

UNITED STATES TARIFF COMMISSION

**PIANO KEYBOARDS:
PRODUCTION AND MAINTENANCE WORKERS OF THE
BUFFALO PLANT OF WOOD & BROOKS CO.**

**Report to the President
on Investigation No. TEA-W-33
Under Section 301(c)(2) of the Trade Expansion Act of 1962**



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UNITED STATES TARIFF COMMISSION

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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 an individual concern. 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
January 4, 1971

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(c)(2) of the Act in response to a petition filed by a group of workers.

On November 5, 1970, the United Furniture Workers of America, AFL-CIO, filed a petition for a determination of eligibility to apply for adjustment assistance on behalf of production and maintenance workers, members of Local Union 103, formerly employed by the Wood & Brooks Company, Buffalo, New York. The Commission instituted the investigation (TEA-W-33) on November 13, 1970, to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the piano keyboards produced by the Buffalo plant of the Wood & Brooks Company are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of the plant.

Public notice of this investigation was given in the Federal Register (35 F.R. 17809) on November 19, 1970. No hearing was requested and none was held.

The information in this report was obtained principally from the petitioner, the officials of Wood & Brooks Company and other producers, importers, the U.S. Department of Labor, the Securities & Exchange Commission, and from Commission files.

Finding of the Commission

On the basis of its investigation, the Commission 1/ unanimously finds that, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with piano keyboards produced by the Buffalo plant of the Wood & Brooks Company, Buffalo, New York, are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of that plant.

1/ Presiding Commissioner Sutton did not participate in the Commission's decision.

Considerations Supporting the Commission's Finding

On November 5, 1970, the United Furniture Workers filed a petition for adjustment assistance under the Trade Expansion Act of 1962 on behalf of certain former employees of the Wood and Brooks Company in Buffalo, New York, who were engaged in the production of piano keyboards until the plant closed in May 1970. We have unanimously determined that the workers involved are eligible to apply for adjustment assistance.

Section 301 of the Trade Expansion Act provides that the Tariff Commission is to determine that workers are eligible to apply for adjustment assistance if the following four conditions exist:

- (1) imports of a product like or directly competitive with an article produced by the workers' firm must be increasing;
- (2) the increased imports must be a result in major part of concessions granted under trade agreements;
- (3) the workers must be unemployed, underemployed or threatened with unemployment or underemployment; and,
- (4) the increased imports resulting from trade agreement concessions must be the major factor in causing or threatening to cause the unemployment or underemployment.

Each of these requirements is met in this case.

Increased Imports

U. S. imports of piano keyboards, both those installed in pianos and those imported separately, have increased sharply and steadily in recent years. Imports of piano keyboards entered separately increased from 100 in 1965 to 11,290 in 1969. Similarly, imports of pianos, each of which contained one keyboard, increased from 5,000 in 1960 to 29,000 in 1969. Thus, irrespective of whether consideration is limited to piano keyboards entered separately, or is expanded to include keyboards entered as parts of assembled pianos, it is clear that imports of an article like or directly competitive with the keyboards produced by the former employees of the Wood & Brooks Buffalo plant have increased within the meaning of the statute.

In major part the result of concessions

The duties on both piano keyboards and pianos have been reduced significantly as a result of trade agreement concessions. The duty on keyboards entered separately was reduced from 40% ad valorem in 1930 to 20% in 1951, and successive reductions thereafter brought it to 17% in 1958. In the Kennedy Round the rate was reduced from 17% in 1967 to 11.5% in 1970 and to 10% in 1971. It is scheduled to be further reduced to 8.5% in 1972. The import duty on pianos (each containing one keyboard) has been reduced from 40% in 1930 to a scheduled 8.5% in 1972 in a parallel fashion.

We have already held that these reductions were in major part responsible for the increase in imports of pianos (TEA-I-14, December 1969)^{1/} and piano actions (TEA-W-22, July 1970). The reasons given in those cases are equally applicable here. In the highly competitive piano and piano keyboard market, the reductions in duty, totalling 26-1/2 percent on upright pianos and 30 percent on grand pianos and keyboards from 1930 to date, have a decisive effect on competition between the imported and domestic product. Moreover, it is apparent that the increase in imports of both pianos and piano keyboards coincided with the successive annual reductions in the duties. Accordingly, we hold that imports of a like or directly competitive product have increased in major part as a result of trade agreement concessions.

Unemployment

In late 1969, the decision was made by the parent company, Bell International Corporation, to liquidate the Wood & Brooks Company and announcement of the closing of the Buffalo plant was made on January 30, 1970. The work force of 128 workers was laid off during the succeeding months, and the plant was closed on May 29, 1970. Clearly, then, the production and maintenance workers concerned are unemployed.

