



ITEMS

NEWSLETTER

February 2008

In the trenches...

David Janney and his shipping team just flat-out get it done!



After the sales team has done its job, the customer has placed the order, the customer service department has done the paperwork, and the foundry team has made the product, it's up to David Janney and his group to get the order to the customer, complete and on-time. And that's just what he's done, and done well, since 1994.

"Customers rely on us to get their orders shipped right, the first time," says David, shipping department supervisor at the Oakland foundry facility. "I rely on great team members to get that job done," he says.

Although the shipping department is one of the smallest in the foundry, it's role in keeping

satisfied, ain't nobody satisfied." Especially in David's department, where he runs a pretty tight ship.

David's boundless energy and dedication to his job is contagious. Although he is the department supervisor, he digs in where necessary to fill orders and load trucks. "I never ask my guys to do something I wouldn't do," he says. Although he is responsible for documenting his department's activities and productivity, a visitor is more likely to find David driving a forklift than sitting at his desk doing paperwork. Rain or shine, David and his team can be seen busily filling orders and

the customer satisfied is crucial to the entire operation.

"Most of our job involves pulling fittings to match the orders we get," said David. If a shipping department team member pulls the wrong fittings, or ships the wrong quantity, the customer isn't satisfied. And, as the saying goes, "If the customer ain't

stacking them onto flatbeds.

And busy they are.

"What we used to ship in a full workday is now shipped in four hours," says David. He recalls the day when he and his team set a shipping department record, tripling the number of trucks normally loaded in a day. "That was quite a day," he said.

"We're fortunate to have David," said AB&I's Kip Wixson. "He really sets the standard for team members, and is truly committed to getting the job done. He leads the very best way - by example."

David came to AB&I from the Army, where he retired as a Major in 1993. True to form, David credits the outstanding performance to his team members, Jose Villegas, Ken Nobriga, Russ Akins, Keny Harris, Mariano Martinez, Juan Rivera, and Frank Villalpando. He also appreciates the occasional help he gets on Fridays from Armando Reyes and Valentine Pantoja, team members in other departments who fill in on their day off.

In this issue...

- ✓ Kip's Perspective
- ✓ Price Alert!
- ✓ NSF Clarification
- ✓ Meet Tom Luisser
- ✓ Just for Fun



Perspective

Hey, I've got an idea: Let the markets sort it out!

Every time we demand more from our government, we give up a few more of our rights

Every day, the news about the real estate markets just keeps getting repeated and repeated. New home sales were down dramatically in 2007 compared to 2006. Some builders are doing anything they can to stay afloat. I'm reminded of the dot com era, when a common buzzword was "burnrate," meaning the rate at which the company was going through cash before any revenue started coming back. The objective was to get sales coming in before the cash generated by the IPO ran dry. I think builders are becoming familiar with the concept. Who knows where it will end?

Foreclosures are another weight on the market. Some cities are blighted with foreclosed homes, pulling down property values and damaging neighborhoods. A few "experts" today are saying to walk away from your house if there isn't much equity in it, take the credit hit, and hope for the best in the coming years. That makes selling a home in the conventional sense more and more difficult, further adding to the "doom and gloom" mentality of the day.

Although I don't know when this down cycle will end, I know one thing for sure and certain: it will end. We've seen it before; it's a cycle.

AB&I was there during Stagflation, when the country was beset by the seemingly-contradictory conditions of rapid inflation and slow or no growth in the economy, stupid wage and price freezes, and interest rates through the roof, as high as 20%. None of the pundits saw any way out of the mess. California's governor even declared that we had reached an "era of limits," when we would just have to get used to doing with less.

We were also around when the S&L "crisis" of the 1980s took hold. The markets were all rocked, big time, and doomsayers predicted the end of the "good times" for America. The cycle seemed intractable:

growth in the economy would only fuel inflation, which would result in higher prices, less spending, more job cuts, and a deeper recession.

And let's not forget the dot com days, when companies were doing IPOs with no history of revenues and no clear business plan. Investors simply threw money at anybody who said they had an idea for an "internet" or "high-tech" company. When the party was over, the hangover was a doozie. Anybody invested in the NASDAQ is still feeling the pain.

Each of these "crises" was different. Each had their own cause, but two common factors united them all: 1) they were the result of excesses in the markets, and 2) they didn't last forever.

Some took longer than others to resolve, but they all resulted in the country pushing a giant "reset" button, and they all faded from prominence. If we can survive 911, we can get past just about anything.

