contractors for more efficient or better performance (fig. 47). They are motivated in their performance in the critical areas of schedule, cost, and reliability or in a combination of these. We committed ourselves a year and a half ago to convert—or award—all of our major systems and component contracts from cost-plus-fixed-fee to incentive-fee contracts (fig. 48). We have now fulfilled that commitment with the exception of the Saturn V second stage contract. We have had longstanding difficulties with this stage, so with good and sufficient reasons of a sound business nature, we prevailed on NASA Headquarters that this contract not be converted. Our principal consideration here was that the status of the project did not warrant or sustain conversion at this time.

The overall value of the other 22 major contracts was $3.7 billion. Those contracts converted were in the middle of the procurement stream, so we actually converted these contracts from a particular date

INCENTIVE CONTRACTING

FIGURE 46

INCENTIVE CONTRACTING
OVERALL OBJECTIVES

Place greater responsibility on the contractors for accomplishment of Saturn program schedule, cost and performance objectives by providing rewards and penalties in calculable monetary terms for management efficiency.

FIGURE 47

INCENTIVE CONTRACTING
OVERALL STATUS

- 22 OF 23 MAJOR CONTRACTS BEAR SOME TYPE OF CONTRACTUAL INCENTIVE
- NAA CONTRACT FOR SATURN V SECOND STAGE REMAINS CPFF AT THE PRESENT TIME
- TOTAL CONTRACT INCENTIVE VALUE OF $1,921,000,000
- OVERALL CONTRACT VALUE OF $3,768,000,000

FIGURE 48

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