

Exhibit II graphically illustrates the decline in U.S. production of both Category I and II product. It will be noted that when the output from this one Japanese factory is added, the total U.S. consumption is shown to be increasing.

D. FUTURE TRENDS

Our exhibits demonstrate that foreign competitors are obtaining the production business represented by Category I and II. As a diversified corporation we must continually make decisions between product lines. These decisions are made on the basis of current profitability and future prospects. A continuation of the present trend will call for certain steps.

- 1) We will not choose to continue investment in this area.
- 2) Our skilled work force will be diverted to other products.
- 3) Our engineering specialists will be given assignments in more rewarding areas.

Additionally, our desire to continue in the skilled Category III business will be inhibited—there is little point in remaining in a speculative business when the reward of production follow-on has vanished.

The results of these decisions would be :

- 1) Our facility for the high production manufacture of miniature bearings would continually be reduced in size and would be very difficult to expand to meet a national emergency.
- 2) Our production facility would gradually become technically obsolete.
- 3) We would have a complete change in approach and interest in the developmental business described under Category III.

While MPB Corporation has a diverse enough product base to face the future confidently, the future of the miniature precision bearing segment of our business appears rather bleak and the results inevitable. The industry will no longer be production-oriented but will decline to the level of low volume specialty manufacturers and may eventually disappear.

Our guided missiles and military aircraft will become dependent on off-shore producers of miniature bearings for their performance. We estimate that this will happen in the next 3-4 years.

E. CONCLUSION

In view of this, we feel it would be to our country's best interest to *limit* the usage of imported miniature precision bearings in items produced for end usage by the Department of Defense. It is interesting to note that some years ago the Department of Defense found itself in a situation with regard to jewel bearings that is not unlike the situation which we predict DOD will soon face with regard to miniature precision bearings. During the last war, the only source of supply for jewel bearings, which are also critical defense items, was Switzerland. To provide a source for jewel bearings in the event of a national emergency, the government established a government-owned manufacturing facility, the William Langer plant in Rolla, North Dakota. To maintain this capability, the government also made it a provision of the Armed Services Procurement Regulations that jewel bearings used in defense products be procured from the William Langer facility. We suggest that a government-supported facility is not yet necessary as there are still privately owned, U.S. miniature precision bearing production facilities capable of meeting the requirements of DOD. Prompt action on the part of the government can avoid a situation similar to that of the jewel bearing emergency, if procurement regulations directing the use of U.S. manufactured miniature bearings in defense products are adopted.

We suggest that the following courses of action, some of which might fall within the scope of this Committee, be considered :

1. That the Department of Defense be authorized to limit the number of imported precision bearings utilized in the assembly of products intended for DOD end use. This could take the form of an ASPR clause much like the jewel bearing clause so that it would be effective at all levels of procurement.
2. That the independent producers of miniature precision bearings be reclassified as "small business."
3. That this Committee support the AFBMA's application to the Committee for Statistical Annotation of the Tariff Schedule—for improved reporting of bearing import data. (See Addendum I.)
4. That this Committee support passage of Senate Bill S2552, sponsored by Senators Ribicoff and Cotton.