

UNITED STATES TARIFF COMMISSION

PIANOS, EXCEPT GRAND PIANOS

**Report to the President
on Investigation No. TEA-I-EX-9
Under Section 351(d)(3) of the Trade Expansion Act of 1962**



**TC Publication 644
Washington, D. C.
January 1974**

UNITED STATES TARIFF COMMISSION

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**Address all communications to
United States Tariff Commission
Washington, D. C. 20436**

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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 21, 1974.

To the President:

This report is made pursuant to section 351(d)(3) of the Trade Expansion Act of 1962 (TEA) (76 Stat. 900), which provides that--

Upon petition on behalf of the industry concerned, filed with the Tariff Commission not earlier than the date which is 9 months, and not later than the date which is 6 months, before the date any increase or imposition referred to in paragraph (1) or (2) of subsection (c) is to terminate by reason of the expiration of the applicable period prescribed in paragraph (1) or an extension thereof under paragraph (2), the Tariff Commission shall advise the President of its judgment as to the probable economic effect on such industry of such termination.

On December 23, 1969, following an investigation in response to a petition on behalf of the domestic industry, the Commission found (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 Tariff Schedules of the United States (TSUS)

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. 1/

1/ 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, 1969.

Of the Commissioners voting in the affirmative, a majority found that the rate of duty necessary to prevent serious injury was 13.5 percent ad valorem.

In response to the Commission's finding, the President suspended, effective February 21, 1970, the Kennedy Round tariff reductions on pianos, except grand pianos, at the second stage rate--13.5 percent ad valorem--for a period of 3 years. The President also announced that he had authorized firms and workers in the domestic piano industry to apply for adjustment assistance under the provisions of the TEA.

So long as the higher rate of duty remains in effect for upright pianos, the Commission is required, under the provisions of section 351(d)(1) of the TEA, to make an annual report on developments with respect to the piano industry. The first such report was made on February 19, 1971, 1/ and the second report was submitted to the President on February 15, 1972. 2/

The Commission conducted an investigation in 1973 under section 351(d)(3) and, upon receiving its advice, the President extended the increased rate on the subject pianos until the close of business February 20, 1974. 3/

1/ Pianos (Except Grands): Report to the President on Investigation No. TEA-IR-9-71 Under section 351(d)(1) of the Trade Expansion Act of 1962, TC Publication 363, 1971.

2/ Pianos (Except Grands): Report to the President on Investigation No. TEA-IR-9-72. . . , TC Publication 462, 1972.

3/ Pianos, Except Grand Pianos: Report to the President on Investigation No. TEA-I-EX-8. . . , TC Publication 538, 1973.

On August 17, 1973, a petition on behalf of the National Piano Manufacturers Association was filed with the Tariff Commission under section 351(d)(3) of the Trade Expansion Act. Accordingly, on August 28, 1973, the Commission instituted the instant investigation to determine the probable economic effect on the industry concerned of termination of the modified escape action rate with respect to pianos of the kinds described in item 924.00 in part 2 of the appendix to the Tariff Schedules of the United States. Public notice of the institution of the investigation and a public hearing to be held in connection therewith was given in the Federal Register (38 F.R. 23995) on September 5, 1973. The hearing was held on October 31, 1973, when all interested parties were afforded opportunity to be present, to produce evidence, and to be heard.

The information for this report was obtained from fieldwork, from questionnaires sent to domestic producers and importers, from the Commission's files, from other Government agencies, and from evidence presented at the hearing and in briefs filed by interested parties.

Probable Economic Effect of Termination of the
Escape-Action Rate of Duty

In the opinion of the Commission, 1/ the termination of the escape-action rate of duty on upright pianos which was imposed in February 1970 would not significantly affect the competitive position of the domestic industry producing such articles.

Effective February 21, 1970, following an investigation by the Tariff Commission under section 301(b)(1) of the Trade Expansion Act of 1962, 2/ the President suspended the staging of the Kennedy Round reductions in the rate of duty applicable to pianos other than grand pianos, and imposed a rate of 13.5 percent ad valorem (the second stage of the Kennedy Round reductions) for a period of 3 years. Subsequently, following an investigation in 1973 under section 351(d)(3) in which the Commission advised the President regarding the probable economic effect of the termination of the escape-action rate, 3/ the President extended the increased rate (13.5 percent ad valorem) on the subject pianos through February 20, 1974.

During the 4 years that the escape-action rate has been in effect, and particularly during 1973, changing economic conditions affecting world trade have improved the competitive position of the U.S. piano industry vis-à-vis foreign producers, and the economic condition of the U.S. industry has significantly improved. Sales in the United States of

1/ Commissioner Leonard not participating.

2/ 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, 1969.

3/ Pianos, Except Grand Pianos: Report to the President on Investigation No. TEA-I-EX-8 . . . , TC Publication 538, 1973. The Commission, Commissioner Ablondi dissenting, reported to the President that the termination of the increase in duty pursuant to section 351(a) would adversely affect the competitive position of the industry producing upright pianos and would likely worsen the economic condition of such industry.

domestically produced upright pianos increased from about 168,000 units in 1970, the year the escape action was taken, to about 200,000 units in 1972--an increase of about 18 percent. The upward trend continued in 1973; sales in that year are projected to have been about 7 percent above the 1972 level. Monthly employment of production and related workers in the piano industry averaged nearly 5,000 during January-September 1973; this employment level was 4 percent above that in January-September 1972 and was the highest recorded since the mid-1960's.

Although fewer domestic firms and establishments produced pianos in 1973 than in 1969, several establishments were larger and more modern than they were in 1969. A new plant, with an annual capacity of * * * units, was completed in the fall of 1971; it operated at ***percent of capacity in 1973. Two other manufacturers expanded the capacity of plants in late 1973, and another manufacturer reestablished its plant at a different location.

In January-October 1973, the latest period for which data are available, U.S. imports of upright pianos were about 8 percent below those in the corresponding period of 1972. The share of the U.S. market supplied by imports also was lower, amounting to 8.5 percent in January-September 1973, compared with 9.4 percent in the corresponding period of 1972. In 1974, most trade sources expect imports to be below 1973 levels because of the substantial current price advantage of domestically produced pianos vis-à-vis imported pianos and the acquisition of domestic producing facilities by the leading foreign producer.

Within the last year, the price relationship in the U.S. market between Japanese and domestically produced pianos has shifted sharply in favor of the domestic producers. Reflecting changes in the costs of production in the two countries and shifts in the yen-dollar exchange rate, the prices of Japanese pianos in the United States rose about 25 percent in 1973, while those of domestically produced pianos increased only 10 percent. As a result, the average price advantage of domestic producers in late 1973 ranged from about 20 percent (studio pianos) to 33 percent (spinet pianos). The recent weakening of the yen against the dollar is not now expected by the trade to result in lower prices for Japanese pianos.

The escape-action rate of duty applicable to upright pianos--13.5 percent ad valorem--is scheduled to remain in effect until February 21, 1974, at which time the staging of duty reductions to carry out a U.S. trade-agreement concession granted at the Kennedy Round negotiations would be reinstated. If the escape action is not extended, the duty will be reduced in three stages--to 11.5 percent ad valorem on February 21, 1974, 10 percent ad valorem on January 1, 1975, and then to 8.5 percent ad valorem on January 1, 1976.

Under the next stage (the 11.5 percent ad valorem rate), the reduction in the amount of duty that would be paid on a typical upright piano (compared to that paid under the escape-action rate) is very small relative to current price differences in the United States. When the 11.5 percent ad valorem rate of duty is applied, for example, to a best-selling console piano imported from Japan the difference in duty--

roughly \$10.00--would amount to only a small fraction of the difference in average wholesale prices between the Japanese piano and the comparable domestic piano. The total duty savings on an imported piano that would result from all three staged reductions would still be equivalent to only a small part of the current difference between wholesale prices for imported and domestically produced pianos.

