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DRSAR/SA/N-69

(6)

105MM HOWITZER PRODUCTION  
TRADE-OFF ANALYSIS.

(9)

Final rpt.,

(10)

NORMAN H. TRIER

(11)

AUGUST 1977

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REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER DRSAR/SA/N-69	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) 105MM HOWITZER PRODUCTION TRADE-OFF ANALYSIS	5. TYPE OF REPORT & PERIOD COVERED Note - Final	
7. AUTHOR(s) Norman H. Trier	6. PERFORMING ORG. REPORT NUMBER	
9. PERFORMING ORGANIZATION NAME AND ADDRESS US Army Armament Materiel Readiness Command Systems Analysis Directorate (DRSAR-SA) Rock Island, IL 61201	8. CONTRACT OR GRANT NUMBER(s)	
11. CONTROLLING OFFICE NAME AND ADDRESS US Army Armament Materiel Readiness Command Systems Analysis Directorate (DRSAR-SA) Rock Island, IL 61201	10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS	
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)	12. REPORT DATE August 1977	
	13. NUMBER OF PAGES 38	
	15. SECURITY CLASS. (of this report) UNCLASSIFIED	
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) 105mm Howitzers      M101A1 Howitzer XM204 Howitzers      M102 Howitzer Cost Analysis		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This report addresses (a) the cost of producing XM204 Howitzers to replace the Army's current assets of M101A1 and M102 Howitzers, and (b) the potential net revenues (total revenues minus overhaul costs) of selling overhauled M101A1 and M102 Howitzers via Foreign Military Sales (FMS). For part (a), various mixes of XM204, M101A1, and M102 Howitzers were considered, and for part (b), various selling prices were considered.		

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## OBJECTIVE

The Systems Analysis Directorate was tasked<sup>1,2</sup> to determine:

a. The cost of producing XM204 Howitzers to replace the Army's current assets of M101A1 and M102 Howitzers.

b. The potential net revenues (total revenues minus overhaul costs) of selling overhauled M101A1 and M102 Howitzers via Foreign Military Sales (FMS).

## INTRODUCTION

The Development Acceptance (DEVA) In-Process Review (IPR) for the XM204 Howitzer, a soft recoil 105mm towed howitzer, (shown in Figure 1) is scheduled for December 1977. Depending on the Development and Operation testing and other considerations such as higher priority systems and the availability of funds, the Research, Development and Acquisition Committee (RDAC) could decide to support the production of the XM204 Howitzers. If the XM204 Howitzers are produced and fielded, the current Army assets of 105mm howitzers (Table 1)<sup>3,4</sup> would be replaced, and according to the Army Materiel Plan Summary (SAMPAM)<sup>5</sup>, the potential distribution of Army 105mm howitzer assets in FY83 would be similar to that shown in Table 2. If the XM204's are fielded, there is the possibility of overhauling and selling existing Army assets of 105mm howitzers to FMS customers and diverting that revenue to production of XM204 Howitzers. This report addresses the potential net revenues which could be received from FMS for existing 105mm howitzers assets and the investment which would be required to produce and field XM204 Howitzers.

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<sup>1</sup>DF from DRDAR-XM to DRSAR-AS, subject: XM204 Review Project, dated 23 Mar 77.

<sup>2</sup>DF from DRSAR-AS to 9 Directorates, subject: 105mm Howitzer Production, dated 29 Mar 77.

<sup>3</sup>DF from DRSAR-MMH to DRSAR-AS, subject: 105mm Howitzer Production, XM204, dated 27 Apr 77. CONFIDENTIAL

<sup>4</sup>Meeting between Mr. Aukland, DRSAR-MMH, and Mr. Trier, DRSAR-SA, subject: Quantity of M101A1 and M102 Howitzers in Reserves and National Guard, dated 28 Apr 77.

<sup>5</sup>Army Materiel Plan Summary, 3 January 1977, Printout numbers G0180000M00, G0180100M00, G0180200M00, and G0180300M00. CONFIDENTIAL.

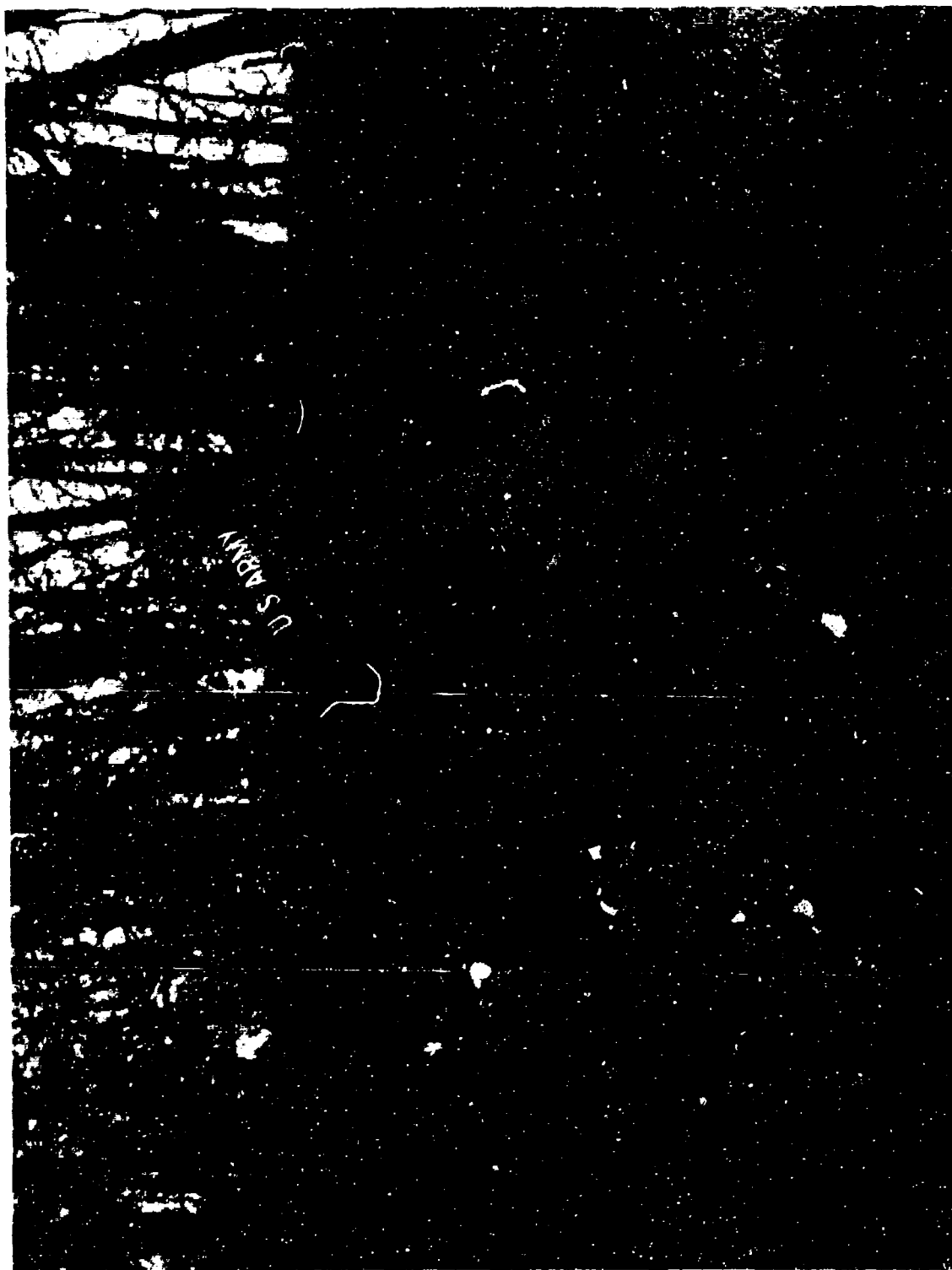


Figure 1. 105mm Towed Howitzer, XM204

TABLE 1. CURRENT ARMY ASSETS OF 105MM HOWITZERS<sup>a,b</sup>

	<u>Active Army</u>	<u>Reserves &amp; National Guard</u>	<u>Totals</u>
M101A1	300	445	745
M102	449	135	584
Totals	749	580	1,329

<sup>a</sup>DRSAR-MMH DF to DRSAR-AS, subject: 105mm Howitzer Production, XM204, dated 27 Apr 77. CONFIDENTIAL

<sup>b</sup>Meeting between Mr. Aukland, DRSAR-MMH, and Mr. Trier, DRSAR-SA, subject: Quantity of M101A1 and M102 Howitzers in Reserves and National Guard, dated 28 Apr 77.

