

Revenue Laws Study Committee

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Cost Factors of Stamping Cigarettes in N.C.

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Direct Costs to the State of N.C.

1. Inventory - Costs for the State to purchase physical stamps
2. Labor - Costs for the recordkeeping and distribution of stamps
3. Overhead - Costs associated with the physical storage of stamps
(examples include potentially - rent, utilities, etc.)

Costs to the Wholesale Community:

1. Machinery
 - A. Stamping Machine - A single-head stamping machine costs approximately \$80,000 new
 - based on an 8-hour shift per day, a single-head stamping machine can stamp approximately 5 million cartons per year
 - high volume wholesalers would require a "spare" machine for down time as repair technicians are not readily available
 - B. Repacking Machine - Costs approximately \$34,000 new
 - eliminates 1 full-time position and allows the Stamping Machine to achieve maximum output
2. Maintenance Contracts (Annually)
 - A. Stamping Machine - Approximately \$2,600
 - B. Repacking Machine - Approximately \$1,500(both of these contracts cover 4 quarterly preventive maintenance visits per year)
3. Repair Costs

1 recent minor repair visit cost \$2,004.50 including the replacement of 2 belts and 2 shocks
4. Supplies - Glue - Cost????
5. Damages - Machinery is in constant need of adjustments and damages products which can no longer be sold
6. Labor (based on a Stamping Machine running at or near capacity annually)
 - A. 2 Full-time positions per Stamping Machine with a Repacking Machine - Estimate - \$70,000
 - B. 3 Full-time positions per Stamping Machine without a Repacking Machine - Estimate - \$105,000

7. Bond, Pre-payment, or Reporting Basis

A. Bond - Depending upon State requirements, a bond requirement with 30-day payment terms would result in a bond expense and an interest expense (estimate \$500 bond expense for each 100,000 cartons in annual volume and approx. \$1,500 in interest expense)

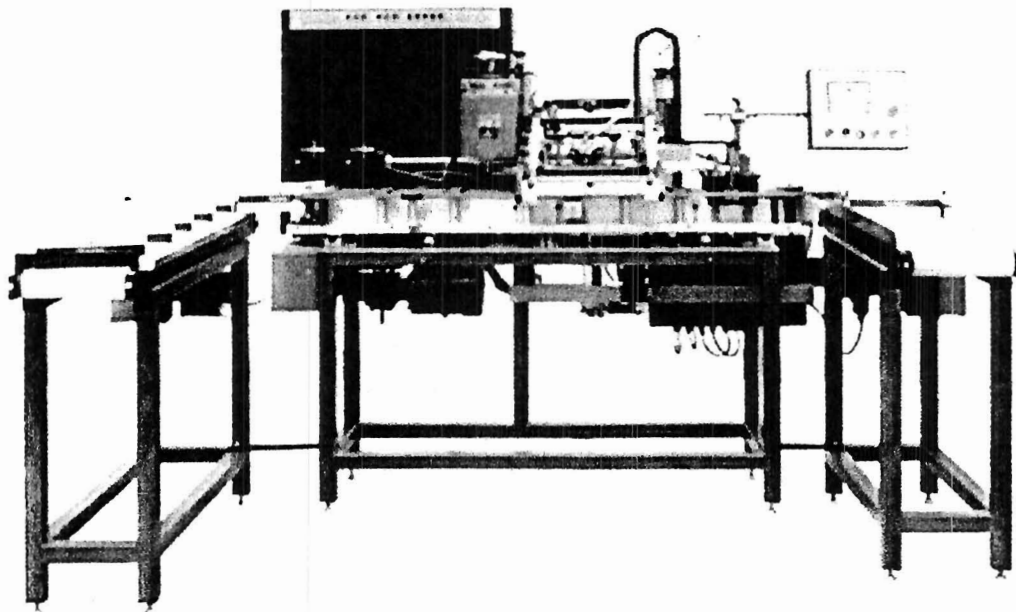
B. Pre-payment - **Assuming financing is available**, prepayment for stamps would require an annual interest expense of approximately \$3,750 for each 100,000 cartons in annual volume.

C. Reporting Basis - remit payment with report (same as current system) - no additional expense

8. Other Costs

A. Vehicle and Labor costs to pick up stamps **or** insured postage

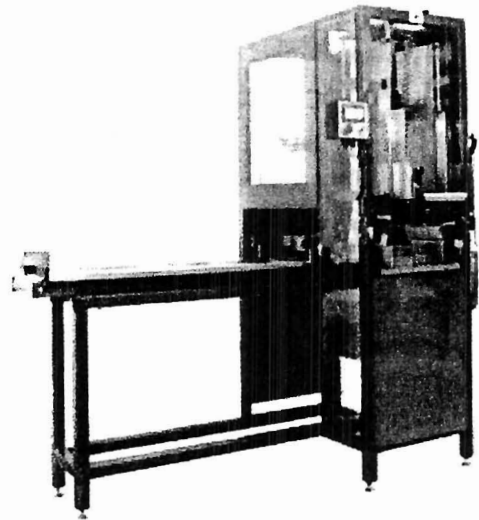
B. Possible costs associated with reconfiguration of warehousing facilities to accommodate stamping process



