



ITEMS

NEWSLETTER

February 2006

AB&I Plans for 100th Anniversary Year



As most regular readers of this newsletter already know, 2006 is AB&I's 100th Anniversary Year. Founded in 1906, following the great earthquake in San Francisco, AB&I has operated continuously as a foundry for a full century.

To mark this historic achievement, AB&I has a variety of celebrations planned throughout the coming year, including the unveiling of a unique commemorative 3-dimensional art piece that depicts dozens of company events and milestones of the past century. A large outdoor sculpture is also being produced, and will be displayed at the entrance to AB&I's Oakland headquarters and foundry.

"It's almost unheard of for a family business to keep going this long," said AB&I's Kip Wixson, referring to the fact that the foundry has been owned and managed by now four generations of the Boscacci family. "We've had

our ups and downs, but AB&I has always managed to stay focused on the future," said Wixson.

That focus on the future has been a hallmark of the AB&I business style since the beginning. By constantly investing in new equipment, technologies, and team member training, AB&I has resisted the industry trend of the past two decades toward consolidation and plant closure. For instance, as environmental regulations tightened in California, most foundries simply threw in the towel, refusing to make the costly improvements needed to remain in business in the Golden State. AB&I, on the other hand, saw the opportunities present in making those investments, and is, today, the only no-hub pipe and fittings foundry West of the Rocky Mountains.

As foreign competitors, mainly from

China, began introducing their products into the market, there were those who said domestic producers of cast iron DWV just couldn't compete. After all, the argument went, Chinese labor costs were just too low; American companies would lose the price battle and simply disappear from the market.

Instead of accepting defeat, AB&I searched the world for production technologies that would take the Chinese labor cost advantage out of the price equation. New equipment is always being installed in the foundry to enable AB&I to produce pipe and fittings at a cost that ensures the foundry remains very competitive. Today, AB&I can successfully compete with any foundry, anywhere in the world.

There are dozens of stories like these that make up the tapestry of AB&I's first 100 years. Dedication to quality and a commitment to the future have enabled AB&I to remain at the forefront of the foundry business.

In this issue...

- ✓ Kip's Perspective
- ✓ Firestop Devices
- ✓ List Price Change Coming
- ✓ AB&I Warranty
- ✓ Just for Fun



Perspective

The Real Budget Losers, And Would You Puh-Leaze Turn That Phone Off!

It's the beginning of budget season in Washington. President Bush just put out his proposed budget for 2007. Two point seven seven trillion dollars. That's what the President wants to spend next year, give or take a couple hundred billion. I don't know what percentage of our nation's total income this figure represents, but I know it's a lot bigger piece of our national pie than it used to be. If the proposed budget passes as outlined (yeah, right), we will spend a little over \$450 billion more than our government take in next year, adding that figure to our national debt that, graciously, the Chinese, Japanese and British are glad to finance for us.

As in all budgets, there are winners (those who get more of your money) and losers (those who get less). Take the Pentagon. They are big winners. They get \$439 billion next year, nearly a 5% increase. But that doesn't include money for the war in Iraq and Afghanistan. That's going to cost \$70-150 billion more. They call that an "off budget" expense, not included in the budget numbers. Mmmm. I wonder if we can get away with something like that. I wonder if the IRS would let us get away with not including a few million in income next year. We'll call it an "off budget" receipt. Sounds good to me. I'll write to you from jail.

Medicare (guess why I'm so interested in Medicare...) is scheduled to get less than originally planned, to the tune of about \$36 billion over the next five years. Most of those cuts would come from restraining hospital and nursing home costs. I know we're trying to keep taxes down, but taking it out of the hides of older folks who have worked their whole lives (these are all my friends) seems a little, eh, bold. Maybe we can put those dollars back in, "off budget." That way, the retired people who need hospital or nursing home care will still get it, but it won't affect the deficit. Hey, I think I'm starting to get the hang of this Federal budget stuff.

Other winners include US foreign aid (+1.4%), and medicine and vaccine stockpiles (\$2.8 bill). Losers include NASA (-4.4%) and milk farmers getting subsidies (-5%).

So, what does all this mean? I wish I

knew. The numbers have gotten so huge, and the variety of federally-funded programs so vast, that it is impossible to know what is really going on. Are we spending our money wisely? Of course not. Where should we add or take away? That's the \$2.77 trillion question. It's like the businessman who said he knew that 90% of his advertising budget was just wasted. Trouble is, he couldn't tell which 90%, so he just kept things going. I'm sure a lot of our federal dollars are going down a rat hole somewhere, but which dollars? It would behoove us all to find out.

