3 years, or instead of this new arrangement of consolidating seven to four, had you ever thought of using your incentive fee arrangement for you and the contractor to work out another deal, another extension that would save you money or get you better efficiency based on the prior experience that you and the contractor had in this job?

Mr. SIEPERT. We have considered this. We are implementing the idea that you raised in a little different fashion. These new contracts with the incentive fee arrangement in them will place considerably greater emphasis on the contractor's actual ability to measure up and to meet preagreed cost targets.

In other words, this will be a significant factor in his profit return.

Mr. GURNEY. Well, the point I make there, Al, is, would it not be possibly better to use that arrangement than this great mass of paperwork, the rearrangements, and all the rest of the redtape to put this new plan into action?

Dr. DEBUS. Are you asking whether it should be largely noncompetitive procurement?

Mr. GURNEY. What I am saying is this: We all believe—all of us on this committee—that once you have gone through a competition such as you have here, and you have a pretty good, fairly well organized, and streamlined operation, as you have said—seven as opposed to four—it isn't, obviously, a tremendous amount of change here; I simply say that your incentive fee business with the persons on the job, and doing it now, might be a substitute to preserve the competitive arrangement so that you can get the best bargain and also the best efficiency.

Mr. WAGGONNER. If you follow that attitude all the way through the cycle, from the time it begins at NASA until somebody pays off the last subcontractor down the line, ultimately you won't have a new man doing the business. There won't be anybody for him to supply. He will be foreclosed. There won't be any way for a man to establish a new business and break that hiring circle.

Mr. SIEPERT. I think NASA is merely, in this situation, Mr. Gurney, being consistent with its original commitment to American industry. In effect, it said: We are endorsing competition for NASA procurements as a basic policy matter, and we are going to recompete not only because we believe that's in the overall Government interest, but also because we want this to be a basic incentive for the one who wins the contract the first time. Then he knows he must be trying all the time to improve his performance posture.

We have instances where we have been impressed that our support contractors, rather than move ahead and spend money authorized in the contract, have come up with ways where it didn't need to be done. The contractor has chosen not to staff up to that peak yet, although, contractually speaking, he had authority as a mission contractor to move. You do not expect that kind of response from a contractor who believes he is locked in and assured noncompetitive extensions for his services.

Mr. GURNEY. I can understand that.

Dr. DEBUS. A learning curve element, I think, is retained, because we negotiate every year. Any experience we make over that year