

IBM MODEL 650 SYSTEMS

On May 12, 1961, the IBM Corp. established an accelerated discount purchase plan on components of IBM model 650 systems. At that time, 136 of these systems were in use throughout the Government, 5 of which had been purchased and 131 were leased. Under the accelerated discount purchase plan, components were discounted 15 percent for each year used up to a maximum of 5 years or 75 percent. Consequently, components that had been in use for 5 years could be purchased for as little as 25 percent of the original selling price. Examples of possible savings follow.

Air Force Logistics Command

At the time of the announced price change, the Air Force Logistics Command of the Department of the Air Force was leasing 36 IBM 650 systems. The rentals for these machines range from \$4,200 to \$23,000 per month. Purchase of some of this equipment under the accelerated discount plan could have resulted in significant savings. For example, eight of the nine components that made up three of this command's small-scale systems could have been purchased at approximately the cost of 1 year's rental; purchasing would have produced savings of about \$146,000 over the intended period of use.

Air materiel area, Hill Air Force Base, Ogden, Utah.—At this location, two of the three components of a small-scale 650 system originally priced at \$167,540 could have been purchased under the accelerated discount plan in July 1961 for 31 percent of the original price or \$52,000. This amount was less than 1 year's rental for these components. If these components had been purchased at the time of the announcement and taking into account the cost of maintaining purchased equipment under a manufacturer's maintenance service contract, the Government could have realized savings through June 1962 of \$600. Beginning in July 1962, recurring monthly savings of \$4,300 would have accrued to the Government. We have been advised that this system is to be replaced in April 1963; however, savings to the Government of \$43,600 could have been realized up to that date had these two components been purchased under the accelerated discount purchase plan. In addition, this equipment would be Government owned at that point in time and would be available for transfer to another Government electronic data processing facility for use in lieu of other identical equipment being rented.

Air materiel area, Oklahoma City, Okla.—At this location, all three components of the system could have been purchased under this plan in July 1961 for \$68,000—less than 1 year's rental. This action would have produced savings of \$1,500 through June 1962 plus recurring monthly savings, beginning July 1962, of \$5,500. This system also is scheduled to be replaced in April 1963; however, the purchase of these components under the discount plan would have produced total savings to the Government of \$56,500.

2709th Air Force Vehicle Group, Memphis, Tenn.—At this location, all three components of the system could have been purchased in July 1961 at 25 percent of the original price of \$209,000, or \$52,000. The purchase of this system would have produced savings of \$2,100 through July 1962, and beginning in August 1962 recurring monthly savings of \$4,000 would have accrued to the Government. The purchase of this system, scheduled to be replaced in June 1963, would have produced total savings of \$46,100.

At these three Air Force installations, for each month after the replacement dates that the eight components could be productively used, additional savings to the Government of at least \$10,750 would be obtained.

The Department of the Air Force has informed us of its awareness that "had the selected 650's in the Air Force Logistics Command been purchased at the time the discount was announced, a savings in equipment cost would have resulted." This agency also informed us that it was not notified by the manufacturer of the price reduction for the IBM model 650.

Post Office Department

In the Post Office Department 13 small-scale IBM model 650 systems have been leased for use in a number of post office regional offices. These machines were installed over a period of 4 years beginning in September 1956.

Under the accelerated discount plan, two of the three components of the system operated in the Richmond office, originally priced at \$161,000, could have been purchased in July 1961 at 26 percent of the original price or \$42,000. If these