^{1/} In addition, Commissioner Leonard held in TEA-I-14 that the reductions in duty applicable to piano parts were in major part responsible for the increase in imports of such parts.

Major factor

The increase in imports into the United States of piano keyboards occurred at a time when Wood & Brooks was already seriously suffering from the loss to import competition of its principal customer for piano actions. The increased imports of piano actions, which the Commission has earlier held to be in major part the result of trade-agreement concessions, resulted in the closing of the Company's Rockford plant where the piano actions were produced. This had a severe impact on the remaining operation of the Company -- the Buffalo plant. The loss of the sizable volume of sales of piano actions (about ** percent of the Company's sales in 1969) and the accompanying decline in sales of piano keyboards so affected the Company's total profitability that the decision was made to liquidate the Wood & Brooks Company. Indeed, although the plant was not closed until May 29, 1970, the decision to close the plant and liquidate the Company was made in the latter part of calendar year 1969 and was influenced by increased imports of both keyboards and actions. The Commission concludes that increased imports have been the major factor in causing the unemployment of the workers at the Buffalo plant of Wood & Brooks Company.

In view of the foregoing, the Commission has determined that the petitioners have met the statutory criteria.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles

Piano keyboards were the only product manufactured at the Buffalo plant of Wood & Brooks Company. 1/

A piano keyboard consists of a frame made of hard laminated wood and generally 88 keys. Most piano keys today are covered with thermoplastics; the use of ivory for white keys and ebony for black keys has declined in recent years. The keyboard is the visible part of a piano action. When the keys are pressed down energy is transmitted to the soundboard through the various other components of the piano action.

Most piano keyboards are used in the production of new pianos. Complete keyboards or individual keys, however, are sometimes required for repair or replacement purposes; some are used in the rebuilding of instruments in piano factories. Piano keyboards are generally interchangeable; piano keys and keyboards in both imported and domestically produced pianos have increasingly been standardized.

The manufacturing technique for producing piano keyboards is basically the same in all producing countries. Imports are generally regarded as directly comparable and competitive with those of domestic production.

1/ Wood & Brooks assembled piano actions, except keyboards, at its plant in Rockford, Ill. until March 31, 1970. (TC Pub. 331, July 1970).

U.S. Tariff Treatment

Piano keyboards covered by this investigation are classifiable as "musical instrument parts not specially provided for" in item 726.80 of the Tariff Schedules of the United States (TSUS). The current trade-agreement rate of duty applicable to such articles is 10 percent ad valorem; this rate, which became effective on January 1, 1971, reflects the fourth 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, piano keyboards 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, including the reduction scheduled for 1972, are shown below:

<u>Rate of duty</u> (Percent ad valorem)	<u>Effective date</u>
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

Piano keyboards imported in pianos are not separately dutiable as piano keyboards; pianos are dutiable as an entirety under TSUS items 725.01 and 725.03 at the current rates of 13.5 and 10 percent ad valorem, respectively.

In December 1969, in investigation No. TEA-I-14, 1/ the Tariff

1/ United States Tariff Commission, Pianos and Parts thereof (TC Pub. 309), Washington, D.C., Dec. 1969.

Commission found (Commissioners Thunberg and Newsom dissenting and Chairman Sutton not participating) that pianos were, 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. The Commission also found (Commissioner Leonard dissenting and Chairman Sutton not participating) that parts of pianos were 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.

The President in February 1970, on the basis of the Commission's findings, kept the rate of duty on upright pianos at the 1969 level for 3 years, thus postponing the scheduled future reductions. 1/ The future stages of the Kennedy Round concessions will, however, be made effective for grand pianos and piano parts.

U.S. consumption

In the absence of other data, information on annual U.S. sales of pianos--the product in which piano keyboards are incorporated--is the best available indicator of U.S. consumption of piano keyboards. U.S. sales of pianos increased from about 160,000 units in 1958 to 245,000 in 1966, but declined thereafter to 218,000 in 1969 (table 1).

1/ Presidential Proclamation 3964, 35 F.R. 3645.

U.S. imports

Annual U.S. imports of piano keyboards entered separately, which had amounted to less than 1,000 units annually in 1967 and earlier years, totaled 2,000 units in 1968 and 11,000 units in 1969; such imports were equivalent to 5 percent of U.S. consumption in 1969. U.S. imports of piano keyboards in assembled pianos, which had been small before 1960, increased from 5,000 units in 1960, to 8,000 units in 1965, and then to 29,000 units in 1969; they were equivalent to 13 percent of U.S. consumption in 1969. The combined imports of piano keyboards entered separately and in pianos aggregated 40,000 units in 1969; they supplied 18 percent of U.S. consumption, compared with 3 percent or less prior to 1966.

