

Defense Procurement Circular #55

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Schedule B

GENERAL COST INFORMATION

Production costs for the Proposed Contract were assembled on the basis of producing at a rate of 3,000,000 lbs. of Product X for the 12-month period from October 1, 1966 to September 30, 1967, at an average monthly rate of 250,000 lbs. Unit costs developed at a production rate of 3,000,000 lbs. per year were then applied to the quantity in the Proposed Contract (2,000,000 lbs.) to determine the dollar of costs in this bid. The Contractor uses a standard cost system of accounting.

Item 6. Direct Manufacturing LaborA. Operating Labor.

Seven first-class operators at 40 hours per week plus 7% overtime allowance, based on standard plant operating practices.

October 1, 1966 to May 31, 1967	-	\$3.00 per hour
June 1, 1967 to September 30, 1967	-	\$3.10 per hour
Average (incl. overtime and shift)	-	\$3.03 per hour

These rates are based on current union contract and include shift differentials.
 $2080 \times 7 = 15,579 \times \$3.03 = \$47,204 - \$3,115$ (leave = $\$44,089 \times 2/3 = \$29,390$.
 (Leave including holiday, sick, etc. based on actual 6/1/66-5/31/67 @ 147 hours per man.)

B. Maintenance and Yard Labor.

These costs were based on estimated hours of services required at the 1966 standard rate developed for these services. Hours of service required are based on past experience for the time period and production volume involved, overtime and shift included.

Maintenance - $\$5.00$ per hour - 5,000 hrs. = 25,000 - 115 (leave) $\times 2/3 = \$16,590$.
 Yard - 4.00 per hour - 1,000 " = 4,000 - 100 (leave) $\times 2/3 = \$2,600$.
 (Leave represents estimated casual leave for contract period.)

Direct manufacturing labor for the production contract is as follows:

Operating Labor	\$29,390
Maintenance	16,590
Yard	2,600
Total	<u>\$48,580</u> (2,000,000 lb.)
Unit Cost	2.43 - C lb.

Item 7. Manufacturing Overhead

Manufacturing overhead is apportioned to all products produced at the New York plant, using total cost of production (not including other costs) of all products as the basis, and total Plant Overhead as the pool to be distributed. The 1965 actual overhead rate of 16.6% was used in this proposal.