We cannot continue to run deficits indefinitely, adding to our debt. The interest payments on that debt are one of our largest single expenditures in the budget, outpacing all education and welfare payments by a long shot. And that's at 2-4% interest rates. What happens when rates go back up to 8-12%? Let's not think about that.

Or maybe we should.

I just read that the cell phone ring tone industry sold \$650,000,000 worth of little electronic ditties last year, those annoying tunes by everybody from Beethoven to P Diddy that aggravate us all at airports and restaurants. \$650,000,000, more than the gross sales of most industries in North America. This industry wasn't even conceived of three years ago (was it?). How did our world get so wealthy that we can afford to pay so much for ring tones? And this while the foreclosure rate on American homes continues to climb and the national savings rate drops to zero. Ring tones. I'm speechless.

When I started at AB&I back in the last century, I did a stint in the warehouse, filling orders for customers. This was a decade or so before computers became commonplace in warehouses. The old pros who taught me the order-filling side of the business knew the name and function of every piece of pipe and every fitting in the plant. Sure, we had part numbers, but nobody used them much in the warehouse. We just filled the orders by naming the parts. Since we were dealing with some customers directly, we also knew that if So-And-So Plumbing ordered more eighth bends than usual, we should query him and

make sure he meant to order what he did. We didn't need to refer back to paperwork; we just knew that this order was out of the profile for this customer. We dealt with people, and people dealt with us. It was a system that worked for a long time.

Today, many warehouse people don't know much about the product they package for shipment, nor do the receiving people know what the products they're stocking are used for. Information is on a "need to know" basis these days. Not that there's any secret about all this; it's just that it's more efficient for people to specialize in their particular job.

I remember as a young sales guy, I called on a particular prospect for two years with no luck until one day, out of sheer frustration, I asked the purchasing manager why he never bought from me. "Your part numbers aren't in our computer," came the reply. What? You mean I've been talking my head off for two years about how great AB&I products are, and all that stood in the way of making a sale was putting a few part numbers into this guy's computer? It was clear to me at that moment that I was wooing the wrong customer. I needed to take the computer guru to lunch and learn more about the inner workings of his company. Long story short, a couple of steak sandwiches later and AB&I was getting business from this fine customer. I learned a lot from that experience. I learned that my job was not just to extol the virtues of AB&I. I needed information to truly make a difference. A broad base of information and an understanding of my customers' real needs would make me a better businessperson, and of more value to my customers.

How often are we wrong as we assess why we're not doing better with this or that customer? How often are we quick to cut price, when what is really demanded is a deeper understanding our customers' true needs? Sure, everybody likes a lower price, but that can quickly deteriorate into a race to the bottom. What if we dug a little deeper into what makes our customers tick, then got creative in meeting their needs?

Firestop Safety Questioned in Ad Campaign

Some in industry call for periodic testing of firestops to ensure effectiveness

Bibby-Ste-Croix, a leading Canadian producer of cast iron soil pipe and fittings, continues its clever advertising campaign with a series of print ads illustrating the need for firestop testing in DWV installations involving plastics.

Firestop devices, of which there are dozens of varieties, are all designed to limit the spread of fire in building penetrations where plastic pipe is used. Although approved in both America and Canada, studies have shown that these devices may not maintain their effectiveness indefinitely. Bibby, among others, has called for industry testing of these devices once installed, to ensure that they remain capable of stopping or slowing the spread of fire when the plastic pipe they surround is destroyed by fire.



This particular ad shows a fire hose leaking water, and makes the point that, "For your safety, the Fire Department regularly inspects and replaces all fire fighting equipment...To this day, every study indicates the firestop devices used with plastic pipes (ABS, PVC, and XFR™) have a limited useful life. So why are these firestop devices never tested or replaced after building occupancy?"

Good question. AB&I has long supported studies that relate to public safety. The simple fact is that such firestop devices are not required in buildings that use cast iron in penetrations, because cast iron will not burn and give off noxious gases. Choose the safer alternative. Choose cast iron.

AB&I Founded in 1906, But There Was an Earthquake That Year, Too.