TABLE 2. POTENTIAL DISTRIBUTION OF ARMY ASSETS<sup>a</sup>  
OF 105MM HOWITZERS

	<u>Active Army</u>	<u>Reserves &amp; National Guard</u>	<u>Totals</u>
M101A1	--	--	--
M102	248	30	278
XM204	545	573	1,118
Totals	793	603	1,396

<sup>a</sup>Army Materiel Plan Summary, 3 January 1977, Printout numbers G0180000M00, G0180100M00, G0180200M00, and G0180300M00, CONFIDENTIAL

## ALTERNATIVES

Four alternatives (ALT 1, 2, 3, and 4) were identified for this analysis and are listed in Table 3. Each alternative addresses the replacement of the current Army assets of 105mm howitzers with new production of XM204 Howitzers.

ALT 1 addresses the replacement of 105mm howitzers in Active Army, Reserves, and National Guard units with XM204 Howitzers. This is done in accordance with potential distribution of 105mm howitzers as found in the 3 Jan 77 SAMPAM (refer to Table 2).

ALT 2 addresses the replacement of 105mm howitzers with XM204 Howitzers in Active Army only while retaining a mix of M101A1 and M102 Howitzers in the Reserve and National Guard units.

ALT 3 addresses the replacement of all M101A1 Howitzers in current Army assets with XM204 Howitzers, while retaining the current assets of M102 Howitzers.

ALT 4 addresses the replacement of all M102 Howitzers in current Army assets with XM204 Howitzers, while retaining the current assets of M101A1 Howitzers.

For each of the four alternatives, the potential distribution of Army 105mm Howitzers is displayed in Table 4. In addition, for each alternative, the production schedules of XM204 Howitzers, the overhaul schedules for the M101A1 and M102 Howitzers, and the FMS schedules for overhauled M101A1 and M102 Howitzers which were used in this analysis are displayed in Appendix A, Tables A-1, A-2, A-3, and A-4.

## APPROACH

The analysis was consistent with guidelines in AR 11-28, Economic Analysis and Program Evaluation for Resource Management<sup>6</sup>, in that all input data were converted to constant FY77 dollars and all monies to be expended in the future years were discounted to FY77 by applying the 10% discount factors.

The investment costs of XM204 Howitzers include the Initial Production Facilities (IPF), production costs, initial provisioning and training, and publications. The per unit production cost estimate includes the hardware and support costs, test ammunition, and first destination transportation.

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<sup>6</sup> AR 11-28, Economic Analysis and Program Evaluation for Resource Management, 15 Jan 76.



TABLE 3. ALTERNATIVES

ALT 1:

- a. Produce 1,118 XM204 Howitzers for Active Army Reserves, and National Guard.
- b. Overhaul 745 M101A1 Howitzers and 306 M102 Howitzers.
- c. Sell, via FMS, the overhauled M101A1 and M102 Howitzers.

ALT 2:

- a. Produce 793 XM204 Howitzers for Active Army only.
- b. Overhaul 300 M101A1 and 426 M102 Howitzers from current Active Army assets.
- c. Sell, via FMS, the overhauled M101A1 and M102 Howitzers.

ALT 3:

- a. Produce 812 XM204 Howitzers for Active Army, Reserves, and National Guard.
- b. Overhaul 745 M101A1 Howitzers from current Army assets.
- c. Sell, via FMS, the overhauled M101A1 Howitzers.

ALT 4:

- a. Produce 651 XM204 Howitzers for Active Army, Reserves, and National Guard.
- b. Overhaul 584 M102 Howitzers from current Army assets.
- c. Sell, via FMS, the overhauled M102 Howitzers.

Table 4. POTENTIAL DISTRIBUTION OF ARMY 105MM HOWITZER ASSETS  
FOR EACH ALTERNATIVE

	<u>Active Army</u>	<u>Reserves &amp; National Guard</u>	<u>Totals</u>
<u>ALT 1:</u>			
XM204s	545	573	1,118
M102s	248	30	278
M101A1s	--	--	--
Total	793	603	1,396
<u>ALT 2:</u>			
XM204s	793	--	793
M102s	--	158	603
M101A1s	--	445	--
Total	793	603	1,396
<u>ALT 3:</u>			
XM204s	344	468	812
M102s	449	135	584
M101A1s	--	--	--
Total	793	603	1,396
<u>ALT 4:</u>			
XM204s	493	158	651
M102s	--	--	--
M101A1s	300	445	745
Total	793	603	1,396

The per unit overhaul cost estimate for both the M101A1 and M102 Howitzers includes labor expenses, general and administration (G&A) expenses, indirect maintenance expense (IME), materiel, test ammunition, and transportation charges.

The selling price of overhauled M101A1 and M102 Howitzers for Foreign Military Sales (FMS) was calculated by applying the methodology used for the FMS of M101A1 Howitzers in 1976.<sup>7,8</sup> That is, the FMS selling price was determined as 80% of their respective standard prices plus the cost of overhaul and test ammunition. Then, since FMS prices are subject to change, the FMS prices were parameterized to demonstrate how changes in selling price affect the potential revenue received.

#### ASSUMPTIONS

It was assumed that:

- a. The production schedule for XM204 Howitzers is feasible when considering the workload of the appropriate manufacturing facilities.
- b. The XM204 Howitzer production and delivery schedules, the M101A1 and M102 Howitzer overhaul schedules, and the FMS delivery schedules shown in Tables A-1, A-2, A-3, and A-4 are valid for this analysis.
- c. For FMS, the M101A1 and M102 Howitzers will be delivered the same year in which they are overhauled.
- d. Cost of the test ammunition for the overhauled M101A1 and M102 Howitzers is equal to the cost of test ammunition for the XM204 Howitzer.
- e. The per unit production cost for the XM204 Howitzers is valid for production of 1,118 howitzers for ALT 1, as well as for production of lesser quantities of howitzers for ALT 2, 3 and 4.
- f. The cost for IPY, initial provisioning and training, and publications for the XM204 Howitzers are applied equally to all four alternatives.
- g. Transportation costs, estimated as 3% of the Hardware and Support (Engineering and Production) Costs of the new production of XM204 Howitzers, are applied equally to the M101A1, M102, and XM204 Howitzers.

<sup>7</sup> FONECON, Mr. Aukland, DRSAR-MMH and Mr. Trier, DRSAR-SA, subject: Standard Price of M101A1 and M102 Howitzers and Determination of FMS Selling Price, dated 25 Apr 77.

<sup>8</sup> DALO-ILP MSG 132055Z Sep 76. CONFIDENTIAL.

h. Transportation costs for FMS will be paid by the foreign country and are, therefore, not included in the estimation of net revenues received from FMS of M101A1 and M102 Howitzers.

#### DATA

The following data were used in this analysis:

a. Current Army assets of 105mm howitzers (Table 1) are 745 M101A1 and 584 M102 Howitzers.

b. XM204 Howitzer production and delivery schedules, M101A1 and M102 Howitzer overhaul schedules, and FMS schedules for FY81 through FY87 (Tables A-1, A-2, A-3 and A-4).

c. FMS selling prices for overhauled M101A1 and M102 Howitzers (Table A-5) are \$31,193 and \$126,040, respectively.

d. Overhaul costs for M101A1 and M102 Howitzers<sup>9</sup> (Table A-6) are \$12,820 and \$36,760, respectively.

e. XM204 Howitzer estimates are \$121.5K for new production costs per unit, \$6.29M for Initial Production Facilities (IPF), \$2.9M for initial provisioning and training, and \$3.4M for publications (Table A-7).

f. Estimated transportation cost is \$3.6K per weapon for the XM204 Howitzer, the M101A1 Howitzer, and the M102 Howitzer.

