

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES
SENATE ON PROPOSED TARIFF LEGISLATION ¹

[**Date approved:** September 28, 2000]²

Bill No.: S. 2883; 106th Congress

Introduced by: Mr. LOTT

Similar and/or related³ bills: None.

Summary of the bill.⁴

The bill would suspend the general rate of duty⁵ on--

Piano plates (provided for in subheading 9209.91.80)

Effective: The 15th day after the date of enactment.

Through: December 31, 2004.

Retroactive effect: None.

[The remainder of this memorandum is organized in five parts: (1) information about the bill's proponent(s) and the product which is the subject of this bill; (2) information about the bill's revenue effect; (3) contacts by Commission staff during preparation of this memorandum; (4) information about the domestic industry (if any); and (5) technical comments.]

¹ International trade analyst: Michelle Vaca-Senecal (202-205-3356); attorney: Jan Summers (202-205-2605).

² Access to an electronic copy of this memorandum is available at <http://www.usitc.gov/billrpts.htm>. Access to a paper copy is available at the Commission's Law Library (202-205-3287) or at the Commission's Main Library (202-205-2630).

³ "Similar bills" are bills in the other House, in the current Congress, which address, at least in part, the substance of this bill. "Related bills" are bills in the **same** House, in the current Congress, but which are either earlier (or later) in time than the bill which is the subject of this memorandum.

⁴ The product nomenclature is as set forth in the bill. See technical comments for suggested changes (if any).

⁵ See appendix A for definitions of tariff and trade agreement terms.

– THE PROPONENT AND THE IMPORTED PRODUCT –

The proponent firm/organization(s)			
Name of firm	Location contacted (city/state)	Date contacted	Response (Y/N) ⁶
Baldwin Piano & Organ Co.	Mason, Ohio	07/1/00	Yes ⁷

*Does the proponent plan **any** further processing or handling⁸ of the subject product after importation to its facilities in the United States (Y/N):* Yes

If “Yes,” provide location of this facility if different from above (city/state):

The headquarters and administrative offices for Baldwin Piano & Organ Co. (Baldwin) are located in Mason, Ohio. Final assembly of both grand pianos and upright pianos is performed in Trumann, Arkansas. Important wood processing, component production, and finishing operations are located in Fayetteville, Arkansas; Conway, Arkansas; and Greenwood, Mississippi. Keys and actions are assembled in Ciudad Juarez, Mexico, from U.S.-made parts. All of the cast-iron piano plates used in Baldwin’s U.S. production facilities are imported from Brazil.

If “No,” provide location of proponent’s headquarters or other principal facility if different from above (city/state): n/a

⁶ Non-confidential written responses received prior to approval of this report by the Commission, if any, will be included in appendix C.

⁷ Baldwin Piano and Organ Company submitted two letters to the ITC dated Aug. 31, 2000 (in support of S.2883) and Sept. 1, 2000 (discussing alleged problems encountered with O.S. Kelly as a supplier). Baldwin also submitted two additional submissions to the ITC dated Aug. 31, 2000 (memo from Ken Peter to Karen Hendricks) and Sept. 1, 2000 (internal Baldwin memo dated Sept. 23, 1997, see appendix C).


⁸ The phrase “further processing or handling” can include repackaging, storage or warehousing for resale, etc.

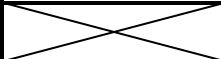
The imported product	
Description and uses	Country(s) of origin
<p>A framework, consisting of structural wooden parts and a cast-iron piano plate, holds the piano mechanism together. A cast-iron plate holds the strings taut by using tuning pins, which are inserted into holes drilled into the plate near the keyboard and embedded in a piece of wood called the pinblock. The plate serves a crucial structural function: it is a strong, rigid frame that holds the combined tension of all the strings. These two hundred strings, when stretched, exert a combined pull of some 16 to 23 tons (varying on the size of the piano).⁹ It is important for the downstream assembly of the piano and, eventually, the sound of the piano, that the holes for the tuning pins be drilled into the plate a precise locations specified by the piano manufacturer.</p>	<p>Japan, Korea, Europe, Brazil.</p>

– EFFECT ON CUSTOMS REVENUE –

[Note: This section is divided in two parts. The first table addresses the effect on customs revenue based on the duty rate for the HTS number set out in the bill. The second table addresses the effect on customs revenue based on the duty rate for the HTS number recommended by the Commission (if a different number has been recommended). Five-year estimates are given based on Congressional Budget Office “scoring” guidelines. If the indicated duty rate is subject to “staging” during the duty suspension period, the rate for each period is stated separately.]

