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1970

UNITED STATES TARIFF COMMISSION

**PIANO ACTIONS:
PRODUCTION AND MAINTENANCE WORKERS OF THE
ROCKFORD PLANT OF WOOD & BROOKS CO.**

**Report to the President
on Investigation No. TEA-W-22
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,
July 27, 1970

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 May 27, 1970, the International Association of Machinists and Aerospace Workers, 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 1553, formerly employed by the Wood & Brooks Company, Rockford, Illinois. The Commission instituted the investigation (TEA-W-22) on June 5, 1970, to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the piano actions produced by the Rockford 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. 8977) on June 10, 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, and from Commission files.

Finding of the Commission

On the basis of its investigation, the Commission unanimously finds that, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with piano actions produced by the Rockford plant of the Wood & Brooks Company, Rockford, Illinois, 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.

Considerations Supporting the Commission's Finding

In the Commission's judgment, the criteria established by section 301(c)(2) of the Trade Expansion Act of 1962 pertaining to petitions by groups of workers for determination of eligibility to apply for adjustment assistance have been met in the case at hand. We have, therefore, made an affirmative determination.

The Rockford (Illinois) plant of Wood & Brooks Company, where the petitioning production and maintenance workers were employed, produced piano actions, i.e., the hammers, levers, and dampers that transmit action from the piano keyboard to the strings. In the fall of 1969, the parent company, Bell International Corporation, decided to shut down the plant. The work force of somewhat more than 200 workers were laid off during the succeeding months, and the plant was closed in the spring of 1970. Clearly, then, the production and maintenance workers concerned are unemployed.

U.S. imports of piano actions increased sharply in recent years, rising from about 1,000 units in 1966 and 1967 to 21,000 units in 1969. The increase in imports coincided with successive annual reductions in duties resulting from U.S. trade-agreement concessions granted at the Kennedy-Round negotiations sponsored by the General Agreement on Tariffs and Trade. Pursuant to these concessions, the rate of duty applicable to piano actions was reduced from 17 percent ad valorem in 1967 to 11.5 percent ad valorem in 1970; it is scheduled to be reduced to 8.5 percent ad valorem at the beginning of 1972. As

is true of trade in every product, many factors, commercial and Governmental, influenced the recent imports of piano actions into the United States. In the light of the circumstances relating to this trade, however, the Commission has concluded that, within the meaning of the statute, piano actions are being imported in increased quantities as a result in major part of the trade-agreement concessions granted thereon.

The increased imports of piano actions into the United States have had a particularly severe effect on the operations of the Wood & Brooks Company. The firm's major customer, one of the principal domestic manufacturers of pianos, began in 1968 to import piano actions to fill part of its requirements, and expanded its importing activity in 1969. Indeed, the firm concerned was the predominant importer of piano actions into the United States in both of those years. In the course of 1969, the customer decided to cease purchasing piano actions from Wood & Brooks in favor of importing--a decision which led to the closing of the Wood & Brooks plant.

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

Additional Views of Commissioner Leonard

While I am in substantial agreement with the views expressed by my colleagues, there are certain aspects of the present investigation that lead me to conclude that increased imports of both pianos and piano actions (in major part the result of trade-agreement concessions) have been the major factor in causing the unemployment under consideration.

Prior to 1970, Wood and Brooks -- the firm whose plant closing in Rockford, Illinois, resulted in this investigation -- sold most of its piano actions to the D. H. Baldwin Company, and Baldwin in turn purchased most of its actions from Wood and Brooks. Faced with increased imports of lower-priced pianos and imports of lower-priced piano actions for incorporation into pianos produced by other domestic companies, Baldwin found that it would be better able to compete with such piano imports and with domestic pianos in which imported actions were incorporated if it established an assembly operation for piano actions in Mexico and utilized the products of that plant to fill its requirements. The Mexican plant was established in 1968, and during the latter part of 1969 Baldwin discontinued its purchases of actions from Wood and Brooks, replacing them with imports from its subsidiary. In effect, increased imports of pianos and piano actions had generated additional imports of piano actions, which displaced domestic production, specifically the production of piano actions by Wood and Brooks, and created the unemployment of the petitioning workers.

That the increase in imports of pianos and piano actions resulted in major part from trade-agreement concessions was discussed at some length in my opinion in the Commission's investigation of Pianos and Parts Thereof (Investigation TEA-I-14), which was completed in December, 1969. Since much the same information on which I based my earlier conclusion constitutes the basis for my present determination, my reasons for so concluding in the earlier investigation are equally applicable here.

