APPENDIX 9

STATEMENTS ON "BUY AMERICAN" ACT POLICY

SCHERR-TUMICO, INC.,
St. James, Minn., November 24, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee of the Senate Finance Committee, Washington, D.C.

DEAR SENATOR PROXMIRE: We are manufacturers of precision hand tools and measuring instruments. The precision hand tool business has been the main stay of our growth, and while we are twenty-five years old, we are still a small business employing approximately 400 people.

Foreign competition has made deep inroads into our business and has retarded our growth to the point where we wonder whether or not we shall be in business ten years from now. Immediately following World War II, the European type of vernier caliper, which is in demand in this country in large quantities, we found we had to purchase from Germany, because our labor rates would not permit us to be competitive.

Since 1950, the Japanese have increased their quality so that their instruments are equal to ours. Their prices are so much below those of American manufacturers that their exports to this country are increasing tremendously to the point where now American made precision tools purchased in this country are but a small part of the total market here. A wholly owned subsidiary of Mitutoyo in Tokyo, Japan, is an American corporation called the MTI Corporation of New York, which is their sales and distributing firm for the American market. Because of their labor rates, they started after World War II and have become the world's largest manufacturer of precision hand measuring tools.

From the figures we have been able to obtain, so far in the first nine months of this calendar year, the General Services Administration purchased $475,000 worth of micrometers from the Mitutoyo sales outlet here. The 12% differential allowed under the Buy American Act is unrealistic in the light of the difference in the wage rates in Japan and those in the United States. The Defense Department uses a figure of 50%, which makes all the difference as to who gets the award. Why, in the hand tool field, are we granted only a 12% differential when our wage rates are at least two and one half to four times those of the Japanese? Japanese workmen pay no income taxes to help bolster our Treasury.

There are very few American companies left in the precision tool field. Lufkin Rule Company was forced to cease the manufacture of precision hand measuring tools in November of 1966, after having been in the business for almost one hundred years. It is rumored that Millers Falls has discontinued the manufacture of micrometers. With minor exceptions, this leaves the L. S. Starrett Company at Athol, Massachusetts, Brown & Sharpe Manufacturing Company at Providence, Rhode Island, and this corporation as the only manufacturers of precision hand measuring tools in this country. The Government purchases that went to Mitutoyo would have been extremely welcome in this business during the past year and would have been a means of bolstering this corporation's fortunes and assuring our people of continued employment.

It is alarming to note the devastating effect foreign competition has had on this industry, particularly when the United States buys the major portion of these tools from foreign suppliers.

It is my understanding that the Tool Industry Trade Association have gone on record in pointing out the impact that such purchases from foreign manufacturers is having on the American tool economy.

I made a trip to Japan last April to study the situation and received actual figures from our Embassy there as to the dollar and unit shipments of precision hand tools to the United States. I was appalled by the annual growth each year of their exports of these products to this country.