

Bill file

Union Calendar No. 186

88TH CONGRESS } HOUSE OF REPRESENTATIVES } REPORT
1st Session } } No. 428

AUTHORIZING THE ADMINISTRATOR OF THE GENERAL SERVICES ADMINISTRATION TO COORDINATE AND OTHERWISE PROVIDE FOR THE ECONOMIC AND EFFICIENT PURCHASE, LEASE, MAINTENANCE, OPERATION, AND UTILIZATION OF AUTOMATIC DATA PROCESSING EQUIPMENT BY FEDERAL DEPARTMENTS AND AGENCIES

JUNE 19, 1963.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BROOKS, from the Committee on Government Operations, submitted the following

REPORT

[To accompany H.R. 5171]

The Committee on Government Operations, to whom was referred the bill (H.R. 5171) to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of automatic data processing equipment by Federal departments and agencies, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass. The amendments are as follows:

1. Page 1, line 6, after "SEC. 111." insert "(a)".
2. Page 1, line 8, strike the word "electronic" and insert in lieu thereof the word "automatic".
3. Page 1, line 8, after the word "by" add a comma and the following: "or at the expense of,".
4. Page 2, lines 2 and 3, strike out "Electronic data processing equipment suitable for efficient and", and immediately after line 3 insert the following:
"(b) Automatic data processing equipment suitable for efficient and".
5. Page 2, line 10, strike the word "electronic" and insert in lieu thereof the word "automatic".
6. Page 2, beginning in line 17, strike out "(1)" and what follows thereafter down through page 2, line 21, and insert in lieu thereof the following: "individual automatic data processing systems or specific units of equipment, when such action is necessary for the economy

and efficiency of operations, or when such action is essential to defense or security: *Provided further*, That the Administrator, in his discretion, prior to the beginning of fiscal year 1966, may delegate authority to lease, purchase, maintain, or operate automatic data processing equipment to the various Federal agencies to the extent necessary and desirable to allow for the orderly implementation of this utilization program."

7. Page 2, line 22, after the quotation mark at the beginning of the line, insert "(c)".

8. Page 2, line 23, strike "Treasury," and insert in lieu thereof "Treasury".

9. Page 2, line 23, strike the word "electronic" and insert in lieu thereof the word "automatic".

10. Page 3, line 5, strike the word "agencies." and insert the following: "agencies: *Provided*, That a report of receipts, disbursements, and transfers to miscellaneous receipts, under this authorization shall be made annually in connection with the budget estimates to the Director of the Bureau of the Budget and to the Congress."

11. Page 3, after the quotation marks at the beginning of line 6, insert "(d)".

12. Page 3, line 10, strike out "less any liabilities assumed,".

13. Page 3, line 14, strike out "persons" and insert in lieu thereof "contractor".

14. Page 3, lines 18 and 19, strike out "and where appropriate, for terminal liability charges".

15. Page 4, line 7, strike out "receipts." and insert "receipts."

16. Page 4, after line 7 add the following new subsection:

(e) The proviso accompanying section 201(a) (63 Stat. 383), the provisions of section 602(d) (63 Stat. 401), and any other provisions of the Federal Property and Administrative Services Act of 1949, as amended (63 Stat. 377), or of any other provisions of law which are inconsistent with the purposes and provisions of section 111 shall not be applicable.

17. Amend the title so as to read:

A bill to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of automatic data processing equipment by Federal departments and agencies.

THE PURPOSES OF THE BILL

Savings: the Comptroller General of the United States authoritatively estimates as substantially in excess of \$100 million a year can be realized through effective and efficient centralized management of Government ADP (automatic data processing) equipment. H.R. 5171 provides the centralized management that the Comptroller General recommends.

H.R. 5171 carries out recommendations of the Comptroller General ✓

The provisions of H.R. 5171 stem from a recent report of the Comptroller General and the continuing concern of this committee that a full dollar's worth of efficient, responsive Government be obtained for

every tax dollar. In a report submitted to Congress on March 6, 1963, entitled, "A Study of Financial Advantages of Purchasing Over Leasing of Electronic Data Processing Equipment in the Federal Government," the Comptroller General emphasized the need for centralized management as a means of obtaining maximum utilization and economical acquisition of this costly, but highly useful, equipment. He authoritatively outlined the cash savings which can result from such a program. In this report, he stated:

Our study shows that very substantial amounts of money could be saved if the Federal Government purchased more of its data processing equipment needs. The detailed cost comparisons of 16 different electronic machine models, which constituted the principal part of our study, indicate potential savings of about \$148 million over a 5-year period. These significant possible savings apply to only 523 of approximately 1,000 electronic data processing systems installed or planned for installation on a lease basis by June 30, 1963. For additional use of the 523 machines after 5 years, there would be further savings at the rate of over \$100 million annually.¹

The Comptroller General then outlined the need for and the purpose of H.R. 5171:

Decisions as to the financial advantages of purchasing will have to be made from the standpoint of the Government as a whole, and not primarily from the standpoint of individual using agencies as has been the practice in the past. In addition, more attention needs to be given to obtaining more complete utilization of the equipment acquired. We believe that the only practicable way in which the kind of coordinated management can be practiced to achieve the possible financial savings cited is through the establishment of a small, highly placed central management office in the executive branch of the Government.²

Under provisions of H.R. 5171, the Administrator of General Services is charged with the management of ADP equipment

This authority would be exercised under the overall authority of the Executive Office of the President and, the Bureau of the Budget in the exercise of traditional budgetary and policy control. The General Services Administration (GSA), under the direction of the Administrator of General Services, is an operating agency of the executive branch especially created by Congress to perform centralized procurement and property management functions. In the Federal Property and Administrative Services Act of 1949, as amended, the GSA has been assigned broad responsibilities pertaining to the procurement, supply and maintenance of real and personal property and nonpersonal services. H.R. 5171, which is an amendment to title I of this act, therefore, constitutes a logical extension of comparable responsibilities so as to provide much needed centralized procurement and management of this costly data processing equipment.

¹ Prefatory letter of Comptroller General accompanying GAO report, "Study of Financial Advantages of Purchasing Over Leasing of Electronic Data Processing Equipment in the Federal Government," (March 1963).

² Id.

Centralized management would mean more effective control of Government ADP activities by the Bureau of the Budget and the Congress

Under this centralized management program, legislative review and control of Government ADP operations can also be greatly improved. During the hearings on H.R. 5171, the Comptroller General predicted an ever-increasing rate of growth in the use of this equipment in Government. He suggested that:

* * * we are discussing here a fixed charge on the Government. This is very much like the fixed charge on the debt. What we are seeing here is growing into what * * * will be a major fixed charge which cannot be reduced and which will probably grow and properly so if we are going to control what goes on in the Government.³

Use of ADP systems in Government has increased from 414 in 1959 to 1,169 in 1963; and it is estimated that by the end of 1964, approximately 1,600 systems will be in use.⁴ As indicated in the March 6 report of the Comptroller General, approximately 85 percent of these systems are leased without comprehensive evaluation as to the benefits to the taxpayers of purchase. Budgetary appropriation requests for hundreds of millions of dollars spent each year by Federal agencies and other users for the equipment are scattered throughout the Federal budget making it difficult for Congress and the Executive Office of the President to maintain effective budgetary control over these expenditures which, as the Comptroller General predicted, can be expected to increase substantially during the years to come.

Following approval of H.R. 5171, comprehensive information—from one source—will be available to the Bureau of the Budget and to the substantive committees of Congress as a valuable aid to plans and programs involving ADP utilization in future Government operations. The Appropriations Committees will have all the facts concerning all ADP equipment readily available in determining proper funding for these essential, but costly, installations. Effective centralization of the management of ADP equipment will also materially assist the Government Operations Committees and the Comptroller General in our periodic reviews of these costly activities.

The Administrator of General Services would provide the equipment, the user agencies would determine their individual requirements

Under provisions of this bill, the Administrator of General Services is authorized and directed to coordinate and control, on a Government-wide basis, the purchase, lease, and maintenance of ADP equipment, and to provide for the operation of this equipment for use by Federal agencies as well as contractors and others utilizing such equipment for and at the expense of the Government. Federal agencies and other users would determine their individual ADP requirements. The Administrator and his expert staff would be available for advice and consultation. But, the agency or user would determine the nature of their requirements. The Administrator would then make suitable equipment or adequate ADP capacity available to meet these stated requirements.

³ Hearings, "Economic and Efficient Use of Automatic Data Processing Equipment (H.R. 5171)," before the Government Activities Subcommittee of the House Committee on Government Operations, May 28, 1963, p. 15.

⁴ The ADP systems discussed in the Comptroller General's report of Mar. 6, 1963, are exclusive of those used for military tactical operations, intelligence, surveillance systems, and certain other military programs.

Generally, agencies and other users would pay into the ADP revolving fund, created under this bill, annual payments as determined by the Administrator sufficient to cover the cost of providing the equipment and services furnished them. The Administrator, in turn, utilizing the capital in the revolving fund, would acquire, by lease or purchase, equipment of whatever type, design, and capacity was necessary to fulfill the individual requirements of the agencies and other users.

Full utilization and economical acquisition are essential to an effective and efficient Governmentwide ADP program

As the Comptroller General suggests above, effective and efficient management of ADP equipment on a Governmentwide basis depends upon two essential considerations. First, optimum or maximum utilization of ADP equipment now on hand and to be acquired in the future; and, second, an economical acquisition program.

Full utilization requires centralized management

To assure optimum utilization, the Administrator would first provide the equipment or capacity most suitable for the particular requirements of the various agencies and other users making prompt adjustments in the equipment or capacity available to them according to their increasing or changing needs. By these means, together with the establishment of ADP equipment pools and centers, through joint utilization, and through the prompt transfer of equipment whenever necessary or desirable, the Administrator would constantly seek to obtain the highest possible hourly utilization of such equipment on a round-the-clock, 24-hour-a-day basis—an "elementary" consideration in obtaining the optimum benefit of such equipment, according to the Comptroller General.

The Comptroller General, in his March 6, 1963, report, outlined in detail the essentiality of full utilization to economic and efficient operation

He made the obvious recommendation that agencies should first make full use of equipment on hand before obtaining new or additional equipment. The economic benefits of full utilization apply to both leased and purchased equipment, with a more pronounced benefit flowing from the purchase of most systems or components used on a three-shift basis. The following schedules, utilizing representative ADP systems in general use in the Government, illustrate these benefits:

Examples of the benefit of full utilization of leased equipment on 5-year basis

IBM system	Cost to operate 3 systems on a 1-shift basis	Cost to operate 1 system on a 3-shift basis	Savings
7090.....	\$12,828,000	\$7,696,000	\$5,132,000
7080.....	8,958,000	5,375,000	3,583,000
7070.....	3,111,000	1,867,000	1,244,000
1410.....	2,334,000	1,401,000	933,000
1401 ¹	1,326,000	795,000	531,000
1401 ²	1,254,000	753,000	501,000
1401 ³	531,000	310,000	212,000

¹ Card and tape system operated as off-line equipment to a larger system.

² Card and tape system.

³ Card system.

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Examples of the additional benefit of full utilization of purchased equipment for initial 5-year period following purchase

IBM system	Cost to purchase ¹	1 shift		2 shift		3 shift	
		Amount of purchase advantage	Rate of purchase advantage	Amount of purchase advantage	Rate of purchase advantage	Amount of purchase advantage	Rate of purchase advantage
			<i>Percent</i>		<i>Percent</i>		<i>Percent</i>
7090.....	\$3,632,000	\$644,000	18	\$2,184,000	57	\$3,724,000	94
7080.....	2,653,000	333,000	13	1,397,000	50	2,461,000	84
7070.....	967,000	70,000	7	432,000	42	795,000	74
1410.....	711,000	67,000	9	323,000	42	579,000	70
1401 ²	415,000	27,000	7	158,000	34	288,000	57
1401 ³	411,000	7,000	2	137,000	31	267,000	55
1401 ⁴	188,000	-11,000	-6	41,000	20	94,000	42

¹ Includes maintenance for 1 shift only.

² Card and tape system operated as off-line equipment to a larger system

³ Card and tape system.

⁴ Card system.

Government agencies are not fully utilizing ADP equipment at this time

The Bureau of the Budget inventory report of August 1962 of installed ADP equipment shows numerous examples of extremely low utilization of equipment throughout the Government. The average utilization of this costly equipment was reported to be only 267 hours per month out of a possible 720 hours.⁵ Only 24 percent of the total installed equipment was reported as being operated the equivalent of a two-shift day and only 6 percent was reported as being operated on a three-shift day, leaving approximately 70 percent on a one-shift basis, or less. Numerous purchased machines were reported as being in operation one shift or less, while some leased machines were being operated on a three-shift basis. In many instances, agencies reported multiple units of the same type of equipment being used on a one-shift basis; whereas, under a lease arrangement use beyond the first shift is charged for at only 40 percent of the basic one-shift charges. The wasteful practice of employing multiple units of the same kind of equipment at the same location and not taking advantage of reduced rates appears to be widespread throughout the Federal Government.

The lack of central coordination of this equipment is immediately apparent by merely reviewing the inventory listing published by the Bureau of the Budget. Yet unnecessary costs for this equipment continue to mount month by month because full utilization is not being achieved. Central management can almost immediately begin to achieve savings by increasing the utilization of the equipment the Government now has on hand, be it leased or purchased.

Economical and efficient ADP acquisition requires centralized management

With the authority extended him in H.R. 5171, the Administrator can also develop an economical ADP acquisition program. As indicated in the Comptroller General's March 6, 1963, report to Congress, in many situations it is decidedly to the benefit of the Government to purchase rather than lease ADP systems and components thereof.

⁵ 176 hours is considered as a regular shift. This shift is based upon 8 hours a day times 22 working days in a 30-day month.

In this report, he emphasized that the decision to either lease or purchase, however—

will have to be made from the standpoint of the Government as a whole, and not primarily from the standpoint of individual using agencies as has been the practice in the past.⁶

Under H.R. 5171, with centralized management authority, the Administrator would be able to make the necessary lease versus purchase cost comparisons suggested as essential by the Comptroller General.