In the Commission's view, the termination of the escape action on upright pianos would not significantly affect the competitive position of the industry producing such pianos.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Products

Pianos, which are complex stringed percussion instruments, are identified by the way they are strung. An upright piano, the more common type (currently accounting for about 97 percent of U.S. sales), has its strings running vertically; a grand piano has its strings running horizontally. Upright pianos 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 37 inches high and under), consoles (38 to 43 inches), and studio uprights (44 inches and over). Spinets and consoles are sold principally for home use; as furniture they are more suited to home settings than the bulkier uprights of the pre-1930's.

Size is an important factor in the quality of musical performance obtained from a piano. The spinet pianos are the least desirable with respect to tone. The larger studio uprights, which are popular for use in schools and institutional recreation centers, are generally superior in tonal quality to the smaller uprights. The grand piano, generally considered superior to uprights, 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 can also 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 three firms.

A piano, which comprises thousands of parts of various materials, has four essential elements: Strings, an action, a soundboard, and a framework. Each piano has about 230 strings, usually of steel. By variations in length and thickness, each string is tuned to 1 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

1/ In recent years, a 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.

presses down the keys; 1/ and dampers which press against the strings, silencing them, when the player releases the keys.

The soundboard, 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 framework holds the whole piano mechanism together. It consists of a wooden case (usually of hardwood such as walnut, mahogany, fruitwood, 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.

Although used pianos have continued to account for 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 used pianos. In this report domestic sales do not include used pianos.

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

U.S. Tariff Treatment and Related Factors

Tariff treatment

Upright pianos (including player pianos, whether or not with keyboards) are currently dutiable at the escape-clause rate of 13.5 percent ad valorem provided for in item 924.00 of part 2 of the appendix to the TSUS. This rate became effective February 21, 1970, and is scheduled to remain in effect through February 20, 1974, at which time the staging of duty reductions to carry out a U.S. trade-agreement concession granted at the Kennedy Round negotiations will be reinstated. Had there been no escape action, upright pianos would currently be dutiable at 8.5 percent ad valorem under item 725.01 (formerly item 725.02) of the TSUS. Upright pianos imported from countries designated as Communist-dominated or Communist-controlled are currently dutiable under item 725.01 at 40 percent ad valorem.

The escape-action rate of duty currently applicable to imports of pianos, except grand pianos, and the trade-agreement rates scheduled to become effective February 21, 1974, are shown in the following table.

Pianos (except grand pianos): Escape-action rate of duty effective Feb. 21, 1970, and trade-agreement rates scheduled to become effective Feb. 21, 1974 1/

Description	Escape-action rate	Trade-agreement rate and effective date	
		Rate	Date
	Percent ad valorem	Percent ad valorem	
Pianos (including player pianos, whether or not with keyboards), except grand pianos.	13.5	11.5	Feb. 21, 1974
		10	Jan. 1, 1975
		8.5	Jan. 1, 1976

1/ Presidential Proclamation No. 4189 (38 F.R. 4935).

The current trade-agreement rate of duty applicable to grand pianos provided for in item 725.03 of the TSUS is 8.5 percent ad valorem (table 1).

Adjustment assistance

The President, in his proclamation of February 21, 1970, authorized firms and workers in the domestic piano industry to apply for adjustment assistance under the provisions of the Trade Expansion Act of 1962. Of the 15 firms which currently constitute the domestic piano industry, 6 have petitioned the U.S. Department of Commerce for adjustment assistance. Four firms have been certified eligible to apply for adjustment assistance, but only two have as yet

received aid; 1/ a request by one firm has been denied, and a request by one other firm is pending. Workers in eight establishments have petitioned the U.S. Department of Labor for adjustment assistance; approximately 1,250 workers in seven establishments producing pianos have been certified eligible. An application by employees in one plant (about 30 workers) has been denied by the Department of Labor.

1/ Estey Piano Corp. will receive a direct loan not to exceed \$944,000 and will shortly commence production of a plastic-cased upright piano. Grand Piano Co. will be furnished financial assistance up to \$325,000 to enlarge its manufacturing facility. Aeolian Corp. and Everett Piano Co. were certified but submitted no proposals and their eligibility has expired.

U.S. Consumption

The total number of pianos in the United States has probably declined over the last decade or so, inasmuch as the number of new pianos sold has been well below the estimated annual junk rate. Following the escape action in early 1970, the number of new pianos sold in the U.S. market declined from 210,000 units in 1969 to 194,000 in 1970, and then increased to 206,000 in 1971 and 231,000 in 1972 (table 2). In January-September 1973, sales of new pianos were about 6 percent higher in number than in the corresponding period of 1972. In earlier years, the number of new pianos sold annually had increased from 159,000 in 1958 to 247,000 in 1966, but then decreased to 227,000 in 1968. Measured in terms of value, ^{1/} the trend of sales of new pianos in the United States has been only slightly different in recent years; before 1972 sales value peaked in 1966 (as did sales volume), but the subsequent decline was less, primarily because of higher prices.

The recent trend in sales of new upright pianos in the United States (in terms of quantity, more than 95 percent of all pianos sold were uprights) has been irregular, with 196,825 units marketed in 1969, 184,104 units in 1970, 195,521 units in 1971, and 218,682 units in 1972. Sales in January-September 1973 (163,693 units) indicate that sales for the full year 1973 probably were higher than in any other year during the period (table 3).

^{1/} Domestically produced pianos were valued at wholesale; imported pianos were valued f.o.b. foreign port.

According to a marketing study conducted for the National Piano Manufacturers Association (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 by 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/ As indicated above, annual sales of new pianos since 1961 have been below the estimated junk rate; they averaged 220,000 units in the period 1962-72.

Pianos are sold for use in homes and institutions. The three principal product characteristics--price, appearance, and musical quality--generally differ in importance for customers selecting pianos for the home and those selecting for an institution. Price is important in both, but appearance is probably more important in the home market and musical quality, in the institutional market. Purchasers of pianos for use in the living room overwhelmingly want either a spinet or console piano; for use in schools, churches, and hotels they generally prefer studio uprights and, in addition, some grands (for their better music quality); and for use in concert halls, the large grands are chosen.

1/ Milton P. Brown, John B. Stewart, and Walter J. Salmon, A Study of the Piano Industry, Sept. 9, 1961.

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, probably have at least equaled sales of new pianos.

During January 1964-September 1973, spinets and consoles accounted for about 83 percent, in terms of quantity, of all new piano sales in the U.S. market (tables 4 and 5). Studio uprights accounted for about 11 percent of such sales and grands, about 6 percent. The actual share of the sales of new pianos accounted for by studio uprights varied somewhat during this period (from 10.3 to 12.0 percent), as did that accounted for by grands (from 3.2 to 5.6 percent), as shown below.

New pianos: Percentage distribution ^{1/} of sales in the United States, by types, 1964-72, January-September 1972, and January-September 1973

Period	All pianos	Uprights			Grands
		Total	Spinets and consoles	Studio uprights	
1964-----	100.0	96.8	86.5	10.3	3.2
1965-----	100.0	96.7	86.3	10.4	3.3
1966-----	100.0	96.4	84.6	11.8	3.6
1967-----	100.0	95.9	84.0	11.9	4.1
1968-----	100.0	95.4	83.7	11.7	4.6
1969-----	100.0	95.0	83.2	11.8	5.0
1970-----	100.0	95.2	83.7	11.5	4.8
1971-----	100.0	95.3	83.7	11.6	4.7
1972-----	100.0	94.9	83.2	11.7	5.1
Jan.-Sept.--					
1972-----	100.0	95.0	83.0	12.0	5.0
1973-----	100.0	94.4	83.6	10.8	5.6

^{1/} Based on quantity. Excludes player pianos, manufactured only by domestic producers (sales volume of these pianos ranged from 2,900 units to 4,300 units annually during 1964-72), and sales by Yamaha's parent company direct to Hawaii, Alaska, and Puerto Rico; also excludes sales of grand pianos by Yamaha's parent company to D. H. Baldwin, Inc. and the Chicago Musical Instrument Co. (CMI).

