Mr. HUGHES. Certainly—

Mr. RUMSFELD. That is my view. You don't have to comment on it.

Mr. HUGHES. We have studied some of the arguments. I have seen Dr. Stockfish's paper.

Chairman PROXMIRE. I am glad you are familiar with that. I was very impressed by it. I think Congressman Rumsfeld was, too.

Mr. HUGHES. Again, if we are developing a cost comparison, item by item, it seems to us that we ought to reflect actual Government costs on the Government side of the ledger. In a broad economic sense, there is much to be said for the argument——

Mr. RUMSFELD. Which is the way I am putting it. Putting it in the context of our society, and the effect of these costs—well, go on. I am sorry to interrupt.

Mr. HUGHES. In considering these cost items—taxes, interest, and all the others which are outlined in detail in the circular—we are keenly aware of the fact that there can be many uncertainties and differences of opinion when one gets down to the practical problem of making comparative cost analyses in a specific case, and reaching a determination as to whether the Government should itself supply the product or service or obtain it from private enterprise. In this context, we direct particular attenion to the following statement on pages 3 and 4 of the circular (see also, app. 13, p. 611).

> However, disadvantages of starting or continuing Government activities must be carefully weighed. Government ownership and operation of facilities usually involve removal or witholding of property from tax rolls, reduction of revenues from income and other taxes, and diversion of management attention from the Government's primary program objectives. Losses also may occur due to such factors as obsolescence of plant and equipment and unanticipated reductions in the Government's requirements for a product or service. Government commercial activities should not be started or continued for reasons involving comparative costs unless savings are sufficient to justify the assumption of these and similar risks and uncertainties.

In revising the circular, we considered carefully the question of whether we should change the 10-percent differential in favor of private industry under the "new start" section. We concluded that we should not do so—that this is a subjective judgment that can best be made by the responsible administrators in light of all the facts in a particular case. We did, however, add a sentence to further emphasize that the 10-percent cost differential in favor of private enterprise is not intended to be a fixed figure—and that the differential may be more or less than 10 percent, depending upon the circumstances in each individual case.

We believe further changes in the circular will be desirable. I think the State and local taxes is the most likely of these. We are working with GAO and hope to work with the National Industrial Conference Board and see what we can evolve that will enable us to do this on a reasonable basis.

The transmittal memo to the heads of agencies dated August 30, 1967, said:

> We intend to keep the provisions of the Circular under continuing review. We anticipate that further changes will be desirable in light of experience gained from implementing the Circular's provisions, including the required reviews of existing Government commercial or industrial activities to be completed by