



ITEMS

NEWSLETTER

November 2005

AB&I Gears Up for 100th Anniversary Celebration



When AB&I got its start in the backyard of its founder, Joseph Boscacci, World War I was still nearly a decade into the future. Neither the Bay Bridge nor the Golden Gate were even thought of as possible engineering feats. Most of the country did not have telephone service, and much of the US did not have electricity, running water, or indoor bathrooms. Cars were seen as a novelty, and there were almost no paved roads in the country.

The year was 1906, and San Francisco had just suffered a devastating earthquake and fire. Seeing an opportunity to cast streetlights and other iron and brass municipal fixtures to replace those that were destroyed, the elder Boscacci set out to produce castings in his crude foundry. From these humble beginnings, AB&I soon grew into a leading producer of iron castings, counting business, industry and

government as customers, growing as California and the West grew into a major economic powerhouse.

Though much has changed at AB&I over the years, much has stayed the same, too. Through three generations of Boscacci's, AB&I has maintained its commitment to excellence and industry leadership. While the early days were characterized by grit and determination, the modern AB&I has focused on technology and efficiency, key ingredients in staying competitive in the world market for cast iron products.

"We're going to have a great year in 2006," says AB&I's vice president, Kip Wixson, point man in charge of planning for the foundry's 100th year celebration.

"This is a special time for us," says Wixson, "and we have some interesting

projects in the works." For starters, Wixson is gathering and cataloging hundreds of pieces of AB&I memorabilia, from old photos of team members to samples of products made decades ago. They've even found some old name badges that go back 50 years.

"It's amazing what we're coming up with," said Wixson, who plans to take dozens of these historical items and create something special which will be a surprise for both team members and visitors alike.

Also in the planning stage is a large architectural casting depicting the various products made by AB&I throughout its history. This display will be set outside the AB&I foundry, for all visitors and team members to see whenever they enter the foundry grounds.

Throughout the year, AB&I will be featuring stories that chronicle the history and legends of AB&I.

"It's humbling to think that we've been here for a whole century," said Wixson. "2006 will be a year of remembering, and of honoring those men and women who have made AB&I what it is today. We're looking forward to the party."

In this issue...

- ✓ Kip's Perspective
- ✓ Housing Affordability
- ✓ CISPI
- ✓ Attention Distributors
- ✓ Just for Fun



Perspective

Are American Manufacturers Going the Way of the Airlines?

I've lamented before the plight of today's air traveller, but I was poignantly reminded of the misery during a recent business trip.

As I stood on the sidewalk outside the airport, with a tremendous line of people winding like a serpent through what used to be a generous lobby area, I took a moment to actually observe what I was seeing. X-ray machines and security personnel in quasi-military uniforms replaced the smiling faces that used to greet me at the ticket counter. Instead of an efficient quick check-in, I, like the others around me, am forced to remove my shoes, belts, watch, and coinage before passing through a metal detector, waiting patiently for the guy in front of me who can't seem to find all his metal, failing the test three times before finally being waved through.

Once inside the aircraft, it becomes abundantly clear that some sadistic efficiency guru has decided that if they can squeeze just 14 more seats onto the plane they will increase their revenue by 1.7% per seat-mile, thereby staving off bankruptcy for another 13.76 weeks. The passengers standing in front of me have the same objective as mine: To find a seat that is not next to Giganto the Wrestler or Tyler the Screaming Kid. Eyes dart back and forth as we lumber down the aisle, pushing our carry-on while doing the mental calculus: Should I take the seat next to this semi-normal looking guy, or take my chances by continuing on toward the back of the plane?

Once I find my seat, I start wondering if Surfer Joe next to me had to pay the same fare that I did. From the looks of him, I doubt if he could afford it, but then maybe he didn't have to book this flight yesterday; maybe his work (or lack thereof) allows him to "plan" ahead, not react to the

dictates of the marketplace. Why do people getting on the same plane at the same time, going to the same place, pay different fares? I pay full tilt boogie because I have to go today, but Blondie here pays half because he's going standby and can get there anytime. Shouldn't there be a special "frequent flyer" discount, or a bulk purchase arrangement that my company can make?

Increasing efficiency while frustrating the customer did not seem to be a good strategy for airlines, and it won't work in other businesses, either.

