UNITED STATES TARIFF COMMISSION

PIANOS AND PARTS THEREOF

Report to the President on Investigation No. TEA-I-14 Under Section 301(b)(1) of the Trade Expansion Act of 1962

TC Publication 309
Washington, D.C.
December 1969

Address all communications to

United States Tariff Commission

Washington, D.C. 20436

CONTENTS

TABLES

Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that would result in the disclosure of the operations of individual concerns. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission
December 23, 1969.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(b) of that act, relating to pianos and piano parts.

Introduction

The investigation to which this report relates was undertaken to determine whether--

> pianos (including player pianos, whether or not with keyboards), and parts thereof, provided for in items 725.02 and 726.80 of the Tariff Schedules of the United States (TSUS)

are, as a result in major part of concessions granted thereon under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the domestic industry or industries producing like or directly competitive products.

The investigation was instituted on July 2, 1969, upon petition filed on June 23, 1969, under section 301(b)(1) of the Trade Expansion Act of 1962 by the National Piano Manufacturers Association (NPMA). Public notice of the institution of the investigation and of a public hearing to be held in connection therewith was given in the Federal Register of July 9, 1969 (34 F.R. 11396-7). The hearing was held October 28-31 and November 5, 1969, and all interested parties were afforded opportunity to be present, to produce evidence, and to be heard. A transcript of the hearing and copies of briefs submitted by interested parties in connection with the investigation are attached. 1/

The members of the NPMA produce about 90 percent of the pianos made in the United States. The NPMA petition related to all products provided for in TSUS item 725.02, viz, "pianos, harpsichords, clavichords, and other keyboard instruments" but not to parts for such instruments. As indicated above, the investigation instituted by the Commission excludes keyboard stringed instruments other than pianos 2/ and includes parts of pianos provided for in TSUS item 726.80.

Findings of the Commission

The Commission finds (Commissioners Thunberg and Newsom dissenting and Chairman Sutton not participating) that --

> pianos (including player pianos, whether or not with keyboards), provided for in item 725.02 of the TSUS

are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to threaten to cause serious injury to the domestic industry producing like or directly competitive products. Commissioners Clubb and Moore find that the rate of duty necessary to prevent serious injury is 13.5 percent ad valorem; Commissioner Leonard finds such rate to be 20 percent ad valorem.

1/ The transcript and briefs were transmitted with the original report sent to the President.

2/ Imports of such stringed instruments are negligible.

The Commission finds (Commissioner Leonard dissenting and Chairman Sutton not participating) that parts of pianos, provided for in item 726.80 of the TSUS, are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the domestic industry producing like or directly competitive products.

Statement of Commissioners Moore and Clubb

On June 23, 1969, the National Piano Manufacturers Association (NPMA) filed a petition with the Commission requesting relief under section 301(b)(1) of the Trade Expansion Act (TEA). The petition alleged in substance that the domestic piano industry is being seriously injured, and is threatened with serious injury, as a result of increased imports generated by trade agreement concessions. For reasons set out below we find that the piano industry 1/ is threatened with serious injury and that the level of duty necessary to prevent the injury is 13.5 percent.

1/ The Commission on its own motion expanded the scope of the investigation to include piano parts as well as pianos. We find, however, that the industry threatened with serious injury here is only the piano industry. Accordingly, when the term "industry" is used in this statement it refers to only the piano industry, and does not include the piano parts industry.

Under the statute the piano industry may obtain the relief requested only if the following conditions are met:

1) imports must be increasing;

2) the increased imports must be in major part the result of concessions granted under trade agreements;

3) the industry producing the like or directly competitive product must be suffering serious injury or be threatened with serious injury; and

4) the increased imports must be the major factor in causing or threatening to cause serious injury.

For the reasons set out below we have concluded that the piano industry is threatened with serious injury.

Imports have increased

Since 1951 when the first trade agreement concession became effective, average annual imports of pianos have sharply increased as follows:

1951-54	607
1955-59	1,564
1960-64	5,129
1965-68	14,735

Actual imports in 1968 were 24,832 units and are expected to be about 30,000 in 1969. Such increases clearly demonstrate that imports are increasing within the meaning of the Act.

In major part

The statute requires that the increased imports be in major part the result of trade agreement concessions. In accordance with our prior decisions on this issue, imports are in major part the result of trade agreement concessions if, without the concessions, the imports would not have reached substantially their present level. 2/ In this case it is clear that this statutory requirement has been met.

Under the trade agreement program the duty on pianos has been reduced as follows:

Rate of duty (Percent ad valorem)	Effective date
40	Tariff Act of 1930
20	June 6, 1951
19	June 30, 1956
18	June 30, 1957
17	June 30, 1958
15	Jan. 1, 1968
13.5	Jan. 1, 1969

In addition, the following reductions are programed for the future as a result of concessions made in the Kennedy Round.

2/ Buttweld Pipe, Inv. No. TEA-W-8 (Nov. 1969); Transmission Towers and Parts, Inv. No. TEA-W-9 and 10 (Nov. 1969); Barber Chairs, Inv. Nos. TEA-I-11 and TEA-F-7 and 8 (Jan. 1968) at 27, 32-38 (dissenting opinions); Eyeglass Frames, Inv. No. TEA-I-10 (Oct. 1967) at 14-16 (concurring opinion).

Rate of duty (Percent ad valorem)	Effective date
11.5	Jan. 1, 1970
10	Jan. 1, 1971
8.5	Jan. 1, 1972

Thus, the duty has already been reduced from 40 percent to 13.5 percent, and additional reductions to 8.5 percent are to be made by Jan. 1, 1972.

In the highly competitive piano market, such decreases in duty as have already taken place, amounting to 26-1/2 percent ad valorem, have a decisive effect, accounting for more than the difference in price between the domestic and imported pianos of like grade and quality. It is therefore clear that without the concessions imports would not be at substantially their present level.

Threat of serious injury

We find that the U.S. piano industry, although not presently being seriously injured by increased imports, is threatened by such injury in the future. Serious injury for purposes of the Trade Expansion Act is an important, crippling, or mortal injury; one having permanent or lasting consequences. Such injuries are distinguished from the less important and temporary injuries which domestic concerns are expected to absorb without governmental assistance.

Here it seems likely that if the remaining tariff reductions are made as contemplated by the Kennedy Round agreement, the domestic piano industry will suffer serious injury as defined above. The domestic piano industry appears to be faced with both declining consumption in the United States, and rapidly increasing imports. Imports, which were negligible prior to 1962 now account for 13 percent of sales. These rapidly increasing imports come largely from Japanese companies which not only appear to be highly efficient producers, but excellent merchandisers as well. Domestic industry sales on the other hand, have declined substantially, and, with a few exceptions, profits, particularly those of some of the smaller firms, have descended to a level which will not permit long term operation. Since 1962 five smaller plants have already closed; and others may do so soon. Employment in the piano industry has similarly decreased.

The Trade Expansion Act and the Trade Agreement concessions which were made pursuant to it envisage that imports into the United States will increase, and that many industries such as the one involved here will have to make substantial adjustments in order either to become more competitive, or to content themselves with a smaller portion of the United States market. But it is intended that such adjustments should be made in an orderly way so as to avoid the serious dislocations which would otherwise occur. We feel that, faced as it is with a declining market and rapidly increasing imports, the domestic piano industry is doing well to make such adjustments under present circumstances. Serious injury is almost certain to take place if the remaining duty reductions are permitted to take effect as scheduled.

Major factor

The final requirement of the statute is that the increased imports resulting from trade agreement concessions must be the major factor in threatening to cause serious injury to the domestic industry. Here, too, the statute is satisfied when the serious injury would not be threatened if it were not for the increased imports. There is little doubt of this. Without the increased imports, the domestic industry would undoubtedly be able to make an orderly adjustment to its declining market, and its other competitive liabilities. What it cannot do is deal with all these problems and at the same time face the rising and constantly more intensive import competition.

Remedy

The Trade Expansion Act requires that, if the Commission finds that a domestic industry is threatened with serious injury, it must also find what import restriction is necessary to prevent the serious injury. 1/ Since we find that the domestic piano industry is--albeit with considerable difficulty--making an orderly adjustment to the present rate of increased imports, we find that the serious injury can be avoided by merely delaying the remaining duty reductions so that, for the time being, the duty remains at 13.5 percent.

1/ Sec. 301(e).

Statement of Commissioner Leonard

Under Section 301(b) of the Trade Expansion Act of 1962 the Commission must determine whether:

1. imports are increasing;

2. the increased imports are in major part the result of concessions granted under trade agreements;

3. the domestic industry producing an article which is like or directly competitive with the imported article is being seriously injured or threatened with serious injury; and

4. the increased imports have been the major factor in causing or threatening to cause the serious injury.

If all four of these criteria are determined in the affirmative, then the Commission is to find the amount of the duty or other import restriction on the article which is necessary to prevent or remedy the injury.

I find affirmatively with respect to each of these criteria in the instant investigation. Before detailing how each of the criteria is met in this investigation, I believe it is important to note that, in my view, the industry in the United States here under consideration includes not only the operations of the firms producing pianos (including their integrated production of parts) but also the operations of independent firms devoted to the production of piano parts.

Imports are increasing

As is evidenced by the accompanying tables (Nos. 1 and 5), the long-term trend in imports has been consistently upward. Thus, this criterion is clearly met.

Imports are in major part the result of trade agreement concessions

Trade-agreement concessions need not be the sole cause of the increased imports. But the increased imports must result in major part from the concessions. The duty reductions must be an important consideration--as important as or more important than other considerations--in bringing about the increase in imports. While it is true the text and the legislative history of the Trade Expansion Act of 1962 indicate that all trade-agreement concessions are to be considered in the aggregate, Congress in enacting this form of relief for domestic industry was especially concerned with the future trade agreement concessions to follow the enactment. Thus, concessions of recent vintage, i.e., those granted under the Trade Expansion Act of 1962, require especially close scrutiny in any determination under Section 301 of the TEA.

The original or statutory rate of duty on imported pianos and parts is 40 percent ad valorem. Pursuant to trade-agreement concessions the rate has been reduced in successive steps to the current rate of 13.5 percent ad valorem--which is the second of five staged rates proclaimed to carry out concessions granted in the Kenndy Round. When the fifth or last stage becomes effective January 1, 1972, the rate will be 8.5 percent ad valorem.