Source: Compiled from data furnished the U.S. Tariff Commission by domestic producers, Yamaha International Corp., and Kawai Piano (America) Corp.

Although domestic producers and importers sell to both the home and institutional markets, the two major importers, Yamaha International Corp. and Kawai Piano (America) Corp., have obtained a significant share of the institutional market. In January-September 1973, Yamaha and Kawai sold *** percent of all studio uprights and ***percent of all grands in the U.S. market. The share of the market accounted for by Yamaha and Kawai during the period January 1964-September 1973, by type of piano, is shown in the following table.

* * * * *

A large number of social, economic, and technological factors have influenced U.S. sales of pianos in recent years: the increasing popularity 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 a growing interest in other musical instruments (especially fretted stringed instruments and electronic organs) and other forms of recreation. Expenditures for pianos have not kept pace with total personal consumption expenditures. From 1960 to 1972, for example, the average annual rate of increase in the dollar value of retail sales of new pianos per household was 0.6 percent, compared with an increase in personal consumption expenditures per household of 4.8 percent for all goods and services, 8.4 percent for radio and television receivers, records, and musical instruments, and 5.7 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 table.

Expenditures in the United States for new pianos and certain other competitive products or services, total and per household, specified years 1960 to 1972

Year	Total			Per household ^{4/}		
	Pianos ^{1/}	Radio and television receivers, records, and musical instruments ^{2/}	Other recreational goods services ^{3/}	Pianos	Radio and television receivers, records, and musical instruments	Other recreational goods and services
	Million dollars	Billion dollars	Billion dollars			
1960-----	149	3.4	14.9	\$2.82	\$65	\$282
1962-----	161	3.9	16.6	2.95	72	303
1964-----	171	5.4	19.2	3.05	97	342
1966-----	193	6.9	21.9	3.32	119	378
1967-----	183	7.1	23.5	3.11	126	399
1968-----	186	7.7	25.9	3.07	128	429
1969-----	181	8.3	28.6	2.93	134	463
1970-----	164	9.4	31.2	2.61	150	481
1971-----	179	9.8	32.9	2.78	152	511
1972-----	201	11.4	36.4	3.01	171	546
Percentage change, 1972 over 1960:						
Total--	35	235	144	7	163	94
Annual average--	3.5					
age--	2.5	10.6	7.7	.6	8.4	5.7

^{1/} From American Music Conference, 1973 Review of the Music Industry.

^{2/} Retail sales in the entire music industry (including new musical instruments, sheet music, instrument accessories, and instructional aids) increased in every year during 1960-72 except for 1967 and 1968; during that period, sales rose 121 percent or at an annual rate of 7.7 percent. From American Music Conference, 1973 Review of the Music Industry.

^{3/} 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, July 1969, July 1972, and July 1973.

^{4/} Computed on the basis of the number of households on Mar. 1 of years shown, as reported in Statistical Abstract of the United States, 1968-72.

U.S. Producers

In 1969 (the year before the escape action on upright pianos was taken), 18 firms operating 24 plants manufactured upright pianos in the United States; 14 firms operating 17 plants produced upright pianos in 1973.

A comparison of the firms constituting the U.S. piano industry in 1969 and 1973 is shown in the following table.

Establishments in the U.S. piano industry, by companies,
1969 and 1973

Producer	1969 Number	1973 Number
Aeolian Corp-----	4	2
D. H. Baldwin, Inc-----	3	2
Chicago Musical Institution Co-----	<u>1/</u> 2	<u>1/</u> 1
Currier Piano Co., Inc-----	1	1
Estey Piano Corp-----	1	<u>2/</u>
Everett Piano Co-----	1	1
Grand Piano Co., Inc-----	1	1
Grinnell Brothers-----	1	<u>3/</u>
The Gulbransen Co-----	1	<u>3/</u>
Janssen Piano Co., Inc-----	1	<u>4/</u>
Kimball Piano & Organ Co-----	1	1
Kohler & Campbell, Inc-----	1	1
Krakauer Brothers-----	1	1
Gordon Laughead Co-----	1	1
Sohmer & Co., Inc-----	1	1
Steinway & Sons-----	1	1
The Walter Piano Co-----	<u>4/</u>	1
The Wurlitzer Co-----	2	2
Total-----	24	17

1/ Lowrey and Story & Clark (CMI's 2 plants) were treated as separate firms in 1969; operations were combined in one establishment in 1970.

2/ Factory closed May 1971; partial funding of a Federal loan was received May 1973 and production will resume in late 1973.

3/ Factory closed effective March 1970.

4/ Janssen ceased operations late 1969; Janssen pianos were produced by a new firm (in a different location), The Walter Piano Co., in 1970.

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

The distribution of the 17 plants that were operating in September 1973 is shown in the following table.

U.S. piano industry: Distribution of plants, by States, September 1973

State	: Number : of plants	::	State	: Number : of plants
New York-----	4	::	Arkansas-----	1
Michigan-----	3	::	Tennessee-----	1
North Carolina-----	3	::	Utah-----	1
Indiana-----	2	::		
Mississippi-----	2	::		
		::		

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

All 14 firms produced upright pianos, and 7 produced grand pianos.

Three of the firms--The Wurlitzer Co., D. H. Baldwin, Inc., and Aeolian Corp.--accounted for 49 percent of the number of domestically produced upright pianos sold in the United States in the period January-September 1973, compared with 54 percent in 1969. Four other firms--Chicago Musical Instrument Co. (Lowrey Piano Co. and Story & Clark Piano Co.), Kimball Piano & Organ Co., Everett Piano Co., and Kohler & Campbell, Inc.--accounted for 41 percent of the number sold in January-September 1973, compared with 36 percent in 1969.

On September 27, 1973, Yamaha International Corp., a subsidiary of the principal Japanese producer of pianos and the major importer, announced the acquisition of the Everett Piano Co., of South Haven, Mich. According to the announcement, actions and keyboards will continue to be purchased from domestic suppliers, and no major changes in the Everett company or products are contemplated (see app. B).

Sales by U.S. Producers

Sales of new pianos in the United States by the domestic producers of such articles rose until the middle 1960's, declined steadily through 1970 (when the escape action on upright pianos was taken), and then rose in 1971 and 1972. In the 1960's, the sales of domestically produced new pianos peaked in 1966, when they approximated 236,000 units, with a value of \$110 million (table 2). Sales then declined each year through 1970, amounting to 173,000 units, valued at \$89 million, in that year. Sales of domestic pianos increased in 1971 and in 1972; in the latter year they increased markedly to 205,000 units, valued at \$112 million or 19 and 26 percent compared with 1970. Sales during the period January-September 1973 increased 7 percent in quantity and 13 percent in value from the corresponding period of 1972.

Inasmuch as upright pianos accounted for the very great bulk of total sales of all pianos by U.S. producers, sales of new upright pianos in the United States by the domestic producers have followed the same trends as their sales of all types of new pianos. Sales of domestic upright pianos in the United States peaked in 1966, when they approximated 229,000 units, valued at \$98.4 million (table 4). They then declined to about 168,000 units, valued at \$78.5 million, in 1970. This decline equaled 27 percent in terms of quantity and 20 percent in terms of value. Sales in 1972 were about 18 percent greater in quantity and 24 percent greater in value than in 1970.

During the period January-September 1973, sales increased about 7 percent in quantity and 11 percent in value from the corresponding period of 1972.

