

See You In Savannah!
PMI Spring Meeting April 10-13!



NEWS

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The Newsletter for PMI Members — by PMI Members

March/April 2005



John Lauer

It's All Happening In Savannah - Be There!

By: John Lauer, PMI's President and Sloan Valve Company's Director of International Business Development

It is my firm belief that membership in PMI is a must-have in today's complex and

competitive business world. Your corporate membership in PMI helps to ensure that you and your company stay on top of the rapid changes and forces that are shaping today's plumbing industry. In addition to benefiting its members, PMI's work reaches *beyond* the membership by improving the industry as a whole and by promoting safe, efficient plumbing products for consumers. Whether it is the harmonization of codes across the country and throughout the world, working to ensure fair trade practices, stopping potentially damaging legislation or setting the record straight when misleading claims are made, PMI's work is for "the greater good."

You will see examples of this good work at our Spring Meeting April 10-13 in Savannah, Georgia. Over the years the structure of PMI meetings has evolved to meet the changing needs and interests of the membership. While the committee structure remains an important component of our semi-annual meetings, also gaining in popularity are the stand-alone sessions dealing with broad industry issues.

When the topics have been too complicated to cover in a single breakout session, forums and workshops have been organized by PMI to address the topics in greater detail. (Watch for dates and details of these upcoming events!)

Our Spring Meeting in Savannah continues in this direction. In addition to the important work of our issue, product, and standing committees, specific topics of critical interest (namely China and Lead) will be explored in stand-alone sessions. I'm happy to announce that we have **Michael Colopy** back with us to continue his outstanding presentation on the impact of China on our world. Mr. Colopy spoke at PMI's CEO Forum last fall in Washington, D.C. Those of you who attended this Forum can vouch for his fascinating approach to and tips on working more successfully with the Chinese, particularly in the context of our significant cultural and historical differences.

We will also take a two-pronged approach to understanding what year 2005 may bring with respect to issues involving lead in plumbing products. On Monday, April 11 we will hear a series of presentations from a variety of parties involved in this issue. We have invited speakers from AWWA, NSF and EPA. We will then meet separately on Wednesday to assess

what we have heard and determine where we need to go from here.

PMI has embraced a movement toward globalization through our recently signed Memorandum of Understanding with our European plumbing manufacturing counterparts and through organizations including CEIR (the European Valve Association) and the U.S. Department of Commerce. We are pleased to have as our keynote speaker, business journalist and TV personality **Stuart Varney**. Mr. Varney, currently a contributor on Fox News, will provide valuable insight on the impact of the "new" global economy.

PMI meetings have been streamlined into an efficient, multi-faceted, 2 1/2 day deluge of information. While there is indeed the traditional golf tournament on Sunday morning, the focus of the PMI Spring Meeting is solidly on the value of sharing information and crafting strategies that will enhance our industry now and as we move forward. Our meetings have become the convening point for important educational and strategy setting sessions. We will be doing a lot of discussing and brainstorming in Savannah on issues that are critical to our industry. PMI is clearly the established industry leader on such matters and I encourage you to attend our next meeting and provide input. It's the right thing to do.

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Cell Phones, Blackberries, PDAs And The Night Of The Living Dead

By: Barbara C. Higgins, Executive Director

Have you seen it? They are everywhere — Walking, standing, sitting. In meetings, in cars, on elevators... all muttering to themselves...



I remember looking sympathetically at a fellow

Barb Higgins barking out orders to no one in the airport. "Poor fellow," I thought to myself, "Probably Turret's syndrome. How brave of him to travel. How wonderful he is able to hold down a job."

Then he turned his head.

And I spotted it.

A tiny earpiece with a tendril of wire running along side his jaw, connecting him to his hands-free telephone. Well, what do you know about that?! That was the first one of its type I'd ever seen. Since that time, the epidemic has spread. Next time you are in a crowd (as mentioned, the airport is a good spot for this experiment), stop for a moment and observe. Look around you and listen. Tell me that it doesn't look and *sound* like a scene from "Night of the Living Dead"! Expressionless faces, staring into space and mumbling to seemingly no one. Creepy. Very creepy.

