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UNITED STATES TARIFF COMMISSION

**PIPE ORGANS:
PRODUCTION AND MAINTENANCE WORKERS
OF M. P. MOLLER, INC.**

**Report to the President
on Investigation No. TEA-W-90
Under Section 301(c)(2) of the Trade Expansion Act of 1962**



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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,
June 11, 1971.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(2) of the Act in response to a petition filed by a group of workers.

On April 13, 1971, the Pipe Organ Workers Federal Labor Union, AFL-CIO, with the assistance of the United Furniture Workers of America, AFL-CIO, filed a petition for a determination of eligibility to apply for adjustment assistance on behalf of production and maintenance workers, members of Local Union 21108, formerly employed by M. P. Moller, Inc., Hagerstown, Maryland. The Commission instituted the investigation (TEA-W-90) on April 27, 1971, to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the pipe organs produced by M. P. Moller, Inc. 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 company.

Public notice of this investigation was given in the Federal Register (36 F.R. 8275) on May 1, 1971. No hearing was requested and none was held.

The information in this report was obtained principally from the petitioner, the officials of M. P. Moller, Inc. 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, being equally divided, 1/ makes no finding under section 301(c)(2) of the Trade Expansion Act of 1962 with respect to whether articles like or directly competitive with the pipe organs produced by M. P. Moller, Inc., Hagerstown, Md. are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm.

1/ Presiding Commissioner Sutton and Commissioner Leonard found in the negative; Commissioners Moore and Young found in the affirmative. Commissioner Clubb did not participate in the decision.

Views of Presiding Commissioner Sutton and Commissioner Leonard

We have made a negative determination in this case since the conditions imposed by section 301(c)(2) of the Trade Expansion Act of 1962 have not been satisfied. The statute establishes four conditions, each of which must be satisfied for an affirmative determination. The conditions are:

1. Articles like or directly competitive with the pipe organs produced by M. P. Moller, Inc., must be imported in increased quantities;
2. The increased imports must be in major part the result of concessions granted under trade agreements;
3. A significant number or proportion of the workers at the company concerned must be unemployed or underemployed or threatened therewith; and
4. The increased imports resulting in major part from trade-agreement concessions must have been the major factor causing or threatening to cause the unemployment or underemployment.

Based on the information available to the Commission in this investigation, we have concluded that condition (2) has not been met.

The petitioning workers were employed by M. P. Moller, Inc., of Hagerstown, Md., in the manufacture of pipe organs. Each pipe organ produced by the company, as well as the great bulk of those imported, is custom designed for installation in a particular location. U.S. imports of pipe organs have grown slowly over the past 25 years. The recorded imports of pipe organs probably overstate recent entries of

organs comparable to those produced by Moller because of the inclusion of considerable numbers of relatively inexpensive instruments from West Germany in recent years; nevertheless, custom designed pipe organs--those instruments like or directly competitive with those produced by Moller--appear to have entered in increased quantities within the meaning of the statute. In the light of known circumstances, however, we have had to conclude that the increased imports are not a result in major part of trade-agreement concessions.

The U.S. rate of duty applicable to pipe organs has been reduced on several occasions over the past 35 years as a result of trade-agreement concessions. In the 1930's, the duty was reduced twice to carry out concessions granted in bilateral trade agreements with Canada; it was lowered from 35 percent to 25 percent ad valorem in 1936 and then to 17.5 percent ad valorem in 1939. The first concession had no apparent effect on U.S. imports of pipe organs, entries remaining negligible throughout the rest of the 1930's. The second concession had, of course, little opportunity to influence trade because of the trade disruptions arising from World War II. After the war, the duty on pipe organs was reduced to 15 percent ad valorem in 1948 and then to 10 percent in 1951, both in consequence of concessions in early rounds of negotiations under the General Agreement on Tariffs and Trade (GATT). Imports rose moderately in the late 1940's and early 1950's, but were small relative to U.S. production and the U.S. market.