#### RESULTS

Table 5 displays the investment costs that would be incurred to procure and field XM204 Howitzers for each alternative. Production costs were calculated each year according to the number of howitzers produced (refer to production schedules in Tables A-1, A-2, A-3, and A-4). All costs were then discounted to constant FY77 dollars.

The costs of overhauling the M101A1 and M102 Howitzers in preparation for FMS customers are displayed in Table A-8. These overhaul costs would be paid out of the revenues obtained from the FMS customers. Figures 2, 3, 4 and 5 display the potential net revenues (total revenues (Figures B-1, B-2, B-3 and B-4) minus overhaul costs (Table B-2)) which could be received from FMS of M101A1 and M102 Howitzers for ALT 1, 2, 3 and 4, respectively. Each figure displays two curves (straight lines); one shows the potential net revenues obtained by selling M101A1 Howitzers, and the other shows the potential revenues obtained by selling M102 Howitzers.

<sup>9</sup> DF from DRSAR-CPE to DRSAR-ASA, subject: 105mm Howitzer Production, XM204, dated 12 Apr 77.

TABLE 5. XM204 HOWITZER FIELDING COSTS  
(In Constant Discounted FY77 Dollars)

ALT 1

XM204 Production (Qty = 1,118) . . . . .	\$71.9M
Initial Production Facilities . . . . .	4.6M
Initial Provisioning and Training . . . . .	2.2M
Publications . . . . .	2.4M
<b>TOTAL</b>	<b>\$81.1M</b>

ALT 2

XM204 Production (Qty = 793) . . . . .	\$53.7M
Initial Production Facilities . . . . .	4.6M
Initial Provisioning and Training . . . . .	2.2M
Publications . . . . .	2.4M
<b>TOTAL</b>	<b>\$62.9M</b>

ALT 3

XM204 Production (Qty = 812) . . . . .	\$54.8M
Initial Production Facilities . . . . .	4.6M
Initial Provisioning and Training . . . . .	2.2M
Publications . . . . .	2.4M
<b>TOTAL</b>	<b>\$64.0M</b>

ALT 4

XM204 Production (Qty = 651) . . . . .	\$45.0M
Initial Production Facilities . . . . .	4.6M
Initial Provisioning and Training . . . . .	2.2M
Publications . . . . .	2.4M
<b>TOTAL</b>	<b>\$54.2M</b>

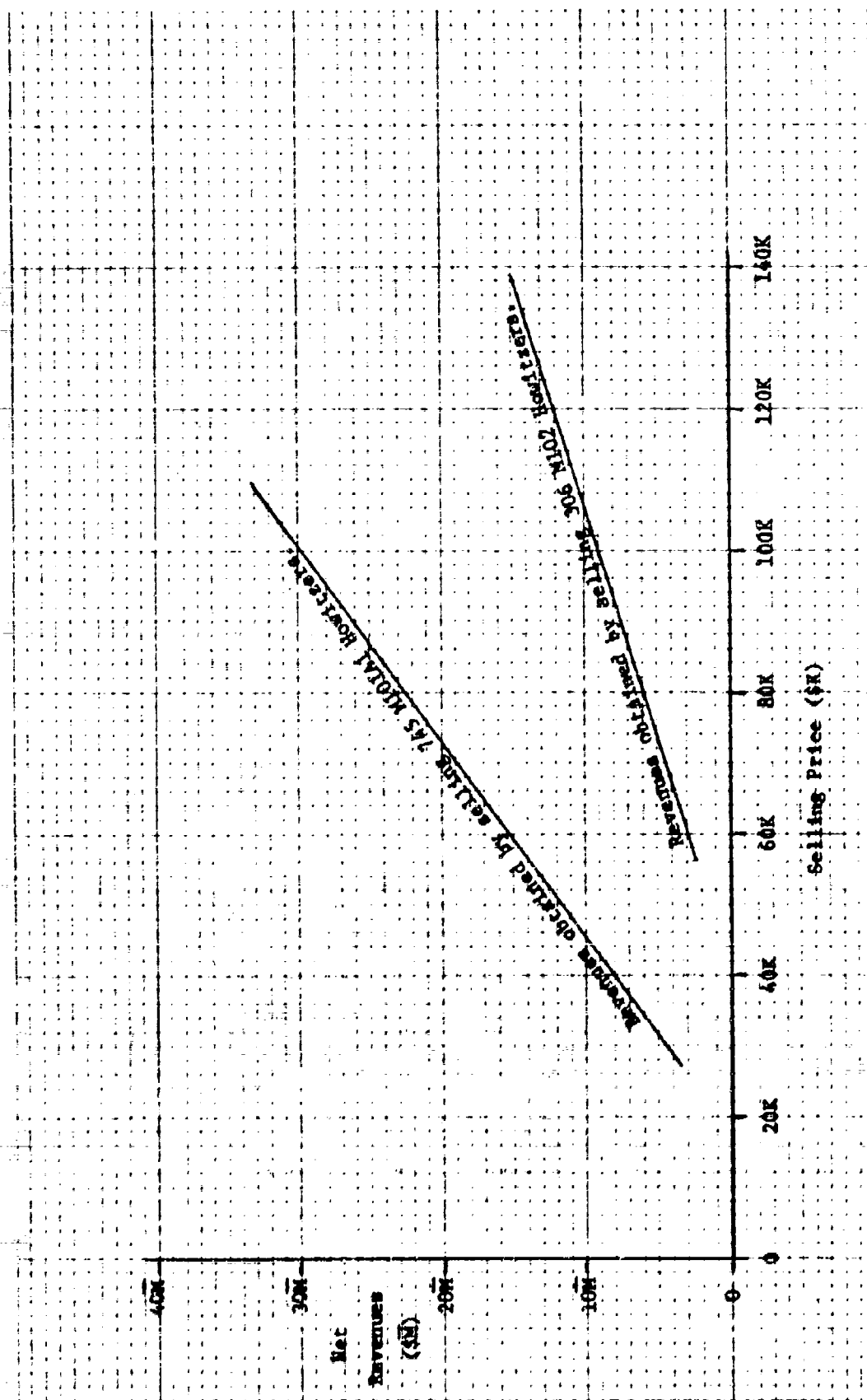


Figure 2. Potential Net Revenues from FMS for A17.1  
(in Constant Discounted FY77 Dollars)

