

more extensive purchasing of such equipment and the related need for directing and coordinating its utilization throughout the Government, we recommended that the President of the United States establish in his organization a central management office suitably empowered with responsibility and authority to make decisions on the procurement and utilization of data processing equipment with the objective of obtaining and utilizing all needed facilities at least cost to the Government. Our report expressed the conviction that the establishment of a central management office for this function is the only practicable way to provide the kind of management that will make possible the realization of savings of hundreds of millions of dollars in the years to come. However, we recognize that there are various ways in which central control can be exercised over the procurement and utilization of this type of equipment. H.R. 5171 provides such an alternate method. We are not opposed to the method set forth in H.R. 5171; however, we feel that the mechanism proposed in H.R. 5171 for carrying out the detailed operations of coordination and control needs to be subject to the policy guidance and overall direction of the Office of the President.

We would like to call your attention to the fact that the study which formed the basis of our March 1963 report related only to costs for ADP equipment operated by Government agencies. It did not extend into costs incurred for equipment operated by Government contractors performing under negotiated contracts.

Although there is no comprehensive inventory of such equipment available, we believe, based on the preliminary work that we have done to date in this area in defense, space, and other Government programs where this equipment is extensively used, that the general practice is to lease rather than to purchase such equipment. It is very likely that total savings available through use of Government-owned, contractor-operated equipment would greatly exceed the savings indicated in our March report on agency-operated equipment. We therefore believe that, to the maximum extent practicable, data processing equipment or systems required by contractors in the performance of negotiated contracts with the Federal agencies where the whole or a substantial part of the cost of such equipment or systems would become a part of Government contract prices should be furnished by the Government with title or leasehold interest remaining in the Government subject substantially to the same laws and regulations applicable to in-house Government equipment. Thus, the committee may wish to consider amending H.R. 5171 to incorporate such a requirement.

Mr. Chairman, this concludes my prepared statement. We will be glad to answer any questions you or the members of your subcommittee may have regarding our work in this area.

I have with me today Mr. Edward Mahoney, who is in charge of our ADP group, and John Moore of the office of our General Counsel, who is familiar with most of the aspects of this problem.

Mr. Brooks. Thank you very much. I would like to submit for the appendix of our record that March 1963 report which you mentioned in conjunction with your earlier reports.

We would be pleased to have Mr. Mahoney, who is the Associate Director of accounting and auditing policy staff, respond.