The rate of duty remained at 10 percent ad valorem for more than 16 years, from 1951 until 1968, when a further staged reduction therein was made effective pursuant to the most recent concession, which was granted by the United States in 1967 at the Kennedy Round negotiations under the GATT. As a result, the duty is being reduced in 5 annual stages of 1 percentage point each; it became 9 percent in 1968, 8 percent in 1969, 7 percent in 1970, and 6 percent ad valorem in 1971. In light of information available to the Commission on competitive bids by domestic and foreign producers, however, we have concluded that the Kennedy Round concession is not the major stimulus to increased imports of pipe organs. The consequential duty savings are trivial relative to the total cost of a pipe organ. Even if fully reflected in price, such small savings would not be the major factor influencing the purchase of a custom designed pipe organ expected to last for half a century; rather, design, relative quality, delivery terms, and service appear to outweigh the minor duty savings inherent in the Kennedy Round concessions.

In view of the circumstances set forth above, we have concluded that the trade-agreement concessions were not the major factor causing such increased imports as have occurred. We have, therefore, made a negative determination.

Views of Commissioners Moore and Young

This investigation was undertaken in response to a petition filed on behalf of certain former employees of M. P. Moller, Inc., Hagerstown, Md., for a determination of their eligibility to apply for adjustment assistance under the Trade Expansion Act of 1962. The workers were engaged in the production of pipe organs.

Under section 301(c)(2) of the Trade Expansion Act, four requirements must be met for the Commission to make an affirmative determination:

- (1) Imports must be increasing;
- (2) The increase in imports must be a result in major part of concessions granted under trade agreements;
- (3) The workers concerned must be unemployed or underemployed, or threatened with unemployment or underemployment; and
- (4) The increased imports resulting in major part from trade-agreement concessions must be the major factor causing or threatening to cause the unemployment or underemployment.

We believe that each of these requirements is met with respect to the petition of the workers formerly employed at the Moller plant.

Increased imports

Annual U.S. imports of pipe organs have increased greatly since World War II. In 1968-70, entries of pipe organs were at record levels, averaging 150 units annually; imports had averaged about 40 units annually in the late 1950's and 14 units annually in the late 1940's. In 1970 the number of pipe organs imported into the United States declined

from the 1969 peak--114 units in 1970, compared with 171 units in 1969; however, the value of such imports in 1970 was at an all-time high--\$2.5 million. Thus, it is clear that imports of an article like or directly competitive with the pipe organs produced by the petitioning employees have increased within the meaning of the statute.

In major part the result of concessions

The U.S. import duty on pipe organs has been substantially reduced as a result of trade-agreement concessions. First, it was reduced from a rate of 35 percent to 25 percent ad valorem in 1936 and then to 17.5 percent ad valorem in 1939. It was further reduced to 15 percent in 1948 and to 10 percent ad valorem in 1951. In the Kennedy Round, the United States agreed to reduce the rate by half, in five annual installments of 1 percentage point. Thus, the rate was reduced from the pre-Kennedy Round rate of 10 percent in 1967 to 7 percent in 1970 and 6 percent ad valorem in 1971. It is scheduled to be reduced further to 5 percent ad valorem in 1972.

The reductions in duty resulting from trade-agreement concessions have had a decisive effect on the competition between the imported and domestic product. As indicated, the U.S. rate of duty was reduced to carry out trade-agreement concessions from 17.5 percent to 15 percent and then to 10 percent ad valorem in the early years following World War II. Imports rose immediately and continued a generally steady growth through the 1950's and 1960's. The staged rate reductions under the Kennedy Round clearly provided an added stimulus. Such imports generally have increased in recent years. Moreover, because of the long lead time

between contract negotiation and actual installation (often 1 to 2 years), importers have been able to take advantage of scheduled duty reductions in bidding for specific contracts. Such information as is available to the Commission shows that recently the imported pipe organs have generally undersold domestic organs by about 10 to 15 percent on successful bids for given installations. Such price advantage clearly could not have been obtained if the 35-percent rate had been continued. Indeed, if the drastic reductions in the rate of duty on pipe organs had not been made by trade-agreement concessions, imports would not have increased from a negligible amount in the 1930's to the volume imported in recent years. Measured statistically, moreover, there is positive evidence indicating a relationship between the duty reductions since 1935 and increased imports.

We have reviewed carefully available evidence respecting the effect of other factors (e.g., differences in wage rates) that might have had an influence on the volume of U.S. imports of pipe organs. It is clear to us that these factors had a lesser impact than the duty reductions. Accordingly, we believe that imports of a like or directly competitive product have increased in major part as a result of trade-agreement concessions.

