



# ITEMS

NEWSLETTER

July 2004

## Scrap, Energy Costs Force New Price Increase Effective August 1



*AB&I maintains large quantities of scrap on hand to ensure a consistent flow of products into the market.*



*Coke fuels the furnaces that melt the iron in the foundry.*

Due to unprecedented and unrelenting increases in the cost of scrap and energy, AB&I has been forced to announce another price increase, effective August 1. This increase will apply to the complete line of cast iron DWV products.

For nearly a year now, the cast iron soil pipe industry has been waiting for scrap and energy costs to moderate. In the past, price spikes have been relatively short-lived, and always followed by a period of price stability.

During this cycle, however, the price increases of the recent past have not been as closely followed by the typical leveling off. While it looked for a couple of months like scrap prices might be finally reaching their true value levels, recent dramatic increases have forced manufacturers to respond.

"We hate like hell having to do this," said AB&I's Kip Wixson. "We've really tried to hold the line on price, or at least give our customers enough advance warning to soften

the blow, but we have all been whacked by these increases and are just barely keeping pace with our new power and scrap costs."

"It takes a lot of scrap to make pipe and a lot of energy to melt iron," said AB&I plumbing division manager, Gary Wickham. That energy comes in the form of electricity from energy providers and from coal in the form of coke.

"All our energy sources have increased their prices to us more than 500% in recent years, with a big part of that in the last 6 months," says Wickham. Other efficiencies within our facility have softened the impact of these increases on customers, but there's a limit on how long efficiencies can stave off needed price increases.

New price lists have been sent out to the market. If you are not on our mailing list, please contact your field sales representative or AB&I at 1-800-GOT-IRON.

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### Perspective

## Hey, But I Thought You Said...

The latest price increase came about after much soul searching. We simply had no choice, based on our scrap and energy costs that have gone through the roof in the past year or so. Still, it is awkward beyond words to have us go to you with news of another increase when we have put so much emphasis on our long-standing policy of giving you up to six months warning of such increases. Events have forced us to go against our own policy, and that is a bad thing for everybody. We hope you understand...

### ***Yeah, and Some People Call Toilet Paper a Commodity, Too.***

Sometimes I get a little insulted when I hear someone refer to my product as a commodity. When I think of a commodity, I think of a product that is part of a generic group and not really differentiated from the rest of the category. Sugar is a commodity. So is salt. It's all alike, whether it comes from this producer or that one. Toilet paper is NOT a commodity (as anyone who's served in the Army knows). And neither is cast iron DWV.

As good businesspeople, we try to distinguish our products and services from our competition. We build in more quality, and we extend the value by adding better service to the mix. We get a bit peeved when we hear someone say that our product is no different from the other guy's. It is different.

Webster defines commodity as "anything that is useful or can be turned into commercial advantage." The word itself comes from the old English word, *commodite*, which means profit, or alternatively, the advantage that comes from convenience. According to this book definition, I suppose we qualify as a commodity (just think of the convenience

of a flushing toilet or a draining bathtub). But according to the common use of the term, meaning undifferentiated common product, we'll take a pass every time.

Is our pipe really distinguishable? Is your service? How about your engineering design? Is your plumbing installation different from your competitor's?

I contend that our products are different from our competitors' in a wide range of ways. For starters, we test our raw materials for the presence of harmful contaminants. We also follow strict manufacturing standards, so our pipe wall thicknesses and iron quality are always within a narrow range of tolerance. Our products are labeled to reflect the country of origin and the true manufacturer's name. Our products are guaranteed to meet all industry codes and standards, and will be acceptable to any building department, anywhere.

But, at least as important as product quality is the concept of total value. Part of total value is quality, to be sure, but value means something else, too. It means you can depend on the people you deal with to do what they say they will do when they say they will do it. At AB&I, we ship orders complete and on time 98% of the time, and we do this within 24 hours of receiving your order.

Let me repeat that. We ship orders complete and on time 98% of the time, and we do this within 24 hours of receiving your order.

I say this twice because it has come to my attention that some yahoos out there are going around telling people that AB&I can't ship on time. Bull puckie. The fact is nobody in the industry can match us when it comes to on-time shipping. NOBODY.

I'm often puzzled when I encounter these G. Gordon Liddy types of competitive salespeople. Rather than talk up their own product, they talk down their competition,

often falsely. I think how unbelievable they sound to their customers, and how much damage they are doing to their own reputations. Talking down AB&I's commitment to service is a bad move for these guys. Their customers already know AB&I, and they know we perform to a very high level, year in and year out.

