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M/700-BDL SKIPLINE CHECKERING

Marketing has requested that only M/700-BDL guns with the new skipline checkering be shipped against 1978 orders. This decision has created a number of unexpected problems and conditions which should ~~at least~~ be recognized.

There are about 11,000 M/700-BDL guns currently in the warehouse with "old style" checkering. These guns were produced in the second half of 1977, for inventory buildup for 1978. Recent discussions with Marketing indicate they plan to dispose of these guns by special handling at reduced prices. However, those specifications for which annual requirements have already been produced and no additional production is planned this year, they would prefer to restock the guns with skipline checkered wood. These specifications include the varmint specials in 243 caliber and 6 mm caliber, and the regular 222 caliber for a total of 3,440 guns.

There are basically two options to this problem. The first option is to restock the 3,440 warehouse guns with skipline checkered wood as suggested by Marketing. This option will result in reduced availability of BDL's by 3,440 units due to fully scheduled (7-day, 3-shift) cut checkering capacity. These units could be made up with the M/700-ADL, if needed. The out-of-pocket cost of restocking would amount to \$73,500. In addition, most of the "old style" stocks removed from the guns would be scrapped with a write-off value of about \$46,500. (The demand for these stocks in Arms Service is about 75 units/year.) Approximately three months would be required to make preparations and produce the required restocked guns. The reduced availability problem could be circumvented by hand

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checkering the replacement stocks. This would cost approximately \$112,000 on an out-of-pocket basis, with the write-off per unit scrapped still being incurred. If done in-house, ~~4~~<sup>4</sup> people would need to be hired for a period of 9 months. Between the hiring, training, production and checkering times, the required restocked guns would begin arriving in the warehouse in about 3 months and be complete in about 12 months.

The second option available would be to reproduce the problem specifications and "special handle" the "old style" checkered guns currently in the warehouse.

This option would reduce availability of other needed <sup>BDL</sup> specifications by 3,440 guns and could feasibly saturate the market such that the skipline checkered guns would become a warehouse burden. An additional consideration is that the guns with skipline checkering would not be available before July, 1978.

X The full impact of the alternatives cannot be fully assessed without data on "special handling" prices, effect of reduced availability resulting from both restocking and reproduction, and the effect of overproduction of the critical specifications. Discussions with Marketing should continue to develop the most appropriate course of action.

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