



ITEMS

NEWSLETTER

March 2003

Price Increase Coming June 1
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Sources Cite Worsening Pollution In China Drifting Across the Globe



The modern AB&I foundry employs a wide range of air and water systems to minimize environmental impact and to remain in strict compliance with all environmental regulations.

Some groups in the US have been calling for the export of heavy manufacturing out of this country and into the third world, in an effort to minimize the environment impact so-called "dirty" industry has on domestic air and water. Recent studies, however, indicate that moving industry out of America will not mean a cleaner environment and, in fact, could significantly worsen conditions for everybody.

A Sacramento Bee article on March 30, 2002, reports on a dust cloud that migrated from China to the West Coast of the US. In this dust cloud were found dangerous levels of arsenic and other pollutants produced by

Chinese smelters and power plants. Though noticeable in California and the West Coast, this cloud cast a toxic pall over several Chinese provinces, North Korea, and other neighboring Asian countries.

Earthwatch Radio reported a startling increase in mercury contamination in San Francisco Bay and other California waters, traced back to coal-burning factories and power plants in China. "Air pollution from China can travel across the Pacific Ocean in days," reports Earthwatch.

China's response to these issues has been to generally deny the problem. While they report improvements in their air and water

pollution levels, outside observers note a steady increase in noxious contaminants affecting not only China and her neighbors, but the US as well.

By contrast, American environmental regulation has resulted in one of the cleanest manufacturing environments in the world, and AB&I maintains a strict air and water program to ensure that the foundry remains in full compliance with all regulations, state and federal.

"California foundries are among the cleanest in the world," says Kip Wixson, AB&I vice president. "We encourage our customers and others to consider the impact Chinese manufacturing is having on the world's environment," says Wixson, "and to factor that impact into their buying decisions."

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Perspective

Is This Business Downturn Horse or Zebra?

This slowdown just doesn't look like the downturns of yesteryear.

Anybody who's been in business for more than a few years has seen slow periods, with some of the those dips dropping deep into recession territory. Since AB&I has been in business since 1906, you can imagine the peaks and troughs that we've seen. Two world wars, a depression, countless cyclical slowdowns, more than a few deep recessions – all these have served to shape AB&I's view of the impact of world events on construction activity and on the business cycle in general. I have personally been through some of these dips, including the pronounced pain of the early 90's, and I can tell you two things for certain: 1) They are no fun, and 2) This dip we're feeling now is different.

Slowdowns in the past have hit hard and forced us to cut deep. When major recessionary trends form up, sales plunge by double digits, sometimes by as much as 40%. Business managers scramble to make ends meet, without cutting so deeply into the talent pool that things can't be put back together quickly as conditions improve. Past slowdowns hurt more, crossed more business sectors, and resulted in rapidly-increasing unemployment. They were familiar, in a perverse sort of way, and we knew what to expect, like an old plowhorse in one of his "moods."

This slowdown, though protracted, looks different. Instead of plunging sales and mounting losses, this dip is softer, not measured so much in rapidly-declining gross sales, but in the number of months that our industry just bounces along the bottom of the growth curve. Although some aspects look like the downturns of the past, much of the actual performance of the economy is paradoxically good. Instead of the familiar old horse, this dip could be described as a zebra, or maybe a chameleon, looking different depending on the background of the day.

Though frustrating, we shouldn't be surprised at recent economic performance. Just look at what we've been through: The collapse of the helium-filled tech sector (which some analysts say took a trillion dollars out of our economy), 9-11 and the psychological impact of the

attacks, the deep-and-enduring decline of the stock market, apparent fraud on a massive scale on Wall Street, revelations of church leaders involved in unspeakable evil, uncertainty surrounding events in Iraq and North Korea – all these things have accumulated to create a pervasive sense of unease among our fellow Americans. It's no wonder we're seeing an economic impact, right?

