

Representative RUMSFELD. There is no computation?

Mr. HUGHES. There is no economic basis for it. It is an order of magnitude figure to be used as a kind of rule of thumb or a baseline in appraising a particular situation.

Representative RUMSFELD. In Circular A-76 you exclude specifically the Federal taxes from individual stockholders. It says:

Including all other Federal tax revenues except social security taxes received from corporations or other business entities, but not from individual stockholders from a product or services obtained through commercial charges.

That again weights it in favor of government—just like the exclusion of State and local taxes weights it in favor of government.

Here again you would have to estimate it. But, you have company records, you have national averages.

I worry that the items you are not estimating all seem to push it in favor of government, away from the private sector.

Mr. HUGHES. Certainly the ones you have mentioned do. The 10 percent or comparable allowance was intended to compensate, perhaps to overcompensate for that.

Representative RUMSFELD. You feel that way?

Mr. HUGHES. Yes.

Representative RUMSFELD. You feel the 10 percent overcompensates?

Mr. HUGHES. Yes—from what appraising we have done of the estimates, of the specific situations that we have been exposed to. It seems to me that 10 percent is not an unreasonable guideline.

Now, as I point out here later, there are some factors which weigh against the Government doing the work directly. And, these must be thrown in. They are not factors which you can measure as you would stock dividends, perhaps, in individual cases—but the question of risk, of obsolescence, of getting in and getting out of the enterprise, and, so on—are factors which in the NASA instance, as a case in point, have led NASA to contract for many things which in other agencies have been done in-house. And, one of the questions, as you are well aware, I am sure, on the NASA side is whether we have gone too far on the contracting side.

Representative RUMSFELD. I have had the feeling, as we go over the NASA authorizations year after year, and deal with personnel limitations, is that Congress tries to exercise some control over the items in the budget dealing with personnel, and the next thing we find, they are popping up through contractor services.

Mr. HUGHES. Well, we are involved in the personnel ceiling business. We administer personnel ceilings for the Government in the Bureau of the Budget. We do our best to keep the ceiling consistent with the personal services money that goes with the budget.

Representative RUMSFELD. We deal with it, not from numbers of people, but money, of course.

Mr. HUGHES. Yes. But, in those instances where the ceilings are tighter than the money would otherwise permit, there is a tendency to drive the agency to contract out. We have tried to avoid it. I think Mr. Webb, and others on his behalf, have testified that at least, generally speaking, the ceilings are not the problem—rather that contracting out—to use that as a kind of term of art—has been a policy