For our in-flight meal, we get peanuts. Two bags, if we ask. The Coke is free, but they divide the can between me and the entire nineteenth row, so it doesn't exactly quench my thirst. I can ask for more, but the flight attendant is looking the other way the next three times she passes by, so I crush my little plastic cup, and squeeze past Joe to go the "lavatory." The lavs at the back are in use, so I lean against the bulkhead and wait for the next available stall. While I'm waiting, I'm overhearing the flight attendant who ignored my need for more cola complaining to her colleague about how the pay and benefit cuts are killing her. They both wonder if their retirement plans would ever pay out. It's no wonder the service stinks; everybody associated with the airline, from the pilot to the ramp rat that vacuums the floor between flights, is worried about their future. And from the spate of bankruptcy filings seen in recent years, they have reason to be.

How much of American business is going the way of the airlines? It's clear to all that the business model employed by most air carriers just isn't working any more. The constant press to cut prices while promising employees

the moon in benefits and early retirements is pulling the carriers back to earth, sometimes with a loud crash. Management in the airline business seems to have been too shortsighted, so concerned with making today's numbers that they forget about tomorrow. Does this sound like your business?

If your business model is to always be the cheapest, you could be on a flightplan to nowhere. Price dominated businesses often fail to take into consideration the true desires and needs of their customers: reliability, selection, genuine value. Did the airlines add those extra seats because that's what their customers wanted? Of course not. They added them because the other financial commitments they made forced them to do something to increase efficiency, even at the cost of customer satisfaction and loyalty. Increasing efficiency while frustrating the customer did not seem to be a good strategy for airlines, and it won't work in other businesses, either.

Too many American businesses are going the way of the buggy whip. GM just announced plans to lay off some 30,000 workers. The textile business is nonexistent in America today, as is consumer electronics manufacturing. Some of this is the inevitable result of globalization, but some of it can be laid at the feet of managers who just didn't plan for the future, didn't do what was necessary to offset some of the advantages (eg. labor and environmental costs) enjoyed by their foreign competitors. They gave up when the going got tough, unwilling or unable to do what was necessary to stay in business.

How many other industries will leave America, and what price will we all pay for that in the future? It's a question we all should be asking, while making sure our businesses do not become casualties.

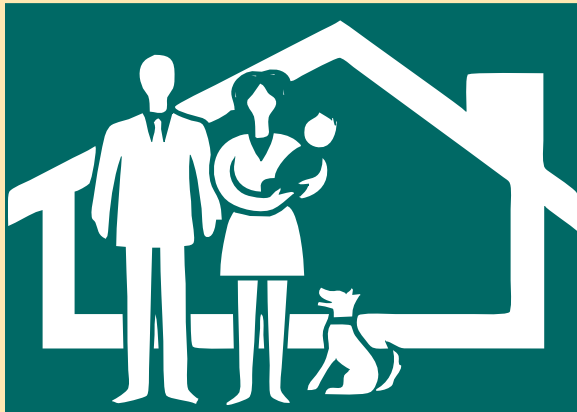
Will Housing Prices Dampen the Construction Market? **Affordability is near record lows; can a slowdown be far behind?**

The housing boom that has persisted through nearly twelve years has forced prices up to a point that the vast majority of families can no longer afford to buy a house. In California as a whole, only 15% of families could afford to buy the average home in September. In some markets, such as Santa Barbara, that number is more like 4%.

Some economists worry that this trend cannot continue and will, in fact, result in a dramatic reduction in construction activity as more and more homebuyers simply drop out of the market.

Prices across California have more than doubled since 2001. Today, the median price home is above \$550,000, requiring a household income of more than \$128,000 to qualify for the standard loan. Where is the money coming from? What is fueling this boom in home values?

For starters, banks have become far more liberal in their lending policies, developing new loan products such as 100% financing, variable rate- and interest-only loans. Some even



qualify and start their buyers at a very low one or two percent interest rate, with payments jumping to match the market after just a few months. 60% of new loans originated in California are of these "creative" types, and 80% of those are interest-only. These loans enable buyers to get into their homes, but the graduated nature of the monthly payments could spell trouble ahead if the

economy goes into a tailslide and people start losing their jobs.

In spite of these disturbing trends, it is unclear what impact housing affordability will have on the construction market overall. While a dramatic slowdown is a possibility, many economists argue that a gradual slowdown to a soft landing is a much more likely scenario, given that new home construction in California alone falls 100,000 units per year short of demand. Some experts contend that the increase in prices could actually spur construction activity, as builders enter the market to take advantage of the supply shortfall.

Scrap Prices Trending Upward, List Price Change Possible

Although nothing like last year, prices paid for scrap iron, the raw material used in the casting of AB&I products, are increasing at a rate far in excess of overall inflation. The result could be a price change in the future, possibly as early as January, 2006.

