

SAFRD/Dr. Flax/nlm/76361

August 20, 1966

MEMORANDUM FOR THE ASSISTANT SECRETARY OF DEFENSE, I&amp;L

SUBJECT: Special Incentives for Satellite Programs

As part of the Special Projects activity of the Air Force, it has been found expedient and effective in particular instances to structure contract incentives for satellite systems primarily on a mission performance basis rather than on those measures which are more conventionally used. It is possible to use these incentives centered on mission performance because of the fact that the systems are expended very shortly after delivery and because the development-procurement cycle is a continuum.

We have now come to the conclusion that it would be in the best interest of the Government to apply these mission performance incentives more broadly in the Special Project Satellite Programs. While we believe that the proposed actions are clearly within the general intent of incentive contracting as outlined for example, there appear to be some provisions or implications in the ASPR which can be interpreted either to prohibit more general use of certain of the proposed incentive features or would require justification and high level review and approval on an individual contract basis.

Details of the proposed incentive structure for satellite projects and the underlying rationale are contained in Attachment 1. The ASPR provisions which, in greater or lesser degree, appear to prohibit or inhibit application of the proposed incentives are discussed in Attachment 2.

Your approval for the application of the contract incentive structure described in Attachment 1 to the projects directly managed by the Office of the Secretary of the Air Force (SAFSP),

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including authority to deviate from such provisions of the ASPR as may be in conflict therewith, is requested.

Alexander H. Flax  
Assistant Secretary  
Research & Development

**2 Attachments**

1. **Specialized Incentive Contract  
Structure for Satellite Projects**
2. **Summary of ASPR Conflicts**

Subject: Authority to Use Special Incentive

To: Director of Special Projects (SAFSP)

Based upon Department of Defense approval, copy attached, you are authorized to incorporate in the SAFSP contracts the specialized incentive concept outlined in the paper, "A Specialized Incentive Structure for Satellite Projects", (Ref No. SP142866) and deviate from such provisions of ASPR and related regulations as might be in conflict therewith.

ALEXANDER H. FLAX  
Assistant Secretary  
Research and Development

SAFILP/Mr Cox/mcw/28 Sep 66

28 SEP 1966

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE (R&D)

SUBJECT: Special Incentives for Satellite Programs

Mr. Ignatius' people in OASD(I&L) have informally discussed with our office your memorandum of August 20, 1966, to Mr. Ignatius requesting authority for certain deviations from ASPR in respect to special incentive arrangements. In reviewing this matter we have concluded that the special incentive arrangements would not deviate from ASPR. The Office of the General Counsel concurs, and OSD (I&L) also concurred, informally. Since we understand from SAFSS (Col Worthman) that the only reason for your writing to Mr. Ignatius was that it was possible that an ASPR deviation would be involved in the proposal, it now appears to be unnecessary to involve Mr. Ignatius in this matter. Consequently, unless you have some objection, OASD (I&L) will not reply to your memorandum of August 20th.

We have some reservation about certain details of the SAFSP proposal, but we will work these out with Colonel Worthman (and with SAFSP if necessary) on an informal basis.

*\* This has now been done*  
*[Signature]*  
*29 Sept '66*

(Signed)  
AARON J. RAGUSIN  
Deputy Assistant Secretary  
(Procurement)

Chrono  
Subj  
SAFAAM

*cc Mr Robert Lyons*

MEMORANDUM FOR THE ASSISTANT SECRETARY OF DEFENSE  
(INSTALLATIONS AND LOGISTICS)

SUBJECT: Authority To Use Special Incentive

Due to the critical nature of programs under control of my Director of Special Projects, he proposes to use a special incentive formula on some contracts. Details of his proposal are contained in his letter of 27 April and attachments thereto, copies of which are attached.

I have reviewed his proposal and agree with his approach. His proposal is addressed to objectives of the highest importance, and appears to be consistent with good procurement practice. Your approval of the attached request for deviations is requested.

ALEXANDER H. FLAX  
Assistant Secretary  
Research and Development

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subj: Request for Auth  
to use Special Incen Features  
w/2 Atch