

Mr. KNOTT. Some of it is short, in really short supply. Others in long supply.

Representative GRIFFITHS. Thank you very much.

Mr. Moorhead?

ADPE PROGRAM

Representative MOORHEAD. Thank you, Madam Chairman.

Mr. Knott, I was pleased that you spent so much time in your testimony talking about automatic data processing. As you know, I have an interest in that.

\$3 BILLION ANNUAL COST

What is your estimate as of the total annual expenditure by the Government for this type of equipment?

Mr. KNOTT. About \$3 billion, I understand.

Representative MOORHEAD. In recent years has there been any trend toward increased purchasing as opposed to leasing of this equipment by Government agencies?

Mr. KNOTT. Within the last few years there has been a trend in that direction—there was a time when some of the companies wouldn't sell, as you know.

THIRD PARTY LESSORS

Representative MOORHEAD. I was interested, and I did not quite understand your testimony about the acquisition from third party lessors.

Mr. KNOTT. Yes, that is an interesting arrangement. We began to hear about this about a year ago. Proposals were made by third parties who would go in and buy equipment from, say IBM. They would buy IBM equipment and lease it to the Government at less than we could lease it from original equipment manufacturers because they would amortize it over a longer period of time than the equipment manufactured. Perhaps Mr. Abersfeller, who actually negotiated some of these—the Department of Agriculture, Department of Labor, Department of Justice, and Social Security have been the beneficiaries of some of these arrangements—can explain in further detail.

Mr. ABERSFELLER. I think you pretty well covered it. This is simply a question of pricing, Mr. Moorhead. The leasing companies—third party leasing companies—choose to amortize their equipment over a longer period than the original equipment manufacturers do. Therefore, we get reductions of approximately 25 percent in the leased price as compared to the original equipment manufacturers' leased price.

Representative MOORHEAD. That is interesting.

RECORDS OF AGENCY USE

How are your records on utilization of this type of equipment by the various agencies? Can you keep tabs on that?

Mr. KNOTT. We are getting a better hold on it. We have not had a really up to date inventory. I do not believe.

GETTING MORE COMPLETE INVENTORY

Mr. ABERSFELLER. Yes. We are getting a more complete inventory now. We developed a management information system. This will be