Increased imports first assumed significant volume after 1958, the year in which the concessions granted in the 1956 GATT negotiations became fully effective. However, the most dramatic upsurge in the volume of imports has occurred following the negotiation and implementation of the applicable Kennedy Round concessions. When such concessions become fully effective January 1, 1972, present import trends point to an even more dramatic penetration of the domestic market for pianos.

Many factors, of course, have contributed to the growth in imports. The rebuilding of the Japanese economy and its productive capacity after World War II, the dramatic growth in the postwar period of the piano industry in Japan, the aggressive marketing practices of the Japanese producers, and rising price levels in the United States have all been contributory. These and other factors, particularly the rise in U.S. price levels creating a widening gap or disparity with the lower price levels of imports[1/], serve to accentuate--not minimize--the impact of the U.S. duty concessions.

On balance, I am satisfied that increased imports are in major part the result of trade-agreement concessions.

<u>The domestic industry is being threatened with serious injury</u>

Depending on the time period used for study, the piano industry is either a declining industry or an industry of very low growth. When comparison is made to output in the 1920s the industry has declined. In 1923, output was 343,000; in 1968, it was 203,000. If, on the other hand, only the post World War II period is considered, then the industry is

---

1/ For example, in 1964, the disparity in wholesale prices of best-selling studio upright pianos between domestic and Japanese models was $12.00. By 1969, this had increased to $94.00. For living-room consoles the spread of $49.00 in 1964 increased to $73.00 in 1969.

seen as one of low growth. When 1950 is used as a point for comparison with 1968, growth of output has been at an annual rate of 0.8 percent. This growth rate of piano output contrasts to a growth of population in this 18-year period of 1.7 percent per annum and a growth of gross national product of 6.4 percent per annum. Low growth makes a difficult environment under which industry can operate; it militates against innovation and investment.

Since 1964, the number of firms in the industry has decreased. There were 19 concerns producing pianos in 1964, but only 16 by the end of 1969 (in addition, another plant closed in November 1969, for which future plans are uncertain). There was significant idling of productive capacity in 1967 and even slightly more in 1968.

The ratio of net operating profits to net sales for the domestic industry declined from 4.8 percent in 1964 to 2.3 percent in 1968, which is considerably less than the average profit level for the furniture industry (a related, larger classification of manufacturing). In 1964, four of the 18 reporting concerns reported net losses on piano operations; in 1968, six reported losses. This decline in profits applies to all firms in the industry regardless of size.

Employment in the production of pianos declined by 10.3 percent, from 5,131 in 1964 to 4,605 in 1968; and further declined to 4,581 for the period January-June 1969. Man-hours worked declined by 8.6 percent from 1964 to 1968.

From the foregoing, it is apparent that the domestic industry is not healthy. The low growth status of the industry, recent closings of firms, idling of productive facilities, low profit levels and decline of employment--all point in the same direction. They indicate that the industry at this point of time is at least threatened with serious injury.

<u>Increased imports have been the major factor in threatening to cause the serious injury</u>

Finally, to find affirmatively under Section 301(b) of the Trade Expansion Act of 1962, the increased imports must be the major factor in causing or threatening to cause the serious injury. The increased imports must be an important consideration--as important as or more important than other considerations--in causing or threatening to cause serious injury to a domestic industry.

In the instant investigation, imports are not the only contributor to the plight of the domestic industry. Undoubtedly, the industry has been adversely affected by the changing pattern of life in the United States. Among the various social, economic, and technological factors contributing to the declining importance of pianos in total personal consumption expenditures are increasing urbanization, development of television and stereophonic equipment for home use, the rise of automobile ownership which increases mobility of consumers and provides access to entertainment outside the home, and growing interest in other musical instruments and many other kinds of recreation. Two characterisitics of the piano itself adversely affect new piano sales by domestic producers--durability (average life of

40 to 60 years) and infrequent fundamental style changes for the case. There is, therefore, a large supply (currently estimated at 9 million units) of used pianos which accounts for about the same number of piano sales each year as there are sales of new, domestically produced pianos.

In these difficult circumstances, the domestic industry has made commendable efforts to increase efficiency and reduce costs. Plants have moved from urban areas to small towns and particularly to some Southern States in an attempt to reduce labor costs and to be nearer to a source of the raw materials. Plants accounting for the bulk of domestic production employ labor-saving devices or machinery. Two of the principal domestic producers sponsor group instructional programs for school-age children, and the National Piano Manufacturers Association sponsors seminars for music teachers. Despite these efforts, conditions in the industry, as have been shown, deteriorated.

Sales of domestic pianos declined by 5.9 percent in the period 1964-1968; during this time, apparent domestic consumption increased by only one percent. But while consumption grew slightly and domestic shipments declined, in this same period, 1964-1968, imports zoomed upward 316 percent. The ratio of imports to domestic consumption for grand pianos increased from 15.0 percent in 1964 to 43.5 percent in 1968; in the same period the ratio of imports to consumption increased for studio uprights from 8.6 percent to 18.4 percent and for consoles (the living-room market) from 0.6 percent to 8.9 percent. The over-all share of domestic consumption taken by imports rose from 3.0 percent in 1964 to 10.9 percent in 1968; for the period January-June 1969 the ratio is 11.0 percent. On the basis of estimates, the ratio for January-October 1969 is 13.8 percent. On the basis of value, rather than on number of units, the share of the U.S. market obtained by imports is even larger--rising from 3.8 percent in 1964 to 11.7 percent in 1968 to 12.5 percent for the period January-June 1969 and to an estimated 15.6 percent for January-October 1969.

There is an inextricable relationship between the downward slide of the domestic industry and the ever-increasing share of piano and piano parts sales in the United States captured by imports. While the increased imports can now be classed as a significant factor in causing the problems of the domestic industry, they will, if allowed to continue to increase unabated on their almost vertical axis, result in what may be the demise of the domestic industry. The importers have established an efficient, widely-based, well-knit organization of dealers. The foreign piano brands are becoming more and more accepted by the U.S. consuming public and are of equal quality with the U.S. instruments with which they compete. The percentage of increase in the share of consumption taken by imports for each of the last five years is indeed remarkable. If the current trend continues, imports will comprise over 35 percent of the market by 1972.

On this basis, it is evident that increased imports of pianos and parts are the major factor in threatening to cause serious injury to the domestic industry.

Remedy

In view of the foregoing affirmative determinations, it is necessary to find a rate of duty or other import restriction on pianos and piano parts which will prevent the threatened serious injury.

While I concur in the affirmative finding of Commissioners Clubb and Moore on threat of serious injury, I cannot subscribe to their finding that a continuation of the current rate of 13.5 percent ad valorem is necessary to prevent serious injury. The wide disparity in price between U.S. and imported pianos and the current trend of increased imports clearly show that such rate cannot in any wise serve as an effective import deterrent. While it is at best difficult to determine with precision a rate of duty which will remedy or prevent actual or threatened serious injury, it is my view that in this case a rate of duty of 20 percent on pianos and parts is necessary to prevent serious injury. Such a rate would not cut back the current import level, but rather would serve to slow the rate of growth in imports that has characterized the trade in the past few years. It would provide the industry with additional protection it needs to compete more effectively in its own, home market. It would help arrest the decline in profitability and in employment.

As I have previously stated, I regard the domestic industry as embracing the operations of the firms producing pianos and piano parts. In the context of this investigation, the close interrelationships between the production of piano parts and complete pianos ready for the market preclude any meaningful separation of this complex of producing operations into separate and distinct industries one of which produces pianos and the other of which produces parts therefor.

Historically, for highly fabricated articles of this sort, it has been the rule to provide the same rate of duty for an article and its principal components. There is a sound reason for this rule. If an article were dutiable at a significantly higher rate than is applied to its parts, the tendency would be to encourage avoidance of the higher rate applicable to the article. Thus, the imposition of a higher rate on pianos than on the parts thereof would encourage the importation of piano parts in new forms that would maximize the foreign input and minimize the assembly work to be done in the United States. To the extent that imports of piano sub-assemblies or so-called "knocked down" pianos would be exported to the United States for easy assembling here, the purpose of a higher rate of duty on pianos would be frustrated.

For the foregoing reasons, I have found the same rate, viz., 20 percent ad valorem, for both pianos (item 725.02 of the TSUS) and parts thereof (item 726.80).

Statement of Commissioners Thunberg and Newsom

The Trade Expansion Act of 1962 provides an avenue of relief to domestic producers injured by concession-generated import competition. We believe it worth emphasis that the legislation was not enacted to provide shelter from all the vicissitudes of the economy and the market place. It is not intended to protect domestic interests from the ravages of inflation or the adverse impact of declining markets. After studying all the evidence available, we have concluded that the piano industry is not being injured and is not threatened with serious injury as a result in major part of concessions granted under trade agreements.

During the postwar years when the United States economy has been characterized by rapid economic growth and dynamic change, by rising standards of living and by increases, absolute and relative, in expenditures on recreation, the piano industry has been lethargic. Consumption of pianos has increased at an average annual rate of only about 1.5 percent since 1950 while production of pianos has increased at an average annual rate of less than 1 percent. In contrast, population has grown by 1.7 percent, income per capita has grown by 4.7 percent and GNP by 6.4 percent in current dollars. The decline in per capita consumption of pianos, despite rising affluence, reflects the existence of alternative recreational and cultural opportunities and declining interest in the piano as such.

Within a dynamic economy technical change which provides the basis for rapid growth of certain new sectors involves retardation in the growth of the older sectors. Those industries producing goods for which new substitutes become available either disappear, like the horse-drawn carriage industry, or decrease in relative importance, like the piano industry. Old established industries not infrequently adjust successfully to the new competitive situation wrought by changing technology. A successful adjustment in this context, however, means growth rates and profit rates which are relatively low. They are low, however, only because of the growth context; in a stable economy they would undoubtedly represent the average. The piano industry gives many indications of the successful adjustment of an old established industry to a new competitive situation generated by technological changes and rapid economic growth.

