



WINTER 2014

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ALERT

PREPARE FOR GROWTH AHEAD

Economists Predict Uptick Late in 2014

While most of the industry would call 2013 a year of slow or ho-hum growth, the mid-term future looks better than it has since the Great Recession. At least that's what some of the leading business economists who pay attention to such things have to say.

Most agree that the political goings-on in Washington, DC during the past year have dampened business confidence in general, and construction optimism in particular. For the first time in several months, the Architectural Billing Index has shown a small

decline, indicating a possible minor slowdown in construction activity in the second half of 2014. This could combine with a reduction in consumer spending (due to higher taxes and increased healthcare costs) to produce a slightly deeper retraction of activity than would normally be expected in this phase of a recovery. While this effect will be noticeable, it will also be short-lived, with late 2014 and 2015 seeing what could be a major uptick, with enough legs to sustain itself through a prolonged period of growth.

Residential construction will feel the near-term pinch more than the non-housing sectors, as data centers are built to support the cloud and school and hospital activity picks up after years of decline. The re-patriation of American manufacturing will spur factory construction and consumer spending, as businesses bring production capacity back home from overseas.

Although the first half of 2014 may not bring the gangbuster growth that many had hoped for, the anticipated slowdown will be neither deep nor prolonged. Macroeconomic forces that have been forming over the past years will finally take shape to produce a measurable and sustainable increase in construction activity, a welcome relief from the dogged status quo of recent times.

Some economists fear that a lack of enough trained, technically-savvy people to meet the coming demand for workers may become a significant issue for the construction industry. Using the coming year to bolster such training may be a good and wise investment, finally paying the dividends that the industry has been anticipating for over half a decade.

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AB&I FOUNDRY

THE ECONOMY



Just How Good (or Bad) Is the Economy? No Opinions, Just The Facts.

With 2014 an election year, we can all expect to hear more than our fair share of spin from all sides of the political spectrum. The party out of power will say things are terrible. The other side will cite chapter and verse about how wonderful things are. Here are a few facts that may (or may not) help you make up your mind about the state of the current economy.

- The Federal Reserve has begun its much-anticipated 'tapering' of its policy of Quantitative Easing, reducing its bond buying activity. This will put some pressure on long-term interest rates. On the other hand, the Fed has also stated that it will continue its policy of near-zero rates for short term borrowing.
- The most recent report of third quarter 2013 GDP has been revised upward to 4.1%, due largely to increased consumer spending.
- November, 2013 total commercial construction spending was \$934.4 billion, up 5.0% over 2012.
- Non-residential building construction spending was \$316.5 billion, down 0.1% year-over-year.
- Office construction was down 1.1% compared to 2012.
- Commercial construction, largely retail, was up 5.3%.

- School construction was up 0.2% and church building increased 0.6%, the only parts of the institutional sector that did not see a decline in 2013.
- Manufacturing construction was up July - November, and increased 7.2% compared to the 2012.
- The November 2013 AIA Architectural Billing Index fell for the second straight month, down 1.8% to 49.8. Any reading below 50 indicates that architectural work, the first stage in any construction project, is down and could be a predictor of decreased construction activity 6-12 months down the road.
- Spending on heavy engineering projects like roads, bridges and transit systems was \$267 billion, down 1.6%.
- New residential construction was up 29.6% year-to-date.
- The Case-Schiller 10- and 20-City Index of Home Prices was 13.6% higher than 2012.
- The Consumer Price Index (CPI) was up 1.2% from 2012. Core CPI (excluding food and energy) was up 1.7%.

Source: Reed Construction Data,
January 7, 2014



ENGINEERING

Why Iron Is the Best Choice for DWV Above and Below Ground

Ford or Chevy? Blonde or brunette? Iron or plastic?