This idea of "reset" is crucial to getting out of the current real estate malaise. If the markets are allowed to work, more or less freely, we'll feel some pretty good pain for awhile, but things will adjust and get back to stability. My biggest fear is not that the markets won't correct, but that the government will do something dumb to deaden the pain of any inevitable correction. By deadening the pain, this down cycle and the things that caused it will only continue, prolonging the correction and causing things to get worse instead of better. Recent talk in Washington of bailouts, or moratoria on foreclosures and scheduled rate increases on adjustable rate mortgages, makes me squirm. Anybody who knows anything understands that making it more difficult for lenders to get their money will only make them less willing to lend more money in the future. Less available liquidity means slower (or even negative) growth, less job creation,

less vibrance in the overall economy, which means, worst of all, that I sell less pipe. I'm not saying that there is no role for the government to play in the solution to the real estate mess, but they should, to paraphrase a previous president, walk softly if they're going to carry a big stick.

We will recover from this slowdown in real estate. Experts vary on the timing, but all agree that this, too, shall pass. We have always been a resilient nation, with a huge, multi-faceted economy. Our message to our leaders, though, should be loud and clear: "Don't do nothin' dumb, just to get votes." That could be the hardest temptation for Washington to resist.

The California legislature is at it again. New laws this year make it illegal to smoke in your own car or talk on a cell phone. The smoking ban is designed to protect "the children," and the phone prohibition is supposed to save lives on the roads.

On the face of it, both laws have a basis in civility. After all, we don't want kids to get sick because mom and dad are puffing away up front, do we? We also don't want somebody plowing into us because he/she was too busy talking on the phone to pay attention to the stop sign, right?

Right. Only, what about mom putting on mascara at 65 in the slow lane? Or dad shaving with his favorite Norelco while driving the seven o'clock grand prix?

And if we're going to pass laws to protect kids, how about banning fast food for those under 18? The hydrogenated oils in that stuff have been linked to everything from autism to childhood cancers and heart disease.

The point is that life is dangerous. Passing a law here and there, banning this and that, will do nothing but encourage non-compliance. What we need is common sense, and you just can't legislate that.

Market Update

Scrap Prices Changing Pipe and Fittings Markets Worldwide

The recent letter that was mailed to all AB&I customers announcing the possibility of a price increase in March or April was just the latest sign of the changing market for pipe and fittings.

As the letter detailed, the cost that foundries must pay for their raw material has skyrocketed in the past two years. While it appeared for a time that scrap iron costs might stabilize, recent increases, and the prospect of even more increases in the near and mid-term, have put significant pressure on foundries across the globe.

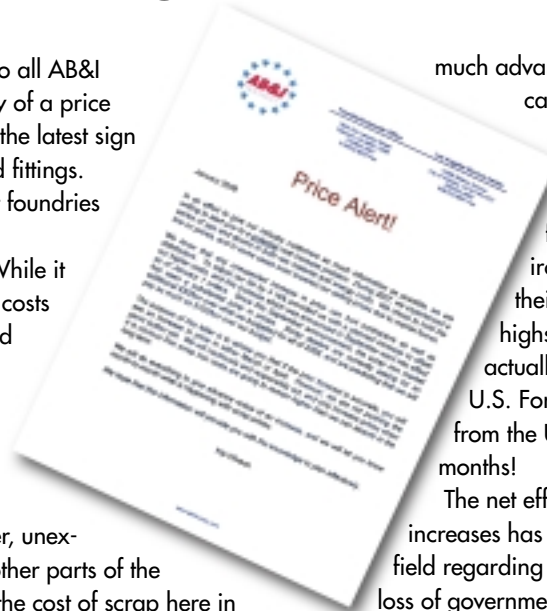
The market for scrap iron is an international market. Severe weather, unexpected demand, or labor issues in other parts of the world can have a major impact on the cost of scrap here in the U.S. As the letter indicated, AB&I's scrap costs have already exceeded projected 2008 costs by some \$30/ton, with pending increases threatening to raise that figure to \$100/ton, or even more. While AB&I is not announcing a price increase just yet, the letter was written to provide as

much advance notice as possible, so that customers can best plan their business.

Just as domestic scrap iron costs have risen, so have costs for Chinese foundries. These import foundries are facing dramatically increased costs for iron, coke, labor, and shipping, causing their costs of production to jump to record highs. The price for scrap in China today is actually higher than the price of scrap in the U.S. For example, the cost to transport scrap from the U.S. to China has doubled in recent months!

The net effect of recent iron and energy cost increases has been to significantly level the playing field regarding American and Chinese producers. The loss of government subsidies has also impacted the Chinese foundries' ability to price as aggressively as they have in the past.

Today, AB&I's cast iron DWV has the ability to compete with any foundry, anywhere in the world.