Declining per capita demand for pianos has been reflected primarily in declining purchases of pianos by households for home use. Decline in household demand, however, has been partially counterbalanced by an increase in the demand of institutions (schools, hotels, churches, businesses) for pianos. Institutional demand for pianos, moreover, has been for the more expensive types, for studio uprights and grands, in contrast to the household demand which is primarily for the smaller types of pianos, spinets and consoles. Household-type pianos have declined in relative importance in consumption over the past 5 years, from 87 percent in 1964 to 83 percent in 1968. Institutional-type pianos have by the same token increased in relative importance.

Within the lethargic piano market, the volume of imports has expanded rapidly during the 1960's and since 1964 has more than tripled. The growth in the volume of imports has of course been reflected in an increasing relative importance in domestic consumption. Measured by quantity, imports in 1964 represented 3 percent whereas in 1968 and the first 6 months of 1969 they accounted for 11 percent of domestic consumption. In terms of value imports rose from nearly 4 percent in 1964 to 12.5 percent in the first 6 months of 1969.

By far the larger part of the piano market is that for household-type pianos. More than four-fifths of the total domestic piano market is accounted for by spinets and consoles and for these two lines combined imports account for only 6 percent of domestic consumption. Imports of consoles for the household market have increased from less than 1 percent of domestic consumption in 1964 to nearly 9 percent in 1968, while imports of spinets have not changed either in absolute amount or relative importance.

The relative importance of imports in sales of institutional-type pianos has expanded more than in the case of living-room-type pianos. In 1964 imports accounted for 10 percent of consumption of institutional-type pianos while in 1968 they accounted for 26 percent. Within the institutional market the growth of imported grand pianos has been most noteworthy, rising from 15 percent of total consumption in 1964 to 44 percent of consumption of grands in 1968. In part this increase in imports reflects expanded imports of grands by domestic producers to be sold under their own stencil. It is estimated that 22 percent of imports of grands are being entered by domestic producers. The domestic industry does not complain of competition from imported grands.

As pointed out above, it is in the market for institutional pianos--17 percent of the total domestic market--that imports have grown most significantly. In this institutional sector the industry faces purchasers who are able to judge quality and are skilled in the art of buying. The competitiveness of the institutional market results in a narrow dispersion of price levels among the competing producers. This market does not permit a company to price its production much above that of its leading competitors. Nor does it permit lengthy delivery delays on the part of a few sellers.

Purchasers of living-room pianos in contrast are not as expert as institutional purchasers in judging quality. In the household market considerations of style, prestige, and decor make price a consideration of lesser consequence to purchasers. Because living room pianos are viewed by purchasers as both furniture and a musical instrument, the demand for them is much more subject to manipulation and influence by the producing industry than is the case in the institutional market. During the course of this investigation evidence was produced of the effectiveness of sales promotion techniques currently employed by both domestic and foreign producers. These considerations suggest that an expansion of the relative importance of imported living-room pianos is likely to be increasingly difficult.

The import content of domestically produced pianos is also expanding. Since 1967 two major domestic producers have shifted from a domestic to a foreign assembly or supply for actions and other parts. In the first 10 months of 1969 imports of piano parts were nearly triple their level of 1967. In absolute terms, however, imports of parts are very small, only about a million dollars in 1969.

The increasing importance of imported pianos in apparent consumption in recent years has provided part of the stimulation for a rationalization of the domestic industry. New modern facilities have been constructed in lower-cost locations; labor-saving equipment has been introduced in various parts of the production process; shifts to lower-cost sources of supply abroad are being implemented. In part these shifts occurred during the recession in the industry in 1966 and 1967 during which profit rates declined. Profit rates recovered somewhat in 1968, and the evidence available for 1969 suggests that the recovery has sustained. 1/ Available evidence suggests that there was idling of capacity in the domestic industry in 1967 and 1968, but that 1969 operations are approaching capacity. The number of production workers in U.S. piano plants and man-hours worked reached a peak in 1966 from which they have since declined. Part of this decline in employment is accounted for by the rationalization of the industry, greater plant efficiency, and shifts from production within the industry to sources outside the industry for certain components and parts.

Profit rates in this industry are relatively low--with certain notable and important exceptions--because it is an industry of stable total demand in the context of a growth economy. Given the lethargic nature of demand for the industry's produce, the industry's financial performance is evidence of sound economic adjustment and efficient management.

1/ In 1967, * * * firms accounting for 34 percent of domestic piano sales produced pianos at a loss. The number and relative importance of unprofitable piano operations declined in 1968 to * * * firms accounting for 12 percent of domestic sales.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Products

Pianos (formerly called pianofortes) are complex stringed percussion instruments that are identified by the way they are strung. A vertical piano, the more common type (currently accounting for about 95 percent of U.S. sales), has its strings running up and down; a grand piano has its strings running horizontally. Vertical pianos, commonly called uprights, are less expensive, and occupy less space, than grand pianos.

Both upright and grand pianos are produced in various sizes. The popular types of upright pianos are spinets (mostly 36 or 37 inches high), consolettes (38 and 39 inches high), consoles (mostly 41 or 42 inches high), and studio uprights (higher than 43 inches). Spinets, consolettes, and consoles are sold principally for home use; as furniture they are more suited to home settings than the more bulky uprights of the pre-1930's. Size, however, is an important factor in the quality of musical performance obtained from a piano. The smaller upright pianos (i.e., spinets and consolettes) are the least desirable with respect to tone and versatility. The larger studio uprights, which are popular for use in schools and institutional recreation centers, are frequently considered outstanding in tonal quality. The grand piano, generally considered a superior instrument, is made in several lengths ranging from 5 to 9 feet. The smaller grands (baby or parlor grands) are used principally in homes, and the larger instruments (concert grands) are chiefly used by professionals for public entertainment.

Some upright pianos are equipped with a mechanical device for automatically playing music "written" on perforated music rolls. Such pianos, which also can be played by hand, perform automatically when special foot pedals are pumped or when a switch is thrown to actuate an electric motor running the mechanical device. These so-called player pianos, which were popular during the early 1920's, are currently being produced in the United States by 6 firms.

A piano, which comprises thousands of parts of various materials, has four essential elements: strings, action, soundboard, and framework. Each piano has about 230 strings, usually of steel. By variations in length, each string is tuned to one of the 88 notes of the equal-temperament musical scale. 1/ The shortest string, in the treble or high section of the scale, is about 2 inches long and the longest, in the bass or low section, may be as long as 80 inches in large pianos.

A piano action is a complex mechanism containing up to 9,000 separate pieces, mostly of wood. It includes hammers, consisting of a wooden head (usually of maple) covered with a special kind of felt; a keyboard consisting of a frame made of hard laminated wood and 88 keys generally covered with thermoplastics 2/; a system of levers that propel the hammers toward the strings when the player presses down the keys 3/; and dampers which

1/ In recent years, very few short-scale (generally 64-note) pianos have been produced or imported.

2/ The use of ivory for white keys and ebony for black keys has declined in recent years. Parts producers generally sell keyboards separately, not as part of actions.

3/ Because of the size of its framework, spinets are equipped with a system of levers (known as a drop action rather than a direct-blow action) that is difficult to service.

press against the strings, silencing them, when the player releases the keys.

The <u>soundboard</u>, consisting of a sheet of wood (usually of spruce) about three-eighths of an inch thick, serves as a resonator. The strings pass over strips of wood (called bridges) attached to the soundboard and thus transmit their vibrations to the soundboard.

The <u>framework</u> holds the whole piano mechanism together. It consists of a wooden case (usually of hardwood such as walnut, mahogany, fruit-wood, or ebony) reinforced by wooden ribs and a grey-iron plate so as to withstand the heavy pull of the strings. The outer rim of many grand pianos has laminations that are 20 to 25 ply and measure over 4 inches in thickness. When the average piano is in tune, each string exerts a pull of about 150 pounds. The strings are attached to steel pegs (tuning pins) inserted in the plate. The plate also serves partly to reproduce and amplify some of the harmonics generated by the moving strings.

In the United States virtually no pianomakers produce all the parts which they use. The parts purchased by the domestic producers responding to the Commission's questionnaire in this investigation include the following:

complete actions	legs	bolts
hammers	back posts	braces
keys	dowels	casters
key beds	moldings	screws
pedals	ribs	pressure bars
plates	prefabricated parts of lumber	leg plates
bridges		strings
tuning pins		soundboards

For the purpose of this investigation, the term "parts" does not necessarily cover all the articles listed above, nor is it limited to those mentioned, but is confined to the articles that are within the scope of TSUS item 726.80 and are sold or imported separately (i.e., not incorporated in a complete piano). The parts covered by TSUS item 726.80 include fabricated components of pianos and assemblies of components of pianos such as keys, hammers, soundboards, plates, actions, and keyboards. Strings, tuning pins, dowels, moldings, hinges, bolts, screws, benches, and other articles specially provided for elsewhere in the TSUS are not within the scope of item 726.80 unless they are incorporated in assemblies.

The type of piano parts covered by this investigation are generally for use in the production of new pianos. Seldom are such parts required for repairs or replacements on pianos in the hands of private owners. Some parts (e.g., parts of actions) are used in the rebuilding of instruments in piano factories. Factory rebuilding was quite extensive during the late 1940's and early 1950's because of the shortage resulting from the wartime curtailment of production. Although used pianos have continued to supply a significant share of annual domestic sales by retail dealers (currently about 20 percent according to reliable trade sources), very few U.S. firms now engage in rebuilding of used pianos. In this report domestic sales do not include used pianos.

U.S. Tariff Treatment

As already indicated, the imported products covered by this investigation are provided for in items 725.02 and 726.80 of the Tariff Schedules of the United States (TSUS). The current trade-agreement rate of duty applicable to such articles is 13.5 percent ad valorem; this rate, which became effective on January 1, 1969, reflects the second stage of the five-stage reductions resulting from concessions granted by the United States in the Kennedy Round under the General Agreement on Tariffs and Trade.

Under the Tariff Act of 1930, pianos and parts were provided for in paragraph 1541(a) and were originally dutiable at 40 percent ad valorem. Reduced rates established pursuant to trade agreements, and the effective dates of the reductions, are shown below:

Rate of duty (Percent ad valorem)	Effective date
20	June 6, 1951
19	June 30, 1956
18	June 30, 1957
17	June 30, 1958
15	Jan. 1, 1968
13.5	Jan. 1, 1969
11.5	Jan. 1, 1970
10	Jan. 1, 1971
8.5	Jan. 1, 1972

Imports of pianos and parts from designated Communist-controlled countries or areas, which have been negligible in recent years, are dutiable at 40 percent ad valorem.