While many choices we make are based on personal preference rather than objective reasoning, the iron vs. plastic pipe debate really doesn't fit into that mold. Both iron and plastic have a place in the market. Both have advantages and disadvantages, but only cast iron can provide the strength, fire resistance and longevity sought by many building owners and plumbing engineers. Only cast iron has been used for centuries and has been field-proven the world over to provide superior durability.

Fire Prevention and Preservation of Life

Most experts agree that cast iron provides unsurpassed fire resistance, does not burn, and will not off-gas noxious agents when heated to temperatures normally encountered in structure fires. Because it does not burn away in a fire, it does not leave gaps and holes in penetrations between rooms, limiting the ability of fire, smoke and gases to spread to adjoining spaces. This resistance to burning has the added benefit of requiring much simpler and lower-cost firestopping than is the case with plastic, largely offsetting any materials cost differential between iron and plastic.

The superiority of iron over plastic in fire safety cannot be overstated. Many people who die in fires do not perish from flame or heat, but rather from the gases released during the heating and combustion of typical building and furniture materials. Slowing or stopping the spread of these gases through the use of non-combustible materials like cast iron is a proven life saver, worth many times the cost.

Durability and Longevity

Cast iron pipe is obviously more resistant to crush than plastic, but it is also more resistant to deflection. This deflection property makes it possible for iron to be installed in trenches that are narrower, with no need for special bedding, overexcavation of the trench, or hand compaction, all of which are often required with ABS or PVC plastic. These added requirements with plastic drive up installation costs, further narrowing the true cost of installing iron vs. plastic.

Iron pipe has been used since the 1500s, and iron piping installed a century before the American Declaration of Independence is still providing water to the fountains of Versailles in France. The same cannot be said for plastic, which has been in widespread use

only since the 1970s, about the time the Beatles broke up for good. Only iron can provide the time-tested durability demanded by many plumbing professionals and building owners.

Cast Iron: Stronger, Quieter, Better

Unlike plastic, iron effectively suppresses the sound of swooshing water cascading down from upstairs fixtures. This feature can be a major benefit in quality hotel, school, residential and commercial construction, where building owners and tenants understand the advantage of iron with the very first flush.



OPINION

Michael's Commentary



Connecting the dots: Service, value, integrity

By Michael Lowe

Kurt Winter, the GM here at AB&I, is fond of saying that the goal of our team should be to make things better and faster. That doesn't just apply to the pipe and fittings that we make, but to the customer service we provide as well. This goal of constant improvement and increased efficiency forms the foundation of our overarching corporate value: integrity in everything we do.

Talking about one's integrity always runs the risk of sounding like a Hollywood starlet touting her youthful virtues. The more we hear, the less we believe. Espousing business integrity can be especially problematic, since the primary goal of business is to make money, not to be the good guy. Some would even say that business discounts the value of integrity every day in the pursuit of the dollar. After all, you can't maintain your integrity AND be profitable in this hypercompetitive world, right?

Well, no.

AB&I has built its business on establishing and maintaining personal relationships with its customers, team members and strategic partners. We put our highest priority on these relationships, and understand deep in our DNA that with-

out these relationships our business would have faltered decades ago, like that of so many of our prior competitors. Integrity to us is not a vague concept, subject to interpretation. To the AB&I team, integrity boils down to a few basic tenets, most of which we all learned before we graduated from the eighth grade:

1) Always tell the truth, even if you have to squirm a little, 2) Do what you say you'll do, when you say you'll do it, 3) See things through the other guy's eyes, 4) Bark less, wag more, 5) Always be open to new ideas and ways of doing things, 6) Give credit where due, 7) Understand that, no matter what business you're in, you're really in the service business.

Integrity in business means providing solid value, being on time, going the extra mile to meet the special needs of a customer or colleague. While price is what people pay, value is what they receive. Packing as much value into our goods and services is what integrity is all about. Finding the creativity and deploying our resources to improve that value is what drives us to be our best, and what makes going to work every day so much fun.

