

31. Immediate savings resulting from the new system will be a substantial reduction in overtime pay, the cost of spoiled passports and 2.3 man-years. In terms of dollars these savings are estimated as follows:

Overtime pay	-	\$ 4,850
Spoiled passports	-	3,120
2.3 man-years	-	4,870
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		\$12,840

32. The savings then available to amortize the cost of the new system are \$12,840 and the pay out period in terms of years is -

$$\frac{\$41,600}{12,840} = 3.2 \text{ (years).}$$

This period is well within the maximum of five years normally allowed to pay for new equipment. However, the decision to buy or not to buy cannot be made solely on this basis. The benefits to be derived can be only partly related to dollars. While it is true that the ability to demonstrate actual dollar savings is the most convincing test as to whether or not a new system should be purchased, the intangible benefits to be derived should not be overlooked and may be as equally or more important as tangible savings. In this particular application the principal intangible benefit to be achieved, namely, the provision of a greatly improved service to the public is considered to be of more importance than the dollar savings. And the fact remains that present equipment is obsolete and must be replaced.