The composition of sales (excluding exports) of domestic pianos, by types, in specified years is shown in the following table.

Pianos: Composition of U.S. producers' sales in the United States, by types, 1966, 1969, and January-September 1973

Type	Percent of unit sales		
	1966	1969	Jan.-Sept. 1973
Total-----	100	100	100
Uprights, total-----	97	97	96
Spinets-----	50	47	38
Consoles-----	34	38	47
Studios-----	11	10	9
Players-----	2	2	2
Grands-----	3	3	4

U.S. exports of pianos, mostly uprights, account for a small portion of domestic producers' shipments (table 2); exports in 1970 changed little in volume or value from those in previous years. In the period 1958-70, exports ranged between 1,000 and 2,000 units a year; the average value of annual exports during this period was about \$820,000, and the average unit value was about \$500. Exports increased in 1971 to 2,314 units, valued at \$1.2 million, and rose again in 1972, to 3,180 units, valued at \$1.5 million. Exports increased about 35 percent in January-September 1973, compared with the corresponding period of 1972.

About half of the domestic firms producing pianos sell to foreign countries; principal markets for such exports are Mexico, Canada, the United Kingdom, and Australia.

U.S. Imports

U.S. imports of pianos of all types in 1969, the last full year prior to the implementation of the escape-action rate on upright pianos, amounted to 29,000 units--nearly 14 percent of apparent U.S. consumption (table 6). They declined to 21,000 units in 1970, but rose to 26,000 units in 1971 and 1972, when they supplied 11.3 percent of apparent consumption in 1972 (table 2). Imports in January-September 1973 amounted to 18,656 units, compared with 19,193 units in the corresponding period of 1972. During the late 1950's and throughout the 1960's, imports of pianos had increased substantially; however, imports in 1958 -- less than 2,000 units--had accounted for only 1 percent of consumption.

U.S. imports of upright pianos in 1969, the first year separate data were recorded in official statistics, totaled 22,142 units (table 7). Imports declined by 27 percent to 16,168 units in 1970, increased by 30 percent to 20,981 units in 1971, then declined by 5 percent to 19,901 units in 1972. They totaled 13,850 units in January-September 1973, compared with 14,610 units in the corresponding period of 1972, representing a decrease of 5 percent. Imports of grand pianos declined about 35 percent from 1969 to 1970, but increased about 14 percent in 1971, 19 percent in 1972, and 5 percent in January-September 1973, compared with the corresponding period of 1972.

Japan accounted for about 90 percent of the quantity and value of all upright pianos imported in the 9-month period ending September 1973, as it has done for several years. Two importers probably accounted for all the U.S. imports of Japanese-made uprights--Yamaha International Corp. of Buena Park, Calif., and Kawai Piano (America) Corp.

of Harbor City, Calif.; 1/ they are sales affiliates of Japan's two leading manufacturers of pianos and other musical instruments--Nippon Gakki Seizo Co., Ltd., and Kawai Musical Instrument Mfg. Co., Ltd. In 1972, 84 percent of the quantity and 59 percent of the value of the U.S. sales made by these two importers were of uprights.

Of the number of upright pianos imported from Japan in the period January-September 1973, spinets accounted for about 6 percent; consoles, for about 59 percent; and studios, for about 35 percent.

1/ The number of upright pianos reportedly imported by these two concerns in the period January 1971 through September 1973 was equivalent to 99 percent of the total recorded in the official U.S. import statistics.

Marketing Practices

The distribution of pianos--domestic and imported--is overwhelmingly made through independent retail dealers. Certain domestic producers 1/ reported that about 90 percent of their sales are currently to such dealers. Other outlets in order of importance are company-owned retail dealers, distributors, tuner-technicians, and furniture stores. Yamaha and Kawai currently distribute all of their pianos through independent dealers, although Yamaha previously owned a few retail outlets.

There are reported to be around 8,000 music 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; such dealers are usually the only franchise of a particular manufacturer in a geographic area. 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.

Yamaha and Kawai currently sell all pianos outright, although Kawai previously made a few sales on consignment. Most domestic

1/ These producers were Wurlitzer, Baldwin, Kimball, Everett, Kohler & Campbell, Laughead, Sohmer, Steinway, and International (Currier). They accounted for 73 percent, in terms of quantity, of total sales by domestic producers in 1972.

producers sell pianos outright; only D. H. Baldwin, Inc. has a significant consignment sales plan (Sohmer sells a few pianos on consignment). Baldwin dealers may either sign a consignment contract or settle on a 30-day net basis. Baldwin dealers who buy on consignment pay a monthly display charge; there is no limit to the length of time pianos can be on consignment. At the time of consignment sale, dealers make settlement to Baldwin in cash if the sale is for cash or by sending Baldwin the installment contract if the sale is made on that basis. * * *

* * * * *

Newspaper and magazine advertising was important during 1964-73 for most of the domestic firms and Yamaha. Television and radio were important media for a few domestic producers. Kawai and several domestic producers cooperated with dealers in advertising. Other outlets for advertising and sales promotion expenditures were sales literature, catalogs, direct-mail advertising, dealer trip incentives, and conventions.

Domestic producers manufacture pianos in a somewhat wider range of woods and case stylings than do importers, although the Japanese offer some of the more popular types of models for the home market.

Both domestic producers and importers make large sales in the home and institutional markets. The two Japanese manufacturers market their pianos under one name each, Kawai and 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.

Both the domestic producers 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 preschool 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.

Prices

During January 1964-June 1971, average wholesale prices for most best selling models 1/ of upright pianos imported by Yamaha and Kawai were less than the average wholesale prices of similar models of domestic producers. 2/ During 1964-68, average prices of Yamaha and Kawai spinet and studio pianos actually declined, while console prices rose 13 percent. During 1969-71, however, prices of all types of Yamaha and Kawai upright pianos increased between 10 and 12 percent. Prices of Yamaha and Kawai upright pianos increased sharply in 1972, largely owing to currency revaluation, according to the importers. By November 30, 1972, the prices of those pianos were higher than the prices of similar models of domestic producers. By November 30, 1973, prices of Japanese pianos had increased about 25 percent above what they had been the year before, compared with an increase over the same period of nearly 10 percent for similar U.S. pianos, thus widening the price differential that had first appeared in 1972.

In evaluating the significance of the various prices in the accompanying table, the size of the various markets (spinet, consoles, and studios) and the market penetration by Yamaha and Kawai are relevant. During January-September 1973, 50 percent of all uprights sold in the U.S. market were consoles and 38 percent were spinets--sold principally

1/ Prices include one piano, a bench, and a box (shipping container). These average prices were based on individual prices of best selling models that were sold during 1964-72 as reported to the Commission by producers and importers. Such prices were weighted by the quantity sold.

2/ It is difficult to compare prices of pianos without considering the quality of each instrument. However, dependable quality information is difficult to obtain. Consumer Bulletin published an evaluation of domestic and imported pianos in 1967 and reissued this article in 1972. Although Consumer Bulletin rated the Yamaha and Kawai pianos relatively high, it is possible that another technician's evaluation would be somewhat different.

to homes. Another 11 percent of the upright market consisted of studios, purchased principally by institutions. Player pianos, all domestically produced, accounted for the remaining 1 percent of that market.

During January-September 1973 Yamaha obtained***percent of the market for spinets, and Yamaha and Kawai together held***percent of the market for consoles and*** percent of that for studios, based on quantity. The following table includes the average wholesale prices of domestic producers and of Yamaha and Kawai for their best selling spinets, consoles, and studio pianos on specified dates during June 1964-November 1973. The sharp increase in Yamaha and Kawai prices after 1969, especially since 1971, is evident from the price indexes. Included in the price of Yamaha pianos beginning in April 1973 was a service bond valued at \$35 paid by Yamaha. 1/

1/ The new "full service bond" provides for an initial tuning after home delivery and a second tuning 6 months later. This service is provided--at no cost to the purchaser--by the selling dealer. The dealer is reimbursed \$35 by Yamaha once the purchaser certifies that such services have been performed.