In addition to loads of *voice* mail messages there is e-mail! Good grief, look at the deluge of e-mails we all receive each day. Even with an effective "spam filter" to protect us from the various pill pushers and hoards of desperate housewives anxious to meet us, the quantity of junk e-mail is mind boggling. E-mail is our link to the outside world. It is not uncommon for business transactions and relationships to be built entirely via e-mails, with Senders never meeting the "Send To." In fact, when the opportunity arises to actually

MEET the person on the other side of cyberspace — to connect a face and voice with the communiqués — it can be a bit unnerving.

Then there is the growing number of (as Delta's Ken Martin calls them) "Crackberry" addicts. Nothing moves faster than a pair of thumbs tapping out a response on a "Blackberry" to an urgent e-mail. Very impressive. As a kid, I always wondered if there would be a pay-off to those long hours playing "thumb war" with my little brother in the back of the 1967 Bonneville as we motored through the scenic hills and valleys of America's Heartland. Now, thanks to the Blackberry, I envision future generations of humans comprised only of huge eyes and over-sized, muscular thumbs, with the need for other body parts diminished.

These advances in communication make us accessible 24/7, from anywhere (office, home, on-the-road), and serve as valuable tools enabling PMI staff to serve the membership promptly. It's something of a competition here at PMI HQ to see who sends the first (earliest) e-mail of the day.

As with all things, moderation is the key. It's important that we not become so absorbed with the tool or the technology that everything else takes a back seat. Recently at a memorial service for the mother of a friend and again during a dramatic movement in a symphony concert, the mood was broken by the buzzing of someone's PDA. Very annoying, not to mention inappropriate! Being constantly connected with such communication devices can be addicting and dehumanizing. Being always "on call" adds to the frenzy of this crazy new millennium. Every now and then, we need to slow down and spend quality time with family and friends... to listen, share ideas, and reconnect with *people* ... not just deliver an occasional grunt as we look up from the Palm Pilot. Success in business is a matter

of focus and hard work. So is success in personal relationships. Family members deserve our attention and focus too. There is a time and place for work (say, 23 out of the 24 hours of the day), but we also need time to spend decompressing; stopping to smell the roses and enjoying the fruits of our labor.

PMI is a great resource to help you with your business success. (The family and quality-of-life success is, I'm afraid, up to you!) PMI meetings offer excellent venues to focus on business in general and the plumbing industry in particular. The meetings are targeted and efficiently run to maximize your time out of the office. While there is time to check voice and e-mail messages, the focus is on PMI; strategy setting, information exchange and networking. We try to pace our receptions and dinners to offer a little relaxation amidst all of the learning. We include time for mingling, maintaining the important "people" part of PMI. Then, it's right back the next morning for another day of forums designed to fill our members' brains with valuable information. I encourage you to make plans to attend the PMI Spring meeting! It will be time well spent!

Every morning I rush past a little plaque in our bathroom featuring a quote from Ghandi, on my way to the computer in our home office to check a few e-mails before going downstairs to exercise. It says..."There is more to life than increasing its speed." Let PMI fill your business hours with quality information and learning. Call us with your issues. Come to the meetings and forums. Once you have the professional part of your life mastered efficiently, you can slow down and work on the personal part!

See you in Savannah!

Please Note: The PMI office will be closed Friday, March 25 to observe the Good Friday Holiday.

Future Success In Codes And Standards Depends On You!

By: David Viola, Technical Director

In the areas of plumbing codes and product standards, PMI and its member companies have never enjoyed a greater period of recognition, credibility, and effectiveness. This achievement is due to many years of building a strong network of relationships, engagement in the key processes that develop the requirements that impact our products, and active involvement from a broad base of committed PMI members. Regulators, industry groups, media, and trade professionals all look to PMI and its members as the industry leaders, for information and guidance on key matters. However, new challenges are emerging. In order to maintain and expand our effectiveness in the face of these new challenges, PMI members must continue and expand their roles in these areas.