There is, however, one factor involved in the present investigation, which was mentioned but not discussed in the earlier investigation, that calls for additional comment. Most of the piano actions imported into the United States in 1969 entered under item 807.00 of the Tariff Schedules of the United States (TSUS). Item 807.00 provides special tariff treatment for articles assembled abroad in whole or in part of fabricated components which are the product of the United States. Such articles are subject to duty upon the full value of the imported article, less the cost or value of such U.S. components. The piano actions that entered under item 807.00 in 1969 were assembled in Mexico by a subsidiary of the Baldwin Company, and the trade-agreement rate of duty of 13.5 percent ad valorem, applicable to imported piano actions during that year, was imposed on about ** percent of the value of such actions, since the U.S. components accounted for about ** percent of the value. Imports of piano actions under item 807.00 accounted in 1969 for well over * * * * * of the total imports of piano actions into the United States. If one were to limit consideration to imports of piano actions under item 807.00, which were the imports that displaced the piano actions that had been purchased by Baldwin from Wood

and Brooks, a question that would appear to be relevant would be whether such imports resulted in major part from the trade-agreement rate on the ** percent portion of the value. The ** percent portion was duty-free by virtue of the TSUS provision, and this duty-free treatment in no way reflected any trade-agreement concession.

Such a limited consideration, however, would ignore the economic realities of the present investigation. For although a substantial portion of the value of the piano actions imported under item 807.00 in 1969 were duty-free by statute, such imports were as much the end product of trade-agreement concessions as were the increased imports of other piano actions and pianos. While the provisions of item 807.00 permitting in part duty-free treatment might have been a determinant in choosing the foreign source of imported piano actions, the trade-agreement concessions on pianos and piano actions and the consequent increase in imports of such lower-priced articles were responsible for the change from a domestic source to a foreign source of supply and for the demise of the Rockford plant.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles

The Wood & Brooks Company, which ceased producing piano actions on March 31, 1970, formerly manufactured such actions at its plant in Rockford, Illinois.

A complete 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; a system of levers that propel the hammers toward the strings when the player presses down the keys; and dampers which press against the strings, silencing them, when the player releases the keys. The action is the mechanism which transmits the energy from the keyboard to the soundboard.

At its Rockford plant, Wood & Brooks assembled all of the components of piano actions except keyboards. For purposes of this report, therefore, the term "piano actions" is used hereafter to refer to the complete piano action less the keyboard.

Piano actions covered by this investigation are generally those for use in the production of new pianos. Seldom are actions required for repairs or replacements on pianos in the hands of private owners. Some are used in the rebuilding of instruments in piano factories. Piano actions are generally not interchangeable but are made for a particular type, size, and brand of pianos (e.g., a Wurlitzer action designed for a spinet might not fit a Baldwin spinet, a Story & Clark action for its console might not be used in a similar product of

Aeolian, Kohler & Campbell, Steinway or Yamaha).

The manufacturing technique for producing piano actions is basically the same the world over. Imports are generally regarded as directly comparable and competitive with those of domestic production.

U.S. Tariff Treatment

Piano actions 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 11.5 percent ad valorem; this rate, which became effective on January 1, 1970, reflects the third 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 actions 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:

<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 actions imported in pianos are not separately dutiable as piano actions; pianos are dutiable as an entirety under TSUS items 725.01 and 725.03 at the current rates of 13.5 and 11.5 percent ad valorem, respectively.

In December 1969, in investigation No. TEA-I-14, 1/ the Tariff 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. 2/ The future stages of the Kennedy Round concessions will, however, be made effective for grand pianos and piano parts.

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

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

Another tariff provision pertinent to the present investigation, by reason of the particular circumstances involved, is TSUS item 807.00, which permits a duty allowance for U.S. fabricated components, that are assembled in a foreign country and brought back in assembled form. The applicable duty is assessed on the value of the assembled product, less the value of the U.S.-made components contained in it.

U.S. consumption

The number of pianos--and thus the number of piano actions--sold to consumers in the United States increased from about 160,000 in 1958 to 245,000 in 1966, but declined thereafter to about 220,000 in 1969. The number of piano actions imported (including those in assembled pianos) increased from 2,000 in 1958 to 50,000 in 1969; they accounted for about 1 percent of the actions in pianos sold in the United States in 1958, compared with 23 percent in 1969 (table 1).

U.S. imports

U.S. imports of piano actions entered separately were * * * 21,000 units in 1969. Imports of piano actions in 1969 accounted for 57 percent of the total value of imports of all piano parts not specially provided for (item 726.8020). U.S. imports of piano actions in assembled pianos increased from 8,000 units in 1965 to 29,000 units in 1969. Counting piano actions whether entered separately or in pianos, imports aggregated 50,000 units in 1969 (table 1).

