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REMINGTON ARMS CO.
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M/700 Restyling

ILION RESEARCH DIVISION

A "high-spot" economic analysis of the proposed M/700 restyling has been completed based on pricing, volumes, and product specifications supplied by Marketing. It should be noted that design of many of these specifications has not been completed, and estimated costs were based on the best available information. However, substantial variations may result when designs and processing are finalized.

The results of this analysis are presented in the three attached tables. The first (Comparison of Factory Cost by Feature) shows the estimated factory cost effect of the product features which differentiate the current and proposed M/700 product lines. The cost of each feature is expressed as its net cost compared to the comparable feature in the current M/700 ADL which it replaces (if any). The costs in this table are presented in 1982 dollars on a full allocation cost basis.

The second and third tables show the estimated unit prices, costs, and pre-tax earnings, and estimated project results for the first year of operation (1983). These costs are expressed at anticipated 1983 wage, price, and cost levels. The M/700A low cost bolt action rifle is not included in these tables as it is not scheduled for introduction until 1984.

The results of this analysis indicate the percentage margin for the M/700 product line would be reduced by the increased cost of the proposed additional features (as Marketing indicates there would be no corresponding price increase). This reduced margin results in negative net earnings in the full allocation results from this project. However, the incremental results from this proposal show additional net earnings of \$902M and a 14.8% net return on investment.

J. C. Hutton
J.C. Hutton, Superintendent
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Attached