The Administrator could make these comparisons on the basis of the estimated useful life of the equipment to the Government "as a whole," rather than the estimated period the initial using agency might have need for equipment of the particular design and capacity to be acquired. At a later date, should that agency develop requirements for equipment of greater capacity or of more modern design, the older equipment then in use could be promptly reassigned to other agencies or users with less demanding requirements. The transfer of equipment would allow the Government to obtain the optimum benefit from all equipment either purchased or leased. Equipment which could meet the requirements of any agency or user would not be discarded. The benefit of exercising purchase options on leased equipment could be continuously evaluated and advantageous offers to sell leased equipment could be promptly accepted. Only upon reaching economic obsolescence would equipment be withdrawn from use and disposed of as surplus Federal property or, if leased, returned to the lessor.

As all equipment would be purchased or leased by the Administrator with capital from the ADP revolving fund, no funding problems would arise as a result of such transfers. The Administrator would simply make the necessary adjustments in the annual "use" payments of the affected agencies or users. Without such a fund as provided in H.R. 5171, the transfer and the joint utilization of ADP equipment owned by any particular agency could create funding problems and seriously compromise any Government-wide centralized management program.⁷

The Comptroller General's studies indicate the financial advantage of purchase rather than lease of most ADP systems and components.

In the March 6, 1963, report, the Comptroller General, utilizing 523 representative leased ADP systems out of 1,006 either in use or scheduled for use by the end of fiscal year 1963, established the obvious advantage of purchase over lease in the case of most ADP systems and components. In this report, he showed that the total cost to lease these 523 systems over a 5-year period, including maintenance and interest, would be \$646 million. He further showed that the total purchase price of these representative 523 systems as new equipment would amount to \$365 million. Adding maintenance and interest expenses for a 5-year period of \$133 million, he obtained a total cost of this equipment if purchased, for the first 5 years, of \$498 million. On the basis of these figures, the total savings to the taxpayers through purchase rather than lease of these representative systems would

⁶ Report, op. cit., cf., footnote 1.

⁷ The Defense Department's comments on the Comptroller General's Mar. 6, 1963, report, contain the following:

"The report [of the Comptroller General] does not concern itself with the funding problem associated with central approval authority. Unless provisions are made, agencies initially requiring the equipment would be responsible for financing equipments in excess of their individual requirements. This would introduce funding problems that do not now exist in the data processing operations."

amount to \$148 million for the 5-year period (\$646 million lease cost, minus \$498 million purchase cost, equals \$148 million). The Comptroller General further determined that after the initial 5-year period, savings resulting from the purchase of these representative 523 systems would amount to more than \$100 million a year, for each year of continued use beyond the 5-year period.⁸

The Comptroller General testified that these estimates of potential savings were conservative

Several authoritative factors support his conclusion. First, only 523 of 1,006 systems expected to be leased by the Government at the end of fiscal year 1963 were used in computing these estimates. Consideration of all leased systems in use would obviously increase these savings estimates. Second, as the testimony indicates, a substantial increase in the number of leased systems in Government use is expected. Savings could also accrue through the selected purchase of certain of this additionally acquired equipment. Third, and as will be subsequently discussed, the committee has adopted an amendment to H.R. 5171 extending centralized management to ADP equipment acquired by contractors and others when used for and at the expense of the Government. While the exact extent of this equipment cannot be determined because of the lack of an adequate inventory, extensive equipment would come within this category. Therefore, sizable savings can also be expected as a result of its control under this program. Fourth, in determining the advantages of lease versus purchase in the March 6, 1963, report, the Comptroller General evaluated each ADP system in its entirety and determined a net savings. If these savings had been considered on the basis of the individual components of these systems, the potential savings would have greatly exceeded the savings outlined in the Comptroller General's report.⁹ Finally, the determinations contained in the March 6 report were based upon representative utilization practices of the individual agencies using the 523 systems. As pointed out earlier in this report, maximum utilization of this equipment is essential for the most effective, efficient, and economical use. Had the agencies

⁸ Use of the 5-year time period is explained as follows in the Comptroller General's Mar. 6, 1963, report: "Federal Government experience with electronic data processing devices over the past 12 years has shown, that with proper maintenance this type of equipment has a useful life span of at least 5 to 10 years. Some of the machines installed in Federal agencies in the early and mid-1950's are still in service. Generally speaking, the older machines that are still in use are those which were purchased outright by the Government. Also, despite the rapid changes that have taken place in equipment design, a large number of machines that were rented were used for periods of 5 years or more before being replaced by more modern equipment."

"It is generally agreed that the new 'second generation' solid-state machines will have a considerably longer useful life than the 'first generation' vacuum tube type of machines. * * *

"We selected 5 years as being a conservative estimate of the economic useful life of electronic data processing machines for purposes of making comparisons of lease costs with purchase costs. It should be noted that to the extent that this period is less than the actual useful life of the equipment, the computed savings are understated."

⁹ In the Mar. 6 report, the Comptroller General outlined the need for lease versus purchase evaluations on a component by component basis as follows:

"The detailed cost comparisons of the 18 systems * * * demonstrate that each component of a system should be considered separately for lease or purchase. These computations show that the cost advantage of purchasing some electromechanical components, such as printers, card readers, and card punches, is not as great as the cost advantage available through the purchase of electronic components. In some cases, it is clearly disadvantageous to purchase electromechanical components. This is due in part to pricing policies of equipment suppliers and to the greater need for maintenance on electromechanical components because of the inherent wearing characteristics of mechanical parts. These factors would have to be weighed heavily in considering the purchase of these components. It might well be that, for the small cost advantage available, it would not be worth the risk of purchasing a component that may cause a serious maintenance problem or one that may have to be completely replaced because of constantly increasing maintenance requirements."

"Because of these factors, detailed computations such as those shown in exhibit C should be made in order to provide the financial information necessary for deciding which components should be purchased and which ones should be leased."

leasing the 523 systems, which were the subject of the Comptroller General's study, used these systems to the extent necessary to achieve optimum or maximum utilization, the lease costs over the initial 5-year period of \$646 million would have been considerably higher. And, the potential savings through initial purchase would have been even more pronounced.

Achievement of the most effective and efficient Government ADP program requires the centralized management provided in H.R. 5171. By this means, full utilization of leased or purchased equipment can be obtained. Furthermore, incident to obtaining full utilization, the most beneficial acquisition program can be determined, taking into consideration the obvious advantages of purchasing rather than leasing most ADP components.

H.R. 5171 will not require large staff

The coordinated program, as provided in H.R. 5171, should not require a large increase in the management staff of the Administrator of General Services. In his testimony, he suggested the availability of present employees. Furthermore, it is expected that implementation of this program will result in a lessening in personnel requirements of user agencies. Also, the program is such that automatic data processing equipment can be used effectively to maintain inventories and perform various other basic functions necessary to control equipment and provide for its most effective and efficient use. It is expected, however, that the Administrator would obtain the services of the highest qualified individuals either from his present force at GSA, by recruitment from private industry, or by transfer from some other agency, to assist him in the management of this program.

Improvement in agency utilization practices will not require additional capital

The Administrator can use the authority contained in H.R. 5171 to increase the utilization of ADP equipment now in use in various agencies and in the hands of other users without the need for additional capital. At the end of fiscal year 1963, an estimated 85 percent of Government-used ADP equipment will be leased and, on the basis of figures agencies furnished to the Bureau of the Budget, this percentage will not change appreciably during fiscal 1964. As previously indicated, improvement in the utilization of this equipment would constitute a notable gain in effectiveness and efficiency, even assuming that the other recommendations in the Comptroller General's report calling for increases in the purchase of ADP equipment, were not implemented.

A centralized management program is necessary to determine the extent of capital fund requirements for the purchase of ADP equipment

H.R. 5171 does not direct the Administrator to purchase or lease any ADP systems or components. The extent to which ADP equipment should be purchased would depend upon a series of factors:

First, it would require an individual evaluation of each component of every system now leased by Federal agencies or users to determine the advantage, if any, from the standpoint of the Government as a whole, of purchase versus lease. The Comptroller General's study of the 523 systems discussed above was based upon the price of such equipment when new. Many of these have been in use for several

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years, which would significantly reduce their value. Also, in numerous instances, the Government has purchase rights and has acquired substantial equities, which may be decisive in considering the advantages of exercising purchase options contained in these lease agreements. Lastly, the amount of equipment which will be necessary to meet Government-wide requirements will depend to a great degree upon full utilization of all available systems and components.

The second major factor affecting requirements to implement the Comptroller General's purchase recommendation is the extent to which the Bureau of the Budget and the President, from the standpoint of overall fiscal policies and budgetary priorities, request capital for the ADP revolving fund.

Lastly, the appropriations committees and the Congress as a whole would have to approve any capital fund request which might be presented in the GSA budget.

Assuming that either the Bureau of the Budget or the Congress could not approve requests for sufficient capital to fully implement a recommended purchase program, the Administrator could, on a selective basis, purchase those systems or components thereof, offering the greatest financial advantages. As indicated in the Comptroller General's March 6 report, even a limited increase in the purchase of certain costly systems would result in respectable savings to the taxpayers. As an example, using an IBM 7090 system, with an initial new equipment cost of \$3.38 million, the savings stated in terms of a percentage of return on investment on net additional first year purchase capital would amount to 25 percent when this system is used on a one-shift, 8-hours-a-day basis, at the end of 5 years. The return on investment increases to 96 percent when the system is used on a two-shift basis, and reaches 190 percent for three shifts. Under this example, for an additional first-year investment of \$1.96 million, the taxpayers would save by the end of 5 years the sum of \$3.72 million, assuming the equipment were used on a three-shift basis, together with an additional \$1.42 million each year thereafter.¹⁰

¹⁰ See the following tables:

Percentage of return on the net additional investment required to purchase an IBM 7090

[Dollars in millions]

	1-shift	2-shift	3-shift
Purchase price.....	\$3.38	\$3.38	\$3.38
Maintenance 1st year.....	.06	.09	.12
Total.....	3.44	3.47	3.50
Less rental 1st year.....	.86	1.20	1.54
Net additional investment required to purchase.....	2.58	2.27	1.96
Savings resulting from the investment through the 5th year.....	.64	2.18	3.72
Percentage of return on the net additional investment required to purchase at the end of 5 years.....	25	96	190

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Percentage of return on the net additional investment required to purchase an IBM 7080

[Dollars in millions]

	1-shift	2-shift	3-shift
Purchase price.....	\$2.46	\$2.46	\$2.46
Maintenance 1st year.....	.04	.06	.09
Total.....	2.50	2.52	2.55
Less rental 1st year.....	.59	.83	1.07
Net additional investment required to purchase.....	1.91	1.69	1.48
Savings resulting from the investment through the 5th year.....	.33	1.40	2.46
Percentage of return on the net additional investment required to purchase at the end of 5 years.....	17	83	166

Percentage of return on the net additional investment required to purchase a CDC 1604

[Dollars in millions]

	1-shift	2-shift	3-shift
Purchase price.....	\$1.57	\$1.57	\$1.57
Maintenance 1st year.....	.05	.09	.13
Total.....	1.62	1.66	1.70
Less rental 1st year.....	.55	.77	.99
Net additional investment required to purchase.....	1.07	.89	.71
Savings resulting from the investment through the 5th year.....	.92	1.83	2.74
Percentage of return on the net additional investment required to purchase at the end of 5 years.....	86	206	386

Percentage of return on the net additional investment required to purchase Burroughs B-5000

[Dollars in millions]

	1-shift	2-shift	3-shift
Purchase price.....	1.11	1.11	1.11
Maintenance 1st year.....	.02	.03	.04
Less rental 1st year.....	1.13	1.14	1.15
	.30	.43	.55
Net additional investment required to purchase.....	.83	.71	.60
Savings resulting from the investment through the 5th year.....	.32	.89	1.46
Percentage of return on the net additional investment required to purchase at the end of 5 years.....	39	125	243

Percentage of return on the net additional investment required to purchase an IBM 1410

[Dollars in millions]

	1-shift	2-shift	3-shift
Purchase price.....	0.66	0.66	0.66
Maintenance 1st year.....	.01	.02	.03
Total.....	.67	.68	.69
Less rental 1st year.....	.16	.22	.28
Net additional investment required to purchase.....	.51	.46	.41
Savings resulting from the investment through the 5th year.....	.07	.32	.58
Percentage of return on the net additional investment required to purchase at the end of 5 years.....	14	70	142

COMMITTEE AMENDMENTS

Aside from a number of minor perfecting amendments, the committee has adopted four amendments based primarily upon the recommendations of the Comptroller General and the Administrator of General Services. First, H.R. 5171 has been amended so as to extend its provisions to encompass automatic data processing equipment. The Administrator of General Services suggested that:

This change is regarded as desirable to make it absolutely clear that the authority of GSA would extend to complete data processing systems which may include electronic computers as well as such related items as punchcard equipment and tabulating machines, which, while part of the system, may not technically be within the term "electronic."¹¹

For this reason, and as suggested by the Comptroller General, "in order to place a wider range of equipment within the scope of authority of the General Services Administration,"¹² the word "automatic" was substituted for "electronic" wherever it appears in the bill.

In subsection (a), the language, "or at the expense of" has been added so as to extend the provisions of H.R. 5171 to include contractors and others who, under agreements with Federal agencies, acquire or use ADP equipment for and at the expense of the Federal Government. This amendment was also recommended by both the Administrator of General Services and the Comptroller General, the latter suggesting in his report on H.R. 5171 that:

We believe that, to the maximum extent practicable, such equipment or systems required by contractors in the performance of negotiated contracts with the Federal agencies where the whole or a substantial part of the cost of such equipment or systems would become a part of Government contract prices should likewise be furnished by the Government with title or leasehold interest remaining in the Government subject substantially to the same laws and regulations applicable to in-house Government equipment.¹³

Another significant amendment relates to the delegation of the authority extended the Administrator of General Services under provisions of the bill. Both the Administrator and the Comptroller General recommended that the centralized management program provided in H.R. 5171 not be compromised by exception. The committee agrees. However, authority to delegate the power to manage ADP equipment is authorized in two distinct situations. First, the Administrator is authorized to delegate authority relative to specific ADP systems and components thereof for purposes of economy and efficiency or when essential to national defense and security. In a program of the scope envisaged in H.R. 5171, circumstances of a unique character might develop which would make such delegations necessary.