Of the piano actions entered separately, * * * were imported under TSUS item 807.00 by the D.H. Baldwin Co. from its subsidiary in Juarez, Mexico; Baldwin's subsidiary began operations in 1968 and eventually replaced Wood & Brooks as Baldwin's source of actions for its pianos. The remaining piano actions entered separately were imported from the United Kingdom * * * and from Canada * * *.

The D.H. Baldwin Co. accounted for * * * percent of Wood & Brooks' unit sales of piano actions in 1968 and * * * percent in 1969. In 1968, Baldwin began to import assembled piano actions from Mexico under the provisions of TSUS item 807.00. The actions are assembled from U.S. components by Fabricantes Tecnicos, S.A., Juarez, Chihuahua, Mexico, a wholly owned subsidiary of Baldwin. * * *.

* * * * *

The duties paid on the article imported, under the provisions of item 807.00, apply only to the value added abroad and are less than they would be if assessed on the total value of the article. The following tabulation, compiled from official statistics of the U.S. Department of Commerce, shows (in thousands of dollars) the imports from Mexico 1/ of piano actions under item 807.00 in 1968 and 1969 along with the value of U.S. components and the foreign value added: 2/

Year	Total value	Dutiable value	U.S. value	Ratio (percent) of--	
				U.S. value to total value	Duty paid to total value
1968-----	108	42	66	61.1	5.8
1969-----	382	208	174	45.5	7.4
*	*	*	*	*	*

* * * is authorized by the Mexican government to operate under its Border Industrialization Program. Mexico, under this program, allows the temporary tax-free importation of machinery, equipment, additional parts and raw materials to be used in the production process, and exempts the finished articles from export taxes. 3/

1/ Mexico was the sole source of imports of piano actions entered under the 807.00 provision in 1968, and accounted for 81 percent of such imports entered in 1969.

2/ * * * * *

3/ Comité Consultivo de Fomento Industrial, Mexican Border Industrialization Program, 1969, p. 10.

U.S. producers, production and sales

In recent years, piano actions have been produced in the United States by two firms that sell their output to piano manufacturers (Wood & Brooks Co. and Pratt, Read & Co.) and by some of the 18 domestic piano manufacturers for their own use. One of the domestic piano manufacturers--the Wurlitzer Co.--has since 1967 produced both for its own use and for sale to others.

U.S. production of piano actions increased from 233,000 units in 1965 to 235,000 units in 1966, and then declined to 210,000 units in 1967, 196,000 units in 1968, and 172,000 units in 1969. Domestic producers of piano actions, whether manufactured for sale to piano manufacturers or made by integrated piano manufacturers, maintain virtually no inventories. The share of domestic piano actions manufactured by the independent piano action producers increased from * * * percent in 1965 to * * * percent in 1969; the remainder was accounted for by the integrated piano action manufacturers.

The aggregate sales of piano actions reported to the Commission by 3 U.S. producers of actions were as follows:

* * * * *

Data on exports of piano actions, as such, are not separately reported in official statistics but exports are known to be negligible.

Wood & Brooks

The Rockford plant of Wood & Brooks Co. was established early in this century as the Thayer Action Co., a subsidiary of Wood & Brooks.

In 1955 it was renamed Wood & Brooks Plant No. 2. The Wood & Brooks Co., founded in 1901, manufactured keyboards in Buffalo, N.Y., and piano actions at Rockford, Ill. At the time of closing, March 31, 1970, the Rockford plant occupied 235,000 square feet of leased space.

Wood & Brooks Co. was acquired in 1959 by the Aurora Corp. of Illinois, which had been incorporated to succeed the Chicago, Aurora & Elgin Railroad Corp., then in liquidation. In 1961 the Aurora Corp. of Illinois also acquired the W.J. Schoenberger Co., of Cleveland, Ohio, which manufactures gas burners, regulators, oven controls, valves, and ignition systems.

The Aurora Corp. of Illinois, in turn, was acquired by Bell Intercontinental Corp., 26 Broadway, New York; Aurora's net sales in 1968 accounted for \$9.4 million of Bell's total \$81.4 million sales. In the report to stockholders for 1968, the Bell Intercontinental Corp. said: "Operations of Aurora Corp. of Illinois, while still unprofitable for the calendar year 1968, showed a measure of improvement over 1967 Capital expenditures for plant and product improvement by both of Aurora's divisions, W.J. Schoenberger (gas appliances) and Wood & Brooks (piano keys and actions) are expected to be favorably reflected in income in 1969."

