for defense production. The country faces the possibility that, if needed again for defense purposes, such machine tools may not be available from U.S. companies.

The LeBlond Co. has discontinued its 16-inch heavy duty engine lathes and will shortly discontinue two more models.

The Sheldon Machine Co., Inc. of Chicago has discontinued its 10-inch model. Over the years Sheldon delivered thousands of these machines to the Government under MIL spec 00125. In recent years the Government has seen fit to buy from Canadian sources.

The South Bend Lathe Co. of Indiana has discontinued its 9-inch model and is considering ceasing manufacture of its 10-inch model.

In all cases, the discontinuance was dictated by the inability to compete with imports.

In March 1966 we furnished one Regal lathe for a prototype mobile machine shop mounted on a truck body for the U.S. Army to be used in the field. This prototype was evaluated and accepted. In December of 1967 a contract for 100 of these mobile shops was issued and 100 Canadian copies of our Regal lathe were ordered for these trucks. But LeBlond did not receive a single order out of this contract.

Over the past few years, the Regal product provided over 500 jobs in our company and I estimate that this class of lathe provided more than 1,500 additional jobs in other manufacturers' plants.

The cost of building this product line relates to the number of hours in its manufacture. Labor costs represent about 45 percent of the cost. Material, as a part of cost, is not as significant as labor. The average base labor rate in our plant, excluding fringes and incentive pay, has moved from $2.45 hour to $2.97 hour in the past 5 years and remains from two to three times the foreign rates. Continuing inflationary pressures will not improve our competitive situation.

Historically, when we have a national emergency or a high priority industrial requirement, our industrial might is mobilized by using standard machine tools until more sophisticated machinery can be engineered and installed. Unfortunately, we are in danger of losing to foreign machine tool builders this basic capability.

Foreign competitors are good engineers and are aggressively pursuing the development of more sophisticated numerically controlled lathes. There is no doubt in my mind that these machines will also flood the domestic market in the next few years, unless prompt steps are taken by the U.S. Government.

This country must remain industrially powerful, with the ability to mobilize quickly. The machine tool industry must not be permitted to lose segments of its basic capability to foreign builders by failure of the Government to act in a time of need.

Thank you for the opportunity to be heard.

Mr. Burke. Mr. Herkner.

STATEMENT OF GEORGE W. HERKNER

Mr. Herkner. Mr. Chairman and members of the committee, my name is George W. Herkner. I am executive vice president of the Warner & Swasey Co. of Cleveland, Ohio. I am testifying on behalf of my company and in general support of the statement of the National Machine Tool Builders' Association, of which Warner & Swasey is a member.