Unemployment or underemployment

The third statutory requirement is that a "significant number or proportion of the workers" involved must be unemployed or underemployed or threatened therewith. Layoffs of workers at the Moller plant began in * * * and continued through * * * ; some *** employees

approximately ***percent of the work force, were laid off during that period. Therefore, the third requirement for an affirmative finding has been met.

Major factor

The final requirement for an affirmative determination is that the increased imports must be the major factor causing the unemployment or the underemployment of the employees concerned. Over the past two decades, the rise in imports has been the major development influencing the competition between imported and domestic pipe organs in the U.S. market. The imported organs accounted for ***percent to ***percent of the pipe organs installed in the United States in 1969 and 1970 compared with ***percent in 1966 and probably only a trivial percentage in the years immediately preceding and following World War II. During recent years, the imports appear to have consisted increasingly of the larger and more expensive instruments. In those years, there is ample evidence that the Moller company lost an extensive number of sales to foreign competitors. As a result of the increased market impact achieved by the imported organs, the business of the Moller company, and consequently the employment of workers at the company, have been adversely affected. We have concluded that concession-generated increased imports have been the major factor causing the unemployment of such workers.

Conclusion

We find that the petitioning workers at the Moller plant have met the statutory criteria, and accordingly, we have made an affirmative determination in this case.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of articles

Pipe organs, the only product manufactured at the Hagerstown plant of M.P. Moller, Inc., are wind musical instruments played by means of one or more keyboards (manuals). More than four-fifths of the organs sold in the United States have two manuals. Pipe organs produce musical notes by forcing air through sets of pipes (ranks) of graduated lengths and diameters. The pipes in pipe organs are placed on airtight wind chests; the air supply to the pipes is controlled by valves operated by the keys. Rotary blowers deliver constant supplies of compressed air at steady pressure; any variation in pressure would cause a sharper or flatter pitch. Older organs have a mechanical action consisting of a series of rods called trackers which control the flow of air in response to pressure on the keys; in modern organs, however, the action is usually accomplished pneumatically or electrically.

Nearly all pipe organs are installed in churches; a few are installed in secular auditoriums. Both domestic and imported pipe organs are designed and built on a custom basis for installation in a particular location; installation costs for some of them constitute about 10 percent of the total contract price.

The estimated average life of pipe organs is 40 years. The tonal qualities of various makes of pipe organs differ, depending in part on the quality of materials used and in part on the production and installation techniques. Imported organs and those produced in the United States are generally regarded as equal in quality.

U.S. tariff treatment

Pipe organs covered by this investigation are provided for in item 725.10 of the Tariff Schedules of the United States. The current trade-agreement rate of duty applicable to such articles is 6 percent ad valorem; this rate, which became effective on January 1, 1971, reflects the fourth stage of the five-stage reductions resulting from concessions granted by the United States in the Kennedy Round under the General Agreement on Tariffs and Trade (GATT).

Pipe organs especially designed and constructed for installation and use in a particular church or in a particular public auditorium at which it was not customary to charge an admission fee, which were imported for that specific use and were so installed and used within 1 year from the date of importation, were dutiable under paragraph 1541(a) of the Tariff Act of 1930 at 40 percent ad valorem. Other pipe organs were dutiable under the same paragraph at a rate of 60 percent ad valorem. Both of these rates were reduced to 35 percent ad valorem by Presidential proclamation, effective July 24, 1931, pursuant to section 336 of the Tariff Act of 1930. The rate on pipe organs designed for installation and use in a particular church or public auditorium was further reduced to 25 percent ad valorem in a trade agreement with Canada, effective January 1, 1936. In a subsequent trade agreement with Canada, effective January 1, 1939, the rate for all pipe organs became 17.5 percent ad valorem. Reduced rates established pursuant to trade agreements, and the effective dates of the reductions, including the reduction scheduled for 1972, are shown in the following table.