AB&I got its start in the aftermath of the great San Francisco Earthquake. Everybody knew the earth shook, but did you know the following:

25,000 buildings fell down in less than ten minutes;

The resulting fire did more damage than the earthquake itself;

There was an outbreak of bubonic plague after the earthquake, which was kept secret by the authorities;

The stockmarket took a huge hit the next year as insurance companies had to sell many of their investments at a loss to pay insurance claims relating to the quake.

List Price Change Coming in February

New list prices will be published in late February, and will be available in printed and electronic versions (via the website). Customers desiring a printed copy of the new price lists for no-hub and SV cast iron DWV products are encouraged to contact their field sales representative, or the AB&I customer service department at 800/GOT-IRON. The prices will also be available at the Download Center on the web at www.abifoundry.com.

AB&I Product Warranty To Be Added to Price Lists, Website

AB&I has long backed its products with an express warranty regarding defective materials. This warranty appears on our fittings boxes, and in our catalog, but will now be added to our price lists, other documents, and website. For the text of this warranty, please refer to your AB&I product catalog, the new price lists available in late February, or the AB&I website at www.abifoundry.com.

ANDY II Added to Pipe Finishing Dept at Foundry

As part of AB&I's ongoing investment in new technology, a new pipe finishing machine, dubbed ANDY II, has been added to the foundry. This new machine, developed by AB&I engineer, Don Wixson, and his team, now stands beside ANDY I on the foundry floor.

"We've been looking for the best way to change the finish on our pipe," said Wixson. Since the CISPI standard for pipe labeling was updated to require the inclusion of the date of manufacture and other pertinent information, new technology was required that enabled this daily change in printing.



After searching for an off-the-shelf solution, it was decided that the best way to accomplish the objective was to design and build the necessary machines in-house. ANDY I was the first production-grade finishing machine that made it possible to change the labels on the pipe every day. After using ANDY I for a period of time, certain refinements to the design were made and ANDY II was the result. There are now

two ANDYs on the line in the finishing department, streamlining the labeling of pipe and enabling quick changes to labeling content. Congratulations to Don Wixson and his team on a job well done.

Just for Fun...

Abrahamson Wins "Find the Errors" Contest...

Roger Abrahamson, of Abrahamson Engineering, has won the contest to find the most errors in a sales letter recently sent to AB&I (see January 2006 ITEMS newsletter). Abrahamson identified 51 grammatical, spelling, and typographical errors in the short letter received by AB&I soliciting, of all things, bogus college degrees.

Congratulations, Roger, on picking up on all those mistakes. Some were obvious, but some required some detailed knowledge of syntax and grammar. It's clear his degree is not from an on-line fraud shop!

Anyway, Roger will receive an official AB&I golf shirt for his winning entry. Wear it with pride, Roger. We hope you don't find any errors on the embroidery (or in this newsletter)!

Advice for the day: If you have a lot of tension and get a headache, do what it says on the aspirin bottle - "Take two aspirin," and "Keep away from children."

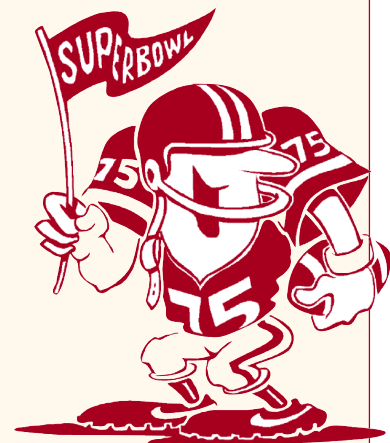
- Author Unknown

Meaningless SuperBowl Factoids...

OK, the game's over for the year; we know who won. But did you know the following...?

- Enough peanuts are sold at the Super Bowl to stack higher than the Empire State Building.
- Dallas, San Francisco, and Pittsburgh have won the most Super Bowls at 5 times each.
- The longest Super Bowl winning streak has only been two in a row.
- In 1981, Oakland linebacker, Rod Martin, set a record with three interceptions.
- \$50,000,000 is spent on food for Super Bowl Sunday. That would buy 3 Playstation2s for every kid in the USA.
- In 2000, St. Louis quarterback, Kurt Warner, set a record with 414 yards passing.
- In 1989, San Francisco wide receiver, Jerry Rice, gained 215 yards on 11 catches.

Q: What two men have won a SuperBowl as both a player and a coach (answer below)?



A: Mike Ditka and Tom Flores