Bell's 1969 report, while showing overall sales of \$87.9 million of which Aurora Corp. of Illinois accounted for \$9.7 million, reported a loss from Aurora's operations of \$1.3 million, compared with a loss in 1968 of \$415,000. Without stating what part of this loss was incurred by Wood & Brooks, Bell found the results "very disappointing"

and announced that "after careful study, it was determined in January 1970 that the Company would be best advised to close the Wood & Brooks Division. The plan for orderly liquidation of this division is proceeding." 1/

In 1968 a program to modernize and re-equip the Rockford action plant was about half completed when, because some orders were lost, the company decided that it was financially unable to complete the program. The newly installed machinery * * * will probably be sold or leased to other manufacturers of pianos and parts. According to a company official, there is no formal agreement with any other company to take over the assets, patents, or good will of Wood & Brooks.

* * * * *

1/ Wood & Brooks' statement to its employees is reproduced in Appendix B.

APPENDICES

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

Year	(In thousands of units)										Ratio (percent) of imports to consumption		
	Production	Imports		Apparent		Entered			Entered		Total		
	1/	Entered	Entered	con-	Entered	Entered	Entered	Entered	Entered	Entered	Entered	Entered	Entered
	sepa-	in	in	sump-	sepa-	in	in	in	in	in	in	in	in
	rately	pianos	pianos	tion	rately	pianos	pianos	pianos	pianos	pianos	pianos	pianos	pianos
				2/									
1958	159	2	2	160									1
1960	198	3	5	202									2
1962	203	3	5	206									2
1964	220	3	7	225									3
1965	233	4	8	239				5/					3
1966	235		11	245				5/					4
1967	210	1	16	225				5/					7
1968	196	6	25	225					3				11
1969	172	6	29	220					10				13

1/ Piano actions 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 actions): U.S. rate of duty and imports for consumption, 1950-69

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

- 1/ Effective June 6, 1951.
2/ Effective June 30, 1956.
3/ Effective June 30, 1957.
4/ Effective June 30, 1958.
5/ Effective Jan. 1, 1968.
6/ Effective Jan. 1, 1969.

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

* * * * *

WOOD AND BROOKS COMPANY
Division of Aurora Corporation of Illinois
1409 18th Avenue Rockford, Illinois 61101

September 9, 1969

TO ALL ROCKFORD EMPLOYEES:

At a meeting today with representatives of your Union, we advised them that due to a decision by our most important customer, the Company has concluded it must close the Rockford Plant.

As you know, Baldwin has for years been our largest customer and assembly of actions for Baldwin has been a major part of our operations in Rockford. Some time ago, however, Baldwin began to have a portion of its actions assembled at a plant operated by a company in Juarez, Mexico. Although we preferred to keep all the Baldwin work at Wood & Brooks, the decision was not ours, but Baldwin's. It was our hope that, despite Baldwin's Juarez activity, we could still keep sufficient work at Wood & Brooks to keep Rockford operating efficiently and profitably.

Recently, however, Baldwin informed us that they would no longer purchase assembled actions from us but rather would have all their work done at Juarez. This decision by Baldwin has a most serious impact upon Wood & Brooks - particularly at Rockford. We immediately reviewed the situation, both in terms of losses and capital investment, and, most important, in the impact upon our people in Rockford. Additionally, we had to note that, despite new machinery and other efforts to improve efficiency at Rockford, we were still operating this plant at a loss.

After the most exhaustive study throughout this past summer, we have now concluded that under all the circumstances there is no way economically to operate the Rockford plant in the future. Accordingly, with the greatest reluctance, we have reached the conclusion that we shall have to close down the Rockford plant in the coming months. The shutdown process will be gradual, probably starting with some layoffs during the latter part of this year and continuing until all operations are discontinued by about the middle of next year.

The Company will, of course, live up to all of its obligations under its current contract with your Union. We have today discussed with the Union our thoughts about planning for an orderly shutdown of operations and have welcomed discussion with and suggestions from the Union about this decision and its implications for our employees. It is obviously in the best interests of everyone that we all cooperate to achieve such orderly shutdown.

I want to add personally that it was with the deepest regret that the Company came to this conclusion. We are extremely mindful of the impact upon our employees, some of whom have been with us for a long time. As part of an orderly plant shutdown, we, on our part, will attempt to do everything we can to assist employees in securing other employment opportunities in the Rockford area.

(Signed) Glenn E. Gordon
President