¹¹ Letter of Bernard L. Boutin, Administrator of General Services, to William L. Dawson, chairman, House Committee on Government Operations, dated May 27, 1963. (Cf. hearing (app. III).)

¹² Letter of Joseph Campbell, Comptroller General of the United States, to William L. Dawson, chairman, House Committee on Government Operations, dated May 15, 1963. (Cf. hearing (app. III).)

¹³ Id.

Then, on an interim basis, until the beginning of fiscal year 1966, the Administrator is further authorized to delegate authority on a general basis, in his discretion, to the extent necessary or desirable to allow for the orderly implementation of this centralized utilization program.

Also, as an additional safeguard to assure Bureau of the Budget and Congressional control over expenditures from the ADP revolving fund as provided for in subsection (b), a proviso is added requiring that a report of receipts, disbursements, and transfers to miscellaneous receipts under this authorization be made annually in connection with the budget estimates to the Director of the Bureau of the Budget and to the Congress.

Finally, in order to assure Government-wide applicability of the program, a subsection (e) has been added providing for the inapplicability of other provisions of law inconsistent with H.R. 5171.

SECTION BY SECTION ANALYSIS OF H.R. 5171

H.R. 5171 would add section 111 to the Federal Property and Administrative Services Act of 1949 (63 Stat. 377), extending to the Administrator of General Services exclusive responsibility, subject to overall budgetary management policies of the President and the Bureau of the Budget, for the acquisition, the maintenance, and the use of automatic data processing equipment necessary to meet the requirements of the various agencies of the Federal Government as well as contractors and other organizations acquiring and using such equipment at the expense of the Government to be used for Government purposes. The proposed new section is divided into five subsections. Subsections (a) and (b) provide the basic authority to be exercised by the Administrator. Subsection (c) authorizes the establishment of a revolving fund to finance the activities undertaken by the Administrator in pursuance to this authority. Subsection (d) provides for the administration of this fund, and subsection (e) prescribes that other provisions of law which would otherwise limit the extent of the Administrator's authority shall not be applicable for the purposes set forth in section 111.

Subsection (a) authorizes and directs the Administrator to coordinate and control the purchase, lease, maintenance and use of automatic data processing equipment, to meet the requirements of Federal agencies as well as those acquiring such equipment to be used for and at the expense of the Federal Government. Thus, this authority extends beyond in-house Government ADP equipment needs to that which, pursuant to contract or agreement, the expense of lease, purchase or maintenance is borne by the United States. If contracts or agreements require the acquisition, or the continued use of, ADP equipment and their costs are reimbursable by Federal agencies, such equipment would come within the provisions of this section.

Subsection (b) further authorizes the Administrator to provide automatic data processing equipment suitable for efficient and effective use by Federal agencies through purchase, lease, or transfer of equipment between Federal agencies and other users, to require joint use of equipment by two or more agencies or users, and to establish equipment pools and data-processing centers when such action in his opinion is necessary for the economical and efficient utilization of such

equipment on a Government-wide basis, and to provide for maintenance of such equipment. Subsections (a) and (b) are stated in the broadest terms, outlining the outer periphery of the Administrator's authority. The subsection empowers him to do whatever is necessary to provide for the economical and efficient utilization of this equipment.

Subsection (b) further allows the Administrator to delegate authority under this section when in his discretion such action is either necessary for economy and efficiency of operations, or when such action is essential to national defense or security. Solely on an interim basis, until the beginning of fiscal year 1966, the Administrator is further authorized to delegate authority on a general basis in his discretion to the extent necessary or desirable to allow for the orderly implementation of this centralized utilization program.

The term "Federal agencies" as used in this section 111, is defined in the Property Act to which H.R. 5171 is an amendment. The term extends to "any executive agency or any establishment in the legislative or judicial branch of the Government (except the Senate, the House of Representatives, and the Architect of the Capitol and any activities under his direction."

Subsection (c) authorizes the establishment of an automatic data processing fund. This is to be a fund without fiscal year limitations to be used to finance expenses incident to the acquisition, maintenance, and administration of the Government-wide data processing program provided for in this section. Such expenses include those incurred for personnel, services, purchases, rentals, maintenance and repair, as well as other related costs, including the cost of administering the program. Through the use of this fund the Administrator, following receipt of advice of agency requirements and appropriate evaluations as to the availability of currently held equipment, would, when necessary, purchase equipment through use of capital in the fund, or if more advantageous, lease equipment through use of such funds.

In either event, the user agency would reimburse the Administrator for the use of the equipment on an annual basis in sums as determined under subsection (d). Annual payments would be made for regular, recurring services, and individual payments for specific intermittent services. User agencies would include in their budgets requests for funds necessary to meet these annual charges. However, to provide for the additional capital to cover equipment purchases during the period of initial implementation of the program, and to cover future increases in capital fund requirements (reflecting greater Government-wide utilization of such equipment and therefore increases in purchases), the Administrator would make requests in the budget of the General Services Administration for operating capital to be placed in the revolving fund. Subsection (c) specifically provides that a report of receipts, disbursements, and transfers from the fund shall be made annually in connection with the budget estimates to the Director of the Bureau of the Budget and to the Congress. Incident to these reports, general estimates of expected expenditures for the next fiscal year would be furnished the Appropriations and other congressional committees upon request as a further assurance of congressional control and supervision of this program. Any substantial deviations from these estimated expenditures could be called to the attention of

Appropriations Committees on a prospective basis, should these committees consider such action necessary.

Subsection (d) authorizes appropriations to the revolving fund in such amounts as may be required. It is further provided that sums so appropriated, together with the value of supplies and equipment transferred to the Administrator, shall constitute the capital of the fund. The fund is also to be credited with advances and reimbursements from appropriations and the funds of any agency, organization, or contractor utilizing or receiving services from equipment. Rates for use of the equipment or for services received therefrom are to be fixed by the Administrator so as to approximate the cost charged to the fund, including depreciation and accrued leave, the amortization of installation costs, as well as other items of expense recognized and acceptable from the standpoint of sound accounting practices. Prior to fiscal year 1966, it is contemplated that appropriations may be provided for certain direct operating costs. Provision is made in subsection (d) to avoid inclusion of such items in the determination of the rates charged user agencies.

Finally, refunds or recoveries resulting from operations, such as net proceeds of disposal of fund property as excess or surplus and moneys received in settlement of loss or damage claims, are to be credited to the fund. After the close of each fiscal year net income not required to offset prior year losses, is to be covered into the Treasury as miscellaneous receipts.

Subsection (e) provides for the inapplicability of other provisions of law which otherwise would limit the authority of the Administrator under this proposed amendment to the Federal Property and Administrative Services Act of 1949, and specifically, the proviso to section 201(a) extending certain authority to the Secretary of Defense to exempt the National Military Establishment from provisions of the Property Act, as well as provisions of section 602(d), granting exemptions to the Atomic Energy Commission, TVA, and others.

AGENCY COMMENTS

In response to requests for comments on H.R. 5171, the committee received replies from the Comptroller General of the United States, the Administrator of General Services, the Department of the Treasury, and the Bureau of the Budget which transmitted comments received from the Departments of Defense, Agriculture, Labor, and Post Office, as well as the Tennessee Valley Authority, the Atomic Energy Commission, and the Federal Aviation Agency.

The Comptroller General favors enactment of H.R. 5171

Subject to certain amendments, most of which the committee has adopted, the Comptroller General strongly endorses H.R. 5171. In his comments on this bill he stated, in part:

* * * * *

In our report to the Congress dated March 6, 1963 (B-115369), on the "Financial Advantages of Purchasing Over Leasing of Electronic Data Processing Equipment in the Federal Government," we pointed out that there is need in the Federal Government for an effective mechanism to coordinate and control the purchase, lease, maintenance, and

utilization of EDP equipment. Accordingly, we recommended to the President of the United States that he establish such an office in his organization. We are of the opinion that overall policy guidance and direction of the Government's data processing programs can be most effectively accomplished through the efforts of a small, highly placed central management office in the executive branch of the Government. However, we recognize that there are various ways in which central control can be exercised over the procurements and utilization of this type of equipment. H.R. 5171 provides such an alternate method. We are not opposed to the method set forth in H.R. 5171; however, we feel that the mechanism proposed in H.R. 5171 for carrying out the detailed operations of coordination and control needs to be subject to the policy guidance and overall direction of the Office of the President.

* * * * *

We believe the enactment of the bill would be in the interest of the Government and will result in considerably more economical procurement and utilization of electronic data processing equipment. Therefore, and subject to the changes suggested above, we favor enactment of the proposed legislation.¹⁴

The Administrator of General Services recommends enactment of H.R. 5171

In his report on H.R. 5171 submitted to the committee he stated:

In order to achieve for the Government the full use potential of automatic data processing equipment, the requirements for which have shown stupendous growth during recent years, to assure full coordination of procurement by and use within Government, and to obtain for the Government the most economical cost possible, it is essential that centralized management and control over the procurement and use of all such equipment be established. We believe that GSA is not only the logical but the appropriate agency to provide such a central management for the Government. Provision of this service for all Federal agencies by GSA would be consistent with the declared purpose of the Congress in creating GSA to provide for the Government an economical and efficient system of procurement of personal property and nonpersonal services, including related services such as contracting, the utilization of available property, the disposal of surplus property and records management. The utilization of automatic data processing equipment has become so vital to the successful performance of these and many other functions of Government that they no longer can be successfully handled without the use of such equipment.

* * * * *

Accordingly, GSA wholeheartedly endorses H.R. 5171 and urges its early enactment by the Congress.¹⁵

¹⁴ Id.

¹⁵ Cf. footnote 5, supra.

The Bureau of the Budget's position reflects the opposition of some user agencies to adoption of this more effective and efficient centralized management system

In commenting on H.R. 5171, an Assistant Director for Legislative Reference of the Bureau of the Budget advised the committee:

We understand that a major purpose of the proposed bill is to correct the lease versus purchase situation described by the Comptroller General in his March 1963 report which he based on agency plans for fiscal year 1963. Agency plans for fiscal year 1964, the first effective year for Bureau of the Budget Circular A-54, differ significantly from those for the prior year. In the civil agencies 64 percent of all new ADP acquisitions will either be purchased or, for better budget timing, will be leased with an option to purchase in fiscal year 1965. Additionally, the civil agencies will purchase 18 presently leased computers in fiscal year 1964. Purchase policies and plans for the military departments currently are being reviewed in the Office of the Secretary of Defense.

This trend toward purchasing new ADP equipment and purchasing equipment currently leased, creates the necessity for designing procedures for utilizing Government-owned equipment when it is no longer suitable for use by the acquiring agency. However, the General Services Administration is making satisfactory progress within its present statutory authority in the development of regulations for the effective utilization of this ADP equipment as well as for taking advantage of the Government's equity in leased computers.

In the hope that it will be helpful to the committee, we plan to furnish to you in a few days a résumé of the ADP program of the executive branch, indicating its current status and future objectives. This résumé will also describe the wide range of activities, involving the GSA and other agencies, occasioned largely by the fact that the management of our ADP equipment resources is integral to program management in an agency and thus cannot be viewed in the same light as office space, typewriters, or automobiles.

In the circumstances, and for reasons outlined in the views letters of the Departments of Defense, Agriculture, Labor, and Post Office, and the Atomic Energy Commission, Federal Aviation Agency, and Tennessee Valley Authority transmitted herewith, the Bureau of the Budget does not favor enactment of H.R. 5171 in its present form. While we do not believe additional legislative authority is necessary, we will be glad to work with the committee and with other agencies concerned to develop amended or substitute legislation which might assist in the more effective use of automatic data processing equipment without creating the problems which we believe are inherent in this bill.¹⁶

A review of the agency comments accompanying the Bureau of the Budget report indicates that opposition to H.R. 5171 may center upon

¹⁶ Letter of Phillip S. Hughes, Assistant Director for Legislative Reference, Bureau of the Budget, to William L. Dawson, chairman, House Committee on Government Operations, dated May 27, 1963. (Cl. Hearing (app. III).)

a misinterpretation as to the extent of the Administrator's authority under this proposal. As this committee has emphasized, the various agencies and other users would determine their individual requirements and could use the equipment and ADP capacity made available to them for whatever purpose they may select. The Administrator's interest in the equipment, once it was in the possession of an agency or user, would be limited to making provisions for the maintenance of the equipment and for assuring its maximum utilization on a Government-wide basis. His efforts would constitute a service rather than a hindrance to agencies and other users, relieving them of many responsibilities which they have not been able to perform efficiently in the past.

On the other hand, the letters also suggest opposition to a Government-wide effort to increase the utilization of equipment now on hand and to provide for a more economical acquisition program. Of course, opposition of this sort is a good indication as to the need for H.R. 5171.

H.R. 5171 is necessary

In a report issued June 27, 1958, the Comptroller General stated that:

At the present time no single agency of the Government is responsible for directing and coordinating continuing developments in automatic data processing. On the other hand, several agencies have responsibilities which have a bearing on electronic systems and procedures. Accordingly, the principal recommendation in our report is concerned with the need to establish an effective and coordinated program of joint effort by the interested agencies of the Government.¹⁷

Pursuant to this recommendation, various interagency groups were established in the Government and, on March 18, 1960, the Bureau of the Budget issued Budget Bulletin No. 60-6, entitled, "Automatic Data Processing (ADP) Program of the Executive Branch: Studies Preceding Acquisition of ADP Equipment."

