

CENTER FIRE RIFLES - contd.MODEL 742X RIFLE - AUTOLOADING CENTER FIRE - contd.

The Study Group Chairman reported that Committee guidance is needed on how to proceed with this program. Fifty economic cases have been evaluated from full family replacement at 450,000 units per year down to a single model at 5,000 units per year. The full family, less Model 760X; autoloaders only and individual models have been evaluated.

The current proposal is to introduce the Model 742X magnum at low volume and including interchangeable Barrel sets of different calibers. It appears that this will meet the minimum 5% ROI. A two-part project was envisioned; however, the high investment commitments required in Part I indicate the need for further evaluation to determine if this risk is warranted to obtain mid-1976 introduction rather than January, 1977 introduction. It was also emphasized that current estimates are to a $\pm 20\%$ accuracy. The $- 20\%$ factory cost has been used and may not be valid when firm estimates are completed.

Some detail of the EVAL IV computer evaluation was reviewed. These analyses were made to determine project strategy - relative evaluation - not project economics. Line manufacturing capable of producing the full family of guns yielded 4% ROI at 70,000 units per year. Job line evaluation, with capital varying with volume, showed the highest ROI at low volume. The Model 742X Magnum, which would be sold at the greatest premium price and with least erosion of current sales, proved to be the most economically attractive base for testing this design concept in the market. The addition of extra Barrel sets enhanced the economics. This proposal provides minimum risk, requires no new building space and will provide the opportunity to reduce manufacturing costs. Exhibit 2 shows ROI versus volume. Investment credits for building and equipment would increase ROI about 1%.

Sensitivity analysis of this Model 742X Magnum case shows that:

- . Selling price - $+20\%$ doubles ROI.
- . Factory cost - $+20\%$ reduces ROI 50%.
- . Simultaneous $+20\%$ on selling price and $+20\%$ on factory cost - increases ROI 50%.
- . Investment - $+20\%$ has much less effect on ROI than either of the above variables.