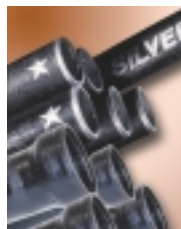
AB&I Sets the Record Straight on NSF Certification

The front page story in our November, 2007 edition of *ITEMS* contained an error that needs to be corrected. In that article, we mistakenly stated that the Cast Iron Soil Pipe Institute's foundry inspectors were certified by NSF. This is an error. While AB&I products are certified by NSF, a highly-respected third-party certification agency, CISPI inspectors are not, nor has CISPI represented to us that they were so certified. The error occurred due to a simple misunderstanding.

AB&I sought, and received, NSF certification for its full line of cast iron soil pipe and fittings to provide the public with third-party validation that all cast iron products manufactured and sold by AB&I meet all standards.



Become an AB&I Stocking Distributor



Those wholesalers not yet signed up for AB&I's stocking distributor program are encouraged to examine the many benefits of participation in our program.

AB&I stocking distributors get the full resources of AB&I's marketing support team. Field salespeople, and our engineering support staff, drive new business to your door by calling on contractors and specifiers in your area. Best of all, distributors have access to a reliable inventory of top-quality AB&I DWV materials, backed by the best customer service in the business.

For more information, call Gary Wickham today at 800-GOT-IRON.

Get Your *Items* Newsletter by Email!

To start receiving this newsletter by email, please contact AB&I's customer service department at 800-GOT-IRON, or send an email to graphics@spectrix1.com.

Safety Manager Tom Luisser Targets Zero Accidents

For Tom Luisser, Ph.D., AB&I's new Safety Manager, having a safe workplace is not just a goal, it's a passion.

Having spent decades in the foundry business with several companies around the United States, Tom knows what it takes to create a safe workplace.

"Safety is not just a program," he says, "it's a way of life."

Tom's job at AB&I is to improve on an already-outstanding safety record. To accomplish his goals, he is developing several safety policies, and providing incentives for the AB&I team to implement these policies.

"Shortcuts make you bleed," says Tom, so part of his program is to imbue each team member with the knowledge of the right way to do



their job, and with the understanding that taking shortcuts is not acceptable.

"Our main goal here is to have everyone retire healthy, with all their fingers and toes," says Tom, who notes that one of the main messages of his safety program is to take what the team is learning at work and applying it at home.

"The workplace is already safer than home," says

Tom, citing the statistic that most life-altering accidents happen away from the workplace. If AB&I team members can take the safety mindset

home with them, they will not only be safer at work, but at home, too.

"AB&I is already Number One in efficiency and quality," says Tom. "Now we want to be Number One in safety, too."

Just for Fun...

Late-Night Political Jokes

"Did you all see 'American Gladiators' the other night? Not the NBC show, Hillary Clinton and Barack Obama. ... They were so hostile to each other, I thought they were married." --Jay Leno

"Rudy Giuliani and Mike Huckabee are both asking their staffs to work without pay. They want them to work without pay to help them get across their message, 'I'm the best one to fix the economy.'" --Jay Leno

"A new government study says that millions and millions of dollars of federal money is being wasted every year on frivolous and unnecessary projects. This study was two years in the making, and cost \$22 million" --Jay Leno

"By the way, if Mitt Romney is elected, he'll be the first president ever sworn in on a copy of GQ." --David Letterman



"I was sad to see Fred Thompson drop out. I just hope this doesn't give his face that gloomy hang dog look." --Jay Leno

Ain't It The Truth??

Joe Smith started the day early, having set his alarm clock (made in Japan) for 6am. While his coffeepot (made in China) was perking, he shaved with his electric razor (made in Hong Kong). He put on a dress shirt (made in Sri Lanka), designer jeans (made in Singapore) and tennis shoes (made in Korea).



After cooking his breakfast in his electric skillet (made in India), he sat down with his calculator (made in Mexico) to see how much he could spend today. After setting his watch (made in Taiwan) to the radio (made in India), he got in his car (made in Germany), filled it with gas (made in Saudi Arabia), and continued his search for a well-paying American job.

At the end of yet another discouraging and fruitless day, checking his computer (made in Malaysia), Joe decided to relax for awhile. He put on his sandals (made in Brazil), poured himself a glass of wine (made in France), and turned on his TV (made in Indonesia), and then wondered why he can't find a good job in America.

Joe is not alone. How often do we truly think about the effects of our daily buying decisions? - Ed

"Do not walk behind me, for I may not lead. Do not walk ahead of me, for I may not follow. Do not walk beside me, either. Pretty much, just leave me alone."

Anonymous Zen school dropout