Pianos

U.S. consumption

According to a marketing study conducted for the NPMA, 1/ the total number of pianos in U.S. households in 1961 was estimated at about 9 million units; the number in institutions, at 400,000 units. On the basis of historical data relating to piano sales and ownership practices, the study forecast that the total number of pianos would decline by 1 million in 10 years and about 2 million in 20 years. Expressed in annual terms, the projection was that 300,000 old pianos would be junked each year, while 200,000 new pianos would be purchased. The annual junk rate of 300,000 reflected the fact that pianos are junked, on the average, 50 years after the date of manufacture; 2/ the annual purchase rate of 200,000 represented sales in 1961.

The information obtained in the Commission's investigation indicates that the total number of pianos in the United States has probably declined inasmuch as the number of new pianos sold in the United States in recent years has not exceeded the estimated annual scrap rate. Apparent consumption increased from 207,000 units in 1962 to 247,000 in 1966 and then declined to about 227,000 units in 1967 and 1968; during January-June 1969

1/ A Study of the Piano Industry, dated Sept. 9, 1961, by Milton P. Brown, John B. Stewart, and Walter J. Salmon (professors at the Harvard School of Business).

2/ Ownership may change several times during the 40- to 60-year life of a piano. In recent years, sales of used pianos, including household-to-household transactions, have probably approximated sales of new pianos.

apparent consumption was about 5 percent larger than that in the corresponding period of 1968. Measured in sales value at wholesale, the trend of apparent U.S. consumption of pianos has been slightly different in recent years, reflecting a change both in product mix and in prices. Apparent consumption increased from $101 million in 1964 (the earliest year for which data are readily available) to nearly $117 million in 1966, then declined to $111 million in 1967 and rose to $113 million in 1968; during January-June 1969 apparent consumption was about 8 percent higher than that in the corresponding period of 1968.

In considering piano consumption in the United States, it is appropriate to distinquish two broad markets, one for household (or living room) pianos and another for the institutional pianos. For use in the living room, purchasers overwhelmingly want either a spinet or console 1/ piano; for use in schools, churches, and hotels, they wish for the most part studio uprights and, in addition, some grands; and for use in concert halls, the large grands. Although some grands,(particularly the smaller sizes) and a small number of studio uprights are sold for use in households and some consoles (including player pianos) are purchased by institutions, spinets, consoles, and players are considered in this report to comprise the living-room market and studio uprights and grands, the institutional market.

During 1964-68, the most popular piano in the United States was the console(38" - 43" high); sales by the domestic producers and importers

---

1/ Hereafter in this report the term "console" includes the consolette (38" - 39").

responding to the Commission's questionnaire totaled 102,300 units in 1964 and 97,300 in 1968 (tables 2 and 4).1/ Sales of spinets (37" and under) were also lower in 1968 than in 1964, dropping from 88,500 to 84,100 units. Combining the foregoing data on consoles and spinets with sales of player pianos (about 3,800 units a year, table 2) indicates that apparent U.S. consumption of living-room pianos declined by about 9,900 units (or 5 percent) from 1964 to 1968. Sales of such pianos were 6 percent larger in January-June 1969 than in the corresponding period of 1968.

Sales of institutional pianos (studio uprights and grands), which accounted for about a sixth of the number of pianos marketed in 1968, increased by 22 percent from 1964 to 1968. Sales of studio upright pianos (higher than 43") rose to 25,600 units in 1968, about 2,500 units above the 1964 level. From 1964 to 1968, grand piano sales in the United States rose by more units than the sales of any other type--from 7,200 units to 11,300.

1/ The sales data received from domestic producers and shown in table 2 represent at least 95 percent of domestic producers' total sales in the United States, whereas the sales data received from importers and shown in table 4 probably accounted for about three-fourths of importers' actual sales in 1964 and about four-fifths in 1965-68. Such understatement of producers' and importers' sales, however, does not appreciably distort the trends or relationships described in this report.

The following tabulation shows the percentage distribution of the sales at wholesale of pianos (based on quantity), by types, for 1964-68:

Year	All pianos	Living-room type			Institutional type		
		Total	Spinets	Consoles	Total	Studio uprights	Grands
	Percentage distribution of sales at wholesale						
1964	100.0	86.6	39.4	47.2	13.4	10.3	3.1
1965	100.0	86.3	43.2	43.1	13.7	10.4	3.3
1966	100.0	84.7	41.4	43.3	15.3	11.6	3.7
1967	100.0	83.9	38.4	45.5	16.1	11.7	4.4
1968	100.0	83.4	38.0	45.4	16.6	11.5	5.1
	Ratio (percent) of importers' sales to total sales						
1964	2.1	0.9	1.2	0.6	10.0	8.5	15.0
1965	2.7	1.2	0.8	1.5	12.2	10.0	19.2
1966	3.8	2.1	1.1	3.0	13.5	9.5	26.0
1967	5.7	3.2	1.2	4.8	19.5	13.1	36.3
1968	8.9	5.5	1.3	8.9	26.1	18.4	43.5

On the basis of the data in table 1, the ratios of imports to apparent consumption in 1964-68 were as follows:

Year	Ratio (percent) of imports to consumption based on--- Quantity	Value
1964	3.0	3.8
1965	3.2	4.2
1966	4.4	5.8
1967	6.9	8.8
1968	10.9	11.7

The ratios based on value are somewhat larger than the ratios based on quantity because grands account for a much larger portion of the total number of imports than of domestic production--25 percent compared with 3 percent.

A large number of social, economic, and technological factors have influenced U.S. consumption (sales) of pianos in recent years, such as increased urbanization, development of television and stereophonic equipment, which provide alternative forms of recreation within the home, the rise of automobile ownership which increases mobility of consumers and provides access to entertainment outside the home, and growing interest in other musical instruments and in many other kinds of recreation. Expenditures for pianos have not kept pace with total personal consumption expenditures in recent years. From 1960 to 1968, for example, the average annual rate of increase in the dollar value of retail sales of new pianos per household was 1 percent, compared with an increase in personal consumption expenditures per household of 4.8 percent for all goods and services, 9.1 percent for radio and television receivers, records, and musical instruments and 5.3 percent for all other types of recreational goods and services. The foregoing rates of changes in per-household expenditures were computed from the data on personal consumption expenditures shown in the following tabulation (in current dollars):

Year	Total 1/			Per household 2/		
	All goods and services	Radio and television receivers, records, and musical instruments 3/	Other recreational goods and services	All goods and services	Radio and television receivers, records, and musical instruments 3/	Other recreational goods and services
	Billion	Billion	Billion			
1960	325.2	3.4	14.9	$6,160	$65	$282
1962	355.1	3.9	16.6	6,497	72	303
1964	401.2	5.4	19.2	7,169	97	342
1966	466.4	6.9	21.9	8,028	119	378
1967	492.3	7.4	23.5	8,365	126	399
1968	536.6	7.9	25.7	8,878	130	425
Percent of increase 1960 to 1968:						
Total	65	130	83	45	101	51
Annual average	6.5	11.1	7.8	4.8	9.1	5.3

1/ From U.S. Department of Commerce, Office of Business Economics, National Income and Product Accounts of the United States, 1929-1965, and Survey of Current Business, July 1968 and July 1969.

2/ Computed on the basis of the number of households on March 1 of years shown, as reported in Statistical Abstract of the United States, 1968 and 1969.

3/ Includes new pianos; retail sales of such pianos amounted to $0.15 billion in 1960 and increased to $0.19 billion in 1968 or by 23 percent, or at an average annual rate of 2.3 percent (sales figures from American Music Conference, Amateur Instrumental Music in the United States, 1967 and 1968).

U.S. producers

Since the 1920's there has been a sharp decline in the number of U.S. piano manufacturers owing in part to the depression of the 1930's, to attrition, and to consolidation.

In 1968, 18 firms operating 24 plants, produced pianos in the United States. The distribution of piano plants, by States, in 1968 was as follows:

State	Number of plants	State	Number of plants
New York	5	Mississippi	2
Michigan	4	Arkansas	1
North Carolina	4	Ohio	1
Illinois	3	Tennessee	1
Indiana	3		

Of the 18 firms, 13 are single establishment concerns engaged primarily in the production of pianos; they accounted for 37 percent of the total unit sales in 1968.

The "big 3" in the piano industry--The D.H. Baldwin Co., The Wurlitzer Co., and The Aeolian Corp.--which accounted for 54 percent of unit sales (including exports) in 1968, are multi-product, multi-plant firms. Baldwin is a highly diversified firm with establishments located in Cincinnati, Ohio (grand pianos), Greenwood, Miss. (upright pianos),and Conway, Ark. (uprights and grands). The firm operates five other establishments in Arkansas in connection with its production of electronic organs and components. Recently, Baldwin began assembly of actions from U.S. components in Juarez, Mexico.

* * *. It owns three European and one Canadian facility engaged in the sale and/or manufacture of its products. Baldwin acquired an interest in a domestic guitar and drum manufacturing firm in 1967 and, more recently, has been importing electronic guitars from the United Kingdom. Baldwin complements its piano line with importations of Howard (Kawai) grand pianos from Japan and of Bechstein grands from its affiliate in West Germany.

The Wurlitzer Co., DeKalb, Ill., is a diversified firm with U.S. manufacturing operations covering pianos, electronic organs, coin-operated and stereo phonographs, and band instruments. During 1968, however, the stereo line was discontinued, and in October 1969 the band instrument division located in Elkhart, Ind., was dissolved. Wurlitzer produces uprights and grands in its DeKalb establishment and keys and actions in a plant in Holly Springs, Miss. * * * Wurlitzer has four European subsidiaries, three of which are selling organizations. The fourth produces electronic organs, coin-operated phonographs, vending machines and auxiliary equipment for the European market.

The Aeolian Corp., which is a merger of some 25 companies, operated, in 1968, four establishments producing only pianos and player pianos: (1) Ivers & Pond Piano Co., Memphis, Tenn. (uprights, grands, and players) 1/; (2) Conover Cable Piano Co., Oregon, Ill. (uprights)

1/ About 80 percent of the Ivers & Pond plant was destroyed by fire on Aug. 15, 1969, at a loss of about $5 million. The plant is being rebuilt and is expected to be in full production late in 1970.

