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COMPTROLLER GENERAL OF THE UNITED STATES

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B-140339

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RELEASED

The Honorable H. R. Gross
House of Representatives



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Dear Mr. Gross:

On October 17, 1972, you requested the General Accounting Office to evaluate the Department of Commerce U.S. Metric Study (Study) report to Congress. Our evaluation is not completed but, as agreed with your office, we are reporting on matters noted to date which may be of use in the current congressional consideration of proposed legislation to adopt the metric system for use in the United States.

Public Law 90-472 authorized the Secretary of Commerce to conduct a program of investigation, research, and survey to determine the impact on the United States of increasing worldwide use of the metric measurement system. The ensuing Study covered such areas as international trade, manufacturing industry, international standards, defense, and a history of the metric controversy in the United States. The results were published in July 1971.

The Study includes the Secretary's finding that increased metric usage is in the best interests of the United States and his recommendation that the Nation change to the metric system through a 10-year coordinated national program at the end of which the Nation will be predominantly metric.

Effect on International Trade and Domestic Economy

The Study states that had the United States been metric by 1970, in 1975 its exports of measurement standard sensitive products would have been increased by \$600 million and that there would have been no difference in imports of such products. This statement was based on surveys of importers and exporters. Our examination of the survey of importers, however, shows that imports of measurement standard sensitive products would have been increased by \$100 million. We believe that this substantial offset to the favorable export benefit should have been recognized in the Study.

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We also noted that the Study did not discuss the possibility that costs of converting the U.S. manufacturing industry to the metric system would tend to increase costs and prices of its products and thus place these products at even more of a competitive disadvantage vis-a-vis the products of foreign firms that are already metric.

National Conversion Program More Costly

The Study concluded that the Nation was already on the way to becoming metric and that the question was whether the change should be made under a planned national program or without a plan.

The Study included a comparative analysis of the costs to change to metric by the manufacturing industry sector. The analysis considered two alternatives: a 10-year planned national changeover and a 30-year no-plan national changeover, and made a comparison at three assumed base cost levels--\$10, \$25, and \$40 billion. The analysis shows that, regardless of the cost assumptions, the 10-year planned changeover was the preferred alternative because it would be less costly and the benefits of metric usage would be realized sooner than under the 30-year no-plan changeover.

Although we have not evaluated all the data used in the calculations, we do take issue with the omission of a factor (interest) representing the time value of money.

We applied the present-value method to the Study's manufacturing industry analysis. This is the method most often used to evaluate alternatives that differ in the timing of cash flows.

A major problem in the use of the present-value method has been the selection of the appropriate interest rate. Arguments have been presented for rates ranging from as low as the interest rate for borrowing by the Treasury to as high as certain rates of return that can be earned in the private sector of the economy. In our computation we used the 10-percent interest rate prescribed by the Office of Management and Budget, in OMB Circular No. A-94, Revised, dated March 27, 1972.

Our computation showed that if the time value of money had been set at 10 percent, the analysis would have shown that:

B-140339

1. At the \$10 billion level the 10-year planned changeover alternative would be less costly than the 50-year no-plan changeover--as shown by the Study
2. At the \$25 and \$40 billion levels, the 10-year planned changeover would be more costly than the 50-year no-plan changeover--contrary to what was shown by the Study.

It should be noted that the costs used in the Study's analysis were assumed for the purpose of comparing the 10-year planned changeover and the 50-year no-plan changeover. Elsewhere in the Study it is stated that an initial estimate of the manufacturing industry's changeover costs was \$25 billion which after various modifications was changed to a final estimate ranging from \$6.2 to \$14.3 billion.

Impact of Metrication on Small Business

Public Law 90-472 directed that the Study give full consideration to the advantages, disadvantages, and problems associated with the Nation's changeover to the metric system, and recommend specific means of aiding those areas of the economy where metrication would entail significant costs. One such area was small business.

In a March 1972 report, the House Subcommittee on Minority Small Business Enterprise of the Select Committee on Small Business stated that the Study did not fulfill the intent of the Congress with respect to small business. The Subcommittee report noted that the Study did not inquire directly into the impact of metrication on the small business sector and that the Study's small business recommendations were based on (1) a statement of one small business association, (2) opinions of three officials of the Small Business Administration, and (3) surveys of manufacturing and non-manufacturing firms most of which were not small business.

We do not plan to distribute this report further unless you approve or publicly announce its contents.

Sincerely yours,

(SIGNED) ROBERT H. STRAUSS

Comptroller General
of the United States

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