Why Reducing Costs Alone Just Won't Cut It



It seems that every business, from the corner barber to the Fortune 100, has looked to cost cutting these past few years as their road to salvation. Mark Mehling, author and marketing consultant, begs to differ with that strategy, and offers his reasons in an article in the

January 2014 edition of *Modern Castings*.

Mehling describes the instinct to reduce costs to build profits as leading to "death by a thousand paper cuts." It doesn't take long for all the fat to be taken out of the system, says Mehling, so future cuts are reductions in muscle and bone. The results are not good.

"Only sales produce true profits," says Mehling. He points to three ideas that pervade business thinking these days: 1) Costs are controllable, sales are not; 2) You can always reduce costs; 3) Lower costs equal lower prices, and that equals more sales. All three ideas seem to make sense at some level, and all three - says Mehling - are wrong.

"[Cutting costs] is easier (lazier?) than developing a sales system that can reliably deliver new clients, orders and profits." A company can rarely cut costs enough to sustain profitability, at least in the long term. Profits come from revenue, period. The other problem that comes with cost cutting is knowing just where to cut and by how much. "Cut too much, or in the wrong place," says Mehling, "and you destroy morale, customer service, and long-term revenue." Many companies that have taken the drastic cost-cutting approach know exactly what he's talking about, and will spend years re-building what was lost in their zeal to reduce overhead.

"Additional sales/revenue amplifies profits over the long run more than decreasing costs ever can. Money and effort invested into sales systems will pay more back than investing in cost reductions."

OUTSIDE THE BOX



Project Profile



Green Monster

Fenway Park, Boston, MA

The remodel of the famed home of the Boston Red Sox called for only the best, most dependable and longest lasting construction materials available. When it came time to choose a heavy-duty DWV coupling, HUSKY got the call.

First built in 1912, Fenway Park has a long and storied history of triumphs and tragedies, successes and failures. The Fenway Park brand has come to mean steadfast determination under the most challenging conditions. Only HUSKY could live up to that reputation.

HUSKY couplings are made in America from only the finest, most durable materials. The distinctive orange or white shields, bands and

screws are Series 300 stainless steel for maximum corrosion resistance, and the neoprene gasket has been engineered to provide superior sealing while standing up to the harshest environments and chemical effluents.

HUSKY couplings come in both 4- and 6-band designs, depending on size. For more information, contact your local HUSKY distributor, or AB&I at 800-GOT-IRON.

CISPI ADS SPOTLIGHT IRON AS ENGINEERS' FIRST CHOICE



Full Page Trade Magazine Ads

A multi-media marketing campaign aimed at demonstrating the safety and durability advantages of cast iron over plastic DWV materials has been launched by the Cast Iron Soil Pipe Institute. Featuring a noted engineering professional and educator, this advertising message is being carried to the industry through full page advertisements in leading trade publications such as *Plumbing Engineer*, *PM Engineer* and *Plumbing and Mechanical*.

Direct mail and email blast messages have been sent to engineering community, bolstering the trade journal advertising and encouraging readers to download a recent whitepaper report, "Iron vs. Plastic: An Engineering Perspective." The report is available free of charge at www.TheTrueCostOfPlastic.com.

Direct Mail Postcards



Email Blast



Foundry News

New "No-Bake" Molding System Adds Capacity, New Capabilities to Foundry

Chemically-bonded molds enable larger, more intricate castings to be produced in quantities as low as one



No-bake molding is ideal for low-volume production runs of castings up to 1500lbs

AB&I's new no-bake molding system promises to bring impressive new capabilities to the Oakland-based foundry, enabling the casting of much larger, heavier, and higher-tolerance castings than ever before possible.

Pipe, fittings, and custom castings have traditionally been produced by standard sand casting, where sand molds are created under pressure, then married to sand cores. Molten iron is then poured into these molds, producing a casting. This molding method is efficient and economical for small or high-volume castings, but for large or low-quantity casting runs, the new no-bake system will provide numerous advantages.

