

AUTOMATIC DATA PROCESSING EQUIPMENT

Today, suppliers offer a broad range of solid-state equipment that can be applied to many operations throughout Government, as well as business and industry.

NUMBER OF SYSTEMS IN USE OR PLANNED

For the past several years, the Bureau of the Budget has published an inventory report setting forth statistics on the Federal Government's use of automatic data-processing equipment. These reports are based on data submitted by all Federal agencies. They exclude information on data-processing systems used for military tactical operations, intelligence, surveillance systems, and certain other military programs.

Statistics on electronic systems set forth in these reports show:

At June 30	Number of systems	Number leased	Number purchased	Percent purchased
1960 (actual)-----	531	433	98	18.5
1961 (actual)-----	730	613	117	16.0
1962 (estimated)-----	1,006	867	139	13.8
1963 (projected)-----	1,169	1,006	163	13.9

THE PRACTICE OF LEASING

The Federal Government's practice of leasing data-processing equipment originated prior to the development of electronic computers, at a time when mechanized data-processing systems consisted primarily of electric accounting machines (EAM). Most of these machines were supplied by the International Business Machines Corp. (IBM), whose policy was to lease rather than to sell this type of equipment. In view of this policy, as well as certain conditions considered to be of a monopolistic nature, the Attorney General of the United States, on January 21, 1952, entered a complaint against this company in the District Court of the United States for the Southern District of New York, charging violations of sections 1 and 2 of the "act to protect trade and commerce against unlawful restraints and monopolies" (commonly known as the Sherman Antitrust Act).

Final judgment was filed and entered in a consent decree 4 years later on January 25, 1956, by which time IBM was also manufacturing electronic data-processing equipment. Among other provisions, the judgment provided that IBM offer data-processing equipment for sale as well as for lease. In accordance with this decree, IBM has since offered its equipment for lease or for sale.

This change in policy did not have any immediate effect on the practice of Government agencies of leasing this kind of equipment, and it has not subsequently had any material effect on the practice. For example, at the present time, more than 7 years after the equipment was offered for sale, most EAM equipment manufactured by IBM is leased and, of the 670 EDP machines manufactured by IBM and reported to be on hand at the close of fiscal year 1962, only 37, or 6 percent, had been purchased.

In addition to the International Business Machines Corp., about 20 other manufacturers supply the Government with electronic data-processing equipment. All of these manufacturers offer equipment on a purchase as well as on a lease basis. The following tabulation lists the manufacturers furnishing such equipment to the Federal Government as of June 30, 1962, and shows the total number of systems in use, the number leased and purchased, and the percentage the purchased systems bear to the total number of systems. This information is summarized from the "Inventory of Automatic Data-Processing Equipment in the Federal Government," published by the Bureau of the Budget, August 1962.