In a further review of Government automatic data processing practices of December 30, 1960, the Comptroller General reiterated his 1958 recommendations. In a December 30, 1960, report, he stated:

We believe that a mechanism should be established in the Government to provide the necessary arrangements whereby the procurement and transfer of data processing equipment between Government activities should be fully coordinated so as to keep costs as low as possible consistent with obtaining needed processing facilities.

Subsequently, the Bureau of the Budget, in October 1961, issued Circular No. A-54, which prescribed policies on the selection and acquisition of ADP equipment to be observed by Federal agencies and contractors operating Government-owned facilities. One of the principal objectives of this bulletin was to foster the purchase of ADP equipment by Federal agencies when it was economical to do so.

¹⁷ Prefatory letter of Comptroller General accompanying GAO Report, "Survey of Progress and Trend of Development and Use of Automatic Data Processing in Business and Management Control Systems of the Federal Government as of December 1957," (June 1958).

In the Comptroller General's March 6, 1963, report, he took cognizance of the efforts which had been undertaken by the Bureau of the Budget and others, and concluded that:

We are aware of no significant program toward an effective, coordinated mechanism in the Federal Government for achieving the interrelated objectives cited ¹⁸

that is, optimum utilization and efficient acquisition. ¹⁹

There is no trend toward increased purchase

The Bureau of the Budget's Assistant Director for Legislative Reference suggests in his letter that:

This trend toward purchasing new ADP equipment and purchasing equipment currently leased creates the necessity for designing procedures for utilizing Government-owned equipment when it is no longer suitable for use by the acquiring agency. ²⁰

In response to this comment as to a "trend" toward purchasing, the Bureau of the Budget was contacted regarding the number and the percentages of computer systems to be acquired by civilian agencies during the fiscal year 1964. The information was furnished that 93 systems would be acquired, 36 of which would be purchased, 35 which would be leased, and 22 which would be leased with a specific option to purchase within 2 years. In regard to the Department of Defense, the committee reviewed copies of the lease and purchase data prepared by the Department for inclusion in the Bureau of the Budget annual inventory of ADP equipment. This inventory shows that the Department of Defense had on hand 667 computer systems at the close of fiscal year 1962, and plans to have 807 at the close of fiscal year 1963, and 1,077 by the end of fiscal year 1964.

The number of systems leased and purchased by the Department of Defense are shown in the following tabulation:

Close of fiscal year	Leased	Purchased	Total
1962.....	578	89	667
1963.....	698	109	807
1964.....	967	110	1,077

¹⁸ GOA report (March 1963), c. footnote 1, supra, 38.

¹⁹ The Assistant Director of the Bureau of the Budget also suggested in his letter that ADP equipment is subject to a "wide range of activities" and for this reason suggests that it "cannot be viewed in the same light as office space, typewriters, or automobiles." This statement in effect that ADP equipment used in Government is highly specialized in nature and designed to meet individual and unique requirements of user agencies. This is not the case, as is indicated from the comment in the Comptroller General's March 6, 1963, report:

"With more than 1,000 systems now in use (exclusive of certain military tactical, intelligence, and surveillance systems), the Federal Government is the world's largest user of electronic data processing equipment. For the most part, the equipment is general purpose in nature; that is, it can be used to perform numerous different kinds of tasks once programmed to do so. Because of the wide variety of Government equipment needs, most equipment installed can be considered to be useful to the extent that, if purchased and no longer needed for its originally intended purpose, it can be placed in use for other purposes in other activities.

"Government applications range from critical scientific and defense operations to many less demanding administrative functions.

"In some cases, because of defense or other critical national needs, it is necessary to use the latest models of equipment. However, most ADP equipment is general purpose in nature and it could fulfill data processing needs in less demanding areas for a number of years after it has outlived its usefulness for the original task."

²⁰ Cf. footnote 10, supra, ibid.

Based upon this information, the new civil procurements were applied to the prior year's inventory of systems in civil agencies, giving effect to the currently leased systems which are to be purchased during fiscal year 1964. The result shows that while purchasing in certain civil agencies may be somewhat improved, the Government-wide percentage of purchased systems has remained just about the same as in prior years because of the preponderance of systems leased in the Department of Defense.

The following is an updating of an analysis shown in the Comptroller General's March 1963 report on purchasing versus leasing:

	Number of systems	Number leased	Number purchased	Percent purchased
1960 actual.....	531	433	98	18.5
1961 actual.....	730	613	117	16.0
1962 estimated.....	1,047	891	156	14.8
1963 projected.....	1,226	1,035	191	15.6
1964 projected.....	1,589	1,343	246	15.5

This analysis shows that at the close of fiscal year 1964 the Government will have a percentage of purchased systems that is less than it was at the close of fiscal year 1960, 4 years earlier at a time when the Government had only one-third the number of systems projected as being in use at the close of fiscal year 1964.

Agencies opposing H.R. 5171 do not have effective ADP utilization programs

Following receipt of the Bureau of the Budget report forwarding the comments of certain agencies opposing H.R. 5171, the committee requested information as to the effectiveness of the ADP programs in progress in these particular agencies. Not only do these agencies lack effective programs providing for the full utilization of equipment now on hand, but they are not in every instance complying with the Comptroller General's equipment purchase recommendations. The Federal Aviation Agency, as an example, plans to purchase equipment with low utilization, and yet continue to lease other equipment which is used from 600 to 700 hours per month. The Air Force, Navy, and Army, and the Atomic Energy Commission have also selected low utilization equipment for purchase at a time when other systems, operating on a more substantial utilization basis, have remained

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under lease.²¹ In addition, these and other agencies have been subject to serious criticism in a series of Comptroller General audit reports over a period of more than 3 years for poor utilization practices which can be remedied through an efficient centralized management program as provided in H.R. 5171.²²

²¹ The Air Force has purchased equipment in limited use, such as: Burroughs 204, with 141 hours per month, Burroughs E101, with 141 hours per month, National Cash Register 102, with 156 hours per month, and the Recomp II, with 170 hours per month, while it was leasing several IBM 7080 systems operating between 400 to 500 hours per month, and many IBM 1401 systems operating between 500 and 600 hours per month.

The Army, Navy, and Atomic Energy Commission have also favored the purchase of limited use equipment. Examples:

NAVY

Purchased		Leased	
Model	Hours per month	Model	Hours per month
Bendix G15.....	170	Univac Solid State-80.....	450
Alvac 3.....	86	Burroughs 220.....	400
Burroughs E102.....	168	IBM 7080.....	600
Royal LG 30.....	90	IBM 1410.....	450

ARMY

Recomp II.....	100	Honeywell 800.....	500
Burroughs E102.....	100	Honeywell 400.....	375
Alvac 3.....	150	IBM 1401.....	528
Royal LG 30.....	80	Burroughs 220.....	600
		IBM 7080.....	408

ATOMIC ENERGY COMMISSION

CRC-102A.....	40	Philco 2000.....	550
Royal LG 30.....	96	Philco 2000.....	500
Honeywell 400.....	175	IBM 7090.....	500
IBM 1401.....	86		
Burroughs E102.....	72		

²² The following are examples of recent findings of the Comptroller General outlining poor utilization practices on the part of various agencies:

1. Atomic Energy Commission, February 1963 (B-146763):

"Our review at Argonne National Laboratory disclosed that the Atomic Energy Commission could have saved about \$200,000 in rental costs had it purchased certain automatic data processing equipment in a more timely manner.

"Our review at Midwestern Universities Research Association disclosed that, although Atomic Energy Commission funds are, in effect, being used by the contractor to purchase certain automatic data processing equipment, the Commission will not acquire title to the equipment. Also, payments for rental of the equipment exceeded Midwestern's cost. * * * Our review of rental charges for certain other automatic data processing equipment at Midwestern disclosed that the Atomic Energy Commission was not given credit for prime shift time paid for by the Commission which was used for other than Commission work and from which the contractor derived income. Also, the Commission was charged rental in excess of that actually incurred by Midwestern."

2. Air Force, April 1963 (B-146732):

"Our review disclosed that about \$1,300,000 will be expended unnecessarily by the end of 1963 because the Air Force failed to take advantage of reduced sales prices offered by International Business Machines Corp. in 1961 and Burroughs Corp. in 1962 for 14 electronic data processing systems which the Air Force leases."

3. Federal Aviation Agency, March 1963 (B-115369):

"The Federal Aviation Agency in December 1959, leased an IBM 704 system for use at Oklahoma City, Okla., for use in the control of aircraft in flight and in the flight inspection of ground navigational aids. Under the discounted pricing policy, components of this system renting for \$23,400 per month and originally priced at \$1,116,800 became available for purchase for \$335,000. The Agency decided not to buy this system, however.

"Had these components been purchased in December 1960, the Government would have saved \$87,500 through June 1962 and would be adding to these savings at the rate of \$21,800 for each month of use after that date. These estimates of savings take into consideration the cost of maintaining purchased equipment under a manufacturer's maintenance service contract.

"In this case, if the Federal Aviation Agency had purchased rather than continued to lease the components subject to the discount prices, it would have saved \$349,000 through June 1963, the anticipated replacement date. At that time, the Government would own the equipment and could relocate it in a less critical area in place of other leased equipment and this procedure would create additional monthly savings to the extent that the rental of the replaced equipment would exceed the cost of maintaining the Government-owned equipment."

4. Commerce Department, Apr. 17, 1963 (B-114821):

"The Department of Commerce approved the replacement of rented automatic data processing equipment used by the Bureau's Boulder Laboratories without adequately considering the potential savings

AGENCY REPORTS ON H.R. 5171

The agency reports and comments received on H.R. 5171 follow:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 15, 1963.

HON. WILLIAM L. DAWSON,
*Chairman, Committee on Government Operations,
House of Representatives.*

DEAR MR. CHAIRMAN: Reference is made to your letter of April 1, 1963, acknowledged April 2, and letter of May 3 from the chairman of your Government Activities Subcommittee, requesting our comments on H.R. 5171.

The bill would amend title I of the Federal Property and Administrative Services Act of 1949, as amended, 5 U.S.C. 630-630g-1 (supp. IV), by adding a new section 111 which would grant authority to the Administrator of General Services to coordinate and control the purchase, lease, maintenance, and use of electronic data-processing equipment by Federal agencies, and to operate or provide for the operation of such equipment by delegation of authority or otherwise.

In carrying out his responsibilities under this section, the Administrator is authorized to provide electronic data-processing equipment suitable for efficient and effective use by Federal agencies through purchase, lease, transfer of equipment from other Federal agencies or otherwise, and to provide for the maintenance and repair thereof

that could have been realized by exercising a Bureau option to purchase the equipment for possible use within the Department or by other Government agencies; rental costs of more than \$460,000 on the replaced equipment could have been applied toward the purchase price of that equipment, on behalf of a Government agency needing the equipment."

5. Post Office Department, January 1962 (B-133385):

"The installation and use of different systems for processing similar financial and related data without appropriate independent studies having been made by the Department resulted in unnecessary costs and problems.

"The Department incurred considerable rental costs in experimenting with ADP machines at these locations, for example, at the New York and Chicago offices about \$100,000 and \$82,000, respectively, and at the San Francisco office about \$87,000."

6. Treasury Department, April 1962 (B-133180):

"We believe that operating costs can be reduced by using automatic data processing equipment more efficiently and by releasing unneeded equipment from rental contracts. Subsequent to our review of machine utilization records, excess equipment renting for \$11,660 annually was released from the contract. We believe that additional equipment can be released with further annual reductions of about \$43,600 in machine rentals and \$8,800 in personnel costs."

7. Defense Department, June 1962 (B-146732):

"We identified overpayments of rental charges, amounting to about \$207,000, made by the military services to manufacturers of automatic data processing (ADP) equipment, during fiscal years 1960 and 1961, because the terms of ADP contracts awarded by the General Services Administration (GSA) were not properly administered. Since our review covered only 32 percent of the military organizations which lease ADP equipment under GSA contracts, we conclude that other overpayments may have been made in addition to the \$208,000 found in our review."

8. Civil and defense agencies, June 1962 (B-146732):

"During our review, we noted that the Federal supply schedule contracts were frequently awarded months after the previous year's contracts had expired. The fiscal year 1960 contracts contained several important contract changes which entailed adjustments of rental records. We found that a number of civil and defense using agencies had not made rental adjustments required by the contract changes. After we called this matter to the attention of responsible agency officials, they recovered, or instituted action to recover, rental fees totaling \$122,000.

"Also, it has come to our attention that overpayments are being made because of poor recordkeeping procedures in the agencies with regard to recording equipment utilization information that is subsequently used to pay rental charges to equipment suppliers. In one instance, at a Government EDP facility, time recording meters were attached to the machines and this more accurate recording of time resulted in a reduction in equipment rental of approximately \$10,000 per month at that location. Also, we have learned that these meters are being used successfully at several industrial facilities in private industry. It appears possible that where rental equipment is being used extensively, rental charges can be drastically reduced through use of these accurate time recording devices. Also, good management of this equipment calls for accurate knowledge of time spent by project, so that management personnel can determine with some semblance of reliability the cost of operating the various projects under their cognizance.

"A complete listing of Comptroller General audit reports on ADP issued since June 1958 appears on p. 9 of the hearing."

by contract or otherwise. The Administrator is further authorized to transfer such equipment between Federal agencies, to require joint utilization thereof by two or more Federal agencies, and to establish equipment pools and data-processing centers for such joint use when necessary for its most efficient and effective utilization. The Administrator, in his discretion, may delegate authority to lease, purchase, maintain, or operate (1) general classes of equipment, (2) equipment of special design needed to fulfill some unique requirement or special purpose of a particular Federal agency, and (3) equipment necessary for national defense and security.

The bill would establish an electronic data-processing fund, without fiscal year limitation, which would be used to finance the administrative expenses and costs incident to the procurement and utilization of electronic data-processing equipment. This revolving fund would be financed primarily from advances and reimbursements from available appropriations and funds of any agency (including the General Services Administration), organization, or persons utilizing such equipment and services rendered to them at rates determined by the Administrator to approximate the costs thereof. The capital of the fund would consist of appropriations as may be required together with the value, as determined by the Administrator, of supplies and equipment transferred to the Administrator less any liabilities assumed on account thereof.