Pipe organs: U.S. rates of duty established
pursuant to trade agreements, 1931-72

Rate of duty	Effective date	Trade agreement
35% ad valorem-----	1/	1/
25% ad valorem <u>2/</u> -----	Jan. 1, 1936	: Bilateral with Canada
17.5% ad valorem-----	Jan. 1, 1939	: Bilateral with Canada
15% ad valorem-----	Jan. 1, 1948	: GATT
10% ad valorem-----	June 6, 1951	: GATT
9% ad valorem-----	Jan. 1, 1968	: GATT
8% ad valorem-----	Jan. 1, 1969	: GATT
7% ad valorem-----	Jan. 1, 1970	: GATT
6% ad valorem-----	Jan. 1, 1971	: GATT
5% ad valorem-----	Jan. 1, 1972	: GATT

1/ Proclaimed by the President effective July 24, 1931, pursuant to sec. 336 of the Tariff Act of 1930.

2/ Applicable to pipe organs designed for installation and use in a particular church or public auditorium; other pipe organs remained dutiable at 35 percent ad valorem.

U.S. consumption

During the period 1966-70, apparent annual consumption of pipe organs reached a peak of *** units in 1968 but dropped to *** in 1970 (table 1). Imports steadily increased their share of the U.S. market from *** percent in 1966 to *** percent in 1969, then declined to *** percent in 1970. During this same period U.S. producers' shipments of pipe organs decreased by 22 percent, while U.S. imports increased by 100 percent.

Churches are the principal market for pipe organs; trade sources estimate that more than 90 percent of domestic and imported pipe organs are placed in churches. Prior to World War II and all through the 1950's the vast majority of pipe organs were sold in the northeast and north-central sections of the United States; in recent years, however, the Southern States have accounted for an increasingly larger share of aggregate sales.

It is difficult to determine the extent of competition existing between pipe organs and electronic organs. Although some electronic organs are of a type used in churches (more than a thousand such organs were produced in 1970), sales of such electronic organs do not always displace sales of pipe organs. Many factors--cost, size of congregation and sanctuary, acoustics, liturgical taste--affect the type of organ purchased by an individual congregation. Electronic organs are frequently used in small churches and in chapels of large churches that have a pipe organ installed in the main sanctuary. In addition, electronic organs are often used until the congregation can afford to buy a pipe organ. According to an official of Moller, however, an increasing number of sales of large three manual electronic organs with elaborate speaker systems have displaced sales of pipe organs in recent years.

U.S. imports

Annual U.S. imports of pipe organs were negligible in 1936, the year the rate of duty on organs designed for installation and use in a particular church or public auditorium was reduced in a trade agreement with Canada; imports totaled three units, with a value of \$16,000 (table 2). During the late 1950's and throughout the 1960's, however, imports of pipe organs increased irregularly.

U.S. imports of pipe organs totaled 57 units in 1966 and were equivalent to*** percent of U.S. consumption in that year; they increased each year through 1969, when 171 units (***) percent of U.S. consumption) were imported. In 1970, imports declined to 114 units---*** percent of U.S. consumption (table 1).

Canada has been the principal source of U.S. imports of pipe organs in the post-World War II years except for 1965 and 1969; West Germany was the principal supplying country in those years. Canada accounted for about 67 percent of the quantity of all pipe organs imported in 1966 but only 38 percent of the total imported in 1970 (table 3). The Netherlands, Denmark, Belgium, Italy, and Mexico were the other sources of imports in 1970. Average unit values of Canadian pipe organs in 1970 amounted to about \$39,000 in 1970, whereas the average unit value of imports from all other countries approximated \$12,000.

An analysis of imports covering in excess of 90 percent of the entries in 1970 shows that unit values of Canadian pipe organs ranged from about *** to **, with almost two-thirds of the units valued between *** and ** each. West Germany supplied about 27 percent of the total quantity in 1970, with unit values ranging from \$3,000 to \$70,000; more than half of the units were valued between \$13,000 and \$50,000. Unit values of imports from the Netherlands, the third largest supplying country (11 percent), ranged from about \$6,000 to \$77,000.

U.S. producers, shipments, and sales

In 1970, 10 firms, situated primarily in the Middle West, New England, and Maryland, produced pipe organs in the United States. Four of these 10 firms also produce replacement parts used in the repair and rebuilding of pipe organs.

U.S. shipments of pipe organs increased from *** units in 1966 to

*** units in 1967, and then declined in each subsequent year to *** units in 1970 (table 4). Informed trade sources have stated that, since domestic sales of pipe organs declined in 1969 and 1970, shipments of domestically produced pipe organs in 1971 will be smaller than in 1970. The share of total domestic shipments accounted for by Moller in 1970 was *** percent by number and *** percent by value.

