



ITEMS

NEWSLETTER

May 2005

Slowdown Seen as Logical Result of Recent Buy-Ups and Bottlenecks; The Channel is Stuffed



The significant slowdown in manufacturer sales of plumbing products is being seen as a natural extension of the frenetic pace of sales that preceded the last price increase. As prices rose throughout 2004, distributors and contractors bought up product at near record levels in an effort to stave off, at least temporarily, the effects of these jumps. Inventories grew at both the distributor and contractor level, and the current slowdown in sales is seen as the backside of that inventory curve.

"The entire industry is seeing a slowdown," reports Kip Wixson, AB&I's vice president for pipe and fittings. This sales slump is seen across all plumbing products categories, and is not limited to just pipe and fittings.

"Anything that contains metal has experi-

enced pretty significant price hikes in recent months," says Gary Wickham, AB&I plumbing division manager. "Everybody bought like crazy to beat the next price increase, so now we're seeing an adjustment period as inventories are drawn down."

The price increases blamed for the rapid buy-up of material and subsequent slowdown in sales has been the result of dramatic economic growth in Asia, particularly China. These emerging economies are gobbling up metals from around the world, pushing the price of raw materials to all-time highs. As raw materials prices rise, so rise the cost of finished goods. To make matters worse, the recent

upsurge in oil prices has pushed transportation costs higher, adding more fuel to the fires of rising costs.

"The good news is that prices for scrap have moderated in recent weeks and months," says Wixson. Where just a few months ago, it was impossible to predict the price of scrap iron from day-to-day, much less month-to-month, today's scrap market is much more stable. "There is still price pressure in the market," says Wixson, "but nothing like it was last year. Asian demand has not diminished, but they seem to be able to buy more intelligently. Whatever the reason, we're glad to see an easing of price acceleration in our raw metal materials."

Most industry analysts see the current sales slump as a temporary response to rapid buy-ups in past months. The front end of the construction train, engineering and architecture, are reported to be chugging along at a good clip. As inventories draw down with wholesalers and contractors, the industry should return to a more historic level of sales and production. In the meantime, our ears are to the rails and we'll keep you posted on developments as they occur.

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Perspective

What do Social Security reform, hip replacement surgery and Chinese gamblers have in common? Maybe nothing. Maybe everything.

I was resting in a hospital bed recently waiting for the docs to figure out why my back hurt so bad when I started thinking; The times, they are a'changin'. I had just heard a report of a hospital in Thailand that is becoming the Mecca for people around the world needing major medical treatment. Now, before you start thinking of Third World medical care, let me paint a picture for you. This hospital is located on the beach in a resort area. The lobby looks more like a five-star hotel than a hospital. All the equipment, from exam room tools to MRI and surgery suites, is absolutely first class and brand new. The doctors are mainly trained in the US, and are board certified in their specialties. All nurses are RNs, and are dedicated to taking care of just one or two patients. Part of most treatment programs includes a rehab stay at the beachclub next door, complete with poolside waiters and room service.

The report I saw followed an American patient going through hip replacement surgery at this hospital. Now, this procedure is near and dear to my heart, having just gone through it myself. The technique that the surgeons at this facility prefer is a little different from the standard hip replacement done in the US, in that the femur is not cut and replaced with a prosthesis. Instead, the hip ball is covered with a metal liner that rests in a hip socket liner. Sounds complicated, but the bottom line is that there is less trauma. In spite of this, there are only a few doctors performing this surgery in the US. My point is it's being done at this world-class Thai hospital right now, **at 10% of the cost of similar surgery here at home.** That's right, one-tenth of the cost. The total cost for the surgery, hospital stay, seaside rehab, meals and all the goodies for the guy in the story I saw was \$7000. My surgery cost my insurance company nearly \$80,000 when all was said and done.

People are flocking to this hospital from all over the world to get treatment for a wide range of illnesses and conditions. This Thai city is becoming a destination for

health care. Similar facilities are cropping up in India, too, as countries build infrastructure to attract dollars from around the world.

