

As a result of subsequent discussions, a memorandum of understanding was executed by representatives of OASD (I. & L.), DCA and Western Union which clarifies the issues. In general, the agreement provides wider latitude than now provided under tariffs in DOD selection of the contractor providing the outstation equipment although it encourages procurement from Western Union. It also clarifies several other issues pertaining to software ownership, interconnection, responsibility for system integrity and management and military personnel participation in CONUS switch maintenance for training and retention of skills before or between overseas assignments to AUTODIN switch location. In addition, the memorandum contains an acknowledgment by DOD to make equitable settlements for premature withdrawal from service of switching center hardware and specialized terminal equipments.

Mr. DAHLIN. You say the agreement provided "encouragement" to procure from Western Union. For instance, how was the contract made with General Dynamics for the DSTE equipment?

General KLOCKO. That was recognized and accepted by Western Union and the original contract was signed several years ago. They accepted it and DSTE will now be Government equipment which Western Union has in effect said we will allow you to interconnect.

When we come to leasing, for instance, if somebody wants an IBM terminal, 360/20 for instance, which is being used, we will go to Western Union and they will get the equipment from IBM, install it and presumably maintain it or make the arrangements for maintaining it for us. For this service they will charge us the 3 to 4 percent.

Mr. ROBACK. It becomes a question of whether the Government can save any money by direct procurement of some of the hardware in this communications set up.

General KLOCKO. Certainly.

Mr. ROBACK. You are not estopped from doing that, but generally speaking, the arrangement favors the use of the contractor's equipments or at least his decision as to what equipment should be put in?

General KLOCKO. Or use him to get the equipment for us.

Mr. ROBACK. Does AUTOVON have a contractual requirement that equipment be Western Electric hardware?

General KLOCKO. No. We contract to them for the system and they presumably get it from Western Electric.

Mr. ROBACK. But you don't have any similar problem there?

General KLOCKO. No.

Mr. ROBACK. You don't have occasion to lease or buy equipment from others?

General KLOCKO. No, sir. Not yet.

Mr. ROBACK. How does this issue bear on the question of lease versus purchase, which GAO and others have been interested in? Do you have to make decisions in that field?

General KLOCKO. We started out with a leased system in both AUTODIN and AUTOVON in the United States and I think that having started it it would be most advantageous to the Government to continue. This does bring up, and one of the important issues at stake here, was the right to interconnect on circuits not only the equipments, the terminal equipments, but also for us to be able to interconnect Government circuits into the system or interconnect between A.T. & T.