

IBM Rental Practice

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When giving the 1401 demo, I often ask audience members to hold up their smart phones and then later ask what they paid for them. Answers are from \$50 to \$500.

Then I say, "Well the 1401 could be had for as little as (pause) \$2,500 (pause) per month (pause) rental!" That's always good for a laugh or a gasp. Then I add, "That represents about \$20,000 per month in today's dollars"—another gasp. And I add that most 1401's rented for far more than \$2,500, often \$6,000, \$8,000, or \$10,000."

There is another point that I don't mention in the presentation but that is important, I think. That is that the \$2,500 (or any rental) was for was for one shift of use—176 hours per month.

The 1401 and later main frames from IBM had meters and every month the customer would write down the beginning and ending meter readings, subtract and if over 176 hours wrote a check for the overage.

As a matter of fact, the metered usage policy came into effect during the life of the 1401. Customer Engineers installed meters in the field on the early 1401's that had been delivered without meters.

The one-shift rental policy did not start with computers. IBM had always rented equipment and as far as I know, had always charged for extra shift usage. But the use of meters was new to computers. I am not aware of any punched card equipment that had meters.

Nor do I know what the extra shift rental was. Several of us seem to remember that extra hours were charged at a rate of 40% of the base but we all agree that our memory is very fallible these days.

Of course, customers who purchased IBM equipment did not pay extra-shift "rental" but they did have to pay for extra shift Customer Engineering support if they wanted that support in other than prime shift times. It should be noted that IBM made exceptions for "end of quarter" or "end of year" processing and sometimes other special situations.

In the late 60's, a number of companies were formed to buy equipment from IBM and then lease it, for a fixed term, to IBM users at a lower price than the IBM rental. In 1971, in response to competition from those "leasing companies," IBM offered a "Fixed Term Plan" (FTP) which eliminated the extra shift charges for those who used this plan. But, of course, that plan tied the customer into that equipment for a fixed amount of time.

The meter policy was not badly received by customers. The meters only ran when the CPU was actually executing instructions. While waiting for an operator to respond to a "halt" or waiting for the last card to be read—the meter did not record. So some customers actually saw a decrease in what they paid IBM.

While I can remember some grumbling, my customers seemed to understand and more or less accept the extra shift rental policy.



The meters on the Connecticut 1401



The meters on the German 1401

Note the two meters and key hole. The right hand meter recorded CE hours, that is the time that the IBM Customer Engineer used the machine for maintenance—either preventative maintenance or fixing a problem. The CE had a key that changed to CE mode.



The meters on our /360.