The obvious question is, how can they provide these services at such a low cost? The answer is twofold: labor costs are lower, and legal and administrative costs are dramatically lower.

During my brief stay in the hospital for what turned out to be kidney stones, I filled out the same paperwork five or six times, answering the same questions and providing the same authorizations for treatment. The cost associated with this duplication, when multiplied by the tens of thousands of people in hospitals in the US at any one time, is staggering. Add to that the cost of doctors earning \$500,000 to \$1 million or more a year, burdensome labor rules, litigation costs, and the over-arching fact that insurance is paying for all this, it's easy to see why medical care costs are so high in the US.

I also had time to follow the Social Security reform mess while I was down. It seems to me that politicians on both sides of the aisle are giving the public only half the story (boy, isn't that different!). The fact is we will soon be spending more on Social Security than we're bringing in. A lot more. Our choices are simple: 1) reduce benefits (no way!), 2) increase the retirement age, 3) increase taxes, 4) a combination of the above. More young people today believe in UFOs than believe they will ever see a dime from Social Security. Confidence in the system is plummeting. Perhaps some form of self-directed Social Security account makes sense, if it would increase the return on investment, but that begs the question: How qualified are people today to make their own investment decisions? A recent survey of high school seniors found that 50% didn't know what the New York Stock Exchange was or how it worked. Less than 30% knew what mutual funds were, or how interest rates affect the economy. Less than 40% knew what a budget deficit was. It's clear that, if we are to adopt some form of self-

directed retirement accounts, financial education must improve dramatically.

It also came to my attention, while I was in that hospital, that the island of Macau, thanks to the Chinese, now generates more gambling money than the city of Las Vegas.

Being the sort that likes to see patterns and assemble puzzles, I came to the conclusion that Americans must get their act together in the near future or face changes in their lifestyles that nobody will like. While we're busy suing each other and grabbing for our piece of the pie, other parts of the world are going about the business of working themselves out of poverty. And they are taking that business very seriously. While American companies are slow to change (GM is losing \$1000 per car this year), Asian companies and the people who run them are figuring out ways to profit, sometimes at our expense. The times, they are 'a changin'', and we'd better take heed.

For starters, our education system has to do a better job of preparing students for the high-tech world of tomorrow. There simply will not be the low-skilled, high-paying jobs of late 20th century manufacturing.

Next, we all must take stock and realize that, if we are to prevail in this competitive world economy, we must invest in our futures. We cannot rest on our laurels and expect to maintain our current way of life. The way to prosperity is through hard work and smart decisions. We must get back to basics.

We need litigation reform badly in this country. Junk lawsuits are killing us, driving up costs and sending people to Asia for medical care.

It's time to go back to work, folks. We will prevail if we stick to the basics and stay sharp. We enjoy the low prices at WalMart today, but what price are we really paying in lost manufacturing jobs here at home? After all, how many customers are we going to have if those customers can't find a job? We must pay closer attention to what's going on in the rest of the world, lest that world pass us by. That would be a shame.

Some Good Advice on Dealing With Stress at Work and at Home

Reprinted from a circulating email.

A lecturer, while explaining stress management to an audience, raised a glass of water and asked, "How heavy is this glass of water?" Answers called out from the audience ranged from half a pound to a pound. The lecturer replied, "The absolute weight doesn't matter. It depends on how long you try to hold it."

"If I hold it for a minute, that's no problem. If I hold it for an hour, I'll have an ache in my right arm. If I hold it for a day, you'll have to call an ambulance for me. In each case, it's the same weight, but the longer I hold it, the heavier it becomes."

"And that's the way it is with stress management," he



continued. "If we carry our burdens all the time, sooner or later the burden will become increasingly heavy, and we won't be able to carry on. As with this glass of water, you have to be able to put it down for awhile and rest before holding it again. When we're refreshed, we can carry on with the burden."

So, before you return home tonight or go to your next task, put the burden of work down.

Don't carry it home. You can always pick it back up tomorrow. Whatever burdens you're carrying now, lay them aside for a moment if you can. Relax. Pick them up again later, after you've rested for awhile. Life is a blessing; enjoy it.