But wait. Consumer spending is still strong. Personal incomes are still rising. Yes, unemployment has grown a bit, but it's still well below 6% nationwide, a figure that at one time was considered to be "full employment." Real estate values are still rising, reflecting an imbalance in the supply/demand relationship, especially in the residential sector of that market. While people feel poorer as a result of the stock market's decline, they feel richer as their home equities continue growing. Equity loans and lines of credit are still popular, as people are pulling money out for everything from home improvement to college educations. It's not lack of consumer spending that's causing our slowdown, but rather two important and related factors that may, or may not, improve in the near term: 1) A general malaise in the manufacturing sector, and 2) Massive growth in the trade deficit. Sure, people are spending money on stuff, but that stuff is, to a large extent, made by somebody other than American manufacturers. This shift to foreign goods by American consumers is a major contributor to the slowdown in the American economy. Just look in your own home. Where was your TV made? Your stereo? How about your toaster, shoes, alarm clock? Yeah, you say, that's just small stuff. OK, how about your car? The point is that more and more of the things we buy are being made by somebody else. Domestic manufacturers struggle to compete against companies with little or no worker protection, environmental costs, or retirement programs. Wages in many of the these countries are a tenth of American wages (or less), and child labor and worker abuse is rampant. When you stop to think, it's not surprising that American manufacturing is a dark spot on the economy; it's surprising that it hasn't rolled over all together.

But things are far from bleak. Interest rates are near all-time lows, and there has never

been a better, more opportune time to buy a home. Home ownership has traditionally been a stabilizing influence on our society, sort of a built-in forced savings plan for tens of millions of Americans. As home ownership grows, so grows a large part of our national strength. That's a good thing.

In spite of all the press about the economy, things really aren't all that bad. 94.5% of Americans who want to work are working, earning a paycheck. Yes, they're buying Indonesian TVs with their money, but there are already early signs of a leveling of world markets and things will find an equilibrium sooner or later.

Interest rates continue to remain low, and inflation is tame, if not dead. We grumble because we only did a little better than last year, or maybe lost a percent or two. Remember recessions of the past? Do we really want to talk ourselves into another one of those by constantly complaining about slow growth? After all we've been through these past couple of years, we should be heartened at the basic strength of the American economy and culture. Many of the uncertainties that cause us unease should be resolved in the coming months, and a renewed sense of responsibility on Wall Street (as well as a genuine fear by some executives of going to jail) should build back some of the confidence that was lost by investors recently. There are many reasons to be optimistic about the future.

Enough talk of horses and zebras. Now for a truly important topic...

What is a Grandmother

The following was written by a third grader at St. Andrew's School, Washington, D.C.

Grandmothers don't have to do anything except be there. They are old, so they shouldn't play hard or run. It is enough that they drive us to the market and have lots of dimes ready.

When they take us for walks, they slow down past things like pretty leaves and caterpillars. They never say "hurry up." They wear glasses and funny underwear. They can take their teeth out.

Everyone should try to have a grandmother, especially if you don't have a TV, because they are the only grownups who have TIME.



AB&I Customer Finds Creative New Use For Cast Iron Valve Covers

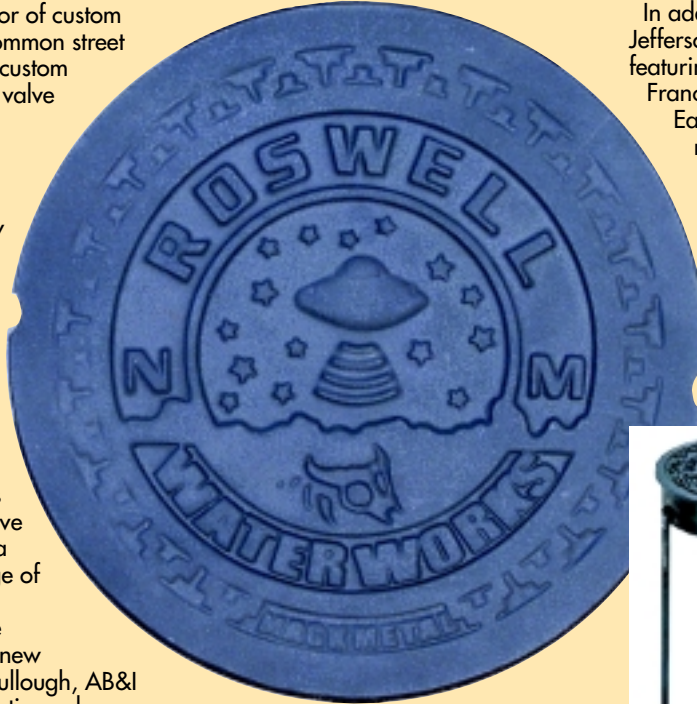
A San Francisco fabricator of custom metal work has turned a common street feature into art by crafting custom tables from cast iron water valve covers. These unique valve covers capture distinctive features of the cities they represent, and make great design accents for a variety of decors.