⁹ Larry Fine, *Piano Book, Buying and Owning a New or Used Piano*, 3d. ed (Boston: Bookside Press, 1994) p.28.

HTS number used in the bill: 9209.91.80 ¹					
	2001	2002	2003	2004	2005
General rate of duty ¹⁰ (AVE) ¹¹	4.2%	4.2%	4.2%	4.2%	4.2%
Estimated value <i>dutiable</i> imports	\$7 million	\$7 million	\$7 million	\$7 million	\$7 million
Customs revenue loss	\$294,000	\$294,000	\$294,000	\$294,000	\$294,000

HTS number recommended by the Commission: n/a ²					
	2001	2002	2003	2004	2005
General rate of duty (AVE)	n/a	n/a	n/a	n/a	n/a
Estimated value <i>dutiable</i> imports	n/a	n/a	n/a	n/a	n/a
Customs revenue loss	n/a	n/a	n/a	n/a	n/a

¹⁰ See appendix B for column 1-special and column 2 duty rates.

¹¹ AVE is ad valorem equivalent expressed as percent. Staged rates may be found at: <http://dataweb.usitc.gov>

– CONTACTS WITH OTHER FIRMS/ORGANIZATIONS –

Contacts with firms or organizations <i>other than</i> the proponents			
Name of firm	Location contacted (city/state)	Date contacted	Response (Y/N) ¹²
Astin-Weight Piano Manufacturing	120 West 3300 South Salt Lake City, Utah	09/22/00	No
Kawai America Corporation	2055 E. University Dr. Compton, California	09/08/00	Yes
Mason & Hamlin	4111 Freeway Boulevard Sacramento, California	08/25/00	Yes
O.S. Kelly Company	318 East North St. Springfield, Ohio	08/24/00	Yes
QRS Music, Inc.	1026 Niagara Street Buffalo, New York	08/31/00	Yes
Steinway & Sons	One Steinway Place Long Island City, New York	08/23/00	Yes
Story & Clark Pianos	269 Quaker Drive Seneca, Pennsylvania	08/24/00	Yes ¹³
Walter Pianos	25416 County Rd. 6 Elkhart, Indiana	08/24/00	Yes
Yamaha Corporation of America	6600 Orangethrope Avenue Buena Park, California	08/25/00	Yes

¹² Non-confidential written responses received prior to approval of this report by the Commission, if any, will be included in appendix D. Only statements submitted in connection with **this** bill will be included in the appendix.

¹³ There were two letters submitted by Story and Clark Pianos. See first letter dated Aug. 28, 2000 which opposed S.2883 and a second letter dated Sept. 1, 2000 which withdraws the Aug. 28, 2000 position letter. Both of these letters were submitted for this bill report since an interim letter dated Aug. 31, 2000 was received by the ITC from QRS Music, Inc. (the parent company of Story & Clark Piano) which referenced Story & Clark's original position letter.

– THE DOMESTIC INDUSTRY –

*[Note: This section is divided in two parts. The first part lists non-confidential written submissions received by the Commission which assert that **the imported product itself** is produced in the United States and freely offered for sale under standard commercial terms. The second part lists non-confidential written submissions received by the Commission which assert either that (1) the imported product will be produced in the United States in the future; or (2) another product which **may compete** with the imported product is (or will be) produced in the United States and freely offered for sale under standard commercial terms. All submissions received by the Commission in connection with this bill prior to approval of the report will be included in appendix D. The Commission cannot, in the context of this memorandum, make any statement concerning the validity of these claims.]*

Statements concerning current U.S. production			
Name of product	Name of firm	Location of U.S. production facility	Date received
Piano Plates	O.S. Kelly Company	318 East North St. Springfield, Ohio	08/28/00, 09/15/00

