

Dr. Flax/af/76990/27 Mar 67



March 27, 1967

Dear John:

I have read the paper on incentive contracting for satellite programs which you sent me with your letter of March 17, 1967. As you already know, I am in complete agreement with the general principles of your approach. I find myself equally in agreement with the additional details of implementation as described in the latest paper.

I have had favorable comments on these incentive provisions from your two major space vehicle contractors. Both agree that it provides them with a highly visible means for motivating their organizations to give the government what it wants in flight performance.

I consider that you and your associates in SAF-SP have done an outstanding job in devising and implementing this incentive structure for satellite programs. It is a completely rational, and, as shown by the results you have obtained, highly effective contractual approach. Your success with this technique has resulted in its partial introduction into Air Force satellite programs outside SAF-SP, and I expect that, in the near future, we will move further toward adopting it fully in all programs to which it is applicable.

Sincerely,

Alexander H. Flax
Assistant Secretary
Research and Development

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