KwikSnap 2500 Touted as Fastest Way to Cut Cast Iron Soil Pipe



AB&I is not generally in the business of promoting products that we don't sell, but a snap cutter has come to our attention that some of our customers have said has worked great for them, so we thought we'd pass the information along to you.

Now, don't sue us if you try the device and it doesn't work for you; we're not recommending it, just passing along some info.

The manufacturer says it cuts pipe from 1-1/2" to 6" in five seconds, is much cleaner than cutting, does not require resetting for each cut, operates semi-automatically, and sells for about \$8995.

For more information, contact Wheeler Manufacturing in Ashtabula, Ohio, at 800-321-7950, or visit their website at www.wheelerrex.com.

There, we've done our good deed for the day.

Plumbers Urged to Insist on Best Set Closet Rings

If you haven't gotten into the habit of buying Best Set Closet Rings, AB&I suggests you give them a try. Not only are they of much higher quality than many other closet rings, but plumbers in the field report significantly shorter installation time.



Best Set Closet Rings are available in 2" and 4" heights, in standard and reducing versions. For more information, contact your field sales representative, or AB&I at 800-GOT-IRON.

**Price Lists Now Available
in Exel Format at
www.abifoundry.com**

Need Literature or Price Info Quick? Check the AB&I Website!

If you're working late or on weekends and need fast information about AB&I products or prices, check out our website for the latest updated information.

"Most of our product and pricing information is now available on our website," said AB&I sales manager, Greg Seiler. Much of this information is available in convenient .pdf format for easy viewing and printing on most any computer. Price information is also available in Excel format for simple importing into other spreadsheet or database programs.

**www.
abifoundry
.com**

The AB&I website is updated frequently to ensure that the most accurate and timely information is always available online.

While customers are always welcome to contact their AB&I field sales representative or the customer service department at the Oakland headquarters, sometimes it's faster and easier to just go to the Web and download the information, price lists or forms as needed.

"We want to make it as easy as possible to do business with AB&I," said Seiler, "and our website is an important tool." For more information, go to www.abifoundry.com.

Just for Fun...

More Strange Facts

Many years ago in Scotland, a new game was invented. It was ruled, "Gentlemen Only - Ladies Forbidden." Thus, the word GOLF entered the English language.

In the 1400s, a law was set forth that a man was not allowed to beat his wife with a stick thicker than his thumb. Hence, we now have the "rule of thumb."

Men can read smaller print than women. Women can hear better.

The state with the highest percentage of people who walk to work: Alaska.

Intelligent people have more zinc and copper in their hair.

The first novel ever written on a typewriter: Tom Sawyer.

If a statue in the park of a person on a horse has both front legs in the air, that person died in battle. If the horse has one front leg in the air, the person died as a result of wounds received in battle. If a horse has all four legs on the ground, the person died of natural causes.

Only two people signed the Declaration of Independence on July 4, John Hancock and Charles Thomson. Most of the rest signed on August 2, but the last signature wasn't added until five years later.



Nine Things That Bother Everyone

1. People who point at their wrist while asking for the time. We know where our watches are, right? Do we point at our crotch when we ask where the bathroom is?

2. People who are willing to get up and look all over the room for the TV remote, but won't go to the TV and change the channel manually. Why?

3. When people say, "Oh, you just want to have your cake and eat it, too." That's right, what good is cake if you can't eat it?

4. When people say, "It's always the last place you look." Why would anybody keep looking for something after they've found it?

5. When people say, while watching a film, "Did you see that?" No, we paid \$12 to go to the cinema and just stare at the floor... Of course we saw that.

6. People who start a sentence by saying, "Can I ask you a question?" How do you answer that? After all, they've already asked it.

7. When something is "new and improved." Which is it? If it's new, then there's never been anything before it to improve upon. If it's an improvement, there must have been something before it, and it couldn't be new.

8. When you're waiting for the BART train and somebody asks, "Has the train come yet?" If it had come already, would we still be standing there?

9. When people say, "Life is short." What do they mean? Life is the longest thing anybody has. What can you do that's longer?

