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Comparison on Operating Alternatives
Dept. 8544 - N/C Checkering - 5 Day/3 Shift Operation
vs. 7 Day/3 Shift Operation

Based upon increased 1984 requirements, a comparison on operating alternatives has been completed for the N/C checkering, multi-head (3 spindle) machines in Department 8544.

The comparison shows two operating conditions and their related costs. In "Case A", the first condition, a five (5) day, three (3) shift operation is in existence. In "Case B", a seven (7) day, three (3) shift operation is utilized.

Based upon the anticipated volumes in 1984, "Case A" would need an additional three (3) machines to meet requirements. In "Case B", only one (1) additional machine would need to be purchased. This one item represents a difference in "Case B" from "Case A" in capital expenditures and related project operation costs of \$959,500.

Other major differences include:

- 1- Labor - "Case B" is higher due to a 10% anticipated shift bonus paid to all employees for a rotating shift concept.
- 2- Maintenance and Energy - "Case B" is lower due to the difference in the number of machines needed to meet 1984 requirements.
- 3- Depreciation - is a major factor because of the number of machines needed to meet 1984 requirements. We need three (3) in "Case A" and we only need one (1) in "Case B".

Overall operating costs for "Case A" will be \$563,120 in 1984. In "Case B", the costs are \$474,640. This represents a gross savings before administration expense of \$88,480.

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vs. 7 Day/3 Shift Operation - (cont'd.)

To further illustrate the difference, if we were operating under the "Case B" assumptions, economic justification to go to "Case A" would not be favorable.

The above comparison shows that "Case B" will provide us with the needed requirements in 1984 at the lowest cost. Further steps must now be taken to assure the plan will be successful in 1984.

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