(3) Aeolian American Corp., East Rochester, N.Y. (uprights and grands); and (4) Winter and Co., Bronx, N.Y. (uprights and players). In September 1968 the Winter piano production in the Bronx was moved to Ivers & Pond in Memphis. The various establishments manufacture and market pianos with certain brand names which Aeolian owns or controls; many of these were acquired by the purchase of trademarks or brand names from former producers. The various Aeolian pianos (largely spinets or consoles) have distinguishing features with respect to styling, size, and construction. The brand names used by Aeolian are: Mason & Hamlin; Knabe; Chickering; Fischer; Steck; Weber; Kranich & Bach; Winter; Poole; Miller; Ivers& Pond; Hardman, Peck; Kingsbury; Hallet & Davis; Emerson; Bradbury; Bent; Huntington; Pease; Cable; Wellington; Schiller; Conover; Lindeman; Mehlin; Harrington; Chase; Melodigrand; and two player types, DuoArt and Pianola. Aeolian controls Mason & Risch, Ltd., Toronto, one of Canada's largest and oldest piano makers.

The medium-sized producers--Kimball, Everett, Story & Clark, and Kohler & Campbell--accounted for 29 percent of total unit sales in 1968. These firms, with the exception of Story & Clark, manufactured both upright and grand pianos. Story & Clark, a division of the Chicago Musical Instrument Co. (CMI), imports its grands from Japan (Yamaha). The Kimball Piano & Organ Co., Jasper, Ind., is a division of the Jasper Corp. The Kimball division was acquired by this large furniture and wood products manufacturer in 1959. Kimball produces uprights, grands, players, and electronic organs. The Jasper Corp. in 1965 acquired a major interest in Herrburger-Brooks, Ltd., a prominent British manufacturer of piano and organ keys and actions * * *. The parent corporation purchased the Bosendorfer Piano Co., Vienna, Austria, in 1967 and imports a small number of its grand pianos. The Everett Piano Co., South Haven, Mich., is a subsidiary of the Hammond Organ Corp. and produces pianos in South Haven. Kohler & Campbell, Granite Falls, N.C., is a producer of upright, grand, and player pianos.

Of the 11 small-sized concerns that produced pianos during 1968, one (Janssen Piano Co., a division of Conn Organ Corp.) ceased production on December 1, 1969, and another * * * ceased producing pianos in November 1969. Another small producer (Lowrey Piano Co., a division of CMI) began the manufacture of pianos in Grand Rapids, Mich. in 1964; in April 1968 production at Grand Rapids was discontinued but 2 months later it was resumed at a new plant in North Carolina. Production at that plant recently ceased, and the plant was sold after being operated only about 18 months. 1/

An important producer among the small-sized concerns in terms of prestige and quality control is Steinway & Sons, Long Island City, N.Y. That company, which produces and markets both grand upright pianos at prices considerably higher than most producers, is currently unable to meet the demand for its product. Steinway maintains a plant in Hamburg, West Germany, in which pianos are manufactured for sale in markets outside the United States.

1/ The October 1969 issue of The Music Trades magazine quoted company officials as stating that production of pianos was being transferred to the Story and Clark plant in Grand Haven, Michigan.

U.S. production, sales, and exports

In the period 1964-68, production of pianos approximated sales. In 1964, total sales (including exports) of pianos by U.S. producers amounted to about 222,000 units, valued at $98.1 million. The trend of such sales was upward through 1966, when they approximated 237,000 units, with a value of $110.6 million (table 1). They then declined to about 213,000 units, valued at $102.3 million in 1967, and showed a further decline in 1968, to 204,000 units, valued at $100.8 million. The decline from the peak year (1966) to 1968 in terms of quantity and value was 14 percent and 9 percent, respectively. Sales of domestic pianos during the period January-June 1969, however, showed a slight increase in units (4 percent) and in value (6 percent) over the corresponding period of 1968.

The Commission asked producers to estimate for 1962 and 1964-69 the potential annual output of uprights and grands if their plants were operated at full capacity for one shift with observance of the customary five-day work week and holiday schedule. Allowance was also to be made for downtime on repairs and maintenance. The estimates for each year were to be in terms of the actual output mix in that year and the plant and equipment existing on June 30. Fifteen firms accounting for at least 95 percent of the U.S. production of uprights in 1968 and seven firms accounting for about 70 percent of the U.S. production of grands in the same year submitted the requested data. 1/ The following tabulation shows for 1962 and 1964-68 the aggregate estimated capacity (in thousands of units) of the responding firms, and the operating ratios (i.e., the ratio of actual production to capacity):

Item	1962	1964	1965	1966	1967	1968
Capacity (1,000 units)	220.6	226.9	234.9	251.4	244.7	246.9
Operating ratio (percent)	86	88	90	90	79	76

Based on data submitted for 1969, U.S. capacity for producing all pianos appears to remain essentially at the 1968 level. During January-June 1969 (the latest period for which data are available) the firms providing capacity information to the Commission increased production of all pianos by 8 percent over the corresponding period of 1968, thus suggesting that capacity is being more fully utilized. 2/

1/ * * *
2/ * * *

The composition of sales (excluding exports) of domestic pianos, by types, in 1964 and 1968 was as follows:

Type	Percent of unit sales 1964	Percent of unit sales 1968
Spinets	39	41
Consoles	46	44
Studio uprights	10	10
Grands	3	3
Players	2	2

The 18,300-unit decline in U.S. sales of domestic pianos between 1964 and 1968 was accounted for principally by a decline in sales of consoles (table 2). Aggregate unit sales of such pianos declined 13 percent, from about 101,700 in 1964 to 88,400 in 1968.

During the 1964-68 period, annual U.S. sales of spinets by domestic producers fluctuated between 102,700 units (in 1965) and 83,000 units (in 1968). Sales were 4,500 units smaller in 1968 than in 1964. This decline in sales was shared by eight domestic producers; sales of spinets by the other domestic producers either increased or remained fairly constant.

U.S. sales of studio uprights by domestic producers increased from 21,200 units in 1964, to 22,400 units in 1965, and to about 25,800 units in 1966. Thereafter, sales declined to 22,800 studio uprights in 1967 and to 20,900 in 1968. In the period 1964-67 U.S. sales of domestic grand pianos followed a pattern similar to that of domestic studio uprights. U.S. sales of domestic grand pianos were about 6,100 units in 1964 and rose to 6,700 units in 1966. Sales of such pianos approximated 6,300 units in both 1967 and 1968. Sales of player pianos amounted to 3,700 units, valued at $3.1 million, in 1964 and increased irregularly to 4,300 units, valued at $3.6 million, in 1967. Sales declined to 3,300 units, valued at $2.7 million in 1968.

Data submitted by the domestic producers for the period January-June of both 1968 and 1969 indicated a further decline in sales of spinets, players, and studio uprights, no change in sales of grands, and a 14-percent increase in sales of consoles.

U.S. exports of pianos account for a small portion of domestic producers' shipments (table 1). During the period 1958-68, exports ranged between 1,000 and 2,100 units a year and consisted chiefly of overland shipments to Canada and Mexico. The average value of annual exports during this period was about $785,000 with a unit value of $450. About one-third of the domestic firms producing pianos export their products.

U.S. imports

U.S. imports of pianos in 1958 amounted to an estimated 1,900 units and supplied only about 1 percent, in terms of quantity, of domestic consumption. In 1960-62, annual imports of pianos averaged about 4,400 units, and supplied 2 percent of domestic consumption. Thereafter imports rose sharply as indicated in the following tabulation:

Period	Quantity (1,000 units)	Value 1/ (1,000 dollars)	Ratio (percent) of imports to consumption based on quantity
1964-------	6.9	2,424	3.0
1965-------	7.6	2,881	3.2
1966-------	10.8	4,213	4.4
1967-------	15.7	6,132	6.9
1968-------	24.8	8,380	10.9
Jan.-June--			
1968-----	9.7	3,486	9.6
1969-----	11.6	4,397	11.0

1/ The value figures shown here, which are reported in the official import statistics, represent the market values in the foreign country. These value figures differ substantially from the estimated wholesale values shown in table 1 which include U.S. import duty, freight, and insurance as well as importers' markup.

About 95 percent of U.S. imports of pianos in the last decade have come from Japan. All but a small part of the imports from Japan have been marketed by U.S. sales affiliates of two Japanese piano manufacturers--Nippon Gakki Co., Ltd. (Yamaha pianos) and Kawai Musical Instrument Manufacturing Co., Ltd. Since 1966, two piano manufacturers, Baldwin and the Chicago Musical Instrument Co. (Story & Clark) have been importing Japanese grands. Importers responding to the Commission's questionnaire accounted in 1968 for 84 percent of the imports reported in the official statistics, i.e., 20,850 units (table 3). * * *

Pianos imported from countries other than Japan are nearly all uprights; exceptions are principally the high-priced European grand pianos imported by the Kimball and Baldwin piano firms.

Although it is difficult to compare precisely the relative merits of the Japanese pianos with the U.S. pianos, neither Kawai nor Yamaha pianos seem to have any significant structural characteristics that give them an advantage (or disadvantage) over U.S. pianos. The estimated average life of Japanese pianos, like that of U.S. pianos, is 40-60 years. The tonal qualities of various makes of piamos differ, depending in part on the quality of the materials used and in part on the production techniques.

Marketing practices

The selling of pianos--domestic and imported--is overwhelmingly done through independent dealers. There are reported to be around 8,000 dealers in the United States, many of which sell various types of musical merchandise, including pianos, electronic organs, band instruments, fretted stringed instruments, sheet music, and related supplies. Each manufacturer has a network of dealers throughout the country on an exclusive franchise basis. Most dealers handle the pianos of several producers; one is likely to find a dealer handling products of three, four, or five different manufacturers in order to offer customers a wide choice. Yamaha and Kawai pianos usually are sold by dealers that handle the pianos of one or more domestic firms. A few manufacturers (including Yamaha) directly operate retail outlets in addition to their dealer network.