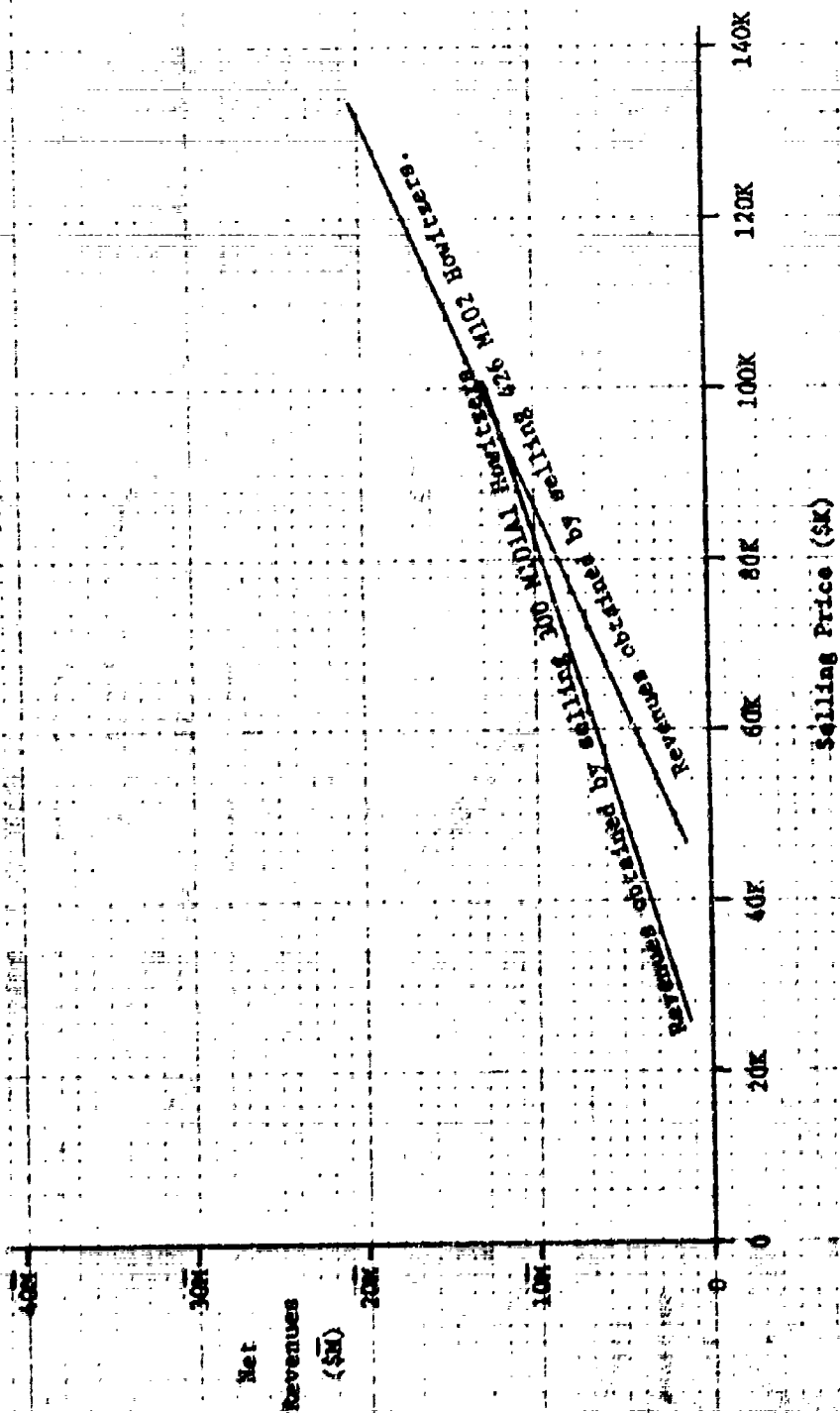


Figure 3. Potential Net Revenues from FMS for ALT 2  
(In Constant Discounted FY77 Dollars)

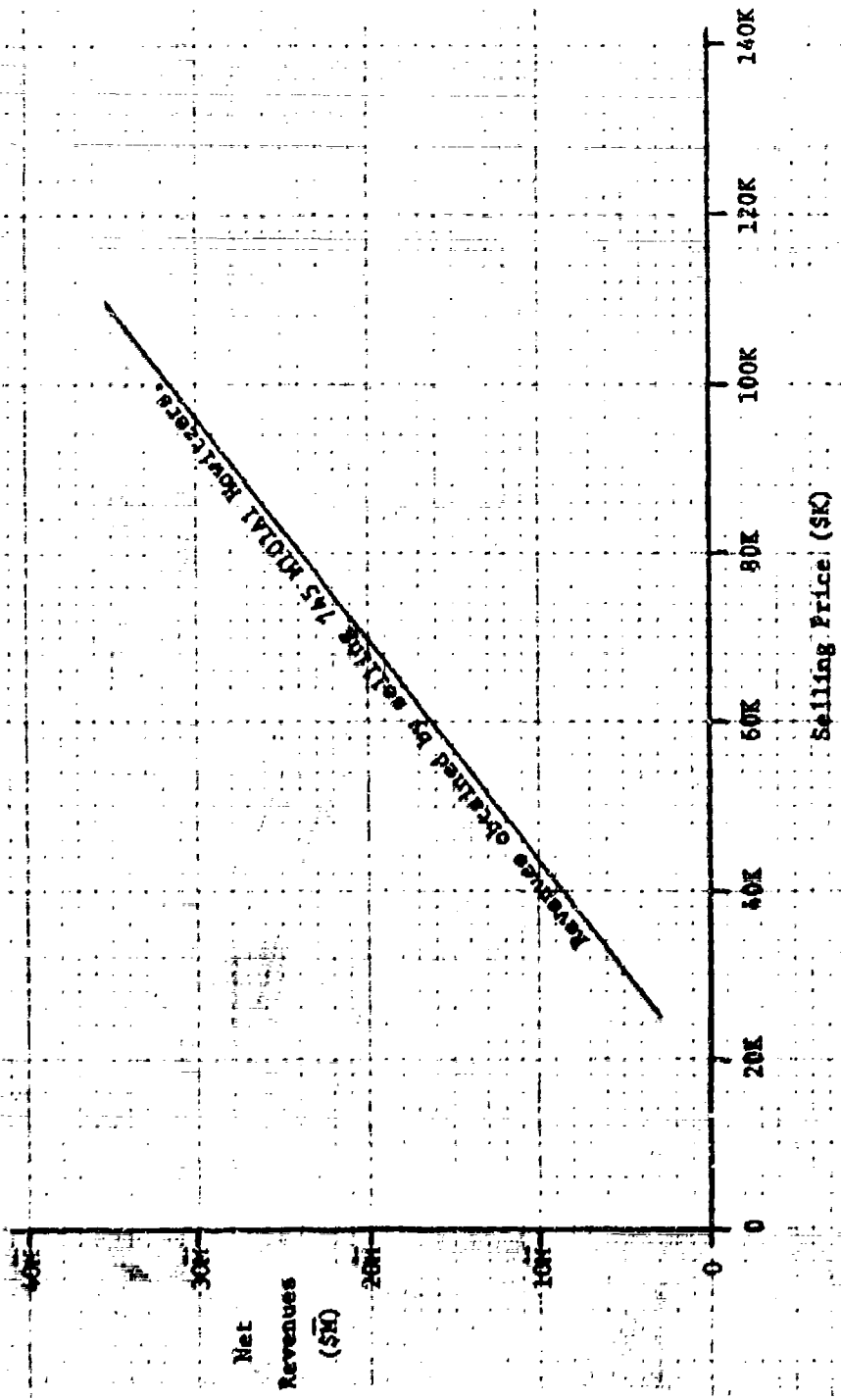


Figure 4. Potential Net Revenues from RMS for AIT 3  
(In Constant Discounted FY77 Dollars)