As indicated previously, each pipe organ is designed and fabricated to order--for installation in a particular location. Under usual circumstances, delivery requires from 6 months to 2 years, depending on the size of the organ and the producer's backlog.

Data on exports of pipe organs are not separately reported in official statistics, but exports as reported by the individual domestic producers are negligible (table 1).

M.P. Moller, Inc., Hagerstown plant

Corporate structure, plant, and equipment.--The Hagerstown plant in which pipe organs are currently produced is the only establishment of M.P. Moller, Inc. According to management, it is the world's largest pipe organ facility. The plant occupies 125,000 square feet in a three-story building. With the exception of electric motors, ivory keys, and direct-current rectifiers, all pipe organ components are fabricated in the establishment. Pipe organs are designed, fabricated, assembled, and tested in the plant; they are then disassembled and shipped to the site, where company technicians make the installation. Pipe organs are Moller's only product.

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STATISTICAL APPENDIX

Table 1.--Pipe organs: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1966-70

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Table 2.--Pipe organs: U.S. rates of duty and imports for consumption, specified years 1936 to 1970

Year	Rate of duty	Imports	
		Quantity	Value
	Percent ad valorem	Number	1,000 dollars
1936-----	<u>1</u> / 25	3	16
1939-----	<u>1</u> / 17.5	-	-
1948-----	<u>2</u> / 15	12	141
1949-----	15	16	211
1950-----	15	18	194
1951-----	<u>3</u> / 10	24	425
1952-----	10	34	371
1953-----	10	27	477
1954-----	10	38	488
1955-----	10	33	487
1956-----	10	34	454
1957-----	10	33	493
1958-----	10	38	616
1959-----	10	51	547
1960-----	10	47	612
1961-----	10	71	1,100
1962-----	10	65	1,134
1963-----	10	61	1,163
1964-----	10	46	961
1965-----	10	126	1,619
1966-----	10	57	1,484
1967-----	10	89	1,788
1968-----	<u>4</u> / 9	166	1,968
1969-----	<u>5</u> / 8	171	2,360
1970-----	<u>6</u> / 7	114	2,512

- 1/ Proclaimed by the President pursuant to trade agreement with Canada.
2/ Effective Jan. 1, 1948.
3/ Effective June 6, 1951.
4/ Effective Jan. 1, 1968.
5/ Effective Jan. 1, 1969.
6/ Effective Jan. 1, 1970.

Table 3.--Pipe organs: U.S. imports for consumption, by principal sources, 1966-70

Source	1966	1967	1968	1969	1970
Quantity (number)					
Canada-----	38	40	38	44	43
West Germany-----	9	19	32	63	31
Netherlands-----	6	7	10	23	13
Belgium-----	2	15	72	29	9
All other-----	2	8	14	12	18
Total-----	57	89	166	171	114
Value (1,000 dollars)					
Canada-----	1,204	1,356	1,376	1,505	1,664
West Germany-----	97	199	259	448	590
Netherlands-----	99	48	101	271	152
Belgium-----	4	13	102	79	9
All other-----	80	172	129	56	96
Total <u>1/</u> -----	1,484	1,788	1,968	2,360	2,512
Unit value (per instrument) <u>2/</u>					
Canada-----	\$31,679	\$33,909	\$36,200	\$34,208	\$38,695
West Germany-----	10,731	10,467	8,099	7,111	19,040
Netherlands-----	16,561	6,898	10,124	11,804	11,711
Belgium-----	2,100	848	1,420	2,738	1,039
All other-----	40,163	21,532	9,250	4,655	5,337
Average-----	26,040	20,095	11,854	13,801	22,033
Percent of total quantity					
Canada-----	66.7	44.9	22.9	25.7	37.7
West Germany-----	15.8	21.3	19.3	36.8	27.2
Netherlands-----	10.5	7.9	6.0	13.4	11.4
Belgium-----	3.5	16.9	43.4	17.0	7.9
All other-----	3.5	9.0	8.4	7.1	15.8
Total-----	100.0	100.0	100.0	100.0	100.0

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

2/ Computed from unrounded figures.

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

Table 4.--Pipe organs: U.S. producers' shipments, by firms, 1966-70

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