In our report to the Congress dated March 6, 1963 (B-115369), on the "Financial Advantages of Purchasing over Leasing of Electronic Data-Processing Equipment in the Federal Government," we pointed out that there is need in the Federal Government, for an effective mechanism to coordinate and control the purchase, lease, maintenance, and utilization of EDP equipment. Accordingly, we recommended to the President of the United States that he establish such an office in his organization. We are of the opinion that overall policy guidance and direction of the Government's data-processing programs can be most effectively accomplished through the efforts of a small, highly placed central management office in the executive branch of the Government. However, we recognize that there are various ways in which central control can be exercised over the procurement and utilization of this type of equipment. H.R. 5171 provides such an alternate method. We are not opposed to the method set forth in H.R. 5171; however, we feel that the mechanism proposed in H.R. 5171 for carrying out the detailed operations of coordination and control needs to be subject to the policy guidance and overall direction of the office of the President.

With reference to the policies and procedures set forth in the bill we offer the following comments for consideration.

1. We suggest that the word "electronic" as used in the bill be deleted and the word "automatic" be substituted therefor in order to place a wider range of equipment within the scope of authority of the General Services Administration.

2. The provisions of H.R. 5171 limit control by the General Services Administration over in-house Government electronic data-processing equipment. We believe that, to the maximum extent practicable, such equipment or systems required by contractors in the performance of negotiated contracts with the Federal agencies where the whole or

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a substantial part of the cost of such equipment or systems would become a part of Government contract prices should likewise be furnished by the Government with title or leasehold interest remaining in the Government subject substantially to the same laws and regulations applicable to in-house Government equipment.

3. The bill proposes to establish an electronic data-processing fund for carrying out the functions enumerated therein to be "available without fiscal year limitation." This method of financing, not requiring annual congressional authorization—as compared with budgetary and appropriation processes followed in financing activities through annual appropriations—would materially diminish congressional control over such activities and should not be permitted in the absence of justifiable need therefor. It is our opinion that an annual congressional review of operations under the fund and affirmative annual congressional authority in respect of the availability of the fund is necessary to place the activities of the General Services Administration in this area under complete congressional control. Consequently, we suggest that after the word "limitation" appearing on page 2, line 24, there be added "within such amounts as may be provided annually in appropriation acts."

4. We suggest that, after a date determined upon, existing appropriations and, unless specifically so provided, future appropriations of the agencies concerned, other than appropriations to the fund, shall not be available for the purchase, lease, or installation of automatic data-processing equipment of the types taken over by the Administrator.

5. It is our opinion that no executive agency should be exempted from the provisions of the bill except under extraordinary circumstances.

6. We note the terms "organization, or persons" appearing on page 3, line 14 of the bill. If by use of these terms it be intended to authorize the Administrator to make equipment available for, or otherwise supply services to, private organizations or persons, which would constitute an exception to section 3678, Revised Statutes, 31 United States Code 628, requiring the application of appropriations solely to the objects for which made and no other, in the absence of specific authority to the contrary, then adding the word "private" before the word "organization" would obviate any doubt in the matter.

7. In order to carry out the policy expressed in the bill with reference to the purchase, lease, maintenance, and utilization of electronic data-processing equipment, we suggest that the President be required to issue regulations to provide for adequate notice to affected agencies, and to assure each such agency independent review of the Administrator's determination in the event of disagreement with the Administrator concerning such determinations. Similarly, the Administrator of General Services should be authorized to prescribe regulations to effectuate his functions under the bill subject, of course, to the regulations issued by the President thereunder.

We believe the enactment of the bill would be in the interest of the Government and will result in considerably more economical procurement and utilization of electronic data-processing equipment. There-

fore, and subject to the changes suggested above, we favor enactment of the proposed legislation. If we can be of any further assistance in this matter please advise us.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., May 27, 1963.

Hon. WILLIAM L. DAWSON,
*Chairman, Committee on Government Operations,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: Your letter of April 1, 1963, requested the views of the General Services Administration on H.R. 5171, 88th Congress, a bill to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data-processing equipment by Federal departments and agencies.

The bill would add a new section 111 to title I of the Federal Property and Administrative Services Act of 1949, as amended (5 U.S.C. 630), which would centralize GSA control over all electronic data-processing equipment required by Federal agencies. Financing would be provided by a revolving fund established by the section. Original capitalization of the fund would be by appropriation and transfer of assets, which would be reimbursed through user charges. According to a report of the Comptroller General to the Congress, dated March 6, 1963, entitled "Study of Financial Advantages of Purchasing Over Leasing of Electronic Data-Processing Equipment in the Federal Government," there would be very substantial savings to the Government if it purchased more of its requirements for electronic computers instead of leasing as was the case with respect to 86 percent of Federal requirements in the fiscal year 1962. The report recites, as an example, that if 523 of the approximately 1,000 electronic data-processing systems installed or planned for installation in the Government on a lease basis by the end of fiscal year 1963 were purchased instead, potential savings would be about \$148 million over a 5-year period and over \$100 million annually thereafter. The Comptroller General's report concludes that "the only practical way in which the kind of coordinated management can be practiced to achieve the possible financial savings cited is through the establishment of a small, highly placed central management office in the executive branch of the Government."

In order to achieve for the Government the full use potential of automatic data-processing equipment, the requirements for which have shown stupendous growth during recent years, to assure full coordination of procurement by and use within Government, and to obtain for the Government the most economical cost possible, it is essential that centralized management and control over the procurement and use of all such equipment be established. We believe that GSA is not only the logical but the appropriate agency to provide such

a central management for the Government. Provision of this service for all Federal agencies by GSA would be consistent with the declared purpose of the Congress in creating GSA to provide for the Government an economical and efficient system of procurement of personal property and nonpersonal services, including related services such as contracting, the utilization of available property, the disposal of surplus property and records management. The utilization of automatic data-processing equipment has become so vital to the successful performance of these and many other functions of Government that they no longer can be successfully handled without the use of such equipment.

As the volume of Government transactions required to be handled continues to grow during the ensuing years and as automatic data-processing equipment becomes more technologically sophisticated, its potential for even greater application in the transaction of Government business affords the principal means by which the ever-increasing volume of Government business may be successfully carried out without proportionate increases in staff costs. At the same time it must be recognized that Government utilization of such equipment either as owner or lessee entails substantial costs.

Accordingly, to achieve for the Government the maximum economic benefits from the use of such equipment, it is highly desirable that prompt action be taken to assure (1) proper economic evaluation of such equipment now in use and proposed in the future; (2) maximum utilization of all such equipment owned or leased by the United States including arrangements for multiple agency use; and (3) that the total Government requirements for such equipment is fully brought to bear, both as to price and terms, in negotiating contracts with manufacturers for its use through purchase, lease, or other arrangements.

In our judgment the many related purposes can best be achieved through centralization of coordination and control of all aspects of the matter in a single agency.

GSA is an organization already existing within Government which possesses considerable know-how in this complex field and into which pool equipment operations and available personnel that may now be fragmented throughout Government can be integrated to the extent necessary to provide for the Government an efficient and economical system for the purchase, lease, maintenance, and use of electronic data-processing equipment. Provision of this centralized service by GSA would, as previously pointed out, be consistent with the purposes for which GSA was created.

We suggest that the word "electronic" wherever it appears in the bill be changed to read "automatic." This change is regarded as desirable to make it absolutely clear that the authority of GSA would extend to complete data-processing systems which may include electronic computers as well as such related items as punchcard equipment and tabulating machines, which, while a part of the system, may not technically be within the term "electronic."

We recommend, also, elimination of the following language which appears to have been adopted in the proposed bill from the provisions of section 110 of the act and which has no application to automatic data-processing equipment:

Page 3, line 10, "less any liabilities assumed";

Page 3, lines 18 and 19, "where appropriate for terminal liability changes".

We construe the authority which would be vested in the Administrator by the first sentence of proposed new section 111 to "control the purchase, lease, maintenance, and use" of automatic data-processing equipment by Federal agencies as broad enough to authorize the exercise of such coordination and control through issuance of appropriate regulations applicable not only to such equipment owned or leased by and in the possession of Federal agencies but also to use or services of such equipment in the possession of others and obtained by contract or other arrangement. Costs incurred by cost-type contractors for acquisition by purchase, lease, contract, or otherwise of automatic data-processing equipment or the use thereof required for the performance of such contracts, are costs which are reimbursable by Federal agencies under the terms of such contracts. This constitutes an area of indirect Government utilization of such equipment involving, so we understand, substantial cost to the United States. To remove any question as to whether the proposed authority of the Administrator to coordinate and control the purchase, lease, maintenance, and use of automatic data-processing equipment encompasses such actions by cost-type contractors where the expense is passed to the United States through reimbursement, it is recommended that the words "or at the expense of" be inserted in line 8, page 1, between the words "by" and "Federal."

The budgetary requirements of GSA resulting from enactment of this legislation would be increased to the extent of capital appropriations to the revolving fund for the purchase and lease of automatic data-processing equipment and services. Administrative and staff costs would be recovered through rental charges from the agencies using equipment owned by or leased through the fund.

Accordingly, GSA wholeheartedly endorses H.R. 5171 and urges its early enactment by the Congress.

The Bureau of the Budget has advised that, while there is no objection to the presentation to your committee of such report as we deem appropriate on H.R. 5171, other affected agencies have expressed serious concern about certain effects of the bill. Further, that the Bureau of the Budget generally shares these concerns and, accordingly, in its separate report on the legislation, opposes the bill's favorable consideration in its present form.

Sincerely yours,

BERNARD L. BOUTIN, *Administrator.*

TREASURY DEPARTMENT,
Washington, D.C., May 27, 1963.

HON. WILLIAM L. DAWSON,
*Chairman, Committee on Government Operations,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 5171, to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease,

maintenance, operation, and utilization of electronic data processing equipment by Federal departments and agencies.

The proposed legislation would vest in the Administrator of General Services all authority to coordinate and control the purchase, lease, maintenance, and use of all electronic data processing equipment by Federal agencies, and to operate or provide for the operation of such equipment.

Five bureaus of the Treasury Department own or lease a substantial number of computers and related peripheral equipment. They serve a variety of purposes including accounting for and maintaining the issue and retirement records on savings bonds; collection of revenue; compiling statistics on income; plotting courses for search and rescue; supply, fiscal and personnel management; and issuance, payment, and reconciliation of checks. In each instance, the machine was specifically designed or adapted to the function which it performs. Furthermore, personnel operating the equipment require special training.

The Department has given great emphasis to achieving the most efficient utilization of the equipment and of the trained personnel. In addition to making the fullest use required by Treasury operations, the Department permits other Government agencies to use the equipment in periods when it is not required for Treasury programs. We also handle, on a reimbursable basis, the accounting and reconciliation of the money order system of the Post Office. However, the principal use of, and need for, the equipment remain the responsibility of the Treasury Department. The proposed legislation, by centralizing control of EDP equipment in a single agency, would separate the control of the equipment from the agency having the responsibility for the program for which the equipment was specifically designed. The Treasury Department believes that this would be contrary to good managerial practice and to efficient administration.

As for the centralized maintenance of the equipment, the Department's experience indicates that it would cost more for Treasury to maintain the equipment than it would cost the supplier to furnish maintenance. Centralized maintenance should not, therefore, be undertaken unless it is clearly demonstrated that on a Government-wide basis it would be more economical than present arrangements.

Insofar as the centralized procurement of electronic data-processing equipment is concerned, the proposed legislation would be unnecessary since the General Services Administration already has authority to do this. At the present time, the General Services Administration negotiates terms and conditions of computer contracts with suppliers of equipment, but the prices are set by the supplier and procurement actions are directly between the departments and agencies and the suppliers.

In view of the above, the Treasury Department would be opposed to the enactment of the proposed legislation.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

G. D'ANDELOT BELIN, *General Counsel.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 27, 1963.

HON. WILLIAM L. DAWSON,
Chairman, Committee on Government Operations, House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for a report on H.R. 5171, a bill to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data-processing equipment by Federal departments and agencies. The following is submitted in response to your request.

We understand that a major purpose of the proposed bill is to correct the lease versus purchase situation described by the Comptroller General in his March 1963 report which he based on agency plans for fiscal year 1963. Agency plans for fiscal year 1964, the first effective year for Bureau of the Budget Circular A-54, differ significantly from those for the prior year. In the civil agencies 64 percent of all new ADP acquisitions will either be purchased or, for better budget timing, will be leased with an option to purchase in fiscal year 1965. Additionally, the civil agencies will purchase 18 presently leased computers in fiscal year 1964. Purchase policies and plans for the military departments currently are being reviewed in the Office of the Secretary of Defense.

This trend toward purchasing new ADP equipment and purchasing equipment currently leased, creates the necessity for designing procedures for utilizing Government-owned equipment when it is no longer suitable for use by the acquiring agency. However, the General Services Administration is making satisfactory progress within its present statutory authority in the development of regulations for the effective utilization of this ADP equipment as well as for taking advantage of the Government's equity in leased computers.

In the hope that it will be helpful to the committee, we plan to furnish to you in a few days a résumé of the ADP program of the executive branch, indicating its current status and future objectives. This résumé will also describe the wide range of activities, involving the GSA and other agencies, occasioned largely by the fact that the management of our ADP equipment resources is integral to program management in an agency and thus cannot be viewed in the same light as office space, typewriters, or automobiles.

In the circumstances, and for reasons outlined in the views letters of the Departments of Defense, Agriculture, Labor, and Post Office, and the Atomic Energy Commission, Federal Aviation Agency, and Tennessee Valley Authority transmitted herewith, the Bureau of the Budget does not favor enactment of H.R. 5171 in its present form. While we do not believe additional legislative authority is necessary, we will be glad to work with the committee and with other agencies concerned to develop amended or substitute legislation which might assist in the more effective use of automatic data-processing equipment without creating the problems which we believe are inherent in this bill.