Upright pianos: Average wholesale prices 1/ and price indexes of best selling models of domestic producers, 2/
Yamaha, and Kawai, by types, June 30 of 1964-71, Nov. 30, 1972, and Nov. 30, 1973

Type of upright	June 30--						Nov. 30--			
	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Prices										
Spinets: 3/										
Domestic producers-----	\$358	\$363	\$373	\$388	\$415	\$413	\$436	\$449	\$451	\$488
Yamaha-----	*	*	*	*	*	*	*	*	*	*
Consoles:										
Domestic producers-----	475	475	496	514	518	542	549	547	561	616
Yamaha and Kawai-----	*	*	*	*	*	*	*	*	*	*
Studios:										
Domestic producers-----	461	477	476	501	528	540	562	588	580	635
Yamaha and Kawai-----	*	*	*	*	*	*	*	*	*	*
Price indexes (1964=100)										
Spinets: 3/										
Domestic producers-----	100	101	104	108	116	115	122	125	126	136
Yamaha-----	*	*	*	*	*	*	*	*	*	*
Consoles:										
Domestic producers-----	100	100	104	108	109	114	116	115	118	130
Yamaha and Kawai-----	*	*	*	*	*	*	*	*	*	*
Studios:										
Domestic producers-----	100	103	103	109	115	117	122	128	126	138
Yamaha and Kawai-----	*	*	*	*	*	*	*	*	*	*

1/ Prices include boxes and benches, but exclude a 10-percent excise tax levied on the wholesale price of domestic and imported pianos in 1964 and 1965.

2/ Prices are weighted according to each producer's or importer's share of total sales, by type of piano. Total sales were the sales of all producers referred to below. Spinnet prices for domestic pianos included data from Aeolian (Ivers and Pond plant only), Baldwin, Wurlitzer, Kimball, Everett, and International (Carrier); these producers accounted for about 80 percent of total sales of domestic spinnet pianos during January 1964-September 1973. Console prices for domestic pianos included data from Aeolian, Baldwin, Wurlitzer, Kimball, Everett, Kohler & Campbell, Sohmer, and Steinway; these producers accounted for about 75 percent of total sales of domestic console pianos during January 1964-September 1973. Studio prices for domestic pianos included data from Aeolian, Baldwin, Wurlitzer, Kimball, Everett, Kohler & Campbell, Sohmer, and Steinway; these producers accounted for more than 90 percent of total sales of domestic studio pianos during January 1964-September 1973.

3/ Kawai does not sell an 88-key spinet piano in the U.S. market.

Source: Compiled from data furnished the U.S. Tariff Commission by certain domestic producers, Yamaha International Corp., and Kawai Piano (America) Corp.

* * * * *

The data shown in the table above are weighted average prices of given sizes of pianos for the various suppliers. Prices of any producer or importer for individual models of pianos will vary considerably depending on the size of the piano, the quality of the internal parts, and the wood and style of the case. Furthermore, the prices of the best selling models for each domestic producer will deviate significantly from this overall average; for example, whereas in most years and for most models the Yamaha and Kawai average prices were lower than the average prices of these domestic producers during 1964-71, in any year and for any type of piano there were certain domestic pianos priced both below and above the average Yamaha and Kawai prices. The data in the following table illustrate the wide range of producers' and importers' prices and prices within individual producers' and importers' lines.

Spinnet, console, and studio pianos: Wholesale prices, 1/ for best selling models (as of Nov. 30, 1973) and price ranges (as of June 30, 1973) of certain domestic producers and importers

* * * * *

Average price increases, as reflected by the price indexes in the table on page A-25, do not show the movement of prices of individual producers and importers. The following table indicates such price changes, comparing them as of June 30, 1964, and November 30, 1973. * * *

* * * * *

Percentage of price increases by certain domestic producers and importers
for upright pianos, by types, Nov. 30, 1973, over June 30, 1964

* * * * *

Employment

The average number of production and related workers employed annually in the U.S. piano industry increased during 1964-66, but then declined in each subsequent year through 1971. In 1972, however, employment of production and related workers increased almost one-quarter over 1971 but remained 13 percent below the 1966 peak. In January-September 1973, such employment was 4 percent above that in January-September 1972.

Aeolian's Ivers and Pond plant in Memphis, Tenn., was closed by fire on August 15, 1969, and resumed full production in the fall of 1970. Employment cutbacks at that plant explained part of the drop in industry employment in 1969; between 1970 and 1971, the increase of *** production and related workers at Ivers and Pond--as full production resumed--helped offset a general decline in employment. However, aggregate employment of production and related workers dropped slightly in 1971. In 1972, the increase of almost 900 workers was largely in the plants of the three largest producers, as shown in the accompanying table. The D. H. Baldwin plant in Greenwood, Miss. accounted for almost *** of this total increase.

In 1972, three firms which during 1964-71 each sold an average of more than 25,000 pianos per year 1/ accounted for 67 percent of the total number of production and related workers employed by the industry,

1/ Although employment is being considered here, the firms are grouped by average yearly number of pianos sold between 1964 and 1971 in order to maintain a consistent grouping throughout the report.

four firms which each sold an average of 10,000 to 25,000 pianos per year accounted for 19 percent, and eight firms which each sold an average of fewer than 10,000 pianos per year accounted for 14 percent.

U.S. piano industry: Average number of production and related workers, by size of firm, specified years 1964 to 1972, January-September 1972, and January-September 1973

Item	1964	1966	1968	1969	1970	1971	1972	Jan.-Sept. 1972	1973
	Average number of production and related workers employed by firms selling 1/--								
More than 25,000 pianos each (Aeolian, Baldwin, Wurlitzer)-----	3,376	3,658	2,991	2,666	2,623	2,579	3,306	3,133	3,251
10,000 to 25,000 pianos each (Kimball, 2/ CMI, 3/ Everett, Kohler & Campbell)-----	4/ 1,146	4/ 1,187	4/ 984	4/ 1,017	891	822	958	937	989
Fewer than 10,000 pianos each (Grand, International (Currier), Steinway, Sohmer, Estey, 5/ Laughead, Krakauer, Walter 6/)----	7/ 815	7/ 880	7/ 778	7/ 707	687	666	693	695	726
Total -----	5,337	5,725	4,753	4,390	4,201	4,067	4,957	4,765	4,966
Index (1966=100)-----	93.2	100.0	83.0	76.7	73.4	71.0	86.6	-	-

1/ Based on average annual sales during 1964-72.

2/ Beginning in 1968, data excludes that proportion of Kimball production and related workers who make piano cases. Such workers were included in data for 1964 and 1966; subsequently, cases were produced in another plant.

3/ Before 1970, CMI data are for Story & Clark and Lowrey (the Lowrey plant closed in 1970).

4/ Includes Grinnell; Grinnell pianos manufactured by Everett effective March 1970.

5/ Ceased production in May 1971.

6/ Began production in 1970.

7/ Includes Gulbransen; Gulbransen pianos manufactured by Estey effective March 1970.

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

Following the same general trend as employment of production and related workers, the average number of all persons employed in the piano industry increased 9 percent, from 6,340 in 1964 to 6,937 in 1966, but then declined annually to 5,174 in 1971--a decrease of 25 percent. In 1972, the number of all employees increased to 5,873, 14 percent above the number in 1971. In January-September 1973, the number of all employees was 3 percent above that in January-September 1972.

