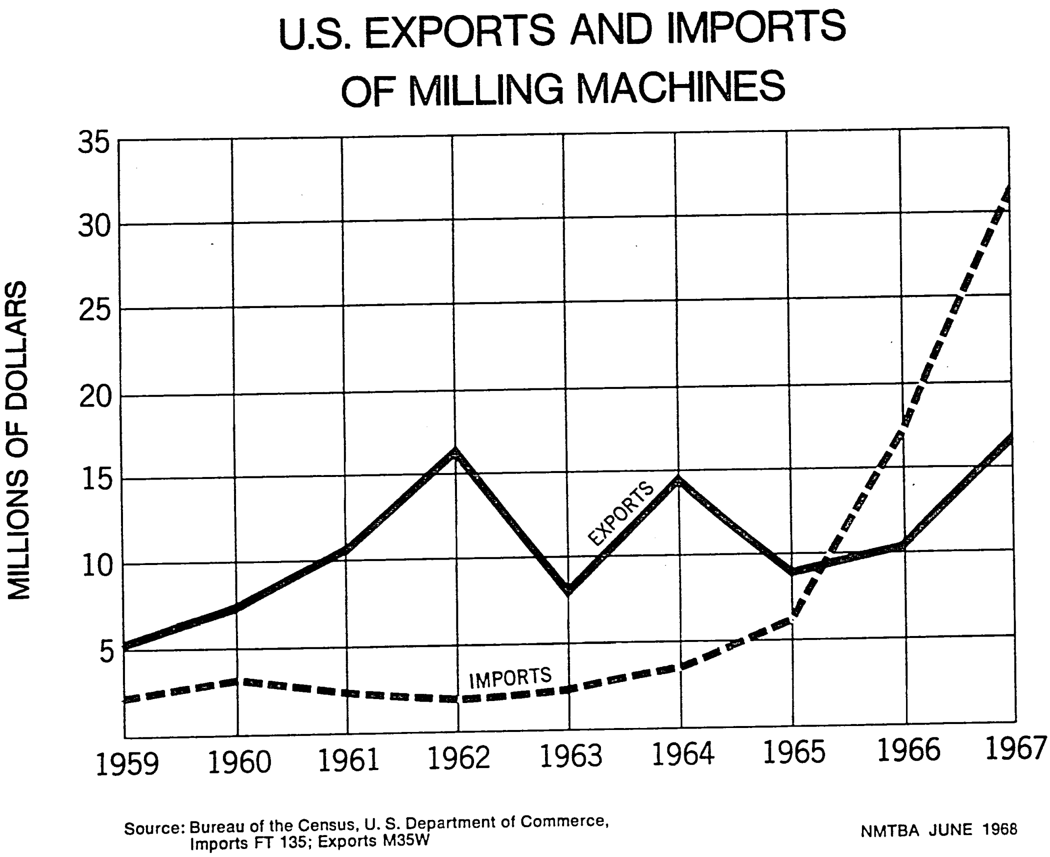
CHART 3



It should be noted that imports account for an ever-increasing percentage of domestic consumption, having increased threefold since 1964 to total about 10 percent of U.S. consumption last year.

This may not appear to be a cause for alarm. But considering the imports and consumption figures for particular product categories, the seriousness of the problems becomes apparent. As an example, imports of milling machines in 1967 accounted for 12.6 percent of domestic consumption. This percentage is based on dollar relationships. On a unit basis, the percentage is considerably higher and accounts for about 19.5 percent of domestic consumption.

The most important cause of the import problem is the price advantage offered by foreign manufacturers, reflecting their much lower labor costs. A continuing widening of the wage gap has occurred between the United States and each of the other major machine tool producing countries. Chart 5, "Average Hourly Earnings and Supplementary Benefits" shows the extent of the gap existing today between the United States and other major producers of machine tools. This gap is critical because the labor content of U.S. machine tools approaches 50 percent of total cost. As a result, the lower labor rates that prevail abroad enable foreign builders to sell in this country at 25 percent to 40 percent below the price of comparable U.S.-bulk products.

Note on the chart that the wage rates paid in Japan are less than one-sixth those in the United States and in the closest country, Germany, the wage rates are one-half those paid in the United States.