In 1960, 1964, and 1968, the major advertising medium for both Yamaha and Kawai and for most of the domestic firms, was consumer and trade magazines. Newspapers and television were important media for a few domestic firms; television was less used by them in 1968 than in 1960 and 1964.

Domestic producers offer pianos in a somewhat wider range of woods and case stylings than do importers, although the Japanese have enlarged their line in recent years. The two Japanese manufacturers market their pianos under one name each, Kawai or Yamaha; some U.S. piano firms market under one name, while others use several names, partly to capitalize on a well-known brand or to be able to employ multiple dealers in a given area while still maintaining exclusive dealerships.

Domestic piano firms distribute directly to dealers, with very little warehousing, although a few maintain warehouses in California. Yamaha and Kawai maintain warehouses in several locations. The most popular models of pianos are shipped from inventories rather than being made to order.

Both the domestic industry and the principal importers of Japanese pianos sponsor group instructional programs intended to stimulate piano sales. Yamaha offers a "music school" to dealers which is designed to foster music appreciation among pre-school-age children. The NPMA through its National Piano Foundation conducts seminars for music teachers to improve the quality of music instruction. Certain domestic manufacturers also offer teaching programs through their dealers. All of these programs are voluntary on the part of the dealer, and individual dealers may elect not to sponsor them.

In addition to the foregoing promotional efforts, piano producers and importers make available to the retail dealer various types of instructional aids.

Prices

Since 1964 the average unit values of piano sales at wholesale have been generally lower for imported pianos than for the same types of domestic pianos (tables 2 and 4). From 1964 to January-June 1969 average unit sales values increased for all types of domestic pianos except players and for imported consoles and grands. The increase during that period in the average unit sales values was 22 percent and 23 percent, respectively, for domestic consoles and grands, compared with 25 percent and 2 percent, respectively for imported consoles and grands. With respect to studio uprights--the type which the industry alleged was suffering the greatest injury from rising imports--the average unit sales value of domestic pianos rose 17 percent from 1964 to January-June 1969, whereas that for imported pianos declined by 3 percent.

To illustrate the movement of piano prices during the 6-year period 1964-69 a price series was compiled on the basis of the prices of the best selling models, by types, as reported by firms responding to the Commission's questionnaire. Such price data were submitted by domestic producers accounting for at least 85 percent of total unit sales of the various types of domestic pianos in 1968 and by importers accounting for about 80 percent of total unit sales of the various types of imported pianos. This series in index form is as follows (1964 = 100):

Year	Living room				Institutional			
	Spinets		Consoles		Studio uprights		Grands	
	Domestic	Imported	Domestic	Imported	Domestic	Imported	Domestic	Imported
1964--	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1965--	101.6	100.0	101.5	100.5	101.6	98.8	103.6	100.0
1966--	102.2	95.1	104.4	104.7	104.2	104.1	108.7	108.3
1967--	106.0	95.1	109.0	109.1	109.4	104.1	110.0	108.3
1968--	108.9	95.1	112.5	110.8	112.8	104.5	117.1	110.7
1969--	112.8	95.1	116.5	112.5	117.0	107.2	121.2	114.3

This tabulation shows that for consoles, studio uprights, and grands the prices of popular domestic models increased more than those of popular imported models. Weighted averages of the price data on which the tabulation is based indicate that wholesale prices of pianos rose about 12 percent from 1964 to 1968, or at a more rapid rate than the wholesale prices of other commodities in the U.S. market. In this period, the BLS wholesale price index for all commodities rose slightly more than 8 percent; that for all industrial commodities, somewhat less than 8 percent; and that for all musical instruments, about 11 percent.

The charts on the following three pages show the trend of actual wholesale prices of selected individual companies for spinets, consoles, and studio uprights, over the 6-year period, 1964-69. The price changes from 1964 to 1968 by individual companies for the specified types of pianos were as follows (in percent):

Company	Studio	Console	Spinet
Domestic industry average------------	12.7	12.5	8.9

* * * * * * *

The percentages and the graphs indicate that the competitiveness of the institutional upright market compels closeness of pricing. This market does not permit a company to price its product much above its leading competitors. For spinets and consoles, however, it is apparent that price is of less consequence. For example, Baldwin's prestige permits it to price in this market markedly above its competitors.

* * * * * * *

In evaluating import competition in the institutional market it is important to keep in mind that there is not always a one-to-one relationship between wholesale prices and bid prices. When schools, churches, or other institutions call for bids to supply a specific number of pianos, it is dealers who make the bids rather than manufacturers. The dealers may choose to accept different markups in consequence of varying eagerness to get the bid. There is no set formula for bidding, and in some cases the highest wholesale price may turn out to be the lowest bid price, or vice versa.

The domestic industry has expressed some concern that the greater closeness in pricing to be found in the institutional market may spill over into the living-room market if imports of living room pianos continue to increase. Price trends in living room pianos, however, are not likely to follow the exact pattern of the institutional market, owing to the different characteristics of these two sectors. In the institutional sector the industry meets professional purchasers; in the living-room sector, purchasers are not professional. Professional purchasers are seeking musical quality at the most advantageous price, and styling, woods and finishes, and brand names are of far less importance in this market than in the living room.

While pianos styled in French provincial, or early American, or contemporary may give the housewife a piano which will fit in with the decor of her living room, these style factors tend to deflect competition from price. The large American manufacturers each offer 30 to 40 different styles and finishes in living room pianos. Brand names also provide the opportunity for masking price changes. * * *.

Employment

The number of production and related workers employed annually in the establishments of 16 U.S. piano firms rose from 3,857 in 1958 to 5,491 in 1966, and then dropped to 4,605 in 1968 and to 4,581 in January-June 1969. 1/ The following tabulation indicates for the period 1958-68 the employment trends for the "big 3" of the industry (each employing 600 to 1,200 production workers), for the 3 medium-sized producers (with 275 to 600 workers each), and for the 10 small-sized producers (with fewer than 275 workers each):

	1958	1962	1964	1966	1968
"Big 3"---------	2,513	3,396	3,376	3,658	2,991
Medium-sized (3 firms)------	764	987	1,017	1,049	962
Small-sized (10 firms)-----	580	637	738	784	652
Total--------	3,857	5,020	5,131	5,491	4,605

Table 5a shows the employment trends for the individual companies, by plants.

Several piano firms reported that production was reduced in the last 2-1/2 years because of the inability to acquire skilled workers.

1/ One small-sized producer--Janssen Piano Co.--and one medium-sized producer--The Kimball Piano and Organ Co.--could not provide the requested employment data. * * *.

Only 3 piano firms attributed reduced employment to automated equipment during the period January 1958 to June 30, 1969. Of these firms, one (accounting for 10 percent of 1968 domestic production) estimated reduced employment at 2 percent; another (accounting for 17 percent of 1968 domestic production) at 5-10 percent; and the last (7 percent) cited the acquisition during 1964-67 of certain equipment such as a profiler, a multiple ripsaw, an automatic sander, a yard lift truck, and a finishing conveyor as causing an unspecified decline in employment.

In U.S. piano plants that accounted for 98 percent of the piano production in 1968, "all employees" during December 1968 consisted of 4,323 males and 1,800 females.

Data from 14 U.S. piano firms 1/ for the period 1960-68 indicate that the trend of man-hours worked closely followed the trend in piano production. These data expressed as indexes (1966=100) are as follows:

Year	Man-hours	Production
1960-------------------	82	81
1964-------------------	92	94
1966-------------------	100	100
1968-------------------	83	85

In January-June 1969, man-hours worked by these piano firms increased 3 percent over January-June 1968 levels, compared with a production increase of 5 percent during the same period.

The production of grand pianos, requiring more man-hours per piano to produce than an upright piano, accounted for 3.7 percent of total piano production by these firms in January-June 1969, compared with only 2.5 percent in 1960.

1/ These firms accounted for 84 percent of total U.S. piano production in 1968.

Wages

Average hourly wages paid to production workers in 14 U.S. piano firms 1/ dropped from $2.50 in 1960 to $2.34 in 1964; by 1966 these wages were up to $2.46 but were still 2 percent below 1960 levels. This trend in average hourly wages was influenced principally by the fact that two large U.S. firms shifted production from metropolitan areas in northern States (Ohio and New York) to southern States (Tennessee, Mississippi, and Arkansas). The other 12 firms reported higher average wages in 1966 than in 1960. Of these 12 firms, the one located in a southern State experienced the least wage increase between 1960-66--3 percent, compared with 8 to 34 percent for the remaining 11.

With the exception of 3 small firms, all piano companies reported higher average hourly wages in 1968 ($2.77) and January-June 1969 ($2.88) than in 1966. The average hourly wages for 14 firms in January-June 1969 varied from $2.03 paid by a firm located in North Carolina to $3.98 paid by a firm located in Illinois. Data from these 14 firms for 1964 and 1966 indicate that the trend in wages paid to production workers closely followed the trend in average sales values at wholesale for U.S. pianos, but between 1966 and 1968 wages increased more rapidly than did prices. These data expressed as indexes (1964 = 100) are as follows:

Year	Wages	Average sales values of pianos
1964----------------	100	100
1966----------------	105	105
1968----------------	118	112

This trend continued during January-June 1969; wages rose 5 percent above January-June 1968, whereas average sales values were up 2 percent.

1/ These firms accounted for 94 percent of domestic production in 1968.

Profit-and-loss experience of domestic producers

Profit-and-loss data for the years 1964-68 were received from 18 producers who submitted questionnaires. The financial experience of the establishments (plants) in which these firms produced pianos is summarized in table 6. Three of the producers for which data are shown in table 6, manufacture products other than pianos in the plants in which pianos are produced. For all producers combined, pianos accounted for about 78 percent to 84 percent of net sales for all years.

All products.--Net sales of all products amounted to $120.7 million in 1964, $133.7 million in 1965, $132.6 million in 1966, $128.0 million in 1967, and $140.6 million in 1968. Net operating profits amounted to $5.1 million in 1964, $5.9 million in 1965, $2.7 million in 1966, $1.1 million in 1967, and $3.0 million in 1968. The ratio of net operating profit to net sales, which was 4.2 percent in 1964 and 4.4 in 1965, declined to 2.0 percent in 1966, to 0.8 percent in 1967, then increased to 2.1 percent in 1968.