Statements concerning “future” or “competitive” U.S. production			
Name of product	Name of firm	Location of U.S. production facility	Date received
n/a			

– TECHNICAL COMMENTS –

*[The Commission notes that references to HTS numbers in temporary duty suspensions (i.e., proposed amendments to subchapter II of chapter 99 of the HTS) should be limited to **eight** rather than ten digits. Ten-digit numbers are established by the Committee for Statistical Annotation of Tariff Schedules pursuant to 19 U.S.C. 1484(f) and are not generally referenced in statutory enactments.]*

Recommended changes to the nomenclature in the bill:

None.

Recommended changes to any C.A.S. numbers in the bill (if given):

None.

Recommended changes to any Color Index names in the bill (if given):

None.

*Basis for recommended changes to the HTS number used in the bill:*¹⁴

n/a

Other technical comments (if any):

O.S. Kelly Company (Kelly) has been the only U.S. producer of cast-iron piano plates since 1994. Baldwin accounted for over half of Kelly's plate sales before Baldwin switched to a Brazilian supplier in 1999.

The CEO for Baldwin has asserted that Baldwin was forced to seek an offshore supplier¹⁵ for cast-iron piano plates after experiencing quality and reliability problems with Kelly. Baldwin representatives further claimed that Kelly was unwilling to make the capital investments required to improve the quality of its plates. Baldwin officials reported that the company was forced to slow down its production processes while assembly was modified to adjust to holes in the Kelly plates it asserts were not drilled in the proper location.

Baldwin entered into a 10-year sole supplier agreement with Southland Marketing (an Arkansas-based importer and distributor of foundry products) in 1999. Southland, in turn, imports piano plates from InterCast, whose foundry is located near Sao Paulo, Brazil. Baldwin provides the specifications for the plates to InterCast and has given InterCast permission to sell plates it manufactures in excess of those required by Baldwin to other piano producers.¹⁶

According to Kelly officials, Baldwin's switch to imported plates led to a 60 percent reduction in its annual sales, from \$10.4 million to \$4.3 million in fiscal 1999-2000.¹⁷ To ensure a continued supply of

¹⁴ The Commission may express an opinion concerning the HTS classification of a product to facilitate the Committee's consideration of the bill, but the Commission also notes that, by law, the U.S. Customs Service is the only agency authorized to issue a binding ruling on this question. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

¹⁵ Baldwin officials reported that the company investigated the possibility of having another U.S. foundry produce piano plates, and replace Kelly. Baldwin officials concluded that none of the domestic alternatives were acceptable. (See appendix C for memo dated Aug. 31, 2000, for names of U.S. foundries contacted)

¹⁶ See appendix C for letter dated Aug. 31, 2000 from Karen Hendricks, Chairman, President and CEO of Baldwin.

¹⁷ Robert J. Seeley, President of O.S. Kelly, "Memorandum: Capacity Analysis," Aug. 21, 2000, originally submitted to the Department of Commerce, forwarded on to the ITC on Aug. 23, 2000, with permission to use on Aug. 28, 2000.

plates for its own manufacturing needs, Steinway & Sons (Steinway) acquired Kelly in late 1999. Kelly continues to sell plates to other U.S. piano producers and Kelly officials have indicated the company's willingness and ability to supply Baldwin with all of its future piano plate needs.¹⁸

Kelly officials,¹⁹ as well as certain U.S. piano producers,²⁰ have expressed opposition to this proposed legislation. Kelly officials assert that allegations by Baldwin officials regarding the quality of its plates (including dimensional accuracy, hole placement, and cosmetics) and willingness to invest in capital improvements are untrue.²¹ Other U.S. piano manufacturers have reported that they have not experienced any major quality problems with O.S. Kelly piano plates.²² Officials of one company that switched from Kelly to plates produced by its parent company in Japan stated that their company would feel comfortable switching back to Kelly in the future (for certain models), depending on relative costs between purchasing from Kelly and importing plates from Japan.²³

U.S. piano manufacturers in favor of S.2883 are Baldwin, Mason & Hamlin, QRS Music, Inc. (parent company of Story & Clark Pianos), and Yamaha Corporation of America. In addition to Kelly, U.S. piano manufacturers opposing S.2883 are Steinway, Walter Pianos, and Kawai America Corporation.

