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PERFORMANCE INCENTIVE CLAUSES IN TELECOMMUNICATION SATELLITE  
PROCUREMENT CONTRACTS

**Abstract**

The powerful and commercialized aerospace companies from the United States and European Union have created many new rules and custom with the development of the long term trade practice. Performance incentive is a typical example. The original meaning of performance incentive comes from labor contract, gradually is adopted and evolved by aerospace industry because of its particular characteristics, such as high risk, long period and big contract amount. The reason why performance incentive enters into aerospace field is that commercial aerospace companies intend to enlarge their market and attract new clients. Performance incentive is not only quality guarantee but also marketing strategy. Performance incentive is not an inherent and necessary clause in satellite in orbit delivery, however more and more aerospace companies start to adopt it in order to deal with competition. Is current performance incentive of satellite in orbit delivery contract reasonable? Do we have to follow it? Shall we change it? All of these questions are worthy to think about. As a young participant, Chinese commercial aerospace companies are in the process of studying, in the future they will play an important and influential role to make new rules and custom in international aerospace trade. This paper will illustrate basic knowledge and background on performance incentive including the concept, development and evolution, introduce how to provide performance incentive clause in satellite in orbit delivery contract, and state legal, economical and practical thinking from Chinese viewpoint.