New Challenges

Pace of code and standard development is changing - Plumbing codes and product standards are no longer developed at a snail's pace. These processes are all moving at increasing speeds due to the digital age. The increased speed and efficiency of generating product requirements puts more pressure on the industry to keep pace.

Declining number of codes, standards and compliance professionals - The declining number of plumbing manufacturers that employ individuals who focus, at least some of their responsibilities, on codes and standards is having an impact on the ability to impact these processes to reflect industry interests. A smaller cross section of input and expertise from manufacturers in these arenas, weakens the collective voice and increases the risk of an outcome that negatively impacts non-participants and the industry as a whole.

The decline can be attributed to many factors, including company reorganization, competing interests, lack of senior management awareness, and continued focus on the bottom

line. But probably the biggest factor is the loss of codes and standards personnel due to retirement or job change. The position of code, standard and compliance professional is not well defined in many companies. Most professionals that handle these responsibilities attained their position as part of an evolutionary process beginning with some minor involvement. Over time, with increased work load and commitment, many have added the activity to their formal job description. Unfortunately, when this person moves on, the position many times goes with them, and this is occurring at a time when more industry experts are needed.

Why are codes and standards professionals necessary?

Manufacturers' involvement in PMI and in the development of codes and standards is important to their business and to PMI's continued success in these areas. This involvement places companies on the forefront of technical issues and best prepares companies in making products that are accepted across local, state, national and international boundaries.

Companies with staff fully or partially dedicated to codes, standards and compliance are in position to:

- Identify new product development opportunities under current codes and standards and new codes and standards under development.
- Identify and avoid barriers to market access caused by new or changing codes and standards.
- Anticipate and avoid or manage the impact of changes that affect product costs.

Success in these areas translates into reduced bottom line costs, increased competitiveness, enhanced public perception by being a good citizen and industry leader, and strengthens the overall industry voice.

Get more involved - We need to change the current trend of diminishing contributors in order to meet new

challenges and maintain effectiveness. If your company doesn't have involvement in codes and standards, efforts should be made to identify someone and get them more involved. If codes and standards work is treated as a hobby or extra-curricular activity by you or someone in your company, efforts should be made to formalize the responsibilities and make it a higher priority. In all cases, every effort should be made to train and educate the various business sectors within the company to ensure that the value and importance of codes and standards involvement is understood and supported. It should be noted that PMI workshops are an excellence source of training in this area!

More direct involvement in and understanding of critical codes and standards activities results in a more rewarding involvement in PMI and gives PMI a stronger voice in technical forums when advancing initiatives or solving industry problems.



David Viola

Thank you to the following PMI Members who proudly wore their PMI Member ribbons to the IBS

Show in Orlando:

Delta
Fluidmaster
Gerber
Hansgrohe
Kohler
Moen
Tempress
Whirlpool
Vitra

Mark Your Calendars For The Return Of PMI Forums!

By: Maria Bazan, Association Manager



Maria Bazan

PMI is proud to be hosting its fourth **Codes and Standards Workshop** on August 17-18, 2005, in Schaumburg, Ill. Once again PMI's

Technical Director, **David Viola**, will present information on plumbing codes in the U.S. and Canada and explain various product standards. This workshop is intended to provide participants with a better understanding

of codes, standards, conformity assessment, certification, and more. The workshop is designed for plumbing manufacturers' technical staff, manufacturers' representatives, and manufacturer employees who want or need to learn more about plumbing codes and standards.

In addition, the fifth PMI **Information Technology (I.T.) Forum** is in the planning stages and is tentatively scheduled to be held August 10-11 in Schaumburg, Ill. PMI continues to host these I.T. Forums to better equip I.T. and marketing personnel with the information and tools needed to navigate the continually

changing challenges in the plumbing industry. The topics presented at this forum will be compiled from a survey of I.T. professionals and will include a detailed follow-up presentation on Radio Frequency Identification (RFID) technology (touched on at the May 2004 Forum) affecting the industry.