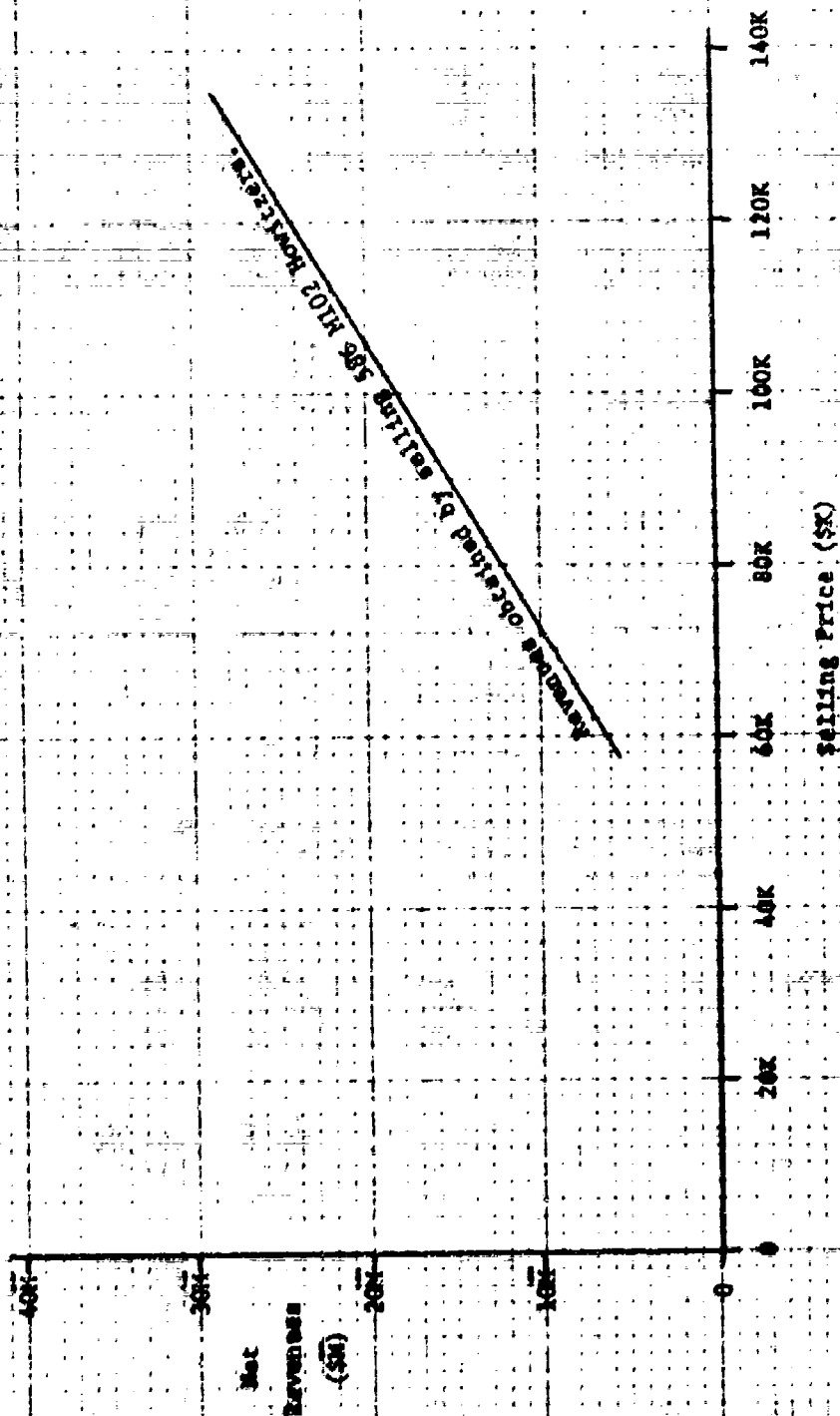


Figure 3. Potential Net Revenues from FMS for M102  
(in Constant Discounted \$177 Dollars)

In order to exemplify the use of the figures, two cases shall be discussed. In the two cases, different FMS selling prices will be used to show how revenue varies with selling prices. The selling prices used are:

	<u>M101A1</u>	<u>M102</u>
Case 1	~\$31K	~\$126K
Case 2	~\$97K	~\$ 97K

The values for Case 1 were determined as 80% of their respective standard prices plus the cost of overhaul and test ammunition (see Table A-5). The values for Case 2 were determined as 80% of new production costs of XM204 Howitzers. Net FMS revenues corresponding to the selling prices were obtained from Figures 2, 3, 4 and 5 and are displayed in Table 6.

TABLE 6. NET FMS REVENUE (\$M)  
(In Constant Discounted FY 77 Dollars)

	<u>Quantity Sold</u>		<u>Revenues for Case 1</u>	<u>Revenues for Case 2</u>
	<u>M101A1</u>	<u>M102</u>	<u>M101A1 + M102 = TOTAL</u>	<u>M101A1 + M102 = TOTAL</u>
ALT 1	745	306	4.8 + 13.0 = \$17.8M	28.5 + 8.6 = \$37.1M
ALT 2	300	426	2.0 + 18.6 = \$20.6M	12.2 + 12.2 = \$24.4M
ALT 3	745	..	5.1 + 0.0 = \$ 5.1M	30.4 + 0.0 = \$30.4M
ALT 4	-	586	0.0 + 26.0 = \$26.0M	0.0 + 17.1 = \$17.1M

The net revenues shown in Table 6 would probably go to the US Government General Revenue Fund for subsequent Congressional appropriation. If these funds were reverted to the XM204 program, the net costs of each alternative could be calculated as is done in Table 7.

TABLE 7. ALTERNATIVE NET COSTS FOR XM204 HOWITZERS  
(In Constant Discounted FY 77 Dollars)

<u>Case 1:</u>	<u>ALT 1</u>	<u>ALT 2</u>	<u>ALT 3</u>	<u>ALT 4</u>
XM204 Fielding Costs	\$81.1M	\$62.9M	\$64.0M	\$54.2M
Net FMS Revenues	17.8	20.6	5.1	26.0
Net Costs	\$63.3M	\$42.3M	\$58.9M	\$28.2M
<u>Case 2:</u>				
XM204 Fielding Costs	\$81.1M	\$62.9M	\$64.0M	\$54.2M
Net FMS Revenues	37.1	24.5	30.4	17.1
Net Costs	\$44.0M	\$38.5M	\$33.6M	\$37.1M

## SUMMARY

For each alternative plan of fielding XM204 Howitzers, the discounted investment costs were determined. These costs included Initial Production Facility (IPF) costs, production and transportation, initial provisioning and training, and publications. It was determined that:

a. For ALT 1, if 1,118 XM204 Howitzers were produced and delivered to Active Army, Reserve, and National Guard units, an investment of \$81M will be required.

b. For ALT 2, if 793 XM204 Howitzers were produced and delivered to Active Army units only, an investment of \$63M would be required.

c. For ALT 3, if 812 XM204 Howitzers are produced and delivered to Active Army, Reserve, and National Guard units to replace all M101A1 Howitzers, an investment of \$64M would be required.

d. For ALT 4, if 651 XM204 Howitzers were produced and delivered to Active Army, Reserve, and National Guard units to replace all M102 Howitzers, an investment of \$54M would be required.

For each of the four alternative plans addressed in this analysis, potential net revenues (total revenues minus overhaul costs) were calculated for the sale of overhauled M101A1 and M102 Howitzers to Foreign Military Sales (FMS) customers. Figures 2, 3, 4 and 5 display those net revenues for ALT 1, 2, 3 and 4, respectively.

According to current policy, the FMS selling price for overhauled M101A1 and M102 Howitzers would be ~\$31K and ~\$126K, respectively (Table A-5). At these selling prices, the potential net revenues which could be received for ALT 1, 2, 3 and 4 are \$18M, \$21M, \$5M, and \$26M, respectively. It should be noted that potential revenues depend directly on the quantities of howitzers sold. For example, if M102 Howitzers could not be sold (say, for example, due to too high a price or low desirability), and only M101A1 Howitzers were sold, the potential net revenues for ALT 1, 2, 3 and 4 would be only \$5M, \$2M, \$5M, and \$0M, respectively. Lastly, if different selling prices could be justified, the subsequent potential net revenues could be obtained from Figures 2, 3, 4 and 5 as demonstrated in this report.

## REFERENCES

1. DF from DRDAR-XM to DRSAR-AS, subject: XM204 Review Project, dated 23 Mar 77.
2. DF from DRSAR-AS to 9 Directorates, subject: 105mm Howitzer Production, dated 29 Mar 77.
3. DF from DRSAR-MMH to DRSAR-AS, subject: 105mm Howitzer Production, XM204 (U), dated 27 Apr 77. CONFIDENTIAL.
4. Meeting between Mr. Aukland, DRSAR-MMH, and Mr. Trier, DRSAR-SA, subject: Quantity of M101A1 and M102 Howitzers in Reserves and National Guard, dated 28 Apr 77.
5. Army Materiel Plan Summary, 3 January 1977, Printout numbers G0180000M00, G0180100M00, G0180200M00, and G0180300M00. CONFIDENTIAL.
6. AR 11-28, Economic Analysis and Program Evaluation for Resource Management, dated 15 Jan 76.
7. FONECON, Mr. Aukland, DRSAR-MMH and Mr. Trier, DRSAR-SA, subject: Standard Price of M10A1 and M102 Howitzers and Determination of FMS Selling Price, dated 25 Apr 77.
8. DALO-ILP MSG 132055Z Sep 76, CONFIDENTIAL.
9. DF from DRSAR-CPE to DRSAR-ASA, subject: 105mm Howitzer Production, XM204, dated 12 Apr 77.

