

Mr. GURNEY. Dr. Mueller, getting back to the chairman's question about the high cost of preparing proposals for furnishing services. As I understand it now, you are required by law to periodically re-contract for these services, is that correct, every 3 years?

Dr. MUELLER. Actually, we are required by law to compete on contracts.

Mr. COTTON. We generally set different periods for the renewal of our contracts so that they don't all phase out at the same time.

Dr. MUELLER. What is the limit?

Mr. COTTON. Including renewal provisions, these contracts generally run for 5 years. We are contracting from year to year for planned periods running from 3 to 5 years without formal recompetition, as long as performance is good.

Mr. GURNEY. You are legally bound to negotiate a contract for no longer than 5 years, is that correct?

Dr. MUELLER. The legal requirement is to have maximum practicable competition in all our procurements.

Mr. GURNEY. Then regardless of whether you have a good operation or not, you have to negotiate for a new contract?

Dr. MUELLER. Our Agency policy is to recompet at the end of the total planned period of contract performance.

Mr. GURNEY. Do you have any suggestions to improve this? Obviously if you had a good and efficient operation, it would be a useless exercise to seek new contracts.

Now I am aware that one reason why you do this is to prevent a contractor from being locked in forever.

Do you have any other suggestions as to how this could be done? What is your own idea?

Dr. MUELLER. In this area as well as in other areas, I think that there is a very real problem in maintaining a competitive industrial situation. You can, in fact, create a situation where there is no further competition.

Mr. GURNEY. I wasn't suggesting that there shouldn't be any further competition. Suppose you had no limitation at all as far as a contract is concerned, that the law said nothing about it and suppose you negotiated a contract for 1 or 2 years and you were continuously looking at it. If you wanted to, you could at the end of 6 months or a year, throw it open because you didn't think the contractor was doing a good job.

On the other hand, if he was, you could continue this almost indefinitely.

Would that make any sense?

Dr. MUELLER. As a matter of fact, our contracts are written in such a fashion that that is in fact possible. Each of our contracts provides, at the convenience of the Government, for rebidding. NASA policy provides limits for various types of contract and program situations. The principle is this: if the contractor who is doing the work is good, then he ought to win the next competition.

Mr. GURNEY. Then you run into what the chairman says. A lot of people have to go through expensive exercises as well as tying up your own people.