With no-bake, sand is mixed with special resin-like chemicals to produce a mold, eliminating the need for pressure-casting equipment. The sand and resin sets up quickly, forming a hard brick-like mold. Because each sand mold is custom-made, molds of virtually any size can be produced so efficiently that production runs of as little as one casting become cost-effective.

"We're excited about this new system," said Kevin McCullough, AB&I Vice President of Custom Castings. "We can now meet the needs of a much broader customer base," said McCullough, "making castings that are larger and more detailed than ever."

The rigidity of the no-bake mold makes it possible to produce castings of more intricate shapes, with thin sections. Other technical advantages, such as reduced gas porosity, enables the no-bake molds to produce smoother, more highly-finished castings directly out of the mold, greatly reducing or eliminating the need for finish grinding, reducing cost and adding quality.

Since the molds are not produced under pressure, a wider variety of pattern materials are possible with the no-bake system, including wood, plastic, fiberglass, and metal, further reducing costs while providing improved production flexibility.

"We're inviting OEMs with a need for castings in the 250-1500lb range to give us call," said McCullough. "Bring us your complex or detailed castings and we'll show you how we can produce your heavy and low-volume castings quickly and cost effectively."



Industry Update



AB&I To Be Major Sponsor of 2014 MCAA Convention and Trade Show

ITEMS readers are encouraged to drop by the AB&I booth at the Scottsdale MCAA Show March 9-13. Several team members will be on hand to show the complete AB&I product line of cast iron pipe, fittings, and couplings, as well as answer technical questions about products, installation instructions, and compliance with industry standards.

AB&I is more involved in MCAA and the convention this year than ever before. As a Benefactor Sponsor, AB&I now has a seat on the Manufacturer/Supplier Council, demonstrating its continuing dedication and commitment to the mechanical contracting community.

This year's convention promises to be one of the best ever. Many famous

speakers, from both inside and outside the industry, will educate and entertain, and many exciting activities are planned to keep convention goers, and their guests, busy experiencing the wonders of Phoenix and Scottsdale.

For more information, or to register for this exciting event, go to www.mcaa.org, or call the Association at 800/869-5800.

Marla Shives Inducted into Quarter Century Club



AB&I GM Kurt Winter and Marla Shives at recent team celebration

Veteran foundry team member Marla Shives has been welcomed into the coveted "Quarter Century Club," honoring her 25 years of service to the company.

Marla has served in a variety of roles, always representing the foundry professionally and with good cheer. Her customers and colleagues appreciate her extensive knowledge of the industry and her willingness to share that knowledge as a dedicated team member and all-around great person.

Congratulations, Marla. Here's to the next twenty five:-)





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Dangerfield

There were a couple girls banging on my bedroom door all last night. What's a guy to do? I had to let them out.

Last week I told my psychiatrist, "I keep thinking about suicide." He told me from now on I have to pay in advance.

I could tell that my parents hated me. My bath toys were a toaster and a radio.

I come from a stupid family. During the civil war my great uncle fought for the west!

When I was a kid I got no respect. The time I was kidnapped, and the kidnappers sent my parents a note they said, "We want five thousand dollars or you'll see your kid again."

Last week I saw my psychiatrist. I told him, "Doc, I keep thinking I'm a dog." He told me to get off his couch.

I worked in a pet store and people kept asking how big I'd get.



Just for Fun

Leno

The president said that unemployment dropping, but critics claim it doesn't include people who have left the workforce. How about people who were asked to leave the workforce like me? Are we included in that?

President Obama asked that Americans pitch in and help those who are most down on their luck — like the Lakers. I think he mentioned them by name.

It seems that England's royal family is running out of money. They are down to just \$1.6 million. Well sure, that's what happens when nobody in your family has had a job for the last thousand years.

As you know, President Obama gave his State of the Union address last night. Obama says he wants to give "America a raise." He's just waiting, of course, for final approval from China. As soon as they say it's OK, then we'll move ahead.