Sincerely yours,

Enclosures.

PHILLIP S. HUGHES.
Assistant Director for Legislative Reference.

TENNESSEE VALLEY AUTHORITY,
OFFICE OF THE BOARD OF DIRECTORS,
Knoxville, Tenn., April 30, 1963.

Mr. PHILLIP S. HUGHES,
*Assistant Director for Legislative Reference,
Bureau of the Budget,
Washington, D.C.*

DEAR MR. HUGHES: This is in response to your legislative referral memorandum of April 10, requesting our views with respect to H.R. 5171, a bill to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data-processing equipment by Federal departments and agencies.

The bill would add a new section to the Federal Property and Administrative Services Act authorizing and directing the General Services Administration to coordinate and control the purchase, lease, maintenance, and use of electronic data-processing equipment by Federal agencies and to operate such equipment or provide for its operation by delegation of authority. The objectives of centralizing such control in GSA, according to the sponsor of the bill, are (1) greater economy in the acquisition of EDP equipment, mainly through purchase thereof in lieu of long-term rental arrangements, and (2) more effective use of such equipment through coordination among the various agencies of the Government.

These are worthwhile objectives with which we, of course, are in accord, but we do not believe additional legislation such as that proposed in H.R. 5171 is necessary to achieve them. In our opinion, the desired economy and efficiency can be obtained through voluntary action by the various Government agencies if the Congress and the administration provide the needed encouragement and funds. Moreover, we are concerned that such centralized control of EDP equipment in GSA might hinder Federal agencies in their use of what has been found to be an important tool in efficient administration and businesslike management.

It should be kept in mind that this equipment is not just another item of office equipment which falls within the recognized scope of GSA's Government housekeeping activities. More and more uses are being found for EDP equipment in carrying out Government programs, particularly in the case of an agency such as TVA which conducts extensive engineering and business-type activities. TVA has found EDP equipment of immense benefit in carrying out its program of regional development, such as in predicting and controlling the flow of the Tennessee River, in operation of its extensive power system, and in production of fertilizer materials. We believe TVA, which has responsibility for the success of these activities, is in a much better position to determine how and what items of EDP equipment can be used most effectively therein than any central agency operating out of Washington and without such responsibility would be. Actually, as far as these programs of TVA are concerned, they would not appear to be affected by the provisions of H.R. 5171 since the bill does not alter the existing exemptions under section 602(d) of the Federal Property and Administrative Services Act, but we believe that remote, centralized control of such vital equipment as applied to any agencies is wrong in principle and should be avoided.

TVA has given careful attention to economy and efficiency in its acquisition and use of EDP equipment. TVA first acquired an IBM-704 machine several years ago under lease but it was purchased outright as soon as we could determine that it met our needs. Smaller units of EDP equipment have been temporarily leased for special use but these will be replaced with purchased equipment as soon as we can determine with greater preciseness what we need. Also, we have made our EDP equipment available to AEC and other Government agencies when they need it and it can be spared. We see no reason why similar cooperative action should not be taken throughout the Government without additional legislation on the subject.

We appreciate the opportunity to comment on the bill.

Sincerely yours,

AUBREY J. WAGNER, *Chairman.*

FEDERAL AVIATION AGENCY,
Washington, D.C., May 10, 1963.

Mr. PHILLIP S. HUGHES,
*Assistant Director for Legislative Reference,
Bureau of the Budget,
Washington, D.C.*

DEAR MR. HUGHES: This is in response to your request for this Agency's views on H.R. 5171, a bill to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data processing equipment by Federal departments and agencies.

This measure would appear to vest complete authority in the Administrator of the General Services Administration to control the purchase, lease, maintenance, and use of electronic data processing equipment by Federal agencies. It is the opinion of this Agency that the establishment of such a highly centralized control over the acquisition and use of EDP equipment is both unwarranted and unwise. We fear that the attendant administrative, coordinative, and restrictive procedures which would flow from this bill would prove to be a serious impediment to the conduct of our air safety programs which rely to a great extent upon the application of EDP.

This Agency now makes extensive use of special EDP equipment in air navigation and air traffic control, flight inspection, and related communications systems. As an example, the computer systems used in the air traffic control centers to control movement of aircraft have attached to them specially designed equipment to work in conjunction with the computers. This highly specialized equipment is built to specifications which are required to satisfy the unique operational requirements for control of movement of aircraft in the air. These computer systems are used 24 hours a day and every day of the year in a "real time" environment. Information fed to the computers comes from various other special system equipment in the center and adjacent control centers, entering the computer with no intervention. The computer immediately processes information and displays the information on cathode ray tubes or prints the information on specially prepared paper strips or electromechanical displays for immediate use by the controller in making decisions relative to control of air traffic. This is but one example of how EDP equipment.

as used in this Agency is an integral part of an operational system which, to be properly managed, requires Agency control over all physical resources, including EDP equipment.

While the proposed legislation provides that GSA at its discretion may delegate certain of its authority to other agencies, this is not satisfactory assurance that we will have the decisionmaking latitude which we believe is necessary to carry out our statutory responsibilities in the most efficient and economic manner possible. In order to continue improving the control of air traffic and other highly specialized functions, we must retain full responsibility and authority over the design, installation, and maintenance of these complex systems. It has been necessary for us to develop a highly trained staff with operational, programming, and technical skills who keep abreast of these constantly changing requirements and recommend the basic decisions necessary for the development of this system. We do not believe it would be feasible for GSA to develop the substantially duplicate staff required to perform or supervise the performance of this activity.

We certainly recognize the necessity for coordination and control of EDP programs and many agencies, including FAA, have established centralized control of the acquisition and application of EDP equipment within their own organizations. This is in recognition of the large amounts of money involved, the need for maximum utilization of the equipment, the scarcity of trained personnel, and the need to integrate data systems for overall management purposes. These reasons which exist within the agencies, also apply to the Government as a whole.

H.R. 5171 suggests, however, that no mechanism now exists for providing central coordination of EDP activities throughout the Government. This is not the case. As you know, the Bureau of the Budget presently provides Government-wide coordination and control through the normal budget processes and by prescribing basic policies and standards for acquisition and joint use of EDP facilities. Simply transferring this responsibility to GSA would result in no apparent advantage to the Government. To the contrary, we believe it would only result in the creation of an additional overhead group and additional delays in reaching decisions and implementing programs.

In transferring responsibility to GSA, the subject bill would also substantially expand, and alter the nature of the coordination and control mechanisms now existing. It would inject GSA into all matters relating to EDP, including operation, utilization, transfer, multiple use, and even agency organization. These are areas where the individual agencies must have considerable discretion and authority if they are effectively to carry out their statutory functions. We do not suggest that there should be no external review or evaluation of an agency's performance in this area. The General Accounting Office is currently carrying out this function and, we would assume, in a satisfactory manner.

There would appear to be an advantage in the establishment and operation of EDP equipment pools for joint use by Government agencies, although we do not know that additional legislative authority would be required for this purpose. Similarly, the establishment of an EDP capital fund would appear to have advantages if the agencies were in a position to charge acquisition costs against the fund with

appropriate arrangements for GSA to bill agencies for the use of equipment in order to reimburse the fund. However, if to accomplish this, individual agencies must justify and obtain approval from GSA for acquisition of the equipment, any advantage would hardly be worth the additional burden and cost. The basic decisions as to acquisition and use should continue to be made within the framework of budgetary justifications and standards and policies established by the Bureau of the Budget.

There are further improvements in the EDP area which GSA could effect under existing authority. GSA is now negotiating Government-wide contracts with computer manufacturers. These negotiations have concentrated on the terms and conditions of use of the equipment and significant benefits to the Government have accrued. To date, however, GSA has not attempted to negotiate rental cost with manufacturers. For example, agencies are still generally required to pay approximately 40 percent of the basic shift rental for equipment use in excess of 176 hours per month. As a user, it is difficult for us to see the justification for this charge since the equipment is not subject to the same deterioration through use as is mechanical or electromechanical equipment. With GSA's present authority for contract negotiations, we feel they should take the initiative in negotiating equipment rental costs with manufacturers. In this connection, any significant reduction in rental for extra shift use would tend to reduce the cost advantages of purchase.

To summarize, we believe each agency, and the Government as a whole, should continue to explore and adapt mechanized processes wherever possible in order to conserve personnel resources and otherwise improve the efficiency and economy of Government operations. The control procedures established to assure that the use of EDP equipment proceeds wisely and economically should be simplified wherever possible. We are convinced that H.R. 5171 would accomplish the opposite result.

There is involved in EDP much more than a simple procurement and property utilization problem. The state of the art in aviation, for example, is evolving very rapidly. The questions as to how, when, and where to utilize EDP in the performance of our mission are so intricate it would be virtually impossible for a central agency to compose a staff capable of supervising and second-guessing the decisions which must be made. Undoubtedly, this is true in many other agencies. If the existing controls over the acquisition and use of EDP equipment as exercised by the Bureau of the Budget and the General Accounting Office are found to be inadequate, a much less drastic remedy should be explored.

Sincerely,

N. E. HALABY, *Administrator.*

U.S. ATOMIC ENERGY COMMISSION,
Washington, D.C., May 22, 1963.

Hon. KERMIT GORDON,
Director, Bureau of the Budget.

DEAR MR. GORDON: Reference is made to Mr. Rommel's legislative referral memorandum of April 10, 1963, transmitting H.R. 5171, a bill "To authorize the Administrator of the General Services Admin-

istration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data processing equipment by Federal departments and agencies."

By amending the Federal Property and Administrative Services Act of 1949, as amended, this bill would authorize the Administrator of the General Services Administration to control the purchase, lease, maintenance, and use of electronic data processing equipment by Federal agencies with the proviso that the Administrator, in his discretion, may delegate this authority in three broadly defined classes of cases. In addition, the bill would establish on the books of the Treasury an electronic data processing fund for the various expenses involved in the coordination, operation, and utilization of such equipment by and for Federal agencies. The fund is to be credited with advances and reimbursements from available appropriations and funds of any agency in the amount of the cost, as determined by the Administrator, of the equipment and services rendered to the agency.

We recognize considerable merit in the bill's objectives of centralizing and simplifying the acquisition, maintenance, and use of electronic data processing equipment, with economies possibly resulting to the Government. Nevertheless, the Atomic Energy Commission considers H.R. 5171 unacceptable in its present form for the reasons stated below.

The Atomic Energy Commission now has electronic data processing equipment representing an investment of more than \$60 million. Such equipment is used by the Commission for the most part for scientific and technical purposes, particularly in connection with development, testing, and production of weapons and reactor research and development. In these areas electronic data processing equipment requirements are so inextricably linked to the intended use that only their user is able to develop the specifications for and determine the types and configurations of equipment needed. The use of this equipment is so tied in with the Commission's exercise of its statutory responsibilities that we firmly believe coordination and control of the use of such AEC equipment by another Government agency could seriously interfere with the functions of the Commission.

We note that the bill would authorize the Administration "to require joint utilization of such equipment by two or more Federal agencies, and to establish equipment pools and data processing centers for such joint use when necessary for its most efficient and effective utilization." Inasmuch as the Commission has specific statutory responsibility under the Atomic Energy Act of 1954, as amended, with respect to security of certain classes of information, which could come into conflict with actions of the Administrator directing joint utilization or pooling arrangements, the mandatory nature of this provision could be in conflict with the Commission's responsibility for safeguarding information. For this reason we oppose the provision giving the Administrator authority to require joint utilization or pooling arrangements.

Another complication raised by the proposed bill is the fact that most of the procurement and utilization of electronic data processing equipment is accomplished for the Commission through its many contractors rather than by the AEC directly, and in many of these situations the highly specialized nature of the equipment needed

prevents orders being placed under Federal supply schedules. The Commission could not take over these procurement and utilization functions from its contractors without dislocating its present method of conducting major portions of its programs through its contractors, with resulting problems which in administrative and staffing implications alone could outweigh any economies the bill might otherwise permit. It would, of course, not be feasible or consistent with contractual relationships, and would not be contemplated by the bill as we understand it, for another agency to attempt to exercise control over AEC contractors.

We have no objection to an expansion of the activities of the Administrator in entering into open-end contracts for the purchase of electronic data processing equipment which the various Federal agencies will be free to avail themselves of when they believe that the contracts meet their needs and specifications.

In essence the Atomic Energy Commission believes that the connection between its procurement and uses of electronic data processing equipment and the fulfillment of its appointed tasks is so essential as to make it incompatible with the Atomic Energy Act to place this procurement and use under the control of another agency. Accordingly, we oppose the passage of H.R. 5171 as it applies to the Commission.

Sincerely yours,

DWIGHT A. INK,
Assistant General Manager.

OFFICE OF THE POSTMASTER GENERAL,
Washington, D.C., May 9, 1963.

HON. KERMIT GORDON,
Director, Bureau of the Budget,
Washington, D.C.

DEAR MR. GORDON: This is in reply to the request of the Assistant Director, Legislative Reference, for the views of this Department with respect to H.R. 5171, "To authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data processing equipment by Federal departments and agencies."

The Post Office Department does not favor the establishment of a central control organization for the procurement or management of electronic data processing equipment for all Federal agencies.

The use of electronic data processing equipment is vital to the day-to-day conduct of the Post Office Department business and is considered to be an essential administrative sanction of the Department.

While the bill would permit the Administrator of General Services Administration, in his discretion, to delegate the control of electronic data processing equipment in certain cases, we believe that because an exceptionally high degree of responsiveness to the data processing needs of the Department is required, it is imperative that all phases of administrative management of the equipment, personnel, job schedules, and contact with vendors remain under the direct control of the Postmaster General or his designated representative.

This Department is currently participating in the experimental regional sharing plan for electronic computers sponsored by the Bureau

of the Budget. The Department intends to continue in this effort in order to help secure maximum utilization of data processing equipment. However, it is not considered advisable to relinquish authority over the management of this function since data processing services are fundamental responsibilities of the Postmaster General.

