

The possibility that prices would be increased if the Government purchased more equipment is a factor that cannot be fully evaluated at this time. We believe that there is some protection against increased purchase prices under the terms of the consent decree filed and entered in 1956 by the United States of America against the International Business Machines Corp. Paragraph (a) of section IV of this judgment, identified as civil action No. 72-344, states: "(a) It is the purpose of this section IV of this final judgment to assure to users and prospective users of IBM tabulating and electronic data processing machines at any time being offered by IBM for lease and sale an opportunity to purchase and own such machines at prices and upon terms and conditions which shall not be substantially more advantageous to IBM than the lease charges, terms, and conditions for such machines."

As IBM is the Government's largest supplier of EDP equipment, with 67 percent of the numerical volume, this provision should give some protection against unwarranted price increases.

MAINTENANCE

The purchase of equipment carries with it the responsibility for maintaining it in efficient working order. Maintenance service may either be provided by employees of the Government or be obtained by contract with manufacturers. For our cost comparisons, we used the quoted maintenance price terms of the manufacturers under their maintenance contracts.

Throughout our study, we could find no indication that the quality of maintenance provided under the terms of manufacturers' maintenance service contracts was not as good as that provided under lease agreements. As in the case of prices, the possibility that the quality of maintenance provided for purchased equipment might suffer if the Government were to adopt a purchase policy cannot be fully evaluated at this time. Here again, however, we believe that the interests of the Government are reasonably well protected by the terms of the above-mentioned final judgment. Section VI provides as follows:

"IBM is hereby ordered and directed:

"(a) to offer to render, without separate charge, to purchasers from it of tabulating or electronic data-processing machines the same type of services, other than maintenance and repair services, which it renders without separate charge to lessees of the same types of machines;

"(b) to offer, commencing 1 year after the entry of this final judgment and so long thereafter as IBM shall continue to render repair and maintenance service, to maintain and repair at reasonable and nondiscriminatory prices and terms IBM tabulating and electronic data-processing machines for the owners of such machines: *Provided*, That, if any such machine shall be altered, or connected by mechanical or electrical means to another machine, in such a manner as to render its maintenance and repair impractical for IBM personnel having had the standard training and instruction provided by IBM to such maintenance and repair personnel, then IBM shall not be required by this final judgment to render maintenance and repair service for such IBM machine; and

"(c) to offer to sell at reasonable and nondiscriminatory prices and terms, to owners of IBM tabulating or electronic data-processing machines (whether or not the purchaser receives IBM repair and maintenance service) and to persons engaged in the business of maintaining and repairing such machines and during the period when IBM has such parts and subassemblies available for use in its leased machines, repair and replacement parts and subassemblies for any tabulating machines or electronic data-processing machines manufactured by IBM."

It is of interest to note that, in addition to the maintenance services covered in paragraphs (b) and (c), the services, such as machine time to test programs, training, systems analysis, counseling, and software, which are extended without charge to lessees of equipment are guaranteed to purchasers of equipment under paragraph (a).

CONCLUSIONS

On the basis of our study, we conclude that the Government can save very substantial amounts of money through more extensive purchasing of data-processing equipment. We have also reached the following general conclusions:

1. If possible and substantial savings are to be fully realized, management decisions as to whether data-processing equipment should be purchased or