Machine Features

1. Heavy-duty construction.
 2. Electrically powered actuator to raise and lower carton height.
 3. Electrically powered actuator to change carton width.
 4. Electra-mechanically operated.
 5. Electronic temperature control stamp head, and hot glue pot via operator interface.
 6. Color touch screen operator interface.
 7. Adjustable roller carton closure unit.
 8. Computer controlled, for ultimate flexibility and ease of trouble shooting.
 9. 120s cartons can be stamped at estimated speed of 80 to 90 cartons per minute.
 10. Powder coated frame for good looks and long life.
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1. Heavy-duty construction, utilizing industrial components throughout the machine for long life and high dependability.
 - o Ball bearing slides on all linear and rotary motions.
 - o Precision, CNC machined anodized aluminum and stainless steel components.
 - o Durable, powder coated, 2-inch by 2-inch (2" x 2") tubular steel framework.
 - o Industrial duty drives motor and gearbox.
2. Case-packer is able to work left hand or right hand sides.
3. Adjustable push arm to allow for different cartons widths.
4. Cigarette carton tip and back-up sensors to prevent any jamming, and for reducing cigarette carton damage.
5. Adjustable for all 12M case sizes.
6. Modern for off-site programming support and recommended for troubleshooting.
7. Computer controlled, for ultimate and extreme degree of reliability and upgradability.
8. PLC indicates exact status of all input and output signals.



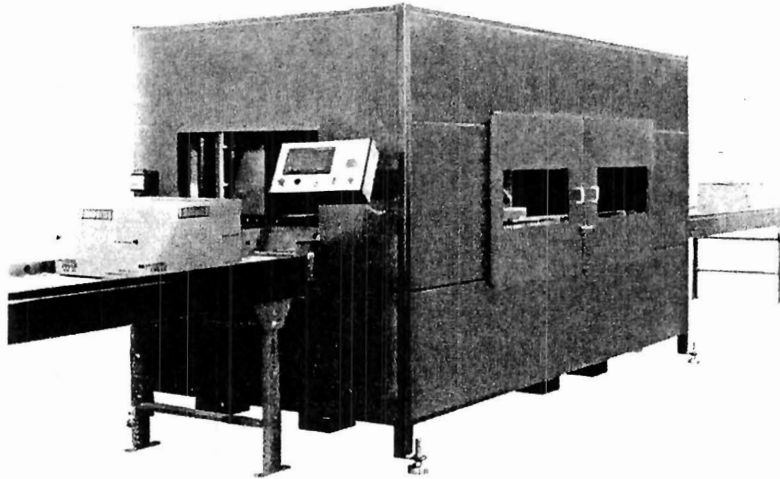
Specifications

Electrical 20 amps, 120 VAC

Air 5 CFM @ 90 PSI, clean and dry, 1/2" pipe supply

Weight 600 pounds

Speed 100+ Cartons per minute



Standard Machine Features

1. The CCU-6-12 handles both 6m and 12m cigarette cases sizes
 - On cut tops mode, the CCU-6-12 handles cases sizes 7" to 24" in height and 6"x6" to 18"x29" in width and length.
 - This represents the widest processing range of any case cutter currently on the market today
2. The CCU-6-12 throughput rate is 7 to 8 cases per minute
 - This machine opens cases much faster with far less labor and product damage than manual operations
 - The CCU-6-12 is similar to a CNC machine tool design High efficiency servo motors with multi-axis operation for precise cuts
 - Includes a unique four-razor head design for extended blade life
3. The CCU-6-12 uses high resolution sensors to electronically measure each case
 - Sensors measure box dimensions to within 1/1000th for precision cutting
4. The CCU-6-12 includes three selectable cutting modes for operational flexibility
 - Box Tops Only - Candy and other dry goods
 - % of Height - Specials cut mode
 - Sort By Height - Auto select between 6M and 12M
 - The CCU-6-12 is equipped with an operator touch screen display for its control center Color, touch-sensitive, user-friendly display
 - Allows changes to cutting modes by touching the display
 - Allows manual operation and troubleshooting of individual assemblies
 - Cutting modes can be customized customer specifications
5. The CCU-6-12 has a small foot print that will allow it to operate effectively in both "in-line" or "off-line" installations

Specifications

Electrical: 30 amps, 220 VAC, 60 Hertz
 Air: 3 CFM @ 90 PSI, clean and dry, 1/2" NPT fitting
 Weight: 1550 pounds
 Speed: 7-8 cartons per minute

[View the new cutter in action](#)