The schedule for each event will be Wednesday from 1:00 p.m. to 5:00 p.m., reception and dinner at 5:30 p.m., and Thursday from 8:30 a.m. to noon. PMI has a block of rooms at the Comfort Suites in Schaumburg at a discounted rate. Watch your e-mail and the PMI website for registration materials and event details.

Rave Reviews for PMI's August 2004 Workshop

"Several of our engineers attended the codes and standards workshop.

They all thought it was outstanding (as the marketing person, I just thank my lucky stars there are people who love codes and standards!)"

Suzanne Shaw

Director of Marketing

The Chicago Faucet Company

Certificate of Achievement

Crystal Vision Award Breakfast Set For May

All PMI Members are encouraged to attend the 2005 Storehouse Crystal Vision Award Breakfast slated for Wednesday, May 11, 2005 from 8:00 to 9:30 a.m. at the Kitchen and Bath Industry Show in Las Vegas. The Crystal Vision Award Breakfast is a way to heighten awareness of The Storehouse and recognize industry leaders that are strong supporters, such as past award honorees **Kohler**, **Masco**, The Great Indoors and **Moen** Incorporated. PMI Executive Director **Barbara Higgins** serves on the Storehouse's Planning and Procurement Committee.

The Storehouse is a charitable organization that distributes donated building materials to nonprofit organizations, churches and housing groups in under-resourced communities. Companies donate discontinued and excess new inventory that is usable but no longer marketable. These products are shipped to Storehouses in low-income city neighborhoods and in Appalachia where they are distributed to homeless shelters, community centers, low income housing groups, churches and other organizations serving people in

need.

This year, the Crystal Vision Award goes to Grohe, a longtime and generous supporter of The Storehouse. The breakfast will be held on the convention site and will finish before Wednesday's show events begin. There



is no cost to attend the breakfast as the purpose of the event is to recognize the award winner for outstanding corporate citizenship and to heighten awareness on how to help The Storehouse's mission. To confirm your attendance, please contact Ivan Gonzales at 773-921-3900 X 336 or via e-mail at Crystalvisioninvite@worldvision.org.

PMI Database Update

Keeping the PMI database current is a continual work in progress therefore, we ask for your help to keep your contact information up-to-date. Please notify us of any changes in phone or fax numbers, mailing address, e-mail addresses or personnel as soon as possible. **Communication is the lifeline from our office to yours.** Please send information to Maria Bazan at mbazan@pmihome.org or 847-884-9764.

PMI 2005 Spring Meeting Set For April 10-13, In Savannah, Georgia

By: Michelle Frenette, Member Services Manager

As you know from the promotional materials that we e-mailed to you in early February, PMI's Spring Meeting is rapidly approaching. The hotel deadline is March 16th and if you haven't booked already, you can contact the Westin Harbor Resort directly by calling 912-201-2000 or clicking on the Starwood link on PMI's website www.pmihome.org. The special PMI room rate is \$194.00.

In keeping with PMI's history of exercising your brain during the day and helping you relax and enjoy networking in the evening, we've planned another informative but enjoyable meeting. Speakers will include **Ruth King**, President, Pro Network TV, Inc., covering E-Business; and **Michael Colopy**, China Specialist, returning from our Fall 2004 CEO Forum, who will explore the opportunities presented by the emergence of the Chinese business landscape.

A special presentation on lead Monday afternoon will feature speakers from EPA, NSF and other relevant organizations. We'll work together in a

brainstorming session Wednesday to determine next steps and strategies in reaction to Monday's discussions.

Just Added! Carl Cullotta, a frequent PMI guest speaker, will address the Member Services Committee on Tuesday to report on the impact of Builder Consolidation on our industry.

