

Working Hard to Keep 'Em Flying : Models: A manufacturer of radio-controlled helicopters is trying to overcome a trade dispute and keep his business from crashing.

September 18, 1990 | PATRICE APODACA | TIMES STAFF WRITER

John Gorham, president of Gorham Model Products of Calabasas, said he can't sleep at night now. He has mortgaged his home to the hilt and used all his savings trying to keep his tiny firm, which makes radio-controlled model helicopter kits, from crashing. Things are so grim that, Gorham said, he got a call from his bank earlier this month to tell him that his personal checking account was \$1,000 overdrawn. He instructed the bank to transfer money from the \$5,000 he has left from the second mortgage he took out on his house. "We're working day by day now" Gorham said, "All of my money is almost gone" but not completely. Gorham, 68, still has enough pluck left to hope that he will be able to obtain bank financing to buy his company the time he says it needs to recover. Without a loan, he says, he will be out of business within four months.

Gorham blames a Japanese company, Hirobo, for his troubles. Hirobo, Gorham said, used to be his biggest supplier, but the company undercut him by allowing its Canadian distributors to infiltrate his market in the United States. One of the Canadian companies calls it "free trade." Gorham calls it "unfair trade practices."

No matter the cause, Gorham is hurting. Gorham's company rang up \$3 million in sales in 1986 and 1987, and it had profits of about 9 cents on the dollar. From that high, annual sales have sunk to a little more than \$1 million, and the company is losing about \$20,000 a month. Until May of last year, Gorham was the U.S. distributor for Hirobo's model helicopters and related parts. Hirobo, which also makes industrial products, is a small company by Japanese standards. But of its roughly \$50 million a year in revenue, only a small percentage is from selling helicopter models.

The motor-powered models are scaled-down versions of the real thing. They weigh between 5 and 9 pounds, are about 4 feet long and up to 1 1/2 feet high. Most are sold in toy and hobby shops by a growing legion of radio-controlled-flying buffs. Fewer than six companies worldwide make the helicopter parts, assembly kits and fully constructed models. The Academy of Model Aeronautics has about 180,000 members, association spokesman Geoffrey Styles said, and about 95% fly radio-controlled helicopters.

Gorham, who is a native of Britain, worked for years as an aerospace engineer. In the late 1960s and early '70s, he was the chief engineer of flight guidance and control systems for the Lockheed L-1011 commercial jet. After leaving Lockheed, he worked as an independent consultant. He became interested in model helicopters in 1978, and started building and designing his own radio-controlled craft.

In 1981, Gorham built and flew 10 model helicopters for the movie "All Night Long." After the filming was completed, he took the models to a trade show, where he got enough orders to get his company off the ground. He formed the allegiance with Hirobo in 1983.

But in 1987, Gorham said, his sales of Hirobo products--which then accounted for nearly two-thirds of his total--started to drop precipitously. After asking around in the industry, he said, he discovered that many American dealers were getting their Hirobo helicopter products from two Canadian companies--Udisco in Montreal and Yellow Aircraft in Vancouver. These companies were

undercutting his prices--which range roughly from \$200 to \$800 per helicopter--by about 30%, he said.

Gorham said he built his business on his ability to provide service and technical support to his customers; the Canadian companies, he said, are only distributors. He said, however, that he would end up giving free service to people who bought from the Canadian distributors because there was no way of knowing which distributor provided a particular models, he said.

Gorham complained to Hirobo about the Canadian distributors and also about what he saw as other problems, among them poor quality in an important product line, which was allowing a competing company to gain market share and was costing Gorham money on repairs and replacements. Eventually, Gorham said, Hirobo executives consented to meet with him. The meeting took place in May, 1989, but it did not produce the results Gorham had hoped for. Afterward, Hirobo stopped all shipments to Gorham, he said, and did not respond to his many phone calls, letters and faxes.

Hirobo could not be reached for comment. The company now sells its model helicopters in the United States through Altech Marketing, an Edison, N.J., firm.

Lyon Kunin, vice president of Udisco, said he has sold only to dealers in Canada but that there is little he can do if those dealers want to sell the products in the United States. "That's free trade," he said. "It's restricting trade if you tell a dealer, 'You can't sell here.' "