

two components had been purchased at that time, the Government would have realized savings of \$500 through the end of August 1962. Then, beginning with September 1962 recurring savings of \$3,000 would be realized for each month that the Post Office Department used the equipment productively, either at the original location or at other locations to replace the 650 type equipment being rented.

At Minneapolis, all three components of a similar system, originally priced at \$199,000, could have been purchased in July 1961 at 29 percent of the original price or \$57,000. Had this system been purchased, the Government would have realized savings of \$3,000 to October 1962 and in November 1962 would have started realizing recurring monthly savings of \$3,700.

Other model 650 components in use in the Post Office Department could also have been purchased at greatly reduced prices. The percentage of the original sales prices at which these components could have been purchased as of July 1, 1962, is shown below.

[In percent]

Location	IBM 650 components		
	650	655	533
Philadelphia.....	31	31	31
Cincinnati.....	31	31	25
Atlanta.....	29	29	29
Boston.....	41	41	41

In November 1962, an IBM 1401 system was installed in the Richmond office to replace the existing IBM 650 system. Current Post Office plans call for the replacement of the remaining 12 IBM 650 systems with 10 IBM 1401 systems. It is anticipated that this conversion will be completed prior to December 1963. As in the case of the IBM 704 systems, savings could have been realized had some components of the 650 equipment been purchased when the accelerated discount plan was announced. For example, if the two components at the Richmond office had been purchased at the discounted price in July 1961, savings of \$15,500 would have been realized through January 31, 1963; additional savings would be realized at the rate of \$3,000 for each month that the components could be productively used at either Richmond or some other post office regional office.

If the system at Minneapolis had been purchased in July 1961, savings of \$14,100 would have been realized through January 1963. Also, additional savings would be realizable at the rate of \$3,700 for each month past that date during which there was productive use of the system at either Minneapolis or some other post office regional office. Upon replacement, these five components would contribute further savings at the rate of \$6,700 for each month that they could be used productively elsewhere in the Government in lieu of rented equipment.

The Post Office Department has expressed disagreement with these observations on the basis that funds were not available to it for purchasing such equipment at the time the reduced prices were announced and that by the time funding authority could have been obtained purchase action would have resulted in losses rather than savings.

The Department's views are expressed primarily from the standpoint of its own management problem. We recognize that the availability of funds is an important problem. However, our observations concerning the acquisition of such equipment and the possible savings from such action are based on the advantage to the Government overall rather than the advantage to an individual agency.

POSSIBLE EFFECTS OF INCREASED GOVERNMENT PURCHASING

The cost comparisons made in our study as to the relative financial advantage of purchasing or of leasing data processing equipment are based on the pricing terms of existing contracts between the Government and the manufacturers or on pricing information obtained directly from the manufacturers.