Of the piano keyboards entered separately, 95 percent in 1968 and 85 percent in 1969 were imported from the United Kingdom by * * *

* * * * *

Some piano keyboards entered separately were imported from the United Kingdom for * * * and from Canada for * * *.

U.S. producers, production and sales

In recent years, piano keyboards have been produced in the United States for sale by two manufacturers, Wood & Brooks Co. and Pratt, Read & Co.; keyboards have also been produced by some domestic piano manufacturers for their own use. One of the domestic piano manufacturers, the Wurlitzer Co., has since 1967 produced keyboards both for its own use and for sale to others.

U.S. production of piano keyboards increased substantially from 198,000 in 1960 to 235,000 in 1966, and then declined in each subsequent year to 180,000 units in 1969. The production of keyboards for sale as such increased from * * * and then declined to about * * *. The share of total domestic piano keyboards manufactured by the two independent piano keyboard producers increased from * * * percent in 1965 to * * * percent in 1969.

The sales of piano keyboards reported to the Commission by the 3 U.S. producers of keyboards were as follows for 1965-69:

* * * * *

The average unit values of piano keyboards sold as reported to the Commission by the two major independent producers in the United States were as follows:

* * * * *

Domestic producers of piano keyboards, both independent producers and integrated piano manufacturers, maintain virtually no inventories.

Wood & Brooks, Buffalo plant

Status.--The Buffalo plant of Wood & Brooks Co. was closed on May 29, 1970. This plant, which produced only piano keyboards, had been one of two producing facilities of Wood & Brooks Co., a division of Aurora Corporation of Illinois.^{1/} The other Wood & Brooks plant, at which only piano actions (except keyboards) had been manufactured, was closed on March 31, 1970; this plant was located in Rockford, Ill. and accounted for 57 percent of the company's total sales in 1969. Space for both plants of the Wood & Brooks Co. had been leased; the aggregate rental in 1969 was about \$150,000. The term of the lease for the Buffalo plant expired on December 31, 1969, but year-to-year holdover tenancy was provided for and was in force until December 31, 1970.

* * * * *

According to company officials, the loss in sales reflected a decline in the overall U.S. market for piano actions and keyboards as a result of increased imports of both those components and finished pianos.

^{1/} The assets of Wood & Brooks Co. were acquired by Aurora in 1959. As of May 31, 1970, 50.93 percent of the common stock of Aurora was beneficially owned by Bell Intercontinental Corp., a diversified manufacturer, incorporated in Delaware in 1960. (Securities and Exchange Commission, Form 10-K, Annual report of Aurora Corp. filed for fiscal year ended May 31, 1970.)

* * * * *

When the decision to close the Rockford plant was made by management on September 9, 1969, it was planned to continue the combined operations at the Buffalo plant. 2/ Shortly thereafter in late 1969, however, because of the reduced company's sales, the decision was made to liquidate the company; announcement of the planned closing of the Buffalo plant was made on January 30, 1970.

The President of Aurora notified the President of Local Union 193, United Furniture Workers of America, by letter dated January 30, 1970, that heavy losses, rising costs, and substantial import competition had made it impossible for Wood & Brooks to continue any operation (for copy of this letter, see Appendix B). In response to an inquiry from a member of the Commission's staff, Aurora stated that "continued loss in income, general decline in the piano industry, and the steadily increasing cost to rehabilitate machinery and equipment" were the reasons for the closing of the Buffalo plant.

Aurora's management also decided to close one of the two producing plants of the corporation's other operating division, W.J. Schoenberger Co., manufacturer of various products including gas burners and devices for temperature control. A consolidated statement of the operations

1/ * * * * *

2/ For information regarding the Rockford plant, see Piano Actions: Production and Maintenance Workers of the Rockford plant of Wood & Brooks Co., Report to the President on Investigation No. TEA-W-22..., TC Publication 331, July 1970.

of Aurora and its wholly-owned subsidiary, the Chicago, Aurora and Elgin Railroad Corp., for the year ended May 31, 1970, showed a net loss of \$3.4 million and a deficit in stockholders' equity of nearly \$3 million; operations in 1970 of Wood & Brooks through March 31, the date operations ceased, continued at a loss. 1/

Aurora Corp. and D.H. Baldwin Co., piano manufacturers, were parties to a contract dated February 8, 1963, amended in 1965 and 1966, which provided terms under which Aurora manufactured and sold to Baldwin piano keyboards and actions. The part of the contract relating to the manufacture, sale, and purchase of products had no expiration date but was terminable upon 2 years' notice by either party or by mutual consent of both parties. Aurora and Baldwin terminated the contract, effective May 31, 1970. 2/ * * *

* * * * *

1/ Report of Arthur Andersen, Independent Public Accountants, on file at the Securities and Exchange Commission.

