



The Solutions Network

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Rochester, New York

# Performance Based Contracts

Ed St.Germain

Enviro-Management and  
Research (EMR)



## Attributes

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- ❖ SOW Tells WHAT... Not HOW
- ❖ SOW Contains Explicit, Measurable Performance Standards
- ❖ Contract Employs Measurement Method
- ❖ Logical Flow Between Requirements, Standards, Measurement, Incentives



## NASA Commitment

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- ❖ 1997 NASA LaRC Converted From Cost Plus O&M to Firm Fixed Price, Performance Based Contract
- ❖ Primary Performance Indicators:
  - Quality    Timeliness    Documentation
- ❖ 2004 ROME Cost Plus/Award Term Performance Based Contract



## Original Cost Plus

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- ❖ Pseudo Personal Services
- ❖ Competent Workforce That Does Not Think For Itself
- ❖ Gov't Involved in Every Decision
- ❖ Open Checkbook



# FESS – What Happened

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- ❖ Bad Timing
  - Changing Contract Formats
  - Implementing Full Cost Accounting
  - New CMMS
  - Massive Organizational Change
- ❖ Expected Same Contractor Skills as Workers With 30 Years Experience



## FESS – What Happened

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- ❖ Expected Contractor to Make Own Decisions
  - Conditioned to Get Guidance – Culture Shock
- ❖ Gov't Idea of “Partnering” is “Compliant Contractor” (Not Equal)
- ❖ Gov't Personnel Reluctant to Change
- ❖ Contractor Innovations Never Developed



## FESS – What Happened

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- ❖ Gov't Reluctant to Let Go
  - E.g., Bar Code
- ❖ FP Drove Contractor to Low Cost
  - 40% Originally Cut
  - Leads – Not Supervisors
- ❖ No Mgmt Backing/Endorsement
- ❖ CMMS Not Used to Full Capability
  - No Trending, Reports, Archiving



## FESS – What Happened

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- ❖ Unrealistic Expectations
  - 100% On Time
- ❖ No Written Surveillance Criteria
- ❖ Requirements *Should Have Been* Corrective – *Not Punitive*
  - I.e. Deficiency Notices Require Feedback
- ❖ CMMS Not Used to Full Capability
- ❖ Full Cost Accounting = Invoice Shock



## FESS – What Happened

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- ❖ Not Perfect – But Work Got Done
- ❖ FESS Saved \$4-5 Million/Year
- ❖ Contractor Customer Surveys
  - Consistently Rated 4 of 5
  - $\leq 3$  Triggered Follow-Up & Correction
- ❖ Too Much Happening to Determine Impact on Energy
  - Decreased Research



## FESS – What Happened

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- ❖ Contract Requirements to Buy Energy Efficient Equipment
- ❖ FP Incentive for Contractor To:
  - Look for Energy Efficient Opportunities
  - Do Oil Analysis to Cut Costs of Lubricants & Disposal
  - Integrate RCM Into PM for Optimal Operation



## ROME – What's Different

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- ❖ Center Director Endorsement
- ❖ Guidance From Director: Contractors to be Treated as Equals
- ❖ New Mindset: If Contractor is Not Successful, I'm Not Successful
- ❖ Returned to Cost Plus Above a Base With Award Term Incentive (Performance Based)



## ROME – What's Different

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- ❖ Includes Rsch, Ops, Maint & Engrg Organizations
- ❖ Metrics for Evaluations
- ❖ Surveillance Plan
  - Third Party Contract
  - Detailed Surveillance Criteria
- ❖ Meet Monthly to Talk Through Issues



## ROME – What's Different

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- ❖ Very Interactive Phase In
  - 1 Year
  - Partners & Monitors Assigned
  - Special Interest Group to Resolve Issues
- ❖ Center & Industry Input Before RFP
- ❖ Lessons Learned and Adopted Best
- ❖ Not Intended to Reduce Costs
- ❖ 1 Year Transition May Not Be Enough



## NASA PBC Template

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- ❖ Template for NASA PBC O&M Contracts  
Can be Found at:

[www . hq.nasa.gov/office/codej/codejx/  
jxdocuments.htm#mtdocs](http://www.hq.nasa.gov/office/codej/codejx/jxdocuments.htm#mtdocs)

- ❖ NASA GPWS for Center Operations  
Support Services & COSS Addendum
  - Section 32 = Energy/Water Conservation  
Management Services