

depends upon how well the contractor responds to specific requirements that have been laid upon him by the Kennedy Space Center organization.

The second point is that the Government remains responsible, and must be accountable, for integrating the total mission, pulling together the efforts of a variety of contractors. This includes monitoring and redirecting the contractors' efforts wherever appropriate.

Third, these present contractors are operating with KSC on the basis of an award fee return. Their profit from the operation is dependent upon satisfactory performance which is measured and evaluated by the Kennedy Space Center people against certain incentive targets or award fee targets.

You have heard in your discussions with other NASA Centers, or you soon will hear, about their progress in installing incentives in their flight hardware contracts. Our Center took the lead in developing methods of handling award fee concepts for service support contractors. We do this by a series of periodic evaluations. At the present time the awards are made quarterly. They are preceded by monthly feedbacks between KSC civil service monitors and the contractors so that the contractor knows every month how he is standing in terms of doing things that are laid out as priority items. Narratives and numeric scores are pulled together on a quarterly basis and formulated into a report which the line operators must defend before a senior awards board appointed by Dr. Debus. The board makes recommendations to the Center director, who then determines the fee.

In the case of the stage contracts, we do not have much experience yet with the KSC stage contract supplements that have been negotiated covering the actual launch services work of the stage contractors down here. With the exception of the Chrysler Saturn I-B contract, all of the Saturn I-B and V contracts have now been renegotiated with specific incentives built into them. Milestones have been established for scheduled accomplishments which they expected to do within certain cost, time, and quality targets. We judge their performance against these. On a semiannual basis the stage contractor will be given an award fee based on how well he has accomplished the milestones. Again, the Center director will be the final authority on the extent of that fee.

We are asked the question, of course, whether all this emphasis on incentives is worthwhile in terms of getting the job done better.

As of today, our overall assessment is that this has been a successful and useful management device. As our organizations were learning how to integrate the needs of contractors, it has been particularly helpful in getting them to do their best work in our environment rather than retaining methods used back in their factory plant. The incentive awards process requires, to be successful, a tremendous amount of communications between us and the contractors. That in itself, is time consuming. But I think, on balance, we very much needed that kind of communication in the first instance in learning how to work together. This has been a useful exercise, but we do feel that in the future, now that we have learned how to work together, we should be able to accomplish these awards with less overall time tied up in the