This Department would not be opposed to the establishment of an electronic data processing fund provided such fund is available for the purchase of electronic data processing equipment if an economic evaluation of the relative costs of lease against purchase indicates that it is to the best advantages of the Government to purchase equipment and further, that the fund is available to support extraordinary one-time expenses for data processing services which may from time to time occur.

Sincerely yours,

FREDERICK C. BELEN,
Acting Postmaster General.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, May 17, 1963.

HON. KERMIT GORDON,
*Director, Bureau of the Budget,
Executive Office of the President,
Washington, D.C.*

DEAR MR. GORDON: This is in response to your request for the views of the Department of Labor on H.R. 5171, a bill to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data processing equipment by Federal departments and agencies.

This Department is keenly interested in the efficient utilization of automatic data processing equipment. However, we doubt that this will be best achieved by the enactment of H.R. 5171.

Much progress has been made in dealing with ADP problems in recent years. The establishment of a unit in the management office of the Bureau of the Budget has provided leadership for an overall Federal program. Over the past 2 years, the development of a departmentwide ADP program in the Department of Labor has begun to show results. Not only have internal central ADP services been set up, but the Department is performing work for other agencies and has utilized other Federal agency systems for its own ADP needs.

Representatives of this Department have also participated in an interagency committee sponsored by the Bureau of the Budget. As you know, the express purpose of this committee is to develop more agency expertise in ADP and create a greater awareness of the need for intragovernmental cooperation, including the sharing of equipment and the exchanging of technical assistance.

It is our position that the objectives of H.R. 5171 would be best effected through the continued improvement of our internal ADP program and through the continued leadership of the Bureau of the Budget's ADP staff, with special emphasis on interagency sharing possibilities and a careful analysis of rental-purchase arrangements.

In our opinion, the continuance of the procedures we are now following involve less cost to the Government and to the individual

agencies than would the establishment of a new organizational unit to perform essentially the same functions. The creation of such a new unit would not only be expensive, but would also create many complex administrative problems and possibly adversely affect agency operations. It would be virtually an impossible task for GSA or any agency to maintain objective control over the scheduling, arrange for the joint use of systems including all of its administrative ramifications, make decisions on the transfer of equipment in and out of agencies, allocate funds and/or make charges for ADP personnel, supplies and equipment usage, and at the same time satisfy the basic requirements of each agency.

For the foregoing reasons, we would not favor the enactment of H.R. 5171.

Yours sincerely,

W. WILLARD WIRTZ,
Secretary of Labor.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, May 16, 1963.

HON. KERMIT GORDON,
Director, Bureau of the Budget.

DEAR MR. GORDON: This is in reply to Mr. Rommel's request of April 10, 1963, for a report on H.R. 5171, a bill to authorize the Administrator of the GSA to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data-processing equipment by Federal departments and agencies.

We agree with the objectives of this bill; however, we do not believe that legislation is required to accomplish those objectives.

In Agriculture, we have established three department computer centers. The Secretary has announced that a fourth is to be established. These centers, which are operated by agencies of the Department, serve all organizations within the Department. This sharing provides accessibility to electronic data-processing equipment and experienced personnel at reasonable costs—yet the common direction, under the Secretary of Agriculture, of equipment, personnel and users, provides a manageable operation.

Small-scale computers are being made available to our scientific personnel at laboratories, engineering and research installations. This approach places another tool in these installations. There, the use of a computer can be a means of increasing the effectiveness of the available man-hours of personnel who are in very short supply.

The field of electronic data processing has advanced very rapidly in the 7 years since this Department installed its first computer—it is still developing at a tremendous rate. The rate of advancement in the use of EDP equipment is more dependent—today—on the design of systems, gaining acceptance, programing, and installation, than on the equipment. However, the success of these activities is closely dependent upon the confidence of program personnel that electronic data-processing equipment and personnel will perform as planned. This can be obtained most readily when the management of EDP and the user are within the same Department.

This bill would provide an electronic data-processing fund for purchasing computers. This objective is most desirable.

This bill would permit the establishment of centers which could be used by organizations that do not have sufficient work to fully use a computer. We use time on computers of other departments, such as the Treasury Department and the Weather Bureau. The sharing of a computer by small users is being accomplished by the Philadelphia computer sharing project sponsored by the Bureau of the Budget. Thus, this objective of the bill is now being met in three ways—department computer centers, bilateral department arrangements to share equipment, and the Bureau of the Budget sponsored multi-department equipment sharing project.

This bill would provide central control over the purchase or lease of EDP equipment. This is now provided by Bureau of the Budget standards covering any acquisition of computers. GAO audits of compliance and of utilization of equipment provide for the enforcement of these standards.

Considerable data is transmitted to computers. This, in most cases, we believe would continue even though computers were available at many locations. The cost of dual maintenance of programs of different computers would be an offsetting factor to any data transmission cost reduction. And, any standardization of equipment, which could eliminate dual programing, would be to the disadvantage of the small EDP manufacturer.

For these reasons, it appears that the objectives of the bill are being accomplished and that the bill, as proposed, would result in a decrease rather than an increase in the rate of placing work on EDP equipment.

Sincerely,

CHARLES S. MURPHY,
Under Secretary.

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,
Washington, D.C., May 21, 1963.

HON. KERMIT GORDON,
Director, Bureau of the Budget.

DEAR MR. GORDON: Reference is made to your request for the views of the Department of Defense on H.R. 5171, a bill "to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data processing equipment by Federal departments and agencies."

H.R. 5171 would add a new section 111 to title I of the Federal Property and Administrative Services Act of 1949. The new section would authorize and direct the Administrator of General Services to coordinate and control the purchase, lease, maintenance, and use of electronic data processing equipment by Federal agencies and to operate or authorize the operation of such equipment. The Administrator would be authorized to transfer such equipment between agencies, to require joint utilization by two or more agencies, and to establish equipment pools and data processing centers for joint use. In his discretion, the Administrator could delegate authority to lease, purchase, maintain, or operate (1) general classes of equipment; (2) equipment of special design needed to fulfill some unique require-

ment or special purpose of a particular agency; and (3) equipment necessary for national defense and security.

The legislation would establish on the books of the Treasury an electronic data processing fund to be available for the above purposes. Such fund would be credited with advances and reimbursements from available appropriations and funds of any agency utilizing equipment and services furnished it, and with refunds or recoveries resulting from operations of the fund. Advances and reimbursements would be based on rates determined by the Administrator which would approximate the costs thereof met by the fund.

The Department of Defense is strongly opposed to H.R. 5171. One of its effects would be to place the Administrator of General Services in the position of determining the requirements of the Department of Defense for electronic data processing equipment. Further, it would place him in control over the use of such equipment by the Department, including authority to direct its transfer to other Federal agencies in his discretion.

Electronic data processing equipment performs vital functions in connection with the defense mission. It is employed in intelligence, scientific and engineering fields, weapons fire control systems, tactical military field operations, war gaming, damage assessment, communications, and logistics operations. These systems are designed and installed to be responsive to the operational needs of commanders responsible for functions essential to the defense mission. For example, in the operation of the base supply account at most Air Force bases, electronic data processing systems are used to permit the immediate satisfaction of priority requests for repair parts. Any delay in such supply action may result in the grounding of weapon systems. In this case, the management and operation of the supply functions on a computer have become as integral a part of base operations as procedures on the flight line and in the maintenance hangar.

In the operation of the military supply system at the wholesale level, electronic data processing systems are being used extensively to furnish data necessary for making decisions at inventory control points. Such data are used in determining requirements for repair parts and components to support weapon systems, procuring materiel, scheduling and managing the rebuild of weapon systems, and filling demands for supplies on a worldwide basis. Responsibility for the design of such data systems and the requisite computer capabilities, together with the accumulation of source data and operation within established performance standards and priorities, cannot be assigned to an agency outside the Department of Defense. This management responsibility is necessary for effective control of operating Defense programs.

Similarly, programing and operation of computers installed to support intelligence and war gaming activities require the collection and storage of masses of classified information. Responsibility for the collection of data and timely operation of these electronic data processing systems is inextricably associated with the performance of the intelligence and war gaming functions. With respect to such applications, it is inconceivable that responsibility and authority for the determination of requirements and the use of electronic data processing equipment should be vested in an agency outside of the Department.

The vital role played by ADP equipment in the management and operation of Defense programs has caused the Secretary of Defense to establish controls over the selection, acquisition, operation, and utilization of such equipment throughout Defense. As prescribed by DOD instruction 5105.11, dated January 2, 1957, Subject: "Responsibility for Application of ADP Systems to Business Procedures," a senior policy official in each military department and agency has been designated to monitor the development of systems in this area. All requests for the acquisition of electronic computers for business data processing systems are submitted to the Office of the Secretary of Defense for review and approval. In the review and approval process, both at the military department and Office of the Secretary of Defense level, care is exercised to see that the need is valid and that it cannot be satisfied through use of an existing Defense installation. Procedures have been established to assure that all new computers are acquired on the basis of competitive bidding, in order that the most economical and effective alternative is followed in selecting from available ADP capability. A program of readiness reviews and performance evaluations has been used to monitor the management and utilization of these systems. Concern with the development of effective and economical data systems has resulted in DOD projects for standard procedures, codes, and programming techniques.

It is estimated that by June 30, 1963, over 800 computers will be installed supporting Defense programs—exclusive of tactical and classified applications. These electronic data processing systems cost approximately \$350 million in rental and supporting personnel. The size of this DOD program alone warrants close management surveillance by the Secretary of Defense. The integral part which these computers play in Defense managerial and operational systems makes this control a mandatory responsibility of the Secretary of Defense.

It is pointed out that electronic data processing equipment is now acquired from general schedules issued by the Administrator of General Services. The Department of Defense provides substantial technical support to the GSA in the execution of these contracts. The Department supports the continued use of GSA general schedules. Since GSA experience in this field is extremely limited (confined to 10 installations on a relatively small management application) it is assumed that the technical support rendered by DOD would still be required, and such support is assured.

With respect to the matter of lease versus purchase, this Department is in full support of the objectives of purchasing computers on the basis of maximum economic advantage to the Government and agrees that where technology in this field has become stable, substantial cost benefits may be achieved through more extensive purchasing of these equipments. In this respect, the military departments and defense agencies have been in the process of evaluating for the past several months the advantages of the various methods of acquisition; i.e., purchase, lease, or lease with option to purchase (on an item-by-item basis) for all installed equipment. This reappraisal is in consonance with DOD policies and BOB Circular A-54, and is scheduled for completion during May 1963.

In conclusion, performance of such responsibilities for the management of electronic data processing equipment by the Department of Defense is a prerequisite to the control of operating programs. Therefore, the Department opposes H.R. 5171 which would vest such responsibilities in another agency.

Sincerely,

JOHN T. McNAUGHTON.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE I OF THE FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949

TITLE I—ORGANIZATION

GENERAL SERVICES ADMINISTRATION

SEC. 101. (a) There is hereby established an agency in the executive branch of the Government which shall be known as the General Services Administration.

(b) There shall be at the head of the General Services Administration an Administrator of General Services who shall be appointed by the President by and with the advice and consent of the Senate, and perform his functions subject to the direction and control of the President.

(c) There shall be in the General Services Administration a Deputy Administrator of General Services who shall be appointed by the Administrator of General Services. The Deputy Administrator shall perform such functions as the Administrator shall designate and shall be Acting Administrator of General Services during the absence or disability of the Administrator and, unless the President shall designate another officer of the Government, in the event of a vacancy in the office of the Administrator.

(d) Pending the first appointment of the Administrator under the provisions of this section, his functions shall be performed temporarily by such officer of the Government in office upon or immediately prior to the taking of effect of the provisions of this Act as the President shall designate, and such officer while so serving shall receive the salary fixed for the Administrator.

(e) Pending the effective date of other provisions of law fixing the rates of compensation of the Administrator, the Deputy Administrator and of the heads and assistant heads of the principal organizational units of the General Services Administration, and taking into consideration provisions of law governing the compensation of officers having comparable responsibilities and duties, the President shall fix for each of them a rate of compensation which he shall deem to be commensurate with the responsibilities and duties of the respective offices involved.

TRANSFER OF AFFAIRS OF BUREAU OF FEDERAL SUPPLY

SEC. 102. (a) The functions of (1) the Bureau of Federal Supply in the Department of the Treasury, (2) the Director of the Bureau of Federal Supply, (3) the personnel of such Bureau, and (4) the Secretary of the Treasury, relating to the Bureau of Federal Supply, are hereby transferred to the Administrator. The records, property, personnel, obligations, and commitments of the Bureau of Federal Supply, together with such additional records, property, and personnel of the Department of the Treasury as the Director of the Bureau of the Budget shall determine to relate primarily to functions transferred by this section or vested in the Administrator by titles II, III, and VI, of this Act, are hereby transferred to the General Services Administration. The Bureau of Federal Supply and the office of Director of the Bureau of Federal Supply are hereby abolished.

(b) The functions of the Director of Contract Settlement and of the Office of Contract Settlement, transferred to the Secretary of the Treasury by Reorganization Plan Numbered 1 of 1947, are transferred to the Administrator and shall be performed by him or, subject to his direction and control, by such officers and agencies of the General Services Administration as he may designate. The Contract Settlement Act Advisory Board created by section 5 of the Contract Settlement Act of 1944 (58 Stat. 649) and the Appeal Board established under section 13(d) of that Act are transferred from the Department of the Treasury to the General Services Administration, but the functions of these Boards shall be performed by them, respectively, under conditions and limitations prescribed by law. There shall also be transferred to the General Services Administration such records, property, personnel, obligations, commitments, and unexpended balances (available or to be made available) of appropriations, allocations, and other funds of the Treasury Department as the Director of the Bureau of the Budget shall determine to relate primarily to the functions transferred by the provisions of this subsection.

