

All machinery must have shafts and gears and, missiles, guns, and shells are round in shape—round shapes are made on lathes.

Early in the 1960's European, Japanese, Canadian, and South American lathes started to appear in the United States in significant numbers. From 1964 through 1967 the domestic machine tool industry operated at peak capacity to satisfy an expanding economy and the mobilization requirements of the conflict in Vietnam. During these same years, the free world market for machine tools was down and foreign competitors moved into the booming U.S. market. One effect, as chart I on my left entitled "U.S. Exports and Imports on Lathes" shows, was a sudden reversal in our balance of trade. In 1966 the United States for the first time became a net importer of lathes and by 1967 our negative trade balance had increased to \$29 million.

Originally foreign builders set their price about 20 percent below American prices. This pricing differential has increased.

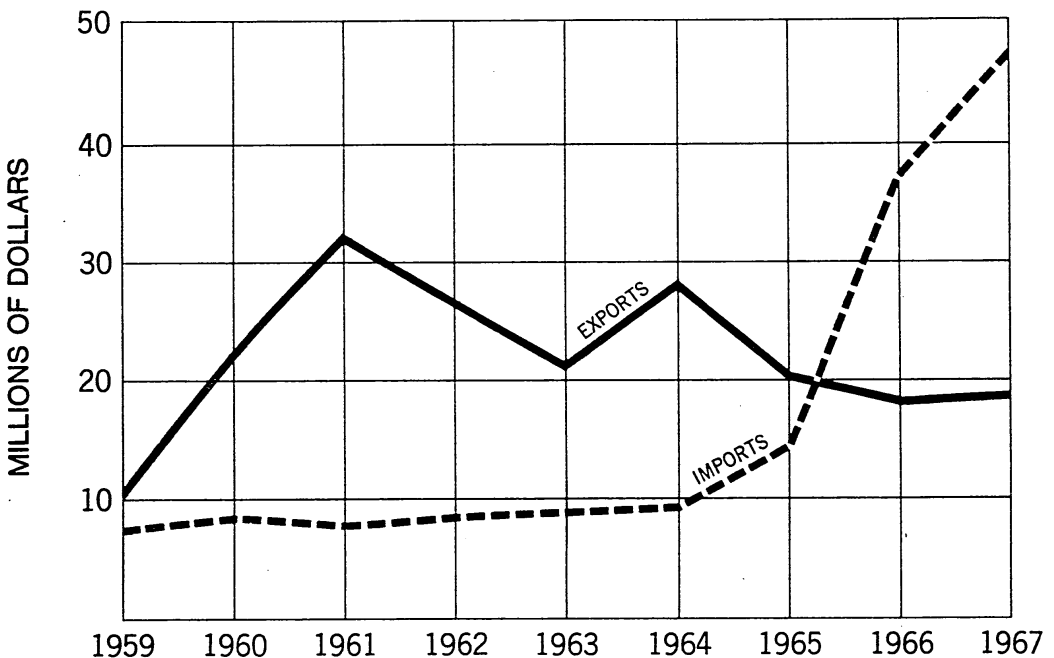
The Commonwealth of Kentucky recently bought their sixth "Colchester lathe" for vocational school use, despite the fact that a LeBlond Regal was specified. The English lathe was \$4,700—\$1,500 or 32 percent below our price of \$6,000.

I am certain that more engine lathes are imported than are produced domestically.

Let me state a few instances where classes of lathes, once produced domestically, have been discontinued by U.S. manufacturers leaving U.S. customers with only foreign sources of supply. In the past lathes of these types were supplied in large numbers to the U.S. Government

CHART 1

U.S. EXPORTS AND IMPORTS OF LATHES



Source: Bureau of the Census, U. S. Department of Commerce,
Imports FT 135; Exports M35W

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