During January 1964-September 1973, the trend in man-hours worked by production and related workers in the industry was similar to the trend for employment, except in 1969 when man-hours increased slightly instead of declining and in January-September 1973 when man-hours remained almost constant while employment increased about 3 percent. Man-hours worked by production and related workers in the industry amounted to 8.7 million in 1972. Man-hours worked in the first 9 months of 1973 amounted to 6.2 million, as shown in the following table.

U.S. piano industry: 1/ Man-hours worked by production and related workers, specified years 1964 to 1972, January-September 1972, and January-September 1973

Period	: Man-hours worked by production and related workers	
	Number	Index (1966=100)
1964-----	9,714,156	92.8
1966-----	10,462,974	100.0
1968-----	8,673,749	82.9
1969-----	8,713,385	83.3
1970-----	7,819,054	74.7
1971-----	7,462,837	71.3
1972-----	8,701,827	83.2
January-September--		
1972-----	6,194,644	-
1973-----	6,186,489	-

1/ Data for Grand and Laughead were not included for lack of complete data.

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

Wages

Average hourly wages 1/ paid to production workers in the piano industry 2/ amounted to \$2.30 in 1964 and increased steadily to \$2.91 in 1970--or by 27 percent over the 6 years. In 1971, average hourly wages were \$2.82--down 3 percent from 1970; the decline was partly due to a continued shift of production from Northern States to Southern States and to a single plant in Utah. In 1971, wage rates were lower for five of the seven largest producers, remained constant for one, and increased for one, compared with those in 1970. For the multiple-plant firm whose wages remained constant they were significantly higher in each of its plants, but the firm was able to keep its overall wage rate the same by shifting production to the plants where wages were lower. In 1972, average hourly wages were \$2.98, 6 percent above those in 1971. In January-September 1973, wages continued to increase moderately, amounting to \$3.04, 3 percent higher than in January-September 1972. Since 1971, wages have increased generally for all firms except ***.

* * * * *

1/ Includes payments for holidays, sick leave, and vacations. Such payments are included in all wage data in this section.

2/ Grand and Laughead not included.

Average hourly wages paid in January-September 1973 to workers at plants in Southern States--Arkansas, Mississippi, Tennessee, and North Carolina--ranged from \$2.49 to \$2.97; such wages paid at plants in Midwestern States--Indiana and Michigan--ranged from \$3.11 to \$4.36; those at plants in New York State ranged from \$3.14 to \$4.10; and those at the Utah plant were ***.

The range of average hourly wages paid in the industry and average hourly wages paid by all firms are shown in the following table.

U.S. piano industry: 1/ Range of average hourly wages paid to production and related workers by individual firms, specified years 1964 to 1972, January-September 1972, and January-September 1973

Period	: Range of average : hourly wages paid : by individual firms:	: Average hourly : wages, all firms
1964-----	\$1.70-\$3.66	<u>2/</u> \$2.30
1966-----	1.71- 3.69	<u>2/</u> 2.44
1968-----	1.86- 4.12	<u>2/</u> 2.73
1969-----	2.05- 3.74	2.79
1970-----	2.17- 4.02	<u>3/</u> 2.91
1971-----	2.23- 4.10	<u>4/</u> 2.82
1972-----	2.36- 4.33	2.98
January-September--	:	:
1972-----	2.34- 4.28	2.94
1973-----	2.49- 4.36	3.04

1/ Grand and Laughead were not included because of a lack of complete data.

2/ Includes Grinnell and Gulbransen.

3/ Walter began production in 1970.

4/ Estey Piano Corp. ceased piano production in May 1971.

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

Based on data obtained from 10 to 12 domestic producers 1/ that employed 71 percent of the industry's production and related workers during January-September 1973, the average time required by production and related workers in the piano industry, to produce one piano fluctuated between 51.1 and 58.0 during January 1964 through September 1973. Two major factors that could affect such data as a measure of productivity are changes in the input mix (purchased parts versus those made by the producer) and in the output mix (upright versus grand pianos with their divergent labor content). However, for the most part the input mix for the industry did not change significantly during January 1964-September 1973, and the ratio of grand pianos produced to total production has remained relatively constant, varying between 2.9 percent and 3.5 percent in terms of quantity. Industry output per man-hour during January 1964-September 1973, as measured in terms of the average number of man-hours required to produce a piano, is shown in the following table.

1/ Grand and Laughead were not included because of a lack of complete data. Kimball and Wurlitzer were not included because of discontinuities in their data. Data from Kimball were not included because piano case production was transferred to another plant in 1968. * * *

* * * * *

Data for 12 companies were included in these calculations for 1964-69. Therefore, data for two small companies were excluded; such omissions should not significantly affect these calculations

U.S. piano industry: Average number of man-hours required to produce one piano, specified years 1964-72, January-September 1972, and January-September 1973 1/

Period	Man-hours required to produce 1 piano	
	Average number	Index (1964=100)
1964-----	51.1	100.0
1966-----	52.8	103.3
1968-----	52.8	103.3
1969-----	57.0	111.6
1970-----	57.6	112.7
1971-----	57.7	112.9
1972-----	56.8	111.2
January-September--		
1972-----	58.0	-
1973-----	52.1	-

1/ Based on data supplied by 12 firms for 1964-69 and 10 firms for January 1970-September 1973; in 1972, these 10 firms accounted for 71.9 percent of industry employment.

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

Financial Experience of U.S. Producers

All 18 domestic producers of upright pianos operating during 1967-71 submitted financial data. Seventeen domestic producers submitted financial data for 1972.

Net sales of all products of those establishments in which upright pianos are produced increased from \$127 million in 1967 to \$140 million in 1968, decreased to \$122 million in 1969 and \$124 million in 1970, then increased to \$143 million in 1971 and \$175 million in 1972 (tables 8 and 9).

Net operating profits of establishment operations were irregular and low during 1967-72. In 1967, net operating profits were \$992,000, and increased to \$3.0 million in 1968; they decreased to \$1.2 million in 1969 and \$694,000 in 1970, but increased to \$6.2 million in 1971 and \$7.7 million in 1972.

The ratio of net operating profit to net sales was 0.8 percent in 1967, 2.2 percent in 1968, 1.0 percent in 1969, 0.6 percent in 1970, 4.3 percent in 1971, and 4.4 percent in 1972.

Net sales of upright pianos accounted for 63 to 71 percent of net sales of all products during the period 1967-71. In 1972, net sales of upright pianos was 61 percent of net sales of all products.

Net sales of upright pianos increased from \$91 million in 1967 to \$97 million in 1968, decreased to \$86 million in 1969 and \$84 million in 1970, then rose to \$91 million in 1971 and \$107 million in 1972 (tables 8 and 10).

The production of upright pianos was not very profitable from 1967 to 1972. The industry reported an aggregate loss of \$18,000 in 1967. Net operating profits were \$1.4 million in 1968 and \$771,000 in 1969. Another loss of \$107,000 was sustained by the industry in 1970, while a \$1.9 million operating profit was reported for 1971. The industry realized a net operating profit of \$2.5 million in 1972.

The ratio of net operating profits or losses to net sales of upright pianos increased from about zero in 1967 to 1.4 percent in 1968 and then declined to 0.9 percent in 1969. The ratio of net operating loss to net sales was 0.1 percent in 1970, and that of net operating profit to net sales was 2.1 percent in 1971 and 2.4 percent in 1972. The number of firms reporting operating losses was 8 in 1967, 7 in 1968 and 1969, 8 in 1970 and 5 in 1971 and 1972. Only 3 firms posted profits for all 6 years

* * *

Only eight firms were able to submit profit-and-loss data for the first 6 months of 1973 because of accounting years ending in 1973. There was a ratio of net operating profit to net sales for the eight firms of 0.2 percent for all products, and a ratio of net loss to net sales of 0.7 percent for upright pianos. Two of the eight firms reported operating losses.

The four producers that ceased operations on upright pianos in 1967-71 sustained substantial operating losses. No producers ceased operation in 1972.

