

in a given area is that he always compares the work that another individual does with what he thinks he could do, and we generally tend to have a rather high opinion of what we think we can do.

Mr. RUMSFELD. Is this also true of your R. & D. contract?

Dr. MUELLER. With our R. & D. contractors we do not have that precise an evaluation system. There, performance is assessed on the basis of the performance evaluation system. We are a member of the program that DOD has set up for evaluating past performance. In R. & D. it is a more objective thing. The R. & D. hardware contractors are essentially operating independently and the Government is measuring the end product rather than monitoring what they are doing on a day-to-day basis. There is a danger in trying to do too much monitoring with respect to the evaluation. We do have a fair handle in the technical performance area from our incentive contract structure because that was carefully written out to identify key items that had to be done. You can pretty well evaluate at the end of the contract by just looking at performance on key points.

Mr. RUMSFELD. With respect to the R. & D. contract; is that recorded?

Dr. MUELLER. Yes.

Mr. RUMSFELD. In each case, it is made available to these boards?

Dr. MUELLER. Yes.

Mr. RUMSFELD. When they review the collection of recorded information, do you find a substantial disparity among companies working in similar areas with regard to their ratings?

Dr. MUELLER. Generally there are not wide variations in the scores of the evaluation groups on the companies. You will find, however, typical variations of maybe 25 percent of the total points from the best to the worst—maybe a little more. But that is not surprising because you are dealing with a number of competent people who are trying to get the same work. It is about like grading students, in a sense. You have the same problem. If you have a highly select group of college students, how are you going to differentiate between the man who is making the highest grade and the man who is going to flunk the course? You have to determine the difference between an A and B when this difference may not be very large in terms of scores on tests.

Mr. RUMSFELD. When you are grading students or contractors, depending on how you set the standard, you can have a greater or smaller disparity, depending upon the scale you use and how you adjust it.

Dr. MUELLER. Precisely.

Mr. RUMSFELD. Have you drawn a cutoff line?

Dr. MUELLER. Yes.

Mr. RUMSFELD. Have you moved that line from time to time, as the program matures? Are you requiring a higher standard?

Dr. MUELLER. Well, we tried not to move the line but rather to provide an incentive for the contractor to do better. You see, if you move the line, you tell the man when he enters into the contract, that this is where the line is.

Mr. RUMSFELD. I mean that if they fall below the line in performance, they are not going to get more contract work.