## APPENDIX A

### SUPPORTING INPUT COST/SCHEDULE DATA

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TABLE A-1. SCHEDULES FOR ALTERNATIVE 1

	FY81	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL
ALT 1:								
XM204 Production Schedule <sup>a</sup>	8	50	168	288	288	316	---	1,118
Delivery Sch.: Active Army <sup>b</sup>	-	33	109	228	175	---	---	545
Res. & Nat. Guard <sup>b</sup>	-	---	---	---	113	302	158	573
Overhaul Sch.: Active Army <sup>c</sup>	-	30	100	210	161	---	---	501
Res. & Nat. Guard <sup>c</sup>	-	---	---	---	108	290	152	550
M101A1: from Active Army <sup>d</sup>	-	18	60	126	96	---	---	300
Res. & Nat. Guard <sup>d</sup>	-	---	---	---	87	235	123	445
M102: from Active Army <sup>d</sup>	-	12	40	84	65	---	---	201
Res. & Nat. Guard <sup>d</sup>	-	---	---	---	21	55	29	105
FMS Delivery Sch.: M101A1 <sup>e</sup>	-	18	60	126	183	235	123	745
M102 <sup>e</sup>	-	12	40	84	86	55	29	306

<sup>a</sup>Obtained from MAJ Roddy, DRDAR-XM (RIA).

<sup>b</sup>Number of Howitzers delivered in a given year equals 1/2 of the number of XM204 Howitzers produced the prior year plus 1/2 of the number of XM204 Howitzers produced that same year (e.g., in FY83, the number of Howitzers delivered = 1/2(50) + 1/2(168) = 109).

<sup>c</sup>The overhaul schedule is calculated by multiplying the ratio of the number of M101A1 and M102 Howitzers replaced and the number of XM204 Howitzers fielded times the delivery schedule (e.g., for FY83, the number of Howitzers overhauled from the Active Army equals (501 + 545) x 109 = 100).

<sup>d</sup>M101A1 Howitzers and M102 Howitzers are overhauled concurrently according to the ratio in which they are replaced in Active Army, and then in the Reserves and National Guard (e.g., the number of M101A1 Howitzers overhauled in FY83 equals (300 + 501) x 100 = 60; the number of M102 Howitzers equals (201 + 501) x 100 = 40).

<sup>e</sup>For FMS, the M101A1 and M102 Howitzers will be delivered the same year in which they were overhauled.

TABLE A-2. SCHEDULES FOR ALTERNATIVE 2

	FY81	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL
ALT 2:								
XM204 Production Schedule	8	50	168	286	279	---	--	793
Delivery Schedule <sup>a</sup>	-	33	109	223	284	139	--	793
Overhaul Sch.: from Active Army <sup>b</sup>	-	30	100	209	260	127	--	726
M101A1 <sup>c</sup>	-	12	41	86	108	53	--	300
M102 <sup>c</sup>	-	18	59	123	152	74	--	426
FMS Delivery Sch.: M101A1 <sup>d</sup>	-	12	41	86	108	53	--	300
M102 <sup>d</sup>	-	18	59	123	152	74	--	426

<sup>a</sup>Number of Howitzers delivered in a given year equals 1/2 of the number of XM204 Howitzers produced the prior year plus 1/2 of the number of XM204 Howitzers produced that same year (e.g., in FY83, the number of Howitzers delivered equals  $1/2(50) + 1/2(168) = 109$ ).

<sup>b</sup>The overhaul schedule is calculated by multiplying the ratio of the number of M101A1 and M102 Howitzers replaced and the number of XM204 Howitzers fielded times the delivery schedule (e.g., for FY83, the number of Howitzers overhauled equals  $(726 + 793) \times 109 = 100$ ).

<sup>c</sup>M101A1 and M102 Howitzers are overhauled concurrently according to the ratio in which they are replaced (e.g., the number of M101A1 Howitzers overhauled in FY93 equals  $(300 + 726) \times 100 = 41$ ; the number of M102 Howitzers equals  $(426 + 726) \times 100 = 59$ ).

<sup>d</sup>For FMS, the M101A1 and M102 Howitzers will be delivered the same year in which they were overhauled.

TABLE A-3. SCHEDULES FOR ALTERNATIVE 3

	FY81	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL
<b>ALT 3:</b>								
XM204 Production Schedule	8	50	168	288	288	10	--	812
Delivery Sch.: Active Army <sup>a</sup>	-	33	109	202	---	---	--	344
Res. & Nat. Guard <sup>a</sup>	-	---	---	26	288	154	--	468
Overhaul Sch.: from Active Army <sup>b</sup>	-	29	95	176	---	---	--	300
Res. & Nat. Guard <sup>b</sup>	-	---	---	25	274	146	--	445
FMS Delivery Sch: M101A1 <sup>c</sup>	-	29	95	201	274	146	--	745

<sup>a</sup> Number of Howitzers delivered in a given year equals 1/2 of the number of XM204 Howitzers produced the prior year plus 1/2 of the number of XM204 Howitzers produced that same year (e.g., in FY83, the number of Howitzers delivered equals  $1/2(50) + 1/2(168) = 109$ ).

<sup>b</sup> The overhaul schedule is calculated by multiplying the ratio of the number of M101A1 and M102 Howitzers replaced and the number of XM204 Howitzers fielded times the delivery schedule (e.g., for FY83, the number of Howitzers overhauled equals  $(300 + 344) \times 109 = 95$ ).

<sup>c</sup> For FMS, the M101A1 and M102 Howitzers will be delivered the same year in which they were overhauled.



TABLE A-4. SCHEDULES FOR ALTERNATIVE 4

	FY81	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL
<b>ALT 4:</b>								
XM204 Production Schedule	8	50	168	288	137	--	--	651
Delivery Sch.: Active Army <sup>a</sup>	-	33	109	228	123	--	--	493
Res. & Nat. Guard <sup>a</sup>	-	--	--	--	90	68	--	158
Overhaul Sch.: from Active Army <sup>b</sup>	-	30	99	208	112	--	--	449
Res. and Nat. Guard <sup>b</sup>	-	--	--	--	77	58	--	135
FMS Delivery Sch: M102 <sup>c</sup>	-	30	99	208	189	58	--	584

<sup>a</sup> Number of Howitzers delivered in a given year equals 1/2 of the number of XM204 Howitzers produced the prior year plus 1/2 of the number of XM204 Howitzers produced that same year (e.g., in FY83, the number of Howitzers delivered equals  $1/2(50) + 1/2(168) = 109$ ).

<sup>b</sup> The overhaul schedule is calculated by multiplying the ratio of the number of M101A1 and M102 Howitzers replaced and the number of XM204 Howitzers fielded times the delivery schedule (e.g., for FY83, the number of Howitzers overhauled equals  $(449 + 493) \times 109 = 99$ ).

<sup>c</sup> For FMS, the M101A1 and M102 Howitzers will be delivered the same year in which they were overhauled.

TABLE A-5. ESTIMATED FMS SELLING PRICE<sup>a, b</sup>

M101A1 Howitzer:

80% of the standard price of \$21,254	= \$17,003
Overhaul cost <sup>c</sup>	= 12,820
Test ammunition <sup>c</sup>	= 1,370
FMS Selling Price	= \$31,193

M102 Howitzer:

80% of the standard price of \$109,887	= \$ 87,910
Overhaul cost <sup>c</sup>	= 36,760
Test ammunition <sup>c</sup>	= 1,370
FMS Selling Price	= \$126,040

<sup>a</sup>Method to compute FMS selling price and standard prices for the M101A1 and M102 Howitzers were obtained via FONECON between Mr. Auckland, DRSAR-MM and Mr. Trier, DRSAR-SA on 25 April 1977.

