

Let us assume for all practical purposes IBM is drawing the specifications for the purpose of computer systems, and they know before they start that they are going to be the qualified bidder.

What real advantage would there be to them in buying a cheaper peripheral system than—for any purpose?

Mr. CAVENEY. You mean the Government buys a cheaper peripheral.

Representative GRIFFITHS. No; for IBM. If they know they are going to be the qualified bidder, there is no advantage to them to buy a cheaper peripheral system?

Mr. CAVENEY. No; because the specification including the engineering numbers, the technical numbers, are stated around their equipment, and then when the Government invokes the clause whereby no deviations can be taken to the spec, in my opinion it is sort of unknown collusion.

Representative GRIFFITHS. Of course, it is. The result of it is that IBM makes more money on a higher price periphery system than they would make if they had a cheaper, better one—or anybody else that is drawing the specifications and knows he is the qualified bidder to start with.

Mr. CAVENEY. That is right.

Representative GRIFFITHS. May I ask you this. What would you think would be the result in my bill, to ask that the contractor show the price he has paid to every sub, be invoked just in computer systems? Just the first tier of subcontractors. What do you think the result would be?

Mr. CAVENEY. Well, I don't know what the result would be. I know what it should be. The bill should go through.

Representative GRIFFITHS. Good. But what do you think it would be in the matter of savings for the Government?

Mr. CAVENEY. Well, I would estimate just roughly it should amount to—in inventory time alone—would run around a half a billion dollars.

Representative GRIFFITHS. We are just talking about one set of purchases—just IBM systems or just computer systems—and asking only for the first tier of subs to supply the information. And do you really think it would take much manpower to keep track of that?

Mr. CAVENEY. No, I do not.

Representative GRIFFITHS. In the first place, they are not making a sensible buy when they do not know the price—the cost of building up—

Mr. CAVENEY. As an example, just our small division—we have over roughly 90,000 items what we call smart parts, and we only have a staff of four people that do all the purchasing and maintain inventory control on data processing equipment.

Representative GRIFFITHS. I do hope, Mr. Chairman, you are hearing this and supporting my bill.

Chairman PROXMIRE. Yes, indeed.

Representative GRIFFITHS. I would like to ask you, also, if you are selling now any parts to a prime—I mean any periphery system to a prime contractor for the Government?

Mr. CAVENEY. Oh, yes, Mrs. Griffiths.

Representative GRIFFITHS. Do you know what markup they take on it?