(c) Any other provision of this section notwithstanding, there may be retained in the Department of the Treasury any function referred to in subsection (a) of this section which the Director of the Bureau of the Budget shall, within ten days after the effective date of this Act, determine to be essential to the orderly administration of the affairs of the agencies of such Department, other than the Bureau of Federal Supply, together with such records, property, personnel, obligations, commitments, and unexpended balances of appropriations, allocations, and other funds, available or to be made available, of said Department, as said Director shall determine.

TRANSFER OF AFFAIRS OF THE FEDERAL WORKS AGENCY

SEC. 103. (a) All functions of the Federal Works Agency and of all agencies thereof, together with all functions of the Federal Works Administrator, of the Commissioner of Public Buildings, and of the Commissioner of Public Roads, are hereby transferred to the Administrator of General Services. There are hereby transferred to the General Services Administration the Public Roads Administration, which shall hereafter be known as the Bureau of Public Roads, and all records, property, personnel, obligations, and commitments of the

Federal Works Agency, including those of all agencies of the Federal Works Agency.

(b) There are hereby abolished the Federal Works Agency, the Public Buildings Administration, the office of Federal Works Administrator, the office of Commissioner of Public Buildings, and the office of Assistant Federal Works Administrator.

RECORDS MANAGEMENT: TRANSFER OF THE NATIONAL ARCHIVES

SEC. 104. (a) The National Archives Establishment and its functions, records, property, personnel, obligations, and commitments are hereby transferred to the General Services Administration. There are transferred to the Administrator (1) the functions of the Archivist of the United States, except that the Archivist shall continue to be a member, or chairman, as the case may be, of the bodies referred to in subsection (b) of this section, and (2) the functions of the Director of the Division of the Federal Register of the National Archives Establishment. The Archivist of the United States shall hereafter be appointed by the Administrator.

(b) There are also transferred to the General Services Administration the following bodies, together with their respective functions and such funds as are derived from Federal sources: (1) the National Archives Council and the National Historical Publications Commission, established by the Act of June 19, 1934 (48 Stat. 1122), (2) the National Archives Trust Fund Board, established by the Act of July 9, 1941 (55 Stat. 581), (3) the Board of Trustees of the Franklin D. Roosevelt Library, established by the Joint Resolution of July 18, 1939 (53 Stat. 1062), and (4) the Administrative Committee established by section 6 of the Act of July 26, 1935 (49 Stat. 501), which shall hereafter be known as the Administrative Committee of the Federal Register. The authority of the Administrator under section 106 hereof shall not extend to the bodies or functions affected by this subsection.

(c) The Administrator is authorized (1) to make surveys of Government records and records management and disposal practices and obtain reports thereon from Federal agencies; (2) to promote, in cooperation with the executive agencies, improved records management practices and controls in such agencies, including the central storage or disposition of records not needed by such agencies for their current use; and (3) to report to the Congress and the Director of the Bureau of the Budget from time to time the results of such activities.

TRANSFER FOR LIQUIDATION OF THE AFFAIRS OF THE WAR ASSETS ADMINISTRATION

SEC. 105. The functions, records, property, personnel, obligations, and commitments of the War Assets Administration are hereby transferred to the General Services Administration. The functions of the War Assets Administrator are hereby transferred to the Administrator of General Services. The War Assets Administration, the office of the War Assets Administrator, and the office of Associate War Assets Administrator are hereby abolished. Personnel now holding appointments granted under the second sentence of section 5(b) of the

Surplus Property Act of 1944, as amended, may be continued in such positions or may be appointed to similar positions for such time as the Administrator may determine.

REDISTRIBUTION OF FUNCTIONS

SEC. 106. The Administrator is hereby authorized, in his discretion, in order to provide for the effective accomplishment of the functions transferred to or vested in him by this Act, and from time to time, to regroup, transfer, and distribute any such functions within the General Services Administration. The Administrator is hereby authorized to transfer the funds necessary to accomplish said functions and report such transfers of funds to the Director of the Bureau of the Budget.

TRANSFER OF FUNDS

SEC. 107. (a) All unexpended balances of appropriations, allocations, or other funds available or to be made available, for the use of the Bureau of Federal Supply, the War Assets Administration, the Federal Works Agency, and the National Archives Establishment, and so much of the other unexpended balances of appropriations, allocations, or other funds of the Department of the Treasury, available or to be made available, as the Director of the Bureau of the Budget shall determine to relate primarily to functions transferred to or vested in the Administrator by the provisions of this Act, shall be transferred to the General Services Administration for use in connection with the functions to which such balances relate, respectively.

(b) When other functions are transferred to the General Services Administration from any Federal Agency, under section 201 (a) (2) or (3), or otherwise under this Act, there shall be transferred such records, property, personnel, appropriations, allocations, and other funds of such agency to the General Services Administration as the Director of the Bureau of the Budget shall determine to relate primarily to the functions so transferred.

STATUS OF TRANSFERRED EMPLOYEES

SEC. 108. Subject to other provisions of this title relating to personnel, employees transferred by the provisions of this title shall be deemed to be employees of the General Services Administration and their reappointment shall not be required by reason of the enactment of this Act.

GENERAL SUPPLY FUND

SEC. 109. (a) There is hereby authorized to be set aside in the Treasury a special fund which shall be known as the General Supply Fund. Such fund shall be composed of the assets of the general supply fund (including any surplus therein) created by section 3 of the Act of February 27, 1929 (45 Stat. 1342; 41 U.S.C. 7c), and transferred to the Administrator by section 102 of this Act, such sums as may be appropriated thereto, and the value, as determined by the Administrator, of inventories of personal property from time to time transferred to the Administrator by other executive agencies under authority of section 201(a)(2) to the extent that payment is not made or credit allowed therefor, and the fund shall assume all of the

liabilities, obligations, and commitments of the general supply fund created by such Act of February 27, 1929. The General Supply Fund shall be available for use by or under the direction and control of the Administrator (1) for procuring personal property (including the purchase from or through the Public Printer, for warehouse issue, of standard forms, blankbook work, standard specifications, and other printed material in common use by Federal agencies not available through the Superintendent of Documents) and nonpersonal services for the use of Federal agencies in the proper discharge of their responsibilities, and (2) for paying and purchase price, transportation of personal property and services, and the cost of personal services employed directly in the repair, rehabilitation, and conversion of personal property.

(b) Payment by requisitioning agencies shall be at prices fixed by the Administrator. Until July 1, 1950, such prices shall be fixed in accordance with law and regulations applicable on the date of enactment of this Act to prices fixed by the Director of the Bureau of Federal Supply. Such prices shall be fixed at levels so as to recover so far as practicable the applicable purchase price, the transportation cost, inventory losses, the cost of personal services employed directly in the repair, rehabilitation, and conversion of personal property, and the cost of amortization and repair of equipment utilized for lease or rent to executive agencies. Requisitioning agencies shall pay by advance of funds in all cases where it is determined by the Administrator that there is insufficient capital otherwise available in the General Supply Fund. Advances of funds also may be made by agreement between the requisitioning agencies and the Administrator. Where an advance of funds is not made, the General Services Administration shall be reimbursed promptly out of funds of the requisitioning agency in accordance with accounting procedures approved by the Comptroller General: *Provided*, That in any case where payment shall not have been made by the requisitioning agency within forty-five days after the date of billing by the Administrator or the date on which an actual liability for personal property or services is incurred by the Administrator, whichever is the later, reimbursement may be obtained by the Administrator by the issuance of transfer and counterwarrants, or other lawful transfer documents, supported by itemized invoices.

(c) The General Supply Fund shall be credited with all reimbursements, advances of funds, and refunds or recoveries relating to personal property or services procured through the fund, including the net proceeds of disposal of surplus personal property procured through the fund and receipts from carriers and others for loss of, or damage to, personal property procured through the fund; and the same are hereby reappropriated for the purposes of the fund.

(e) The Comptroller General of the United States shall make an annual audit of the General Supply Fund as of June 30, and there shall be covered into the United States Treasury as miscellaneous receipts any surplus found therein, all assets, liabilities, and prior losses considered, above the amounts transferred or appropriated to establish and maintain said fund, and the Comptroller General shall report to the Congress annually the results of the audit, together with such recommendations as he may have regarding the status and operations of the fund.

(f) Subject to the requirements of subsections (a) to (e), inclusive, of this section, the General Supply Fund also may be used for the procurement of personal property and nonpersonal services authorized to be acquired by mixed-ownership Government corporations, or by the municipal government of the District of Columbia, or by a requisitioning non-Federal agency when the function of a Federal agency authorized to procure for it is transferred to the General Services Administration.

(g) Whenever any producer or vendor shall tender any article or commodity for sale or lease to the General Services Administration or to any procurement authority acting under the direction and control of the Administrator pursuant to this Act, the Administrator is authorized in his discretion, with the consent of such producer or vendor, to cause to be conducted, in such manner as the Administrator shall specify, such tests as he shall prescribe either to determine whether such article or commodity conforms to prescribed specifications and standards, or to aid in the development of contemplated specifications and standards. When the Administrator determines that the making of such tests will serve predominantly the interest of such producer or vendor, he shall charge such producer or vendor a fee which shall be fixed by the Administrator in such amount as will recover the cost of conducting such tests, including all components of such cost, determined in accordance with accepted accounting principles. When the Administrator determines that the making of such tests will not serve predominantly the interest of such producer or vendor, he shall charge such producer or vendor such fee as he shall determine to be reasonable for the furnishing of such testing service. All such fees collected by the Administrator may be deposited in the general supply fund to be used for any purpose authorized by subsection 109(a) of this Act.

SEC. 110. There is hereby authorized to be established on the books of the Treasury, a Federal telecommunications fund, which shall be available without fiscal year limitation for expenses, including personal services, other costs, and the procurement by lease or purchase of equipment and operating facilities (including cryptographic devices) necessary for the operation of a Federal telecommunications system, to provide local and long distance voice, teletype, data, facsimile, and other communication services. There are authorized to be appropriated to said fund such sums as may be required which, together with the value, as determined by the Administrator, of supplies and equipment from time to time transferred to the Administrator under authority of section 205(f), less any liabilities assumed, shall constitute the capital of the fund: *Provided*, That said fund shall be credited with (1) advances and reimbursements from available appropriations and funds of any agency (including the General Services Administration), organization, or persons for telecommunication services rendered and facilities made available thereto, at rates determined by the Administrator to approximate the costs thereof met by the fund (including depreciation of equipment, provision for accrued leave, and where appropriate, for terminal liability charges and for amortization of installation costs, but excluding, in the determination of rates prior to the fiscal year 1966, such direct operating expenses as may be directly appropriated for, which expenses may be charged to the fund and covered by advances or reimbursements from

such direct appropriations) and (2) refunds or recoveries resulting from operations of the fund, including the net proceeds of disposal of excess or surplus personal property and receipts from carriers and others for loss of or damage to property: *Provided further*, That following the close of each fiscal year any net income, after making provision for prior year losses, if any, shall be transferred to the Treasury of the United States as miscellaneous receipts.

SEC. 111. (a) The Administrator is authorized and directed to coordinate and control the purchase, lease, maintenance, and use of automatic data processing equipment by, or at the expense of, Federal agencies, and to operate or provide for the operation by delegation of authority or otherwise, of such equipment.

(b) Automatic data processing equipment suitable for efficient and effective use by Federal agencies shall be provided by the Administrator through purchase, lease, transfer of equipment from other Federal agencies, or otherwise and the Administrator is authorized and directed to provide by contract or otherwise for the maintenance and repair of such equipment. In carrying out his responsibilities under this section the Administrator is authorized to transfer automatic data processing equipment between Federal agencies, to require joint utilization of such equipment by two or more Federal agencies, and to establish equipment pools and data processing centers for such joint use when necessary for its most efficient and effective utilization: Provided, That the Administrator, in his discretion, may delegate authority to lease, purchase, maintain, or operate individual automatic data processing systems or specific units of equipment, when such action is necessary for the economy and efficiency of operations, or when such action is essential to defense or security: Provided further, That the Administrator, in his discretion, prior to the beginning of fiscal year 1966, may delegate authority to lease, purchase, maintain, or operate automatic data processing equipment to the various Federal agencies to the extent necessary and desirable to allow for the orderly implementation of this utilization program.

(c) There is hereby authorized to be established on the books of the Treasury an automatic data processing fund, which shall be available without fiscal year limitation for expenses, including personal services, other costs, and the procurement by lease, purchase, transfer, or otherwise of equipment, maintenance and repair of such equipment by contract or otherwise, necessary for the efficient coordination, operation, utilization of such equipment by and for Federal agencies: Provided, That a report of receipts, disbursements, and transfers to miscellaneous receipts under this authorization shall be made annually in connection with the budget estimates to the Director of the Bureau of the Budget and to the Congress.

(d) There are authorized to be appropriated to said fund such sums as may be required which, together with the value, as determined by the Administrator, of supplies and equipment from time to time transferred to the Administrator, shall constitute the capital of the fund: Provided, That said fund shall be credited with (1) advances and reimbursements from available appropriations and funds of any agency (including the General Services Administration), organization, or contractor utilizing such equipment and services rendered them, at rates determined by the Administrator to approximate the costs thereof met by the fund (including depreciation of equipment, provision for accrued leave, and for amortization of installation costs, but excluding, in the determination of rates

prior to the fiscal year 1966, such direct operating expenses as may be directly appropriated for, which expenses may be charged to the fund and covered by advances or reimbursements from such direct appropriations) and (2) refunds or recoveries resulting from operations of the fund, including the net proceeds of disposal of excess or surplus personal property and receipts from carriers and others for loss of or damage to property: Provided further, That following the close of each fiscal year any net income, after making provisions for prior year losses, if any, shall be transferred to the Treasury of the United States as miscellaneous receipts.

(e) The proviso accompanying section 201(a) (63 Stat. 383), the provisions of section 602(d) (63 Stat. 401), and any other provisions of the Federal Property and Administrative Services Act of 1949, as amended (63 Stat. 377), or of any other provisions of law which are inconsistent with the purposes and provisions of section 111 shall not be applicable.