The valve cover AB&I is casting for Jefferson Mack Metal represents Roswell, New Mexico, and features a creative UFO scene, complete with flying saucers, stars, and a mysterious cow skull. This cast iron valve cover is mounted atop three attractive 22" steel legs, and makes a great table for a wide range of decorator applications.

"We're delighted to have Jefferson Mack Metal as a new customer," said Kevin McCullough, AB&I vice president of custom casting sales.

"We're always glad to see new applications for the products we cast," continued McCullough, "and Jefferson Mack Metals has definitely hit on a new use for these attractive valve covers."

Jefferson Mack Metal utilizes traditional blacksmithing techniques to produce beautifully distinct pieces of functional art. Each piece is forged at temperatures in



excess of 2000 degrees and hammered by hand. Pliable when glowing hot, the iron is shaped into graceful, flowing forms.

The company makes a wide range of products for corporate and residential markets, including doors, fireplace accessories, furniture, gates, and railings.

In addition to the Roswell valve covers, Jefferson Mack Metal also produces tables featuring designs for New Orleans, San Francisco, Paris, Cairo, and New York.

Each cover features distinctive art that represents some unique aspect of that city or region.

These high-quality tables are available for purchase online, and may be seen at the Jefferson Mack Metal Website at www.mackmetal.com.

Jefferson Mack Metal can also be reached at 415/550-9328.



New Trade Group Sponsors Conference on Profitability

The Western Suppliers Association (WSA) has joined forces with PSDA to form the Pacific Western Distributors Association (PWDA). Their first-ever joint conference is scheduled for May 1-4 in Palm Springs, and a main feature of the conference will be a Course Leader's Workshop entitled "Essentials of Profitable PHCP Distribution." Not that we should be concerned with profit or anything, but interested industry people are encouraged to attend.

Attendees will receive the following:

- A complete written copy of the course
- Practice in applying the successful techniques
- 15 secrets of top training facilitators
- Tips on working with adult learners
- Secrets of small group and one-on-one training
- Much more

This profit conference will be held on May 1 at the Renaissance Esmeralda, 44-400 Indian Wells Lane, Indian Wells, CA 92210. Cost for the session is \$99/person, with special discounts available. Contact the PWDA Northern Office at 650/341-7222 for details and to reserve your space.

Distributors Urged to Sell Cast Iron as "The Quiet Pipe"

The Cast Iron Soil Pipe Institute reminds all distributors that a major benefit of cast iron is its quiet operation, particularly important in multi-story residential applications.

Many homeowners are disturbed by the 'whooshing' sound of water cascading down in-wall plastic pipe when an upstairs toilet is flushed or a shower is being used. The use of cast iron in these applications reduces this water noise dramatically, resulting in a more satisfied homeowner.

"People are often surprised that the cost of using cast iron is often only a few hundred dollars more than plastic," said AB&I's Greg Seiler. "This added cost is peanuts compared to the benefits," he said. "All we have to do is remind people."

Price Increase Scheduled for June 1

AB&I marketing manager, Gary Wickham, has recently announced an approximate 5% price hike geared to recouping increasing energy and other costs. This increase will affect the complete line of AB&I cast iron DWV in all areas, and will commence June 1.

"We gave this increase careful consideration," said Wickham, "and want to provide as much advance notice to our customers as possible," he said, noting that this announcement is in keeping with AB&I's policy of alerting the market to price increases at least 60 days ahead of time.

Western markets have enjoyed as much as a 40% discount in the price of cast iron DWV in recent years, compared to the national market, and this increase just begins to bring prices back on track

toward more realistic levels.