Tuesday's dinner and keynote speech promises to be thought provoking and engaging. PMI is pleased to have **Stuart Varney** as our keynote speaker. One of the nation's most respected business journalists, Mr. Varney is the former host of CNBC's Wall Street Journal Editorial Board with Stuart Varney. Previously, he was co-anchor of CNN's daily business program, The Moneyline News Hour, and was part of the team that launched CNN's business news division in 1980. During his tenure at CNN, he hosted many of the network's financial programs. An economist trained at the prestigious London School of Economics, Varney is known for his charismatic, articulate, and candid style, offering audiences up-to-the-minute financial and

economic analysis. Varney joined the Fox News Channel in December 2003 as a contributor to a variety of the network's shows. We're certain he'll provide a thought provoking and insightful keynote address on the economics of 2005.

So, polish up your clubs for the golf outing and prepare to have your brain filled with important industry information. We'll see you in Savannah!



Michelle Frenette



PMI Welcomes Global OEM to the Membership Roster

Watch for a profile of Global OEM in a future issue of *PMI News*.

World Plumbing Review Magazine Launch: A Step Forward For International Marketing

By: Jeff Patchell, Owner, Connection Magazines

Australian plumbing industry publisher **Jeff Patchell**, owner of Connection Magazines, recently visited PMI to brief **Barbara Higgins** on an exciting new publication he is developing for the plumbing sector.

WPR (World Plumbing Review) will be a high quality editorial quarterly distributed to the top 50,000 plumbing engineers, design consultants and top-end contracting firms around the world.



The magazine will be translated into at least four

language editions, including Chinese



Barbara Higgins and Jeff Patchell

and will be simultaneously printed in various parts of the world.

As well as filling an obvious void in international marketing, WPR will greatly improve knowledge-sharing amongst industry professionals across the world.

Content will focus on potable water

supply, sanitation and drainage across both developed markets, as well as high-growth emerging economies. Case studies of plumbing design, installation and the people behind the world's most major construction projects will also provide for interesting reading.

Since visiting PMI, Jeff has advised that he has already secured distribution relationships in areas representing close to 50% of the globe.

The first edition of WPR will be published later this year and Jeff is naturally keen to obtain manufacturer support to get this new publication off the ground: he can be contacted at jeffpatchell@build.com.au for more detailed information.

PMI Welcomes Back An Old Friend: Whirlpool Corporation

By: Michelle Frenette, Member Services Manager

PMI is pleased to welcome back to the membership roster, Whirlpool Corporation (Wholesale Plumbing Division). The newest division in the Whirlpool family, Wholesale Plumbing was established in 2004 with a premium stainless steel sink line under the KitchenAid brand. In December 2004, Whirlpool launched a line of new KitchenAid branded faucets and hot water dispensers. This new segment was created based on research which showed that consumers wanted an integrated solution for the sink area; Whirlpool calls it the Essentials Prep Suite Packages. Each package includes a sink, faucet, hot water dispenser, disposer and accessories. To highlight innovation, Whirlpool Corporation has developed a second package, called the Advanced Prep Suite, which features the briva™ in-sink dishwasher and the other complementary components of the suite package. According to **Scott Ramsay**, National Sales Manager, Contract Wholesale Plumbing, "In the near term we will be adding new accessories, a super premium line of



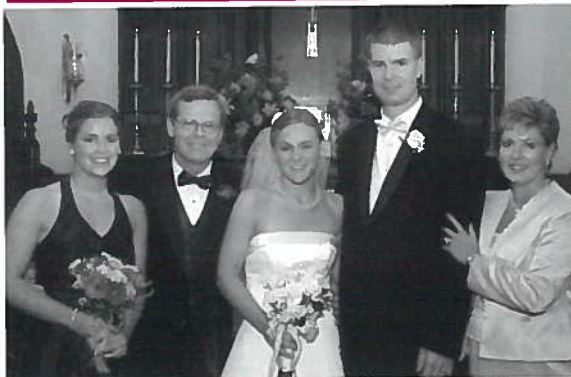
sinks, contemporary faucets and hot and cold filtered water dispensers to the sink area solution."

