

APPENDIXES

APPENDIX I

REPORT TO THE CONGRESS OF THE UNITED STATES, STUDY OF FINANCIAL ADVANTAGES OF PURCHASING OVER LEASING OF ELECTRONIC DATA-PROCESSING EQUIPMENT IN THE FEDERAL GOVERNMENT, BY THE COMPTROLLER GENERAL OF THE UNITED STATES, MARCH 1963

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 6, 1963.

B-115369.

To the President of the Senate and the Speaker of the House of Representatives:

Herewith for the information of the Congress is the report on our study of the relative financial advantages of purchasing over leasing of electronic data processing equipment in the Federal Government.

The Federal Government is a large user of data processing equipment in its operations, but most of the equipment is leased. Of a total of 1,006 electronic computers installed in the Government at June 30, 1962, 867, or 86 percent, were leased. Rental payments for the fiscal year 1962 on such equipment were about \$145 million. These statistics exclude equipment used in certain classified military, intelligence, and surveillance operations.

Our study shows that very substantial amounts of money could be saved if the Federal Government purchased more of its data processing equipment needs. The detailed cost comparisons of 16 different electronic machine models, which constituted the principal part of our study, indicate potential savings of about \$148 million over a 5-year period. These significant possible savings apply to only 523 of approximately 1,000 electronic data processing systems installed or planned for installation on a lease basis by June 30, 1963. For additional use of the 523 machines after 5 years, there would be further savings at the rate of over \$100 million annually.

We believe that, to fully realize savings of such magnitude, basic changes in the Government's overall management system will be necessary. Decisions as to the financial advantages of purchasing will have to be made from the standpoint of the Government as a whole, and not primarily from the standpoint of individual using agencies as has been the practice in the past. In addition, more attention needs to be given to obtaining more complete utilization of the equipment acquired. We believe that the only practicable way in which the kind of coordinated management can be practiced to achieve the possible financial savings cited is through the establishment of a small, highly placed Central Management Office in the executive branch of the Government. Accordingly, we are recommending to the President of the United States that he establish such an Office in his organization.

The report also contains a general recommendation to the heads of all using departments and agencies that they arrange for a prompt and complete reappraisal of their current plans to lease data processing equipment and take such action as is possible to realize the financial savings that may be available from purchasing such equipment and fully utilizing it.

Copies of this report are being sent to the President of the United States, to the Director, Bureau of the Budget, and to the heads of all departments and agencies that use electronic data processing equipment.

JOSEPH CAMPBELL,
Comptroller General of the United States.