# What an AS/400 Actually Costs

A worked TCO example from a real engagement, sanitized, shown at both horizons

*One company · four cost lines · 3% inflation · your numbers will differ; that's the point*

## The baseline: what staying costs

| Cost line | Year 1 | 5-yr total | 7-yr total |
|---|---|---|---|
| Internal labor: two dedicated FTEs, fully loaded | ~$325,000 | ~$1.73M | ~$2.49M |
| External support contract with a managed services partner | ~$390,000 | ~$2.06M | ~$2.98M |
| Hardware maintenance | ~$36,000 | ~$190K | ~$275K |
| Software licensing | ~$190,000 | ~$1.0M | ~$1.45M |
| **Total** | **~$940,000** | **~$5.0M** | **~$7.2M** |

### The visible cost is the smallest cost

Maintenance and licensing, the lines everyone quotes, come to ~$226K a year: 24% of the truth. The rest hides in budget lines that never say AS/400.

### People are 76% of the bill

Two FTEs plus the support contract: ~$715K a year. The scarcer RPG skills get, the faster those rows grow.

## The replacement math, at both horizons

Investment: ~$3.0M across the first two years, roughly $700K then $2.3M, delivered in 90-day increments that each pull a complete business capability off the platform, each one stoppable. New run cost: ~$185,000 a year from year three, one person plus ~$19K in software. The annual bill drops 81%.

| Horizon | Staying | Replacing | Reduction | Kept |
|---|---|---|---|---|
| 5 years | ~$5.0M | ~$3.6M | 28% | ~$1.4M |
| 7 years | ~$7.2M | ~$4.0M | 45% | ~$3.2M |

**At five years the cumulative cash flow is still slightly underwater; payback lands in year six. At seven years the model shows a net present value of about +$1.6M and a 16% internal rate of return against a 15% hurdle. Most TCO pitches only show you the second row. We show both, because the first row is the one your CFO will find.**

*Deliberately left out (all of it makes the case stronger): frozen business capabilities, key-person risk, audit exposure, the AI initiatives waiting on the platform's data, and the hardware-refresh and licensing changes that turn the steady 3% line into a step function. If the conservative math clears the bar, the rest is margin.*

## Build your own baseline in five lines

1. Fully loaded cost of every internal person who mostly keeps the platform running
2. Every external contract that exists because of the platform: managed services, RPG contractors, specialist support
3. Hardware maintenance and any planned refresh
4. Software maintenance and licensing
5. Add 3% a year and multiply out to five years; run it again at seven, because the horizon changes the verdict