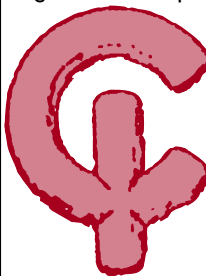
"We continue to see scrap iron prices going up, mainly due to the incredible international demand brought on by growing Asian economies," said AB&I plumbing division manager, Gary Wickham. But, rather than dramatic and uncontrolled increases, as seen in 2004 and early 2005, the price hikes seen in recent months are more moderate, enabling AB&I to plan better, avoiding the market shocks that rocked the industry last year.

"Nobody likes price increases, but when our margins are so thin and our raw materials costs continue to climb, we have to do something," said Wickham.

As usual, AB&I will give as much advance notice as possible in the event of a price increase.

Distributors, Contractors Urged to Look for the CISPI Mark on All Cast Iron DWV

The Cast Iron Soil Pipe Institute (CISPI) is the leading industry organization responsible for establishing standards for cast iron



pipe and fittings in America. All leading domestic producers of cast iron DWV are members of the Institute, and all support their efforts at ensuring product quality and public safety.

"CISPI takes the lead in many facets of the development of product standards," said AB&I's sales manager, Greg Seiler. Radioactivity testing is just one recent example. CISPI standards now call for the testing of incoming scrap iron to make certain it is not radioactive.

Distributors and contractors are reminded to look for the CISPI symbol on all cast iron DWV they sell or use.



Important Request From AB&I

Distributors Urged to Provide Web and Email Info for AB&I Website



In a major effort to provide the industry with a quick and easy referral to stocking distributors, AB&I is calling on all distributors to provide their contact information for immediate inclusion in the website at www.abifoundry.com.

"We've been planning to add this important feature to our website for quite some time," said AB&I's sales manager, Greg Seiler.

Once complete, the AB&I website will feature telephone, fax, email and web address information for all stocking distributors throughout the AB&I marketing area. A quick-navigation map will be deployed where a web visitor can click on a particular city or region and get the full list of stocking distributors.

The success of this program, however, depends on the distributors sending in their contact data. If you're an AB&I stocking distributor, please take a moment to email or fax your telephone, fax, email and web address to our webmaster at:

Spectrix Digital
428 Sutter Street
Jackson, CA 95642
ATTN: Kris
graphics@volcano.net

Just for Fun...

Lost Passenger Propositions Ticket Agent

Once, just once, we'd like to be there when...



We're not sure if this is a true story or one of those Internet myths, but we hope it's true, so we're going to assume it has some basis in fact and pass it along to you...

A crowded Air Canada flight was canceled. A single agent was rebooking a long line of inconvenienced travelers. Suddenly,

and angry passenger pushed his way to the front to the desk, slapped his ticket on the counter and said, "I HAVE to be on THIS flight, and it HAS to be First Class!"

The agent apologized, "I am sorry, sir. I'll be happy to help you, but I've got to help these folks first. I'm sure we'll be able to work things out." The passenger was unimpressed.

He then asked loudly, "DO YOU HAVE ANY IDEA WHO I AM?"

Without hesitating, the agent smiled and grabbed her microphone. "May I have your attention please," she began, her voice heard clearly throughout the terminal. "We have a passenger here at Gate 14 who does not know who he is. If anybody can help him find his identity, please come to Gate 14."

With the people in line behind him laughing hysterically, the man glared at the Air Canada agent, gritted his teeth and swore, "F--- You!"

Without flinching, she smiled and said, "You'll have to get in line for that, too, sir!"

Irrefutable Laws of the Universe



Law of Mechanical Repair: Once your fingers are coated with grease, your nose will be begin to itch.

Law of the Telephone: When you dial a wrong number, you never get a busy signal.

Law of the Alibi: When you tell your boss you were late for work because of a flat tire, the very next morning you will get a flat tire.

Law of Close Encounters: The probability of meeting someone you know increases when you are with someone you don't want to be seen with.

Law of Lockers: If there are only two people in a locker room, they will have adjacent lockers.

Law of Logical Argument: Anything is possible if you don't know what you're talking about.

Variation Law: If you change lines (or traffic lanes), the one you were in will start moving faster than the one you are now in (works every time!).

Did You Know...

No piece of paper can be folded in half more than seven times.

Donkeys kill more people than are killed in plane crashes.

Walt Disney was afraid of mice.

A duck's quack does not echo, and nobody knows why.

The King of Hearts is the only king without a mustache.

