

to date, we have a high level of confidence in the success of this program, and support the recommendation that procurement of long delivery items for the Lonoke equipment be made as soon as practical. In the meantime, the Research program will continue through 1980 and 1981, with emphasis placed on equipment and tooling development for the remaining gauges, and product runs in the plants, using bodies produced on Semi-Works equipment. Based on current schedules, we anticipate startup of the Bridgeport equipment by mid-1981.

"With approval of the Lonoke equipment project early next year, it is conceivable that conversion to the new unibody process could be complete during 1982, with the first full year of savings being realized in 1983.

"The second item in the 'Commitments' category is the 21MM Seismic System in which our near-term Research objective is to provide developmental quantities of ammunition until production equipment is available later this year. The potential incentive in this effort is increased pretax earnings of \$1,875,000 per year, based on a volume of 7,000,000 rounds. As a step toward accomplishing this potential, Research is producing 50,000 rounds per month on Semi-Works equipment, and will continue at that level until production facilities become available in October to produce approximately 3,000,000 rounds per year (Chart XI). Beyond that level we may want to consider redesign of the primer to reduce cost and simplify processing, and certainly consider Lake City as a source of supply. A Business Service/Production/Research group is currently working to prepare a project covering initial production requirements and to define the direction to be taken to achieve the full 7 million round production level. This information will be available in October.

"Our third major commitment is development of the Lachaussee process for producing integral anvil battery cups. While the direct savings resulting from this work are minimal (\$20M), the benefit to product quality and potential annual savings through automation (\$750M) are significant.

"Currently, the press and die set have been run at Lachaussee and accepted for shipment to Remington. We expect to receive the equipment in Lonoke during August, with installation and initial performance demonstration to be complete by year end (Chart XII). Verification of material specifications, tooling costs, and product design and quality will continue through the first half of 1981, after which the equipment can be considered 'production ready' and a decision can be made on whether or not to pursue a project extending the concept throughout the shotshell product line.