Table 11 presents the ratio of cost of goods sold to net sales of upright pianos showing the ability of the various firms to sell upright pianos above cost and make a reasonable gross profit from 1967 to 1972. It is evident from the table that * * * , either because of good management or substantially lower costs, had a much lower ratio than most of the other firms up to 1971. * * *

* * * * *

From 1971 to 1972, nine firms had cost increases in relation to sales while four firms had cost decreases in relation to sales. The industry average shows a net increase of 1.3 percentage points from 1971 to 1972.

Table 12 shows the average unit cost of all upright pianos produced by the domestic producers from 1967 to 1972. The average unit cost is derived by dividing the number of upright pianos sold into the cost of goods sold. The trend in cost of producing pianos was upward in all years except 1969 and 1972. The average cost for the industry increased by 19 percent in 1967-72.

APPENDIX A
Statistical Tables

Footnotes for table 1

- 1/ Data for 1950-68 include harpsichords, clavichords, and other keyboard stringed instruments; imports of such instruments have been negligible. Data on imports of upright and grand pianos were not separately reported in official statistics until 1969.
- 2/ Effective June 18, 1930.
- 3/ Effective June 6.
- 4/ Effective June 30.
- 5/ Effective Jan. 1.
- 6/ Presidential Proclamation No. 3964.
- 7/ Presidential Proclamation No. 4189.

Table 2.--Pianos: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, specified years 1958-72, January-September 1972, and January-September 1973

(Quantity in number; value in thousands of dollars)						
Period	U.S. producers' shipments ^{1/}	U.S. imports ^{2/}	Exports	Apparent consumption ^{3/}	Ratio (percent) of imports to consumption	
Quantity						
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-----	220,161	6,866	1,616	227,000		3.0
1965-----	232,809	7,636	1,644	240,000		3.2
1966-----	235,811	10,812	1,627	247,000		4.4
1967-----	211,138	15,661	1,866	227,000		6.9
1968-----	201,902	24,832	2,049	227,000		10.9
1969-----	180,737	29,059	1,704	210,000		13.8
1970-----	173,123	20,688	1,323	194,000		10.7
1971-----	179,816	26,119	2,314	206,000		12.7
1972-----	205,332	26,031	3,180	231,000		11.3
January-September--						
1972-----	145,201	19,193	2,462	164,394		11.7
1973-----	155,539	18,656	3,327	174,195		10.7
Value						
1958-----	^{4/}	^{4/}	705	^{4/}	^{4/}	
1960-----	^{4/}	^{4/}	804	^{4/}	^{4/}	
1962-----	^{4/}	^{4/}	659	^{4/}	^{4/}	
1964-----	97,334	2,424	806	99,758		2.4
1965-----	104,479	2,881	837	107,360		2.7
1966-----	109,789	4,213	841	114,002		3.7
1967-----	101,388	6,132	897	107,520		5.7
1968-----	99,899	8,380	902	108,279		7.7
1969-----	93,434	10,701	846	104,135		10.3
1970-----	88,828	8,502	897	97,330		8.7
1971-----	93,356	10,621	1,200	103,977		10.2
1972-----	112,322	13,120	1,513	125,442		10.5
January-September--						
1972-----	77,057	9,481	1,167	86,538		11.0
1973-----	87,182	11,734	2,143	98,916		11.9

^{1/} U.S. producers' domestic sales, except for 1958, 1960, and 1962.

^{2/} Data for 1958-68 include harpsichords, clavichords, and other keyboard stringed instruments; imports of such instruments have been negligible. The value of imports was compiled from official statistics and is stated in terms of foreign value.

^{3/} Producers' domestic sales plus imports, except for 1958, 1960, and 1962.

^{4/} Not available.

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

Table 3.--Upright pianos: U.S. producers' domestic sales, imports for consumption, and apparent consumption, 1969-72, January-September 1972, and January-September 1973

Period	U.S. producers' domestic sales	U.S. imports	Apparent consumption ^{1/}	Ratio of imports to consumption
	Number	Number	Number	Percent
1969-----	174,683	22,142	196,825	11.2
1970-----	167,936	16,168	184,104	8.8
1971-----	174,540	20,981	195,521	10.7
1972-----	198,781	19,901	218,682	9.1
January-September--				
1972-----	140,645	14,610	155,255	9.4
1973-----	149,843	13,850	163,693	8.5

^{1/} Producers' domestic sales plus imports; exports are not separately reported in official statistics but are known to be negligible.

Source: U.S. producers' sales 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.

Table 4.--Pianos: U.S. producers' sales in the United States, by types, 1964-72, January-September 1972, and January-September 1973

Period	Uprights					Grands	Total 1/
	Players	Spinets	Consoles	Studios	Total		
	Quantity (number)						
1964	3,740	113,760	75,418	21,157	214,075	6,086	220,161
1965	3,460	124,029	76,606	22,377	226,472	6,337	232,809
1966	4,146	119,546	79,601	25,806	229,099	6,712	235,811
1967	4,254	103,669	74,110	22,780	204,813	6,325	211,138
1968	3,306	97,933	73,430	20,875	195,544	6,358	201,902
1969	2,935	85,722	67,800	18,226	174,683	6,054	180,737
1970	3,597	75,938	72,251	16,150	167,936	5,187	173,123
1971	3,155	79,610	75,465	16,310	174,540	5,276	179,816
1972	3,904	82,048	94,248	18,561	198,761	6,551	205,332
January-September --							
1972	2,586	56,809	67,880	13,370	140,645	4,556	145,201
1973	2,580	60,106	73,156	14,001	149,843	5,696	155,539
	Value (1,000 dollars) 2/						
1964	3,067	43,141	32,210	9,570	87,988	9,346	97,334
1965	2,880	46,347	34,525	10,274	94,027	10,452	104,479
1966	3,573	45,474	37,019	12,357	96,425	11,364	109,789
1967	3,535	40,951	34,907	11,183	90,577	10,811	101,388
1968	2,668	39,278	35,369	10,539	87,852	12,047	99,899
1969	2,329	35,433	34,000	9,697	81,458	11,975	93,434
1970	2,835	30,946	35,967	8,753	78,501	10,327	88,828
1971	2,541	32,133	37,738	9,061	81,473	11,884	93,356
1972	3,322	34,323	48,402	10,995	97,042	15,280	112,322
January-September --							
1972	2,115	23,939	33,845	7,557	67,456	9,601	77,057
1973	2,187	25,435	38,943	8,292	74,857	12,326	87,182
	Average unit value 3/						
1964	\$820	\$379	\$427	\$452	\$411	\$1,536	\$442
1965	832	374	451	459	415	1,649	447
1966	862	380	465	479	430	1,693	466
1967	831	395	471	491	442	1,709	480
1968	807	401	482	505	449	1,895	495
1969	794	413	501	532	466	1,978	517
1970	788	408	498	542	467	1,991	513
1971	805	404	500	556	467	2,252	519
1972	851	418	514	592	488	2,332	547
January-September --							
1972	818	421	499	565	480	2,107	531
1973	848	423	532	592	500	2,164	561

See footnotes on p. A-49.

