

of this circular, the term "system specifications" means (1) the delineation of the objectives which the system is intended to accomplish; (2) the data processing requirements underlying that accomplishment, i.e., a description of the data output and its intended uses, the data input, data files, volumes of data, processing frequencies and timing; and (3) such ADP equipment capabilities as may need to be identified. System specifications will be designed to insure free competition among equipment manufacturers.

(b) The officials responsible for making decisions on the selection of ADP equipment will assure that the selection process accords equal opportunity and appropriate consideration to all manufacturers who offer equipment capable of meeting the system specifications. In this connection, the selection process may be facilitated by written invitations to manufacturers to submit proposals as a means for obtaining information regarding the capabilities of ADP equipment to meet the system specifications.

(c) Two prime factors will be considered in the selection of equipment: (1) its capability to fulfill the system specifications, and (2) its overall costs, in terms of acquisition, preparation for use, and operation. The term "overall costs," as used in this paragraph, will be interpreted to include such cost elements as personnel, purchase price or rentals, maintenance of purchased equipment, site preparation and installation, programing and training. When ADP equipment of two or more manufacturers meets the system specifications, the equipment which represents the least overall cost to the Government will be selected. Factors which do not relate directly or indirectly to the capability of ADP equipment to meet system specifications or overall costs normally will not be included in the considerations unless a conclusive judgment cannot be made on the basis of the two prime factors.

5. *Policies on equipment acquisition.*—Most commercially available ADP equipment can be acquired by purchase or by lease, with or without an option to purchase. The General Services Administration has contracts with principal manufacturers, listed in Federal Supply Schedules (FSS), for the rental of ADP equipment. GSA currently is negotiating contracts for the purchase (including provisions for trade-in allowances) and maintenance of ADP equipment. Until such time as these contracts appear on the Federal Supply Schedule, it will be necessary for departments and agencies to negotiate purchase and maintenance transactions. All ADP equipment acquisition transactions are subject to prevailing policies, laws, and regulations governing procurement by Federal Government agencies. In addition, except for equipment that can be acquired by the purchase method only, the following policies are applicable:

(a) The method of acquiring ADP equipment will be determined after careful consideration of the relative merits of all methods available (i.e., purchase, lease, or lease with option to purchase). The method chosen will be that which offers the greatest advantage to the Government under the circumstances which pertain to each situation. In this connection, the following general guidelines will be taken into account:

(1) The purchase method is preferred when all of the following conditions exist:

(i) The system study which preceded the selection of the equipment has established a reasonable expectancy that the ADP equipment under consideration can be successfully and advantageously used.

(ii) A comparative cost analysis of the alternative methods of acquisition, of the types illustrated by attachments A and B, indicates that a cost advantage can be obtained by the purchase method in 6 years or less after the date of delivery. This analysis usually will include the following cost elements under each method: for the lease method—rental costs, including maintenance; for the purchase method—purchase costs, including purchase price, maintenance, and other onetime costs applicable only to purchase; for the lease-with-option-to-purchase method—rental costs, and purchase costs less credits applicable upon purchase. In addition to the cost elements described above, the residual value of equipment to the Federal Government will be considered as a factor in a comparative cost analysis. Trade-in allowances quoted by manufacturers may be used as a representation of the residual value.