Whirlpool's builder division's mission is "The Inside Advantage": A promise of Powerful Brands, Innovative Products, Consumer Insight and Targeted Services. Scott added that "the KitchenAid Prep-to-Clean System features coordinated products that integrate your cleaning and food preparation centers."

Scott has been with Whirlpool for close to 22 years. He started in computer systems as a COBOL programmer, then moved to a variety of positions in the Consumer Services Division, which included parts and service operations, starting-up new service divisions nationally, service manager and the development and installation of new service and technician computer systems. Since 1994 he has been involved in a variety of sales and marketing positions in the builder sales channel. Scott said that Whirlpool decided to re-join PMI because PMI is a leader – "PMI's members are the major players; [PMI] offers education, valuable industry information and product trends."

We hope to see Scott at the Spring Meeting in Savannah so we can re-introduce him to fellow PMI members. We will profile Scott 'In The Spotlight' in a future issue of *PMI News*.

From the PMI Family Album



The Sommers/Higgins Wedding: September 25, 2004 (left to right) Daughter Tracy (maid of honor), Trey Higgins (father of the bride), Daughter Missy and new son-in-law Matt Sommers and Barb Higgins (stepmom of the bride).

Happy
30th Birthday,
PMI!
1975-2005

Thanks members, old and new, for your continued support!

ASA Education Foundation Elects Officers For 2005

Larry D. Birch, VP Sales and Marketing of IPS corporation, Collierville, Tenn. was elected President of the ASA Education foundation at the Foundation's Board of Trustees meeting, November 15 and 17 in Chicago, Ill. The Trustees also elected **Joel Becker**, CEO/Chairman of Torrington Supply, Waterbury, Conn., as President-Elect and **Calvin Grout** of WinWholesale Companies of Dayton, Ohio as Treasurer. **Inge Calderon**, Executive Vice President of ASA, and **Paul Martin**, Executive Vice President of the Foundation continue as Staff Officers. The Officers will serve one year terms.

In commenting on the Foundation's operations, Birch said, "We made tremendous progress in 2004, significantly increasing the training opportunities for the members and the value of the ASA membership. We set an even more aggressive agenda for program development and industry support in 2005."

The ASA Education Foundation, headquartered in Chicago, Ill., is a self sustaining organization that serves the PHCP/industrial PVF industries by researching the education and training needs of the industry and by developing, promoting and delivering and/or facilitating programs that will satisfy those needs throughout the industry on a cost effective basis.

Getting To Know PMI's Directors: Herb Barnhart

By: Michelle Frenette, Member Services Manager

Looking forward to PMI's Spring Meeting and the annual golf outing, we decided it was time to profile someone in the Hole in One Club. **Herb Barnhart**, Executive Vice President, Tempress Ltd., and newly appointed Director at Large on PMI's Board of Directors, achieved the feat of a hole in one on October 16, 1986, at the Woodlands Golf Course in Hampton Va.; a 145 yard par three, with an eight iron. Quite an accomplishment and one that Herb claims only took him three days to celebrate! With 14 cumulative years as a PMI member, Herb said he tries to attend each spring and fall meeting, as he enjoys the "opportunity to gather with friends and associates on neutral turf, away from the office and the routine." We look forward to seeing Herb at the 2005 Spring Meeting in Savannah, Ga., and we'll keep our fingers crossed for a repeat of the hole in one!

Starting his career in wholesaling with Ferguson Enterprises, Herb says he feels fortunate to have had the experience of working for an "aggressively entrepreneurial company; one that took a lot of pride in doing things for the good of the industry." This situation established for Herb a "keen sense of awareness that quality customer service is the major distinguishing factor when choosing to do business with one company or another." From that springboard, Herb accepted the challenge of a "ground floor opportunity" with Danfoss Manufacturing where he assisted in the development and marketing of a pressure balancing bath/shower valve known as Tempress II- a new concept in plumbing then that has since become a requirement in a majority of residential and commercial

applications. Through three acquisitions and 22 years, Herb has kept one foot planted in Toronto, Tempress' corporate headquarters, and one foot stateside.

