

The second column shows the project adjusted for the lower total plant volume now forecast. The change essentially affects only the full factory cost and operative earnings.

The last three columns indicate the effect of the design differences for caliber 30-30. The higher manufacturing cost materially reduces the operative earnings. This caliber still has an adequate return on total capital required, 30%, since no additional equipment over and above that for the calibers 308 and 222 is needed to produce it.

In summary, the economics indicate an adequate return on investment but an inadequate profit margin. The low profit margin threatens the objective of the rifle to compete directly with the Winchester Model 94, and it may be necessary to increase the price. A \$10.00 price increase to \$95.00 would raise the margin to about 15% on calibers 308 and 222 and to about 10% on caliber 30-30. 83

RIM FIRE RIFLES

XR-5 ROLLING BLOCK RIFLE

The Committee reviewed a current appraisal, Figure 1, of the Rolling Block rifle. The comparison of the full cost operative earnings and operative earnings as % of net selling for the Model 514 and Rolling Block indicate the Rolling Block will reduce the \$1.57 operative loss of the Model 514 but will not have an adequate profit margin (6%). The Rolling Block will increase cash earnings and has an adequate return on the total capital required.

The Sales Department stated the review of the rifle with their Field Representatives indicated a sales potential in the range of 25,000 to 30,000 a year. Based on a 30,000 per year forecast and the attached Figure 1, the Rolling Block would increase operative earnings approximately \$64,000 per year with a return on total capital required of 36%.

The Committee reviewed the need for this rifle. Remington must have a low priced single shot rifle and the XR-5 would provide this with increased earnings over the present Model 514. The return on total capital required is adequate and the estimated pay-out period to recover the project cost of \$190,000 is approximately 3½ years.

Research reviewed the status of design for preparing a construction project. The status is similar to the Model 1100 where its initial construction project was prepared. One prototype model has been built but has not been extensively tested. However, the smaller magnitude of the project and the comparative design simplicity reduces the risk. Particular problems are the design of the die