There. I finally got that off my chest. It just really bugs me when somebody tells a customer that cast iron DWV is just a commodity and that AB&I can't perform as promised. Just the thought of it makes me cringe. Like thinking of that old Army toilet paper...

Our salespeople report that lately a couple of contractors have asked them about rebates. They've talked about how they would like to get a kickback on the purchase of our products, and have even dangled big orders under our nose.

While we understand that some manufacturers have engaged in this practice, rebating to the contractor or even the owner/builder, we also feel that it is not proper to go around our loyal distributors and bargain directly with their customers. AB&I just doesn't do business that way. We sell only through stocking distributors, and never direct to the contractor or owner. We provide no special job pricing, and refer all contractors to our local distributors. While we do provide special rebates to our distributors, we take the position that it is more appropriate for our distributor to negotiate the best price for his customer. It is the distributor's decision to price into his rebate or not, based solely on market conditions and the distributor's business needs. Since our distributors agree to carry only AB&I cast iron DWV, it would be inappropriate for us to intervene in their business decisions concerning pricing and rebates.

## Don't Forget Correct Method of Installing Husky Couplings

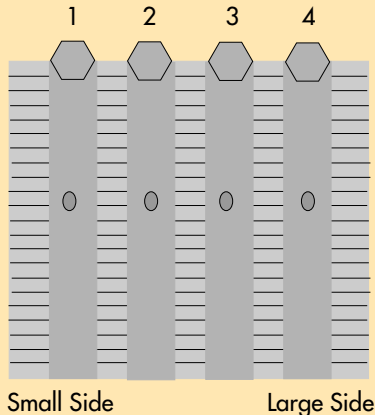
Anaco, the maker of the Husky line of heavy-duty no-hub couplings, has published installation guidelines for use with both varieties of couplings. Plumbers are advised to follow these guidelines closely.

Anaco engineers have determined that the following technique will produce the best result. The following suggestions for joining no-hub pipe and fittings with Husky couplings are not definitive, but it is hoped that they will be helpful.

### Installation Instructions

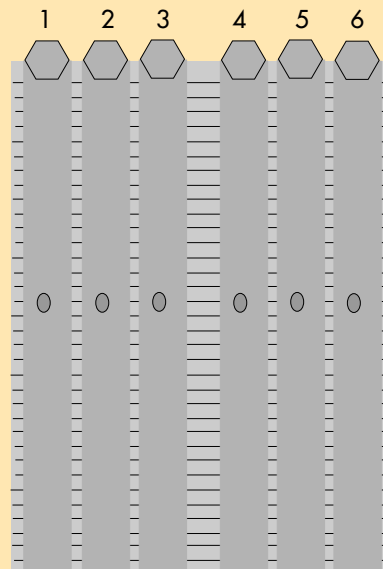
A properly calibrated torque wrench set at 80 inch-lbs should always be used.

1. Pipe ends should be cut square. Place the neoprene gasket on the end of one pipe and the stainless steel clamp assembly on the other end of the pipe or fitting to be joined.
2. Firmly seat both ends of the pipe/fittings against the internally molded shoulder in the center of the gasket.



Small Side Large Side

**1-1/2" thru 4"**



Small Side Large Side

**5" thru 10"**

3. Slide the clamp assembly into position centered over the gasket.

4. Husky Couplings in 1-1/2", 2", 3" and 4" are three inches wide and have four sealing bands. Tighten bands to 80 inch-lbs in the following sequence (starting on the side with the smallest diameter): 2,1 - 2,1 - 3,4 - 3,4 - 2,1 - 3,4.

5. Husky Couplings 5", 6", 8", 10" are four inches wide and have six sealing bands. Tighten bands to 80 inch-lbs in the following sequence (starting on the side with the smallest diameter): 3,2,1 - 3,2,1 - 4,5,6 - 4,5,6 - 2,1 - 4,5,6.

6. Once the coupling is installed and torqued to 80 inch-lbs in this torque pattern, it is not necessary to go back and retorqued the coupling.

## Shutdown Coming July 26



The AB&I Foundry production facility will be closed from July 26 through August 6, 2004, for general maintenance and repairs. This shutdown is a twice-annual event at AB&I, enabling our maintenance

team to dig in and do a combination of major and minor repairs and rebuilding.

"Shutdown is sort of a tradition at AB&I," said AB&I plumbing division manager, Gary Wickham. It's a time when the daily bustle of production ceases, enabling maintenance personnel to do their thing without the pressure of production deadlines.

