

BUSINESS MEETINGPRODUCTION - Contd.Cost - Contd.

- o Systems contracting over a broad base of general Stores items, designed to reduce Stores inventories and simplify ordering procedures. As a first step toward this end, an ABC analysis of Stores items is in progress.
- o Expanded use of Requirements Orders on major purchased components. This provides Remington a price advantage while allowing the supplier increased scheduling flexibility.
- o Continued search for new supply sources to force increased competition. This is primarily aimed at single-source items.
- o Continual reviews of raw material and purchase parts specifications, to identify those which can be modified to take advantage of current pricing structure.

In addition to these plans, the Firearms Processing Technology Development group is investigating the feasibility of backward integration of our Walnut operations. This study is an attempt to provide maximum control over the supply and manufacturing cost of Stocks and Fore-ends.

The Milion Plant Cost Improvement Program derives most of its benefits from capital investment projects, and general improvements in methods, processes, labor, and expense. Historically, about 40% of the cost improvements result from projects, with the remainder attributed to general improvements. In 1979, the Cost Improvement Program resulted in savings of \$3.1MM. In 1980 it will yield more than \$3.5MM. These cost improvements represent a reduction of about 3.2% in total factory cost each year. Based on the expected return on project investments through 1985, and the continuation of general direct cost improvements, similar results are anticipated over the next five years.

This assumes a continuation of increasing sales volumes as indicated in the Marketing's Five Year Forecast. In light of the recent downturn in shipments, the effect on factory costs and earnings may have to be reassessed.