Three producers reported losses in both 1964 and 1965, while five reported losses in 1966, eight reported losses in 1967, and six in 1968. The ratios of net operating profit to net sales of all products were smaller than the corresponding ratios for all U.S. manufacturing corporations and those for furniture-manufacturing corporations which ranged from 8 to 10 percent and from 5 to 8 percent, respectively. 1/

Pianos.--The net sales of pianos of the 18 producers amounted to $102.2 million in 1964, $112.1 million in 1965, $110.1 million in 1966, $102.9

1/ See Federal Trade Commission and Securities and Exchange Commission, Quarterly Financial Reports for Manufacturing Corporations.

million in 1967, and $110.4 million in 1968. The net operating profits amounted to $4.9 million in 1964, $5.9 million in 1965, $2.8 million in 1966, $1.0 million in 1967, and $2.5 million in 1968. The ratio of net operating profits on pianos was 4.8 percent in 1964, 5.2 percent in 1965, 2.5 percent in 1966, 0.9 percent in 1967, and then increased to 2.3 percent in 1968.

Four companies reported losses in 1964, three in 1965, six in 1966, eight in 1967, and six in 1968 on the sales of pianos. Table 6a shows that the financial experiences of the individual firms varied widely each year.

Piano Parts

U.S. producers

To obtain information on parts of pianos within the scope of TSUS item 726.80, questionnaires were sent to the supplier members of the NPMA and to several other firms believed to be producers of such articles for sale to others. Producers of pianos were also asked to report on their production of piano parts for sale to others.

Information received in time for inclusion in this report indicates that there are about 10 manufacturers of the piano parts herein considered, only one of which (Wurlitzer) is a producer of pianos. Five of these firms are in New York State, 2 in Ohio, and 1 each in Connecticut, Mississippi, and Pennsylvania.

Of the seven firms for which detailed information has been received, three produce and sell actions, keyboards, and parts thereof, 1/ three produce piano plates, and four (including the three producers of actions) produce hammers and other components of pianos. Several of them produce other articles not related to musical instruments. Except for Wurlitzer, piano parts for sale account for more than 90 percent of the total sales of the reporting firms.

U.S. production and sales

Domestic producers of piano parts for sale, like producers of pianos, generally maintain virtually no inventories. Thus annual production data approximate sales data. The following tabulation, compiled from data

1/ One of these (Wood & Brooks), which operates two plants producing actions and keyboards, is closing down its action plant in mid-1970 allegedly because of import competition.

furnished the Commission by such domestic producers of piano parts, shows the number (in thousands of units) of actions, keyboards, and plates produced in the United States in specified years 1958-69:

* * * * * * *

The aggregate sales of piano parts reported to the Commission by U.S. producers of parts were as follows (in millions of dollars):

Period	Value
Annual:	
1964	15.7
1965	17.5
1966	18.3
1967	16.4
1968	18.3
Jan.-June:	
1968	8.8
1969	9.7

U.S. imports

Data available to the Commission indicate that domestic producers of pianos and piano parts import foreign-made parts, principally actions and keyboards. U.S. imports of piano parts were valued at about $125,000 in 1958 (table 5); Canada was by far the leading foreign supplier, accounting for about 85 percent of imports in that year.

By 1968, the value of U.S. imports of piano parts reached $503,000 and the United Kingdom and Mexico had become important suppliers. In 1968 the United Kingdom and Mexico accounted for about 45 percent and 22 percent, respectively, of the total value of imports and Canada supplied 18 percent. Imports in January-June 1969 were equivalent in value to those in the year 1968.

U.S. imports of piano parts (actions, hammers, and keyboards) from the United Kingdom have been primarily for the account of * * *.

Imports from Canada consist principally of fabricated wooden parts used in actions and framework of domestically produced pianos.

U.S. imports of piano parts assembled abroad in whole or in part from fabricated components that are the product of the United States are dutiable at the rate provided under TSUS item 726.80, but, as provided under TSUS item 807.00, that rate is assessed on the full value of the imported articles, less the cost or value of the U.S. components. In 1968, imports of piano parts so assembled abroad had a total value of $107,910 and a dutiable value of $42,344; in January-June 1969, such imports had a total value of $136,848 and a dutiable value of $71,006. All of these imports in 1968 and 1969, which are included in the total import figures discussed above, consisted of piano actions from Mexico. 1/

Profit-and-loss experience of domestic producers

Profit-and-loss data for accounting years 1964-68 were received from six producers of piano parts. For each of these producers, sales of piano parts in 1964-68 accounted for more than 90 percent of sales of all products. Accordingly, the financial experience for the total operations of the establishments(plants) in which these producers manufactured piano parts are summarized in table 7.

The net sales of all products increased from $15.5 million in 1964, to $17.1 million in 1965, then decreased to $16.9 million in 1966 and to $15.9 million in 1967. An increase to $17.5 million was reported for the year 1968.

1/ * * *.

The net operating profits followed the same trend, increasing from $1.5 million in 1964 to $1.6 million in 1965, then decreased to $792,000 in 1966 and to $450,000 in 1967. An increase to $784,000 was reported for 1968.

In 1964 and 1965, the ratios of net operating profit to sales were 9.7 and 9.5 percent, respectively, and were slightly higher than the corresponding ratios compiled for all U.S. manufacturing corporations--8.9 and 9.4, respectively. In 1966, 1967, and 1968 when the ratios for all U.S. manufacturing corporations were 8 to 9 percent, those for the responding piano-parts establishments were 4.7, 2.8, and 4.5, respectively.

None of the responding companies reported losses in 1964 or 1965, one reported a loss in 1966, three reported losses in 1967, and one reported a loss in 1968. Table 7a shows that the financial experiences of the individual firms varied widely each year. Table 7a also contains data relating to the sales of piano parts by a seventh producer * * *.

STATISTICAL APPENDIX

Table 1.--Pianos: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent U.S. consumption, specified periods, 1958-69

Period	U.S. producers' shipments	U.S. imports 1/	Exports	Apparent consumption	Ratio (percent) of imports to consumption (based on number)
	Quantity (number)				
Annual:					
1958	159,000	1,882	1,486	159,000	1.2
1960	198,000	4,926	1,726	201,000	2.4
1962	203,000	5,282	1,092	207,000	2.5
1964	2/ 220,161	6,866	1,616	227,000	3.0
1965	2/ 232,809	7,636	1,644	240,000	3.2
1966	2/ 235,811	10,812	1,627	247,000	4.4
1967	2/ 211,138	15,661	1,866	227,000	6.9
1968	2/ 201,902	24,832	2,049	227,000	10.9
Jan.-June--					
1968	2/ 90,814	9,718	771	101,000	9.6
1969	2/ 94,074	11,635	789	106,000	11.0
	Value (1,000 dollars)				
Annual:					
1958	3/	3/	705	3/	3/
1960	3/	3/	804	3/	3/
1962	3/	3/	659	3/	3/
1964	2/ 97,334	4/ 3,892	806	101,226	3.8
1965	2/ 104,479	4/ 4,626	837	109,105	4.2
1966	2/ 109,789	4/ 6,765	841	116,554	5.8
1967	2/ 101,388	4/ 9,845	897	111,233	8.8
1968	2/ 99,899	4/ 13,236	902	113,135	11.7
Jan.-June--					
1968	2/ 45,337	4/ 5,506	370	50,843	10.8
1969	2/ 47,846	4/ 6,860	418	54,706	12.5

1/ Data for 1958-68 include harpsichords, clavichords, and other keyboard stringed instruments; such imports are known to be negligible. Data for January-June 1969 are for pianos only. The value figures shown here are estimates of the wholesale values in the U.S. market. They were computed from the figures reported in the official statistics (i.e., the market values in foreign countries) plus U.S. import duty and estimated freight, insurance, and importers' markup.

2/ U.S. producers' domestic sales from table 2.

3/ Not available.

4/ Estimated; see footnote 1.

Source: U.S. producers' shipments compiled from data furnished the U.S. Tariff Commission by domestic producers, except as noted; import and export data compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 2.--Pianos: Domestic producers' sales in the United States, by types, 1964-68, January-June 1968 and January-June 1969

Period	Players	Spinets	Consoles	Studio uprights	Grands	Total 1/
			Quantity (number)			
Annual:						
1964	3,740	87,511	101,667	21,157	6,086	220,161
1965	3,460	102,677	97,958	22,377	6,337	232,809
1966	4,146	100,200	98,947	25,806	6,712	235,811
1967	4,254	85,058	92,721	22,780	6,325	211,138
1968	3,306	83,006	88,357	20,875	6,358	201,902
Jan.-June--						
1968	1,580	38,912	38,084	9,081	3,157	90,814
1969	1,365	37,457	43,468	8,691	3,093	94,074
			Value (1,000 dollars) 2/			
Annual:						
1964	3,067	34,219	41,132	9,570	9,346	97,334
1965	2,880	38,635	42,237	10,274	10,452	104,479
1966	3,573	38,446	44,047	12,357	11,364	109,789
1967	3,535	34,016	41,842	11,183	10,811	101,388
1968	2,668	33,835	40,812	10,539	12,047	99,899
Jan.-June--						
1968	1,313	15,728	17,714	4,599	5,982	45,337
1969	1,100	15,647	20,674	4,602	5,823	47,846
			Average unit value 3/			
Annual:						
1964	$820	$391	$405	$452	$1,536	$442
1965	832	376	431	459	1,649	447
1966	862	384	445	479	1,693	466
1967	831	400	451	491	1,709	480
1968	807	408	462	505	1,895	495
Jan.-June--						
1968	831	404	465	506	1,895	499
1969	806	418	475	530	1,883	509

1/ Because of rounding, value figures may not add to the totals shown.
2/ Computed from unrounded figures.
3/ Net sales value (exclusive of benches) i.e., gross sales value f.o.b. plant, less discounts and other allowances.

Source: Compiled from data furnished the U.S. Tariff Commission by 19 domestic producers for 1964-67 and by 18 for 1968-69. One producer ceased operations at end of 1967. These data accounted for at least 95 percent of domestic producers' sales in the United States.