2/ Copy of letter from D.H. Baldwin Co. to Aurora Corp. dated May 31, 1970, on file at the Securities and Exchange Commission.

APPENDIXES

Table 1.--Piano keyboards: U.S. production, imports for consumption, and apparent consumption, specified years, 1958-69

(In thousands of units)

Year	Production <u>1/</u>	Imports			Apparent con- sumption <u>2/</u>	Ratio (percent) of imports to consumption		
		Entered sepa- rately	Entered in pianos	Total		Entered sepa- rately	Entered in pianos	Total
		:	:	:		:	:	:
1958-----	159	<u>3/</u>	2	2	160	-	1	1
1960-----	198	<u>3/</u>	5	5	202	-	2	2
1962-----	203	<u>3/</u>	5	5	206	-	2	2
1964-----	220	<u>3/</u>	7	7	225	-	3	3
1965-----	233	<u>4/</u>	8	8	239	<u>5/</u>	3	3
1966-----	235	1	11	12	245	<u>5/</u>	4	5
1967-----	210	1	16	17	225	<u>5/</u>	7	8
1968-----	200	2	25	27	225	1	11	12
1969-----	<u>6/</u> 180	11	29	40	218	5	13	18

1/ Piano keyboards whether manufactured for sale to piano manufacturers or made by integrated piano manufacturers.

2/ Exports deducted: 1 thousand units in 1958 and 1962; 2 thousand units in each of the other years.

3/ Not separately reported but known to be negligible.

4/ Less than 500.

5/ Less than 1 percent.

6/ Estimated by National Piano Manufacturers Association.

Source: U. S. production compiled from data furnished the U.S. Tariff Commission by domestic producers; import data compiled from official statistics of the U.S. Department of Commerce and from data furnished the Commission by importers.

Table 2.--Piano parts, n.s.p.f. (including keyboards): U.S. rate of duty and imports for consumption, 1950-69

Year	Rate of duty	Value of imports	
		Total	Keyboards
		<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>
1950-----	40	7	1/
1951-----	<u>2/</u> 20	139	1/
1952-----	20	119	1/
1953-----	20	38	1/
1954-----	20	51	1/
1955-----	20	42	1/
1956-----	<u>3/</u> 19	65	1/
1957-----	<u>4/</u> 18	80	1/
1958-----	<u>5/</u> 17	125	1/
1959-----	17	151	1/
1960-----	17	138	1/
1961-----	17	157	1/
1962-----	17	100	1/
1963-----	17	68	1/
1964-----	17	84	1/
1965-----	17	121	3
1966-----	17	174	33
1967-----	17	328	20
1968-----	<u>6/</u> 15	503	44
1969-----	<u>7/</u> 13.5	1,169	257

1/ Not available, but known to be negligible.

2/ Effective June 6, 1951.

3/ Effective June 30, 1956.

4/ Effective June 30, 1957.

5/ Effective June 30, 1958.

6/ Effective Jan. 1, 1968.

7/ Effective Jan. 1, 1969.

Table 3.--Piano keyboards entered separately: U.S. imports for consumption, by principal sources, 1965-69

* * * * *

A-13
AURORA CORPORATION OF ILLINOIS
8010 HARVARD AVENUE
CLEVELAND, OHIO 44108

(210) 003-4400

January 30, 1970.

Mr. Gordon Kollmar
President
Local Union Number 103
United Furniture Workers of America

Dear Mr. Kollmar:

This is one of the most difficult letters I have ever had to write. Unfortunately, it is my painful duty to inform you that after more than fifty years in the piano industry, the Board of Directors has concluded that the Wood & Brooks Company has no alternative but to go out of business. Heavy losses, rising costs, and substantial import competition have made it impossible for Wood & Brooks to continue any operation. The company has examined every other possibility, but has reached the conclusion that there are no favorable alternatives to shutting its doors.

We deeply regret the need for this action, but we want to assure you that we will fulfill all of our contractual obligations and will make every effort to make the shut down as orderly as possible.

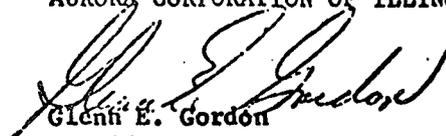
We welcome the opportunity to discuss with you the conclusion reached by the Board of Directors as well as any other implications for the employees represented by the union. We certainly will give careful consideration to any suggestion you care to make with respect to any of these matters and will be available to meet with you at your earliest convenience.

We expect to be able to provide you with details of the proposed shut down time table in the immediate future.

I want again to express my personal regret at having to make this announcement and to thank you for your past and future cooperation.

Very truly yours,

AURORA CORPORATION OF ILLINOIS


Glenn E. Gordon
President

