

the so-called peripheral producers, and then assembling them—aren't they very well paid?

Mr. CAVENEY. They certainly are highly paid.

Chairman PROXMIRE. They are not?

Mr. CAVENEY. They are highly paid.

Chairman PROXMIRE. Well, can the Government meet this kind of competition for personnel? We have pretty strict limits on what we can pay?

Mr. CAVENEY. I have talked to several people at your Elite Command, such as the Naval Electronics Systems Command, the Army Command, Rome Air Development—and the people there, to me, are the finest caliber individuals that you could find, they are second to none in the United States in the computer industry. With this top talent, I do not see why the Government cannot plug computer systems together.

Chairman PROXMIRE. You say the Navy has already done it?

Mr. CAVENEY. The Navy has already done it.

Chairman PROXMIRE. And they have been successful in doing it, and made a saving in doing it?

Mr. CAVENEY. Yes; Mr. Chairman. In fact, they came back for the third, fourth, fifth, sixth, and seventh memory and memory systems, right now, from us.

Chairman PROXMIRE. You see no reason why the rest of the Government—space, Air Force, Army, and so forth—cannot do the same thing?

Mr. CAVENEY. No, sir.

Chairman PROXMIRE. Does the Navy do this comprehensively?

Mr. CAVENEY. No—this is the only time I have ever heard, in my experience with my company, that we have ever been a true prime to the Government. Normally when we are a prime, it is when a total computer system has been purchased by the Government, and then certain peripherals fail—memories. Then they come to us for high capacity, and then they put the memory that was in out, and they move ours in. The only other time is when we sell spare parts direct to the Government.

Chairman PROXMIRE. Secretary Morris said in his testimony when price competition is introduced there is a saving on the order of 25 percent. What would you estimate to be the saving to the Government if the peripheral manufacturers were permitted to bid on computer systems?

Mr. CAVENEY. Well over 25 percent, as exemplified by my illustration. There alone it was over half-million dollars. The highest price was \$900,000, roughly, the lowest was \$500,000, with a saving of \$400,000 in that one incident.

Chairman PROXMIRE. How many computer manufacturers are there?

Mr. CAVENEY. There is IBM and 70 others.

Chairman PROXMIRE. IBM pretty much dominates the field?

Mr. CAVENEY. Yes.

Chairman PROXMIRE. What proportion of Government procurement would you say they get in the area of computers?

Mr. CAVENEY. Well, I really cannot answer that.

Chairman PROXMIRE. But you think it is enough so that they are the dominant force; is there a degree of price leadership?