hull manufacturing at VR Laser, but the fact that I accepted Mr Saloojee’s instruction I do regret.”

Contracts awarded to VR Laser – which is majority-owned by Gupta associate Salim Essa – have been under the spotlight at the commission for several weeks. The hulls contract, with a value of R195-million, was allegedly awarded without following Denel’s internal procurement policy. Burger argued that his focus was on the safety criteria of the product in question, and when VR Laser came out tops after the initial procurement phase, the only concern for him was their pricing, which was much higher than that of the two other bidders, LMT and DCD.

LMT is partly owned by Denel, and a contentious debate arose between DLS and the group’s head of procurement, Dennis Mlambo, because he was overlooked for approval, despite the policy naming him as the party to sign off.

“At that time we went out to multi-tender, the allegation today is we should have gone out to open tender. I still maintain today that in the defence industry, with confidentiality issues and IP issues, it’s

extremely difficult if not impossible to take something like that to the open market and say there's a drawing, anybody who wants to quote, quote on it.

"But at the time it was not purposefully done to circumvent the processes. It was done in good faith," said Burger.

Commission chairperson Deputy Chief Justice Raymond Zondo asked Burger if he had familiarised himself with the procurement policy in order to make an informed decision.

"I did not study the policy to that effect, to be an expert on exactly what it says. It was my perception based on how things were done and who complained and who didn't complain. So that was my opinion at the time."

Historically, Denel has gone for the model of multi-tenders, he said, and the market that it serves, having strict safety standards, does not allow for mistakes. "In my mind the Denel procurement policy allowed for multi-tender, and not for open tender. In my mind it was allowed. Whether that was constitutionally correct, that is another matter."

For Mlambo, the point of contention was that Denel had acquired LMT to help keep production in-house, but Burger differs with him.

"I was the biggest promoter of buying LMT. I was very concerned when LMT was in a financial crisis, and the reason for that was they were busy with development work, so the designs were not fixed yet, the design would have hung in the air, nobody would've been there to finish the land mine protection.

"We did not acquire them for their production ability. As a matter of fact, the reason they went bankrupt in the first place is because they went from being a design house to a production capability."

Saloojee testified last year to having been a stumbling block to all attempts by the Guptas to do irregular business with the state-owned arms manufacturer. He met the family at their Saxonwold home shortly after his appointment in early 2012, at Essa's invitation.

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