¹⁸ See appendix C for letter dated Aug. 10, 2000, from Robert Seeley, O.S. Kelly, to Senator George Voinovich.

¹⁹ See letter by Robert J. Seeley, President & CEO, The O.S. Kelly Company, originally sent to Senator George V. Voinovich, Aug. 10, 2000, received by USITC staff, Aug. 23, 2000.

²⁰ U.S. piano manufacturers that oppose this proposed legislation are: Steinway, Walter Piano, and Kawai America Corporation. See submission letters dated Aug. 30, 2000 and Sept. 14, 2000.

²¹ See appendix C for letter to the ITC from Robert J. Seeley of Kelly dated Sept. 15, 2000.

²² Terry Lewis, Yamaha Corp. of America and Brian Chung, Kawai America Corporation, interview by USITC staff, Aug. 25, 2000 and Sept. 8, 2000. Industry sources were surprised by Baldwin's claim of quality problems based on their knowledge of O.S. Kelly record of having been a continual supplier for Steinway, whose pianos are world renowned for being of high quality.

²³ See appendix D for letter to ITC from Brian Chung, of Kawai America Corporation dated Sept. 14, 2000.

APPENDIX A

TARIFF AND TRADE AGREEMENT TERMS

In the **Harmonized Tariff Schedule of the United States** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the **Tariff Schedules of the United States** (TSUS) effective January 1, 1989.

Duty rates in the **general** subcolumn of HTS column 1 are normal trade relations rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those listed in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam) plus Serbia and Montenegro, which are subject to the statutory rates set forth in **column 2**. Specified goods from designated general-rate countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The **Generalized System of Preferences** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of September 30, 2001. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The **Caribbean Basin Economic Recovery Act** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the **United States-Israel Free Trade Area Implementation Act** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the **Andean Trade Preference Act** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American**

Free Trade Agreement, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular **products of insular possessions** (general note 3(a)(iv)), **products of the West Bank and Gaza Strip** (general note 3(a)(v)), goods covered by the **Automotive Products Trade Act** (APTA) (general note 5) and the **Agreement on Trade in Civil Aircraft** (ATCA) (general note 6), **articles imported from freely associated states** (general note 10), **pharmaceutical products** (general note 13), and **intermediate chemicals for dyes** (general note 14).

The **General Agreement on Tariffs and Trade 1994** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX. Pursuant to the **Agreement on Textiles and Clothing** (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

Rev. 1/4/00

APPENDIX B

**SELECTED PORTIONS OF THE
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES**

[Note: Appendix may not be included in the electronic version of this memorandum.]

APPENDIX C

STATEMENTS SUBMITTED BY THE PROPONENTS

[Note: Appendix C may not be included in the electronic version of this memorandum posted on the Commission's web site if an electronic copy of the statement was not received by the Commission.]

APPENDIX D

STATEMENTS SUBMITTED BY OTHER FIRMS/ORGANIZATIONS

[Note: Appendix D may not be included in the electronic version of this memorandum posted on the Commission's web site if an electronic copy of the statement was not received by the Commission.]

1. The HTS number is as set forth in the bill. See technical comments for suggested changes (if any).

2. If a different HTS number is recommended, see technical comments.

106TH CONGRESS
2D SESSION

S. 2883

To suspend temporarily the duty on piano plates.

IN THE SENATE OF THE UNITED STATES

JULY 18, 2000

Mr. LOTT introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To suspend temporarily the duty on piano plates.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. PIANO PLATES.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of
5 the Harmonized Tariff Schedule of the United States is
6 amended by inserting in numerical sequence the following
7 new item:

“	9902.92.09	Piano plates (provided for in subheading 9209.91.80)	Free	No change	No change	On or before 12/31/2004	”.
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8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to goods entered, or withdrawn

2

- 1 from warehouse for consumption, on or after the 15th day
- 2 after the date of enactment of this Act.

○