Footnotes for table 4

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

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

Table 5.--Pianos: Sales by Yamaha International Corp. and Kawai Piano (America) Corp. 1/ in the United States, by types, 1964-72, January-September 1972, and January-September 1973

* * * * *

Table 6.--Pianos (including player pianos, whether or not with keyboards): U.S. imports for consumption, by principal sources, 1968-72

Source	1968 ^{1/}	1969	1970	1971	1972
Quantity (number)					
Japan-----	23,369	27,308	19,332	25,243	25,164
United Kingdom-----	436	427	453	284	408
Ireland-----	435	749	432	243	33
West Germany-----	333	340	248	164	225
Netherlands-----	44	36	141	73	37
Austria-----	44	39	28	33	41
Canada-----	48	24	10	29	19
Denmark-----	32	40	19	18	18
All other-----	91	96	2/ 25	2/ 32	86
Total-----	24,832	29,059	2/ 20,688	2/ 26,119	26,031
Value					
Japan-----	\$7,367,096	\$9,528,679	\$7,548,402	\$9,871,430	\$12,275,176
United Kingdom-----	177,348	196,502	180,680	138,162	138,575
Ireland-----	128,366	227,085	141,169	89,145	10,641
West Germany-----	430,502	527,368	447,369	319,426	439,644
Netherlands-----	19,953	17,581	64,664	37,231	28,553
Austria-----	116,253	112,309	81,568	110,639	143,924
Canada-----	66,691	18,669	7,305	15,902	9,829
Denmark-----	21,218	19,105	13,817	12,349	16,114
All other-----	52,520	53,392	2/ 16,576	2/ 26,226	57,286
Total-----	8,379,947	10,700,690	2/ 8,501,550	2/ 10,620,510	13,119,742

^{1/} Data include imports of harpsichords, clavichords, and other keyboard stringed instruments; such imports were known to be negligible.

^{2/} Imports differ from those reported in the official statistics of the Department of Commerce--certain entries from Italy, which reflected imports of electronic pianos, are not included in this table.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 7.--Upright pianos: U.S. imports for consumption, by principal sources, 1969-72, January-September 1972, and January-September 1973

Source	1969		1970		1971		1972		January-September--	
									1972	1973
	Quantity (number)									
Japan	20,993	15,135	20,322	19,270	14,139	12,342				
United Kingdom	267	392	273	399	285	496				
West Germany	163	59	16	67	60	10				
Ireland	622	403	235	33	33	36				
Netherlands	17	134	69	33	32	16				
Canada	22	9	29	19	19	5				
Denmark	20	13	16	16	11	32				
Austria	4	1	-	2	-	3				
All other	34	1/ 22	1/ 21	62	31	2/ 910				
Total	22,142	16,168	1/ 20,981	19,901	14,610	13,850				
	Value									
Japan	\$6,149,299	\$4,390,353	\$5,979,374	\$6,780,940	\$4,844,908	\$5,398,398				
United Kingdom	107,788	147,556	127,350	131,271	103,351	98,791				
West Germany	206,027	59,150	16,422	40,666	33,655	11,282				
Ireland	174,433	123,068	80,542	10,641	10,641	16,628				
Netherlands	7,118	61,049	30,237	20,832	20,532	13,770				
Canada	17,679	5,138	15,902	9,829	9,829	2,909				
Denmark	9,454	10,467	6,633	11,819	6,886	6,868				
Austria	12,375	2,595	-	290	-	297				
All other	19,866	1/ 10,441	1/ 9,061	21,959	9,743	2/ 470,336				
Total	6,704,039	4,809,817	1/ 6,265,521	7,028,247	5,039,545	6,019,279				

1/ Imports differ from those reported in the official statistics of the U.S. Department of Commerce-- certain entries from Italy, which reflected imports of electronic pianos, are not included in this table.

2/ Includes 778 units, valued at \$400,643, from Mexico.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 8.--Profit-and-loss experience of U.S. producers on their operations of producing upright pianos and their establishments in which upright pianos are produced, accounting years 1967-72 and first 6 months of 1973 1/

Product and year	Net sales	Cost of goods sold	Gross profit	Administrative and selling expense	Net operating profit or (loss)	Ratio of operating profit or (loss) to net sales
<u>Upright pianos</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>Percent</u>
1967-----	90,783	76,496	14,287	14,305	(18)	2/
1968-----	97,049	80,725	16,324	14,938	1,386	1.4
1969-----	85,880	70,294	15,586	14,815	771	.9
1970-----	84,447	69,625	14,822	14,929	(107)	(.1)
1971-----	91,107	73,969	17,138	15,195	1,943	2.1
1972-----	106,992	88,249	18,741	16,199	2,542	2.4
1973 (6 months)-	36,960	31,203	5,758	6,021	(263)	(.7)
<u>All products</u>						
1967-----	127,280	106,696	20,584	19,592	992	.8
1968-----	140,073	116,610	23,463	20,459	2,968	2.2
1969-----	121,886	100,067	21,819	20,580	1,239	1.0
1970-----	123,874	102,410	21,464	20,770	694	.6
1971-----	143,495	115,732	27,763	21,597	6,166	4.3
1972-----	174,530	142,841	31,689	23,962	7,726	4.4
1973 (6 months)-	59,520	50,117	9,342	9,211	130	.2

1/ Only 8 firms were able to submit data for first 6 months of their accounting year 1973.

2/ Less than 0.05 percent.

Source: Financial information submitted by the domestic industry.

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APPENDIX B

YAMAHA PRESS RELEASE ON THE ACQUISITION OF EVERETT
PIANO CO.

For: Yamaha International Corporation
Box 6600
Buena Park, California 90620

A-65

From: **AYER PUBLIC RELATIONS**
A Division of N. W. Ayer & Son, Inc.
111 EAST WACKER DRIVE, CHICAGO, ILLINOIS 60601
312-645-8800

FOR INFORMATION:

John McLaren (Yamaha)
(714) 522-9155

Peter Gajewski or David Hoods (Ayer)
(312) 645-5674

FOR IMMEDIATE RELEASE

YAMAHA ANNOUNCES U.S. PRODUCTION PLANS

FOR MUSICAL PRODUCTS

CHICAGO, ILL., September 27, 1973 — Yamaha International Corp., Buena Park, Calif., announced today the formation of a subsidiary company, Yamaha Musical Products, Inc., and the acquisition by the new corporation of Everett Piano Company, South Haven, Mich., from United Industrial Syndicate of New York. No financial details of the acquisition were announced.

Yamaha International Corp. has for the last 15 years distributed all Yamaha products in the U.S., including motorcycles, snowmobiles, pianos, organs, musical instruments, sporting goods and audio products.

Yamaha's President, Mr. Hiroshi Kawashima, stated that Yamaha Musical Products, Inc. would soon begin operation of a plant near Grand Rapids, Michigan, for the assembly of electronic organs and band instruments. "We looked for skilled craftsmanship and we found the Grand Rapids area offered the skills we need to satisfy Yamaha quality standards," continued Mr. Kawashima. The new plant is located at Breton Road, Kentwood, Mich. Production is tentatively scheduled to begin early in 1974.

"The acquisition of Everett is particularly pleasing to us," said Mr. Kawashima. He added, "Yamaha has always put quality first and we are impressed with the pride and craftsmanship of the Everett workers, and the dedication of the Everett management team led by Louis Amrein. Further, the Everett name has long been associated with high quality pianos in the United States."

John McLaren, Vice President for Yamaha's Music, Audio and Sports Group, commented, "Y.I.C. is a marketing company and this new step into U.S. manufacturing capacity is a natural evolutionary development reflecting the changing climate of international trade. Yamaha is increasingly becoming a more internationally oriented company and this trend will no doubt continue in the years ahead."

"Everett is only recently recovering from a point where a total closedown was imminent." McLaren noted, "The strong support and assistance of Yamaha manufacturing and marketing expertise should help make Everett's future more secure and protect the jobs and skills of the fine piano workers employed there."

Mr. Amrein, the Everett president, agreed, "I am delighted Everett has joined the Yamaha family. Yamaha's belief in quality and the future of the piano in the music world are completely consistent with our own."

Although Yamaha does not envision any major changes in the Everett company or products, discussions will take place soon between Yamaha and Everett management teams to make plans for the future.

Mr. Kawashima concluded by expressing Yamaha's appreciation to the officials of the State of Michigan and the staff of Governor Milliken for their generous help in bringing Yamaha to their state.

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