

APPENDIX B

A STATEMENT BEFORE THE PROCUREMENT SUBCOMMITTEE OF THE HOUSE SMALL BUSINESS COMMITTEE, MARCH 13, APRIL 24, 1968, AND THE TRADE INFORMATION COMMITTEE, MAY 7, 1968

(By William M. Scranton, President, MPB Corporation, Keene, N.H.)

INTRODUCTION

Current government policies permit and encourage the use of foreign produced precision miniature and instrument ball bearings essential to this country's defense effort. The use of foreign components is having the effect of destroying the production capability of domestic producers.

Within a very few years the aircraft and missiles of the United States will be dependent on the output and supply of two or three plants located in Japan and Switzerland—unless these policies are changed.

The Statements to follow explain this threat to our security and detail policy changes that could alleviate it. I am sure you will find them thought provoking and of great concern.

KEENE, N.H.

WILLIAM M. SCRANTON.

THE DEPLETION OF OUR DEFENSE RESOURCES

It is my understanding that the purpose of this meeting today is to discuss procurement practices as they will affect our company and as they will affect the national defense posture of the country.

My remarks will be divided into four categories:

A. A brief background on our company and our industry.

B. An examination of the economic structure of the miniature precision bearing business.

C. The growth of foreign competition and the use of foreign miniature bearings in military products.

D. A forecast of the situation some years out if the present level of foreign activity continues unrestricted.

A. BACKGROUND

MPB Corporation was founded in 1940. Until last June we were known as Miniature Precision Bearings, Inc. We changed our name because "miniature bearings" no longer described our corporate product line due to a number of acquisitions and product diversifications. Our two principal competitors are also located in New England, and among the three of us we produce about 85% of the U.S. production of miniature precision bearings.

Miniature precision bearings are a vital defense commodity. One of our competitors, the Barden Corporation, at the urging of the U.S. Navy, was formed by Carl Norden, inventor of the bombsight used in World War II, to produce high precision bearings for that vital project. Today miniature bearings are a vital component of gyros, bombsights, flow metering equipment, torpedos, communications equipment, tracking devices, all sorts of servomechanisms, etc. Without miniature bearings airplanes would not be able to fly to their targets, missiles could not be guided, communications would flounder. It would be safe to say that the defense posture of this country would not only be crippled, but ruined.

Miniature precision bearings have achieved government recognition as a defense commodity in that they are on the "positive" list and not eligible for export to Iron Curtain countries. In 1961, the Department of Commerce refused to allow the export of miniature bearing production equipment to Iron Curtain countries. Production of miniature precision bearings is a highly skilled one requiring a major investment in specialized equipment—approaching \$1 of original purchase price of equipment for every \$1 of sales. Manufacturing personnel are highly skilled and supporting engineering talent highly specialized. The volume production of miniature precision bearings is not a business that one can get into overnight or one that can be substantially expanded at a moment's notice in the event of a national emergency.