

consultations with industry, an evaluation of the supply-requirements situation was made.

In brief, the conclusions drawn were that :

1. Under present planning assumptions estimated mobilization requirements for horological items that could be placed on the watch industry could not be met with currently available equipment. Thus, the report states, a precarious situation would exist in the event of a conventional war.

2. Watchmaking equipment in the watch industry and elsewhere is inadequate at this time to meet demand stemming from the Vietnam operations, and without substantial imports of parts, production of fuzes and timing devices would fall short of current requirements.

3. Present planning assumptions raise a question regarding reliance on imports in a conventional war and such uncertainty of supply of foreign-made parts could affect the national security.

The report concludes that the prospective deficit in production equipment in a mobilization period is a serious matter and recommends measures which could strengthen the defense posture, such as adopting programs to develop additional capacity, stockpiling of watchmaking equipment and maintaining a watchmaking complex capable of quick response to defense orders.

DEPARTMENT OF DEFENSE

The Department conducted a comprehensive study to determine the extent to which overall military requirements for horological-type products could be met by watch and non-watch producers.

In the course of the study, the Department solicited and obtained information and comments from its component elements which have a significant interest in the matter, and assembled data on the capabilities of the horological and non-horological producers for meeting foreseeable defense needs.

The overall military requirements for horological-type products considered in the study are based on the needs for meeting ammunition and other inventory objectives for presently planned forces, amended wherever possible to reflect Vietnam demands; plus monthly production rates needed to meet anticipated requirements under mobilization conditions. The study encompassed jeweled and non-jeweled watches, clocks and chronometers, timing mechanisms for ammunition, guided missiles, fire control equipment, photographic equipment, miscellaneous timing mechanisms, and safety and arming devices for missiles, rockets, and bombs.

An evaluation of the study led the Department to the following conclusions :

The United States watch industry has been an important and responsive source of horological-type items used in rockets, missiles and ammunition as well as a supplier of watches, chronometers, and other items.

Despite the protection of the "escape clause" rates, domestic production of jeweled watches declined, and further decline may be expected whether or not the higher rates are extended beyond their terminal date of October 1967. The Department therefore must anticipate the possibility of a further production retrenchment, or even complete termination of production, and has considered alternatives available to it should these possibilities occur.

Termination of domestic watch production, in whole or in part, if it occurs at all, will not take place at a given moment in time but rather over a period of time. During this period the Defense Department can make plans for dealing with the developing situation. The Department considers it unlikely that all domestic production of watch movements would cease.

Defense requirements, while an uneven source of sales volume for the watch companies, have nevertheless been a continuing source. These requirements will continue for the foreseeable future and should constitute an important source of volume for the watch companies of particular interest to them should domestic production of watches decline.

In the interest of preserving both a quick reaction capability and a mobilization base, the Defense Department can under Exception 16 to the Armed Services Procurement Regulation confine contract awards for horological-type items to watch companies or other companies capable of making the needed items.

The watch industry is currently up to capacity in military production which necessitated a continuing introduction by the Department of non-watch companies as producers of these items. Companies outside of the watch industry are a growing source of capability for the horological-type items produced by the watch industry and are currently able to meet the peak mobilization requirements for safety and arming devices. As a result of the experience these com-