

SUPPLEMENTAL INFORMATION FOR THE PROCUREMENT SUBCOMMITTEE OF THE HOUSE
SMALL BUSINESS COMMITTEE TO FURTHER CLARIFY THE STATEMENT OF MPB
CORPORATION OF MARCH 13, 1968

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

I INTRODUCTION

At the conclusion of the hearings before the Sub-Committee on March 13, 1968, MPB Corporation was requested to provide:

1. Further information relating to the sources of its data.
2. Its estimate of total imports to this country of miniature precision bearings.
3. Further documentation and supplemental information on the importation of miniature precision bearings.

It is the intent of this submittal to provide the Sub-Committee with this information.

II THE ROLE OF MINIATURE PRECISION BEARINGS IN THE DEFENSE EFFORT

To further support the contention of MPB Corporation that the miniature precision bearing industry and the Department of Defense are dependent *upon one another*, we are submitting, as Exhibit No. 1, a plot showing military aircraft procurement over recent years. On the same graph we are displaying the United States production figures for miniature precision bearings as reported by our trade association, The Anti-Friction Bearing Manufacturers Association (AFBMA).

Examination of this graph indicates that there is a marked dependence of bearing shipments upon military procurement. The uses to which miniature precision bearings are put (gyros, navigation equipment, airborne computers, bombsights, and the like) produce the corollary that the supply of military aircraft has been dependent upon the capacity and responsiveness to demand of U.S. miniature bearing producers. Indeed, the capacity of this industry has been determined by DOD's procurement of aircraft—as aircraft demand has "peaked," so has the output of the miniature bearing producer. Reduction in peak demand has left the producer with excess capacity of no interim use until the next "peak."

Further exhibits demonstrate that the relationship between U.S. bearing production and U.S. aircraft procurement is no longer marked. While aircraft procurement has remained essentially level, the domestic production of miniature bearings has declined. Further exhibits also demonstrate that the use of foreign miniature bearings has decreased the dependence of DOD on domestic industry, and placed the "burden of supply" on overseas producers, over whom little, if any, control can be exercised. Domestic miniature bearing manufacturers are accordingly forced to re-evaluate their maintenance of, and investment in, "peak capacity." As previously stated by MPB Corporation, the decision to diversify and seek investment opportunities elsewhere has been the solution.

III U.S. CONSUMPTION—DOMESTIC VERSUS IMPORTS

As previously discussed, the lack of adequate import information provided by the U.S. Government has made it extremely difficult to formally gauge the penetration of foreign bearing competitors into our defense establishment.

A. *Import values of our major Japanese competitor Nippon Miniature Bearings (NMB)*

As Addendum No. 1 to this statement, we are attaching a copy of an article from the April 1967 issue of the "Oriental Economist," together with a detailed explanation of the rationale behind the Nippon Miniature Bearing Company (NMB) import figures presented in our previous statement. Examination of our derivation will disclose that very few assumptions were made in arriving at the figures presented and that, further, the information is, in the main, directly taken from the text of the Japanese publication in question. We regard these values as well founded in fact and, if anything, somewhat conservative.

We have not been as fortunate in obtaining accurate figures for other foreign competitors who, (perhaps older and wiser than NMB), have not chosen to publicize their growth—nor has the U.S. Government, up to this time, seen fit to inquire as to their progress. Nevertheless, we are able to present the analysis to follow with self-assurance as to its reasonableness.