## See Us At ASPE Cleveland!!

Just a reminder that AB&I will be exhibiting its booth at the upcoming ASPE Convention & Engineered Plumbing Exposition in Cleveland on October 23-27, 2004.

Gary Wickham, Greg Seiler and Brennan Carpenter will be on hand to display our products and answer questions. See you there!



## Why Do We Have Shutdowns?

The summer and winter shutdown periods at AB&I Foundry are scheduled a year in advance, for a number of reasons. AB&I is the low cost producer in the U.S., and to maintain our claim, we need to constantly invest in new equipment and tackle environmental issues that may confront us in the future. In looking ahead, maybe several years down the road, we are able to invest in new machinery and methods that may exceed our needs today, but will be utilized to their full potential in the near future.



Each shutdown period of two weeks is carefully planned out to ensure that we make the best use of this time possible. Shutdowns allow us to rebuild or replace equipment, complete planned maintenance, and address general clean-up issues around the plant and the offices. History has also proven that these planned shutdowns greatly reduce the amount of downtime on our machines once we are back in full production. Lastly, our production personnel need to take vacations, as we all do, and these shutdown periods give us the flexibility for everyone to have a vacation without adversely affecting the production process, and that's important in order to continue to be the low-cost producer.

### Just for Fun...

#### Who's on First? Hint: It's not Bill Gates...



**ABBOTT:** SuperDuper Computer Store. Can I help you?

**COSTELLO:** Thanks. I'm setting up an office in my den, and I'm thinking about buying a computer.

**ABBOTT:** Mac?

**COSTELLO:** No, my name's Lou.

**ABBOTT:** Your computer?

**COSTELLO:** I don't own a computer. I want to buy one.

**ABBOTT:** Mac?

**COSTELLO:** I told you, my name's Lou.

**ABBOTT:** What about Windows?

**COSTELLO:** Why, will it get stuffy in here?

**ABBOTT:** Do you want a computer with Windows?

**COSTELLO:** I don't know. What will I see if I look in the windows?

**ABBOTT:** Wallpaper.

**COSTELLO:** Skip the windows. I need a computer and software.

**ABBOTT:** Software for Windows?

**COSTELLO:** No, for the computer! What do you have?

**ABBOTT:** Office.

**COSTELLO:** Yeah, for my office. Can you recommend something?

**ABBOTT:** I just did.

**COSTELLO:** You just did what?

**ABBOTT:** Recommend something.

**COSTELLO:** You recommended something? For my office?

**ABBOTT:** Yes.

**COSTELLO:** What did you recommend?

**ABBOTT:** Office.

**COSTELLO:** Yes, for my office!!

**ABBOTT:** I recommend Office with Windows.

**COSTELLO:** Look, I already have an office with windows.

**ABBOTT:** OK.

**COSTELLO:** If I want to write letters, what will I need?

**ABBOTT:** Word.

**COSTELLO:** What word?

**ABBOTT:** Word in Office.

**COSTELLO:** The only word in office is office.

**ABBOTT:** The Word in Office for Windows.

**COSTELLO:** Which word in office for windows?

**ABBOTT:** The word you get when you click the blue "W."

**COSTELLO:** I'm going to click your blue W if I don't start getting some straight answers. OK, forget that. What do I need to track cash and expenses?

**ABBOTT:** Money.

**COSTELLO:** You mean I need money to track my money?

**ABBOTT:** It comes bundled with your computer.

**COSTELLO:** Money comes bundled with my computer? How much?

**ABBOTT:** One copy.

**COSTELLO:** Isn't it illegal to copy money?

**ABBOTT:** Microsoft gave us a license to copy Money.

**COSTELLO:** They can give you a license to copy money?

**ABBOTT:** Why not? They own it.

**COSTELLO:** (exasperated) OK, how do I turn my computer off?

**ABBOTT:** First, click on START...



#### What a Difference a Century Makes

##### The year is 1904...

Average life expectancy is 47 years.

A three minute phone call from Denver to New York costs \$11.

There are 144 miles of paved road and 8000 cars in the US.

The average US worker makes \$200 per year.

90% of all physicians have no college education.

The population of Las Vegas is 30.

Marijuana, heroin and morphine are all available at the local store.

There were only 230 reported murders in the entire US last year.

Alabama and Iowa are more populated than California.

Most women wash their hair only once a month.

Only 14% of homes in the US have a bathtub.