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TELEX TO: J.P. GLAS - AO Bldg. - Bridgeport

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Proposed Revisions to Model 700 ADL Product Specifications

A "high-spot" analysis of current M/700 ADL costs and the effects of proposed revisions to the product specifications has been completed based on a list of proposed features provided by Marketing and Research. All costs are stated in current dollars and are based on current labor, material, and burden rates.

Three sets of specifications and a total of 25 revised features were proposed. Detailed processes and project expenditure estimates were not provided. The net cost effect of each feature was estimated relative to current M/700 ADL specifications and volume. The estimated factory cost for each proposed set of specifications are summarized in the following table:

Feature	Net Cost Effect		Proposals		
	Full Allocation	Incremental	Marketing	Ilion I	Ilion II
Present M/700 ADL	--	--	\$ 138.62	\$ 138.62	\$ 138.62
1. Cut Checkering	\$ 6.21	\$ 3.62	Yes	Yes	Yes
2. Open Sights	--	--	No	No	No
3. Delete Open Sights	(5.29)	(3.63)	Yes	Yes	Yes
4. Scope Rings	15.63	12.63	Yes	No	No
5. Cast Follower	--	--	Yes	No	No
6. Formed Follower	(3.20)	(2.51)	No	Yes	Yes
7. Soft Rubber Butt Pad	Not Evaluated ¹		No	No	No
8. Simplified Butt Plate	(.25)	(.17)	Yes	Yes	Yes
9. Delete Jeweled Bolt	(.38)	(.28)	No	Yes	Yes
10. Plain Bolt Handle	Not Evaluated ²		No	Yes	Yes
11. Present Bolt Handle	--	--	Yes	No	No
12. BDL Floor Plate	3.90	2.95	Yes	No	Yes
13. RKW-Finish	--	--	Yes	No	No
14. Lacquer Finish	(5.29)	(4.26)	No	Yes	Yes
15. Monte Carlo	--	--	Yes	No	No
16. Cheekpiece	--	--	Yes	No	No
17. Grip Cap	.28	.19	Yes	No	No
18. "Classic" Style Stock	(.96)	(.70)	No	Yes	Yes
19. Swivel Studs	1.02	.76	Yes	No	Yes
20. Sling	Not Evaluated ¹		No	No	No
21. Walnut Stock	--	--	Yes	Yes	Yes
22. Alternate Wood	Not Evaluated ¹		No	No	No
23. High Gloss Finish	--	--	Yes	Yes ³	No
24. Satin Finish	--	--	No	Yes	Yes
25. Delete Bolt Lock	(.04)	(.03)	No	No	No
Estimated Full Allocation Factory Cost			\$ 160.09	\$ 129.42	\$ 134.34

Proposed Revisions to Model 700 ADL Product Specifications - (cont'd.)

Footnotes to Table

1. Although listed, these features were not estimated because they were deleted in the Marketing and Ilion proposed specifications.
2. A plain bolt handle was not evaluated because neither detailed process estimates nor purchased cost data were currently available.
3. Proposal Ilion I called for high gloss lacquer finish. This feature was estimated based on process costs for the low-lustre M/788 lacquer finish.

As a further basis for comparison, the following table shows estimated pre-tax earnings and percentage margin at current M/700 ADL pricing for each proposal, plus calculated net and retail selling prices to yield stated percentage margin levels.

	<u>Present</u> <u>M/700 ADL</u>	<u>Marketing</u>	<u>Ilion I</u>	<u>Ilion II</u>
Current Retail Selling Price	\$ 334.95	\$ 334.95	\$ 334.95	\$ 334.95
Current Net Selling Price	\$ 177.44	\$ 177.44	\$ 177.44	\$ 177.44
Pretax Earnings	\$ 18.59	(\$ 1.54)	\$ 27.40	\$ 22.79
% of Net Selling Price	10.5%	(0.9%)	15.4%	12.5%
<u>Calculated Prices</u>				
<u>for 10% Margin</u>				
Retail Selling Price	\$ 332.58	\$ 384.10	\$ 310.51	\$ 322.21
Net Selling Price	\$ 176.19	\$ 203.47	\$ 164.49	\$ 170.75
<u>for 15% Margin</u>				
Retail Selling Price	\$ 356.40	\$ 411.60	\$ 332.74	\$ 345.39
Net Selling Price	\$ 188.80	\$ 218.04	\$ 176.27	\$ 182.97
<u>for 20% Margin</u>				
Retail Selling Price	\$ 383.61	\$ 443.02	\$ 358.15	\$ 371.76
Net Selling Price	\$ 203.22	\$ 234.69	\$ 189.73	\$ 196.94
<u>for 25% Margin</u>				
Retail Selling Price	\$ 415.51	\$ 479.89	\$ 387.95	\$ 402.70
Net Selling Price	\$ 220.13	\$ 254.22	\$ 205.52	\$ 213.33

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By: T.R. Andrews

TRA/kc