Table 3.--Pianos: U.S. imports for consumption, 1/ by major types, specified periods 1958-69

Period	Total 2/	Uprights	Grands
	Quantity (number)		
Annual:			
1958	664	648	16
1960	965	892	73
1962	3,272	2,405	867
1964	4,821	3,571	1,250
1965	6,128	4,707	1,421
1966	9,832	7,247	2,585
1967	13,862	9,571	4,291
1968	20,850	15,914	4,936
Jan.-June--			
1968	8,803	6,491	2,312
1969	11,589	8,848	2,741
	Value (1,000 dollars)		
Annual:			
1958	267	256	11
1960	339	293	46
1962	1,093	665	429
1964	1,769	959	810
1965	2,369	1,344	1,025
1966	3,684	1,944	1,739
1967	5,567	2,607	2,961
1968	7,829	4,327	3,502
Jan.-June--			
1968	3,340	1,734	1,607
1969	4,323	2,329	1,994
	Average unit value		
Annual:			
1958	$402	$395	$688
1960	351	328	658
1962	334	277	495
1964	367	269	648
1965	387	286	721
1966	375	268	673
1967	402	272	666
1968	375	272	709
Jan.-June--			
1968	379	267	695
1969	373	263	727

1/ These data are known to be incomplete and therefore do not agree with the official statistics in table 1.

2/ Because of rounding, figures may not add to the totals shown.

Source: Compiled from data furnished the U.S. Tariff Commission by importers.

Table 4.--Pianos: Import sales in the United States, by types, 1964-68, January-June 1968 and January-June 1969

Period	Spinets	Consoles	Studio uprights	Grands	Total 1/
	Quantity (number)				
Annual:					
1964	1,028	647	1,966	1,076	4,717
1965	799	1,582	2,483	1,505	6,369
1966	1,067	3,152	2,721	2,357	9,297
1967	993	4,838	3,437	3,600	12,868
1968	1,062	8,969	4,706	4,900	19,637
Jan.-June--					
1968	423	3,421	2,105	2,143	8,092
1969	659	4,788	2,374	2,474	10,295
	Value (1,000 dollars)				
Annual:					
1964	436	225	915	1,273	2,851
1965	327	662	1,096	1,698	3,783
1966	422	1,311	1,229	2,800	5,762
1967	386	2,117	1,516	4,086	8,105
1968	419	3,805	2,069	5,768	12,061
Jan.-June--					
1968	166	1,441	929	2,512	5,048
1969	252	2,078	1,066	2,988	6,385
	Average unit value				
Annual:					
1964	$424	$348	$465	$1,183	$604
1965	409	418	441	1,128	594
1966	396	416	452	1,188	620
1967	389	438	441	1,135	631
1968	395	424	440	1,177	614
Jan.-June--					
1968	392	421	441	1,172	634
1969	382	434	449	1,208	620

1/ Because of rounding, figures may not add to the totals shown.

Source: Compiled from data furnished the U.S. Tariff Commission by importers.

Table 5.--Piano parts, n.s.p.f.: U.S. imports for consumption, by principal sources, specified periods 1958-69

Country	1958	1960	1962	1964	1965	1966
United Kingdom----	$4,768	$4,759	$8,613	$14,119	$27,981	$101,510
Mexico------------	-	-	-	-	-	-
Canada------------	105,972	119,142	68,564	42,138	28,172	13,632
West Germany------	11,882	6,135	10,591	13,788	12,885	28,568
Japan-------------	640	7,178	8,993	13,384	12,947	15,780
All other---------	1,297	900	2,774	256	39,424	14,100
Total---------	124,559	138,114	99,535	83,685	121,409	173,590

Country	1967	1968	January-June 1968	January-June 1969
United Kingdom----	$33,137	$230,177	$135,306	$222,237
Mexico------------	-	108,940	944	136,848
Canada------------	11,449	91,360	4,982	97,569
West Germany------	242,184	23,182	6,553	20,652
Japan-------------	16,228	19,085	6,411	9,505
All other---------	25,074	30,701	5,735	13,774
Total---------	328,072	503,445	159,931	500,585

Source: Compiled from official statistics of the U.S. Department of Commerce.

* * * * * * *

Table 6.--Financial experience of 18 U.S. firms for the establishments in which pianos were produced, 1964-68 1/

Item	Net sales	Cost of goods sold	Gross profit	Selling and administrative expenses	Net operating profit	Ratio of net operating profit to net sales
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent
All products						
1964	120,671	98,696	21,975	16,865	5,110	4.2
1965	133,699	109,284	24,415	18,501	5,914	4.4
1966	132,605	109,933	22,672	20,005	2,667	2.0
1967	128,022	106,157	21,865	20,779	1,086	.8
1968	140,645	115,941	24,704	21,712	2,992	2.1
Pianos						
1964	102,220	82,329	19,891	14,996	4,895	4.8
1965	112,106	90,114	21,992	16,107	5,885	5.2
1966	110,143	90,303	19,840	17,081	2,759	2.5
1967	102,907	84,528	18,379	17,413	966	.9
1968	110,352	89,768	20,584	18,092	2,492	2.3

1/ The data presented here are for the fiscal years of each individual corporation. For those concerns where sales of pianos accounted for more than 90 percent of the total establishment sales, the sales for all products of the establishment are shown as piano sales. For one concern, the data include the operations of a sales corporation as well as the operations of the individual establishments. One concern which ceased operations in 1967 did not furnish any profit or loss data.

Source: Compiled from data submitted to the U.S. Tariff Commission by the producers.

* * * * * * *

Table 7.--Financial experience of 6 U.S. establishments in which piano parts are produced, 1964-68 1/

Year	Net sales	Cost of goods sold	Gross profit	Selling and administrative expenses	Net operating profit or (loss)	Ratio of net operating profit to net sales
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent
1964----	15,488	12,659	2,829	1,330	1,499	9.7
1965----	17,087	14,153	2,934	1,309	1,625	9.5
1966----	16,922	14,665	2,257	1,465	792	4.7
1967----	15,886	14,181	1,705	1,255	450	2.8
1968----	17,452	15,418	2,034	1,250	784	4.5

1/ The data presented here are for the fiscal years of each corporation and relate to all products.

Source: Compiled from data submitted to the U.S. Tariff Commission by the producers.

*   *   *   *   *   *   *

Presidential Documents

Title 3—THE PRESIDENT

Proclamation 3964

MODIFICATION OF TRADE AGREEMENT CONCESSION AND ADJUSTMENT OF DUTY ON CERTAIN PIANOS

By the President of the United States of America

A Proclamation

1. WHEREAS, pursuant to the authority vested in him by the Constitution and the statutes, including section 350 of the Tariff Act of 1930, as amended, and section 201 of the Trade Expansion Act of 1962 (19 U.S.C. 1821), the President, by Proclamation No. 2929 of June 2, 1951, No. 3140 of June 13, 1956, and No. 3822 of December 16, 1967 (65 Stat. c12, 70 Stat. c33, and 82 Stat. 1455), proclaimed such modifications of existing duties as were found to be required or appropriate to carry out trade agreements into which he had entered;

2. WHEREAS among the proclaimed modifications were modifications in the rate of duty on pianos which are now provided for in item 725.02 of the Tariff Schedules of the United States (TSUS);

3. WHEREAS the United States Tariff Commission has submitted to me a report of its Investigation No. TEA-I-14 under section 301 of the Trade Expansion Act of 1962 (19 U.S.C. 1901), on the basis of which investigation and a hearing duly held in connection therewith the said Commission has determined that pianos provided for in TSUS item 725.02 are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to threaten to cause serious injury to the domestic industry producing like or directly competitive products; and

4. WHEREAS I have determined that an increase in the prevailing rate of duty on pianos, except grand pianos, provided for in TSUS item 725.02, to a rate of duty of 13.5 percent ad valorem as hereinafter proclaimed is necessary to prevent serious injury to the piano industry:

NOW, THEREFORE, I, RICHARD NIXON, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes, including sections 201(a)(2), 302(a) (2) and (3), and 351(a)(1) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)(2), 19 U.S.C. 1902(a) (2) and (3), and 1981(a)(1)), and in accordance with section 253(d) of said Act (19 U.S.C. 1883(d)), and Article XIX of the General Agreement on Tariffs and Trade (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786), do proclaim that—

(1) Item 725.02 in Part I of Schedule XX to the Geneva (1967) Protocol to the General Agreement on Tariffs and Trade (19 UST (pt. 2) 1723) is superseded by the same article descriptions and item numbers as are provided for in the modification of Proclamation 3822 set forth in paragraph (2)(a) hereof, with "8.5% ad val." in the rate of duty column in each of the new items 725.01 and 725.03; except that, (i) so long as the articles provided for in new item 725.01 in Schedule XX are dutiable under item 924.00 (added to the Appendix to the Tariff Schedules by paragraph (3) hereof), the rate in said item 725.01 shall be the rate in said item 924.00, and (ii) thereafter the staging of further reductions in the duty applicable to such articles shall be subject to general note 3(d)(ii) to the said Schedule XX;

(2) Proclamation No. 3822 is modified—

(a) In Annex II, by inserting after section E the following new section:

"Section F. Effective as to articles entered, or withdrawn from warehouse, for consumption on and after February 21, 1970:

Schedule 7, Part 3, Subpart A

1. Item 725.02 is superseded by:

	[Stringed musical instruments:]		
	Pianos (including player pianos, whether or not with keyboards); harpsichords, clavichords, and other keyboard stringed instruments:		
725.01	Pianos (including player pianos, whether or not with keyboards), except grand pianos	[See Annex III]	[illegible]
725.03	Other	[See Annex III]	[40% ad val.]"

(b) In Annex III of said proclamation, by redesignating item "725.02" as "725.03" and adding immediately preceding item 725.03 the following new item and headings applicable solely thereto:

"

	Rate of duty effective on and after—		
	Feb. 21, 1970	Jan. 1, 1974	Jan. 1, 1975
725.01	11.5% ad val.	10% ad val.	8.5% ad val.";

(3) Effective with respect to articles entered, or withdrawn from warehouse, for consumption during the three-year period commencing on the date of this proclamation, the TSUS is modified by inserting immediately after item 923.77 in part 2A of the appendix to the TSUS the following new item:

"924.00	Pianos (including player pianos, whether or not with keyboards), except grand pianos, provided for in item 725.01	13.5% ad val.	No change".