<sup>b</sup>DALO-ILP MSG 132055Z Sep 76 (C).

<sup>c</sup>Data obtained from DRSAR-CPE DF to DRSAR-ASA, subject: 105mm Howitzer Production, XM204, dated 12 April 1977. Cost of test ammunition for the M101A1 and M102 Howitzers was assumed equal to the cost of test ammunition that was estimated for the XM204 Howitzer.

TABLE A-6. OVERHAUL COSTS ESTIMATES FOR M101A1 and M102 HOWITZERS<sup>a</sup>  
(In Constant FY77 Dollars)

M101A1 OVERHAUL - PRON M17 OE 3020210H3

Labor	\$ 2,894.52
General & Administrative (G&A)	709.81
Indirect Maintenance Expense (IME)	2,447.98
Material	6,767.98
<b>TOTAL</b>	<b>\$12,820.29</b>

M102 OVERHAUL - PRON M16 DF 3010910H3

Labor	\$ 3,025.10
G&A	544.77
IME	2,834.59
Material	27,791.13
<b>FY76 TOTAL</b>	<b>\$34,195.59</b>
	<b>x 1.0750</b>
<b>FY77 TOTAL</b>	<b>\$36,760.20</b>

<sup>a</sup>DF from DRSAR-CPE to DRSAR-ASA, subject: 105mm Howitzer Production, XM204, dated 12 Apr 77.

TABLE A-7. UNIT AND PROGRAM COSTS OF THE XM204 HOWITZER<sup>a</sup>  
(In Constant FY77 Dollars)

<u>Per Unit Cost of XM204 Howitzer Production</u>			
Hardware and Support			\$120,123.20
Test Ammunition			1,370.35
			<hr/> \$121,493.65
	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>
Initial Production Facilities	---	\$1.0M	\$5.29M
Initial Provisioning	\$0.4M	\$0.9M	\$1.6M
Publications	---	---	\$3.4M

<sup>a</sup>DF from DRSAR-CPE to DRSAR-ASA, subject: 105mm Howitzer Production, XM204, dated 12 Apr 77.

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## APPENDIX B

### SUPPORTING OUTPUT COST DATA

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TABLE B-1. XM204 HOWITZER FIELDING COSTS: YEAR BY YEAR

FY77 CONSTANT DOLLARS (\$M)										
	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>TOTAL</u>
ALT 1	0.4	1.9	11.3	6.3	21.0	36.0	36.0	39.5	--	152.4
ALT 2	0.4	1.9	11.3	6.3	21.0	36.0	34.9	---	--	111.8
ALT 3	0.4	1.9	11.3	6.3	21.0	36.0	36.0	1.3	--	114.2
ALT 4	0.4	1.9	11.3	6.3	21.0	36.0	17.1	---	--	94.0

FY77 CONSTANT DISCOUNTED DOLLARS (\$M)										
	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>TOTAL</u>
ALT 1	0.35	1.5	8.1	4.1	12.4	19.4	17.6	17.6	--	81.1
ALT 2	0.35	1.5	8.1	4.1	12.4	19.4	17.1	---	--	62.9
ALT 3	0.35	1.5	8.1	4.1	12.4	19.4	17.6	0.6	--	64.0
ALT 4	0.35	1.5	8.1	4.1	12.4	19.4	8.4	---	--	54.2

TABLE B-2. M101A1 and M102 HOWITZER OVERHAUL COSTS  
(In Constant Discounted FY77 Dollars)

	M101A1		M102	
	<u>Qty</u>	<u>Cost</u>	<u>Qty</u>	<u>Cost</u>
ALT 1	745	\$6.4M	306	\$ 6.5M
ALT 2	300	2.8M	426	9.2M
ALT 3	745	6.8M	---	---
ALT 4	---	---	586	12.9M

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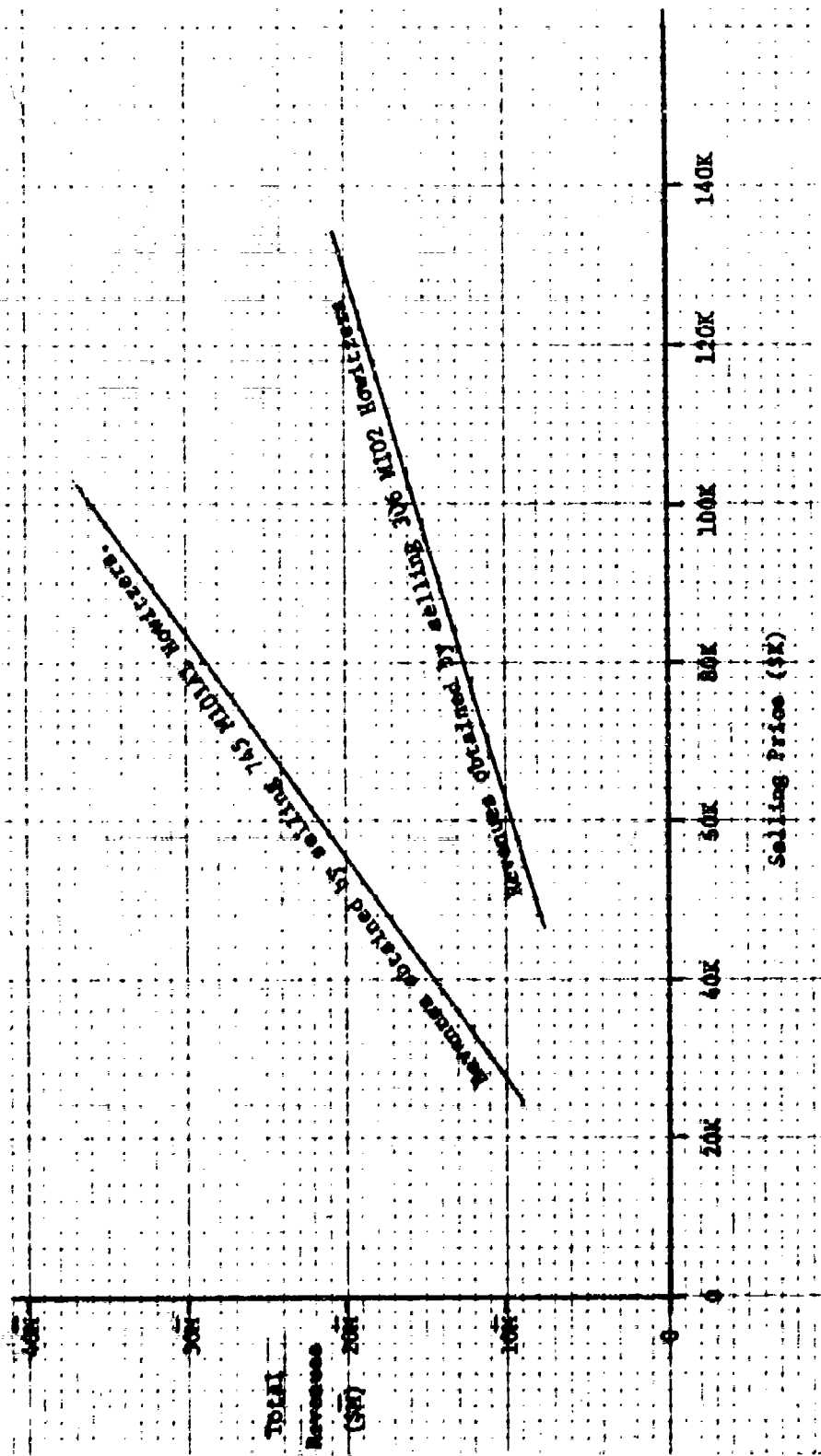


