

TO: R. G. Mills

8/27/69

FROM: J. H. Saltzer

SUBJ: Further reactions to GE/Multics financing proposal.

As a basis for comparison with what one might expect as a proposal from GE if its management felt solidly behind the introduction of Multics and expected its eventual success, I suggest that you consider the following line of reasoning?:

1. Identify a hardware configuration which is expected to produce an optimum cost/performance ratio for the state of the system expected on January, 1971. Suppose for sake of argument that such a configuration involved equipment with ~~a commercial rental of \$175K/mo and~~^{an} educational rental of \$140K^{and} with operating costs of \$25K/month.
2. Estimate the performance of the operating system in terms of number of user console hours sellable as of January, 1971, and set ~~and~~^{assuming such performance and such} IPC price schedules ~~so~~[^] that the \$165K/month costs identified in 1) would be recovered at the usual IPC break-even point of system load (e.g., 2/3 capacity)
3. Turn the system on in October, 1969 at the rates determined in 2). All revenue ~~beyond the figure of~~^{between} \$25K/month and ~~up to~~^(e.g., basic operation cost) \$165K/month ~~would be turned over to GE as payment of rent~~^(e.g., all operating cost is GE rental all equipment itself) ~~of~~^{for} the ~~system~~[^] fraction of the system utilized, ~~with~~^{with} a guarantee that at least \$25K/month will be paid regardless of utilization.
4. Usage by GE for any purpose and usage by the MAC Computer System Research group for direct Multics development would be billed at the same ~~rate~~^{rate} to GE, and all revenue from such billing would be turned over to GE.

Such a proposal should be viewed as an innocently optimistic appraisal of what "could be", and could be used as a yardstick to measure actual proposals against. It might even provide some useful ideas as input to the negotiations.

cc.: Licklider
Corbató
Daley