We planned to convert the Saturn V second stage contract along with the other 22 conversions which I have mentioned earlier (fig. 51). But considering the status of hardware at the Space and Information Division of North American; their schedule position, their manpower and cost trends which were going upward, and the inadequate overall program control—it was decided that the Saturn V second stage was not in a position where either the Government or the contractor could benefit from incentivizing. Contract incentivization was deferred, and the contractor was given a list of criteria, based generally on improved performance, that he must meet before the contract will be converted.

Regarding the incentive contracting overall assessment (fig. 52), I do not believe that incentive contracting is completely responsible for the program improvements I have mentioned; however, it does deserve a good part of the credit.

This chart (fig. 54) includes all obligations of the Saturn Apollo programs: the Uprated Saturn I, Saturn V, Engines, and a small amount of money for supporting development for fiscal years 1967 and 1968. The fiscal year 1966 total was $1.5 billion. A sharp decline is noted for fiscal year 1967. The reduction is mostly attributable to a decline in uprated Saturn I funding. Approximately $1.2 billion are planned for fiscal year 1968. This is in line with the President's budget. This sharp drop exists even though only 3 of the 12 uprated Saturn I vehicles have been launched. For obvious reasons Saturn V is holding rather steady.

STATUS OF INCENTIVIZATION SATURN V SECOND STAGE CONTRACT

I. PRELIMINARY PLANNING BEGAN IN 1965

II. PRIMARY CONCERTED EFFORT TO CONVERT IN FALL 1966

III. CONVERSION POSTPONED BECAUSE OF:

- SCHEDULE POSITION
- COST AND MANPOWER TRENDS
- STATUS OF HARDWARE
- OVERALL PROGRAM CONTROL

IV. INCENTIVES TO BE APPLIED:

- AFTER SETTLEMENT OF COST VARIANCE AND OUTSTANDING CHANGE ORDERS
- BASED ON CONTRACTOR PERFORMANCE

FIGURE 51