"We understand that price increases can hurt," says Wickham "especially with customers who bid on jobs based on fixed costs over the long haul. We hope that this advance notice will take some of the sting out."

Customers are also reminded of the windfall many Western contractors enjoyed in recent years when cast iron DWV prices remained artificially low and, in many cases, actually decreased, most of which was not reflected in bids.

New price lists will be printed and distributed soon. If you do not get yours by May 1, or if you are not yet on our mailing list, please contact your field sales representative, or the Customer Service Department at 800-GOT-IRON.

Just for Fun: The 2003 "Stella Awards"

Most of us have heard of the Darwin Award, that venerable honor given to the person or persons each year who do the dumbest things imaginable, often resulting in their DNA being removed from the gene pool. Well, in the spirit of the Darwin Award comes the Stella Award, the honor named after the woman who successfully sued McDonald's after spilling coffee on herself. This award is bestowed upon those plaintiffs and attorneys who manage to win the most outrageous lawsuits of the year, thus reinforcing our belief in the decline of Western Civilization and generally increasing the blood pressure of thinking people everywhere. This year's nominees include the following:

Kathleen Robertson of Austin, Texas, was awarded \$780,000 by a jury of her peers after breaking her ankle tripping over a toddler who was running inside a furniture store. The owners of the store were perhaps understandably surprised at the award, given that the misbehaving little toddler was Ms. Robertson's son.

A 19-year old Carl Truman of Los Angeles won \$74,000 and a medical expenses when his neighbor ran over his hand with a Honda Accord. Mr. Truman apparently didn't notice that there was someone at the wheel of the Honda when he was trying to steal the car's hubcaps.

Terrence Dickson of Bristol, Pennsylvania was leaving the house he had just robbed by way of the garage when he found himself unable to get the garage door open due to a malfunctioning garage door opener. He couldn't re-enter the house because that door locked from the inside when he pulled it closed on his way out. The family was on vacation and Mr. Dickson was locked in the garage for eight days, subsisting solely on a case of Pepsi and a large bag of dry dog food. He sued the homeowner, claiming undue mental anguish, and the brilliant jury agreed, to the tune of \$500,000.

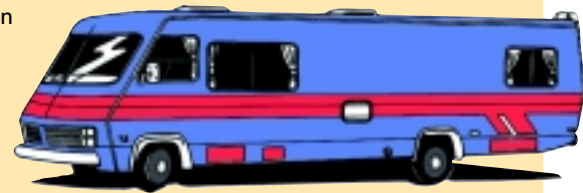
Jerry Williams of Little Rock, Arkansas, was awarded \$14,500 and medical expenses after being bitten on the buttocks by the next door neighbor's beagle. The dog was chained inside his own fenced yard. The award was less than the amount sought because the jury thought the dog might have been at least a little provoked

at the time by Mr. Williams, who was shooting it repeatedly with a pellet gun.

A Philadelphia restaurant was ordered to pay Amber Carson of Lancaster, Pennsylvania, \$113,500 after she slipped on a soft drink and broke her tailbone. The beverage was on the floor because Ms. Carson had thrown it at her boyfriend 30 seconds earlier during an argument.

Kara Walton of Claymont, Delaware, successfully sued the owner of a nightclub in a neighboring city when she fell from the bathroom window to the floor and knocked out her two front teeth. This occurred while Ms. Walton was trying to sneak through the window in the ladies room to avoid paying the \$3.50 cover charge. She was awarded \$12,000 and dental expenses.

Our personal favorite, perhaps destined to win both the Stella and Darwin Awards, involves Mr. Merv Grazinski of Oklahoma City. It seems Mr. Grazinski had just bought a brand new 32-foot Winnebago motor home and was on his way home from the dealership at 70 mph when he calmly left the



driver's seat to go in the back to make himself a cup of coffee. Not surprisingly, the RV left the freeway, crashed and overturned. Mr. Grazinski sued Winnebago for not advising him in the owner's manual that he couldn't do this. The jury awarded him \$1,750,000 plus a new motorhome. The company actually changed their manuals as a result of this suit, just in case there were any other complete morons buying one of their recreational vehicles.

And judges wonder why they have a hard time getting "normal" people to sit on their juries...