Figure 3-1. Potential Revenues from FMS for ALI 1  
(In Constant Discounted FY77 Dollars)

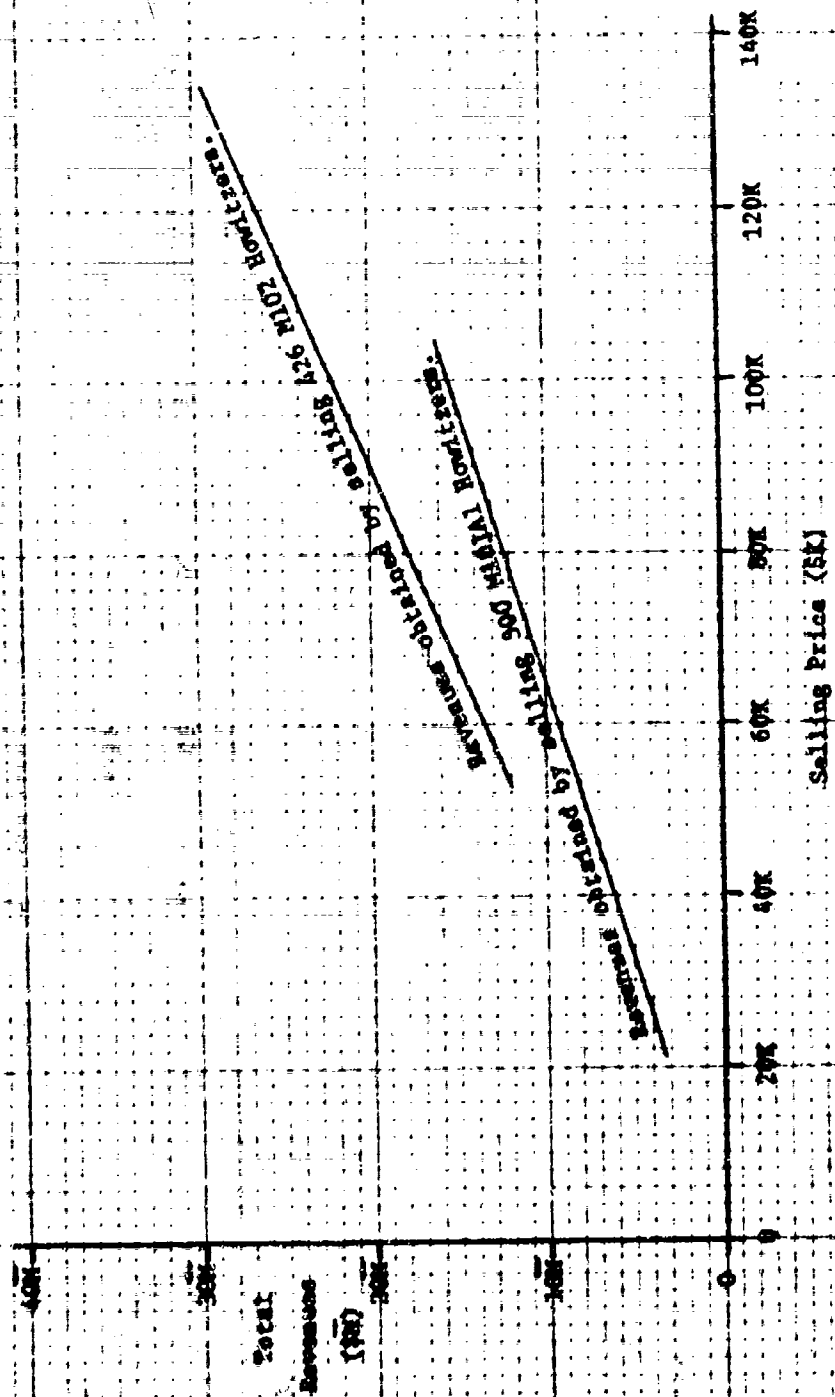


Figure B-3. Potential Revenue from FMS for ALT-2  
(in Constant Discounted FY77 Dollars)



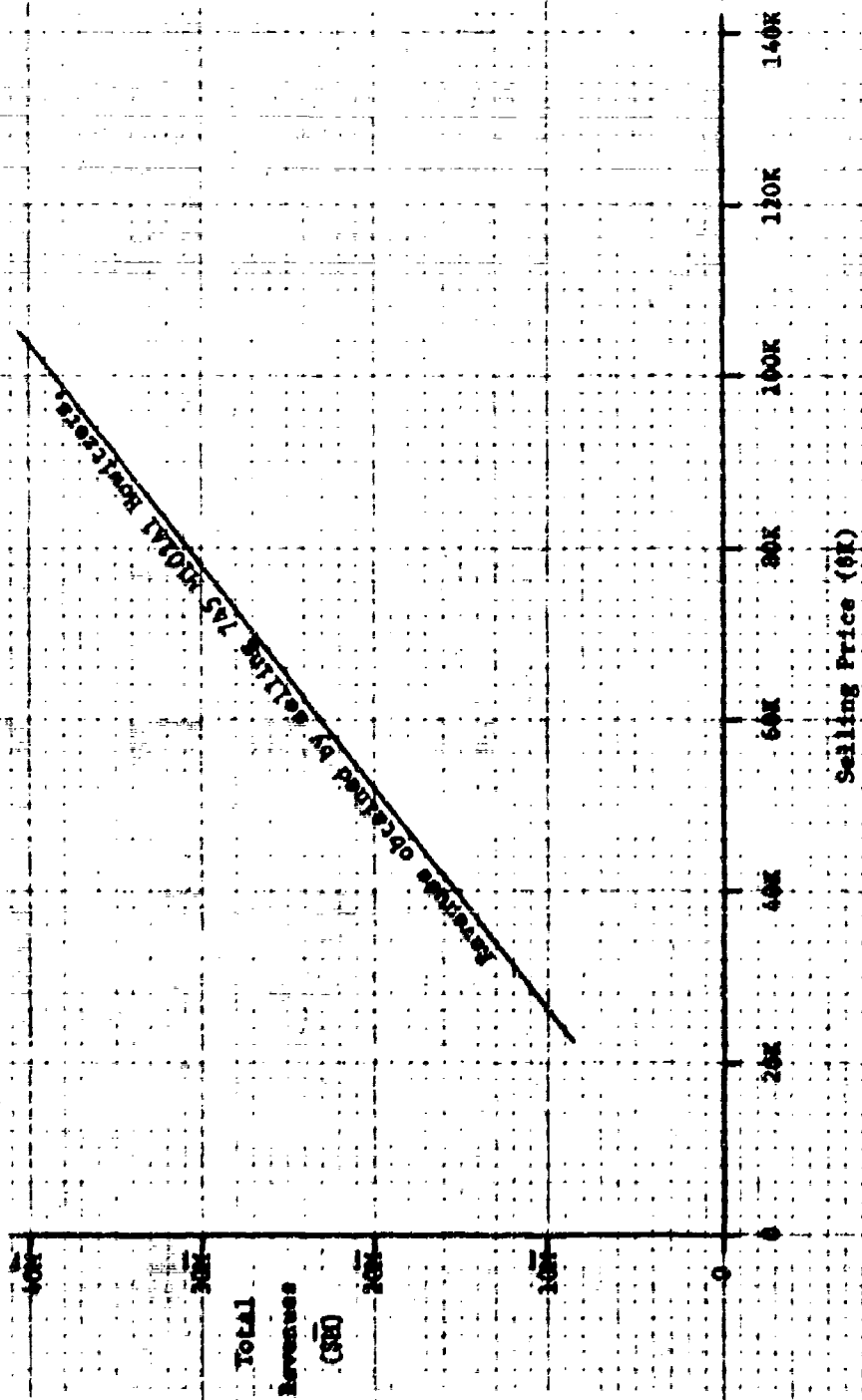


Figure B-3. Potential Revenues from PMS for ALT-3  
(In Constant Discounted FY77 Dollars)



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