No stranger to a change of scenery, Herb was "an Air Force brat" and claims that traveling is in his blood – he lists a number of states and individual countries as childhood



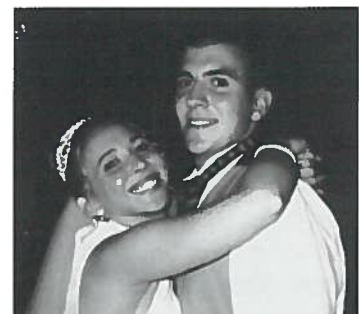
Becky and Herb Barnhart

homes. Empty nesters for now while both kids reside in Arizona, Herb and his wife Becky have a son, Brientnall, who will complete a Bachelor of Science in Supply Chain Management in May, and a daughter, Sheila, who holds a Master's degree in Education and is a guidance counselor. Herb's mother and sisters also live in Arizona, so the Barnharts frequently feel "the desert calling." When time only permits a cerebral adventure instead of a change of scenes, Herb is happy to kick back and take in a movie, saying "I will go to any feature movie anytime, and anywhere." His favorite movie partner without a doubt is Becky, with whom he has been holding hands since they were 13 years old, and whom he cites as the most influential person in his personal life. If they aren't taking in a movie, they are enjoying bluegrass music, which piques Herb's ear as a drummer.

Herb says his management philosophy has been to "maintain a broad and open-minded view while consistently focusing on the details" and he cites persistence as his secret to

success. Herb said the most influential person in his professional life is **David Peebles**, retired CEO of Ferguson Enterprises. Citing Mr. Peebles as a "great businessman," Herb says "Mr. Peebles believed that if you had a real passion to achieve, you were to be given an opportunity to perform." Herb also believes that "being yourself helps, and don't try to fool yourself. There are too many others already doing that." And finally, don't tell Herb you are going to get back to him and then not follow through – that's a pet peeve.

Herb describes Tempress as an OEM vendor and finds it "imperative that Tempress share in any activity that may be beneficial to the industry overall." On a personal level, Herb finds fulfillment in being part of the evolution of an association like PMI, with "distinct personalities, corporate cultures and personal opinions." Herb embraces PMI's reputation for fully servicing the core requirements of our plumbing manufacturing members and our position as the Voice of the Industry and says "while a steady as she goes" approach is good for the journey; sometimes a shouted message is appropriate. Wrapping up, Herb said "I am comfortable that within the PMI membership and the PMI management, there will always be a reservoir of



The Barnhart offspring, Sheila and Brientnall

experience, creative insight and quality people." Thank you, Herb for giving us the opportunity to get to know you, and for your complimentary insight into PMI!



Don't Pop Champagne Corks For 2005 Economy

by: Scott B. Franklin, First Generation Consulting

November marks the third anniversary of the current recovery, but don't expect to hear champagne corks popping. The anticipated economic spark that would ignite confidence, loosen corporate purse strings, and generate an explosion in job growth never materialized. But we're still patiently waiting. So what promise does 2005 hold? That depends on developments in five areas.

Consumer Spending

Consumer spending never faltered during the recession. And during the recovery's early stages, consumers were front and center, while business investment remained listless. Household expenditures still continue to show modest, but steady gains. But trouble may lie ahead. During much of the recovery, consumers' earnings lagged behind spending, an unsustainable trend.

Policy stimulus in the form of the Federal Reserve's low interest rates and the Administration's tax reductions enabled households to spend without much increase in earned income. Remove that steroid injection of tax refunds and easy money, and does spending wither? Mortgage rates have yet to climb appreciably, but when they do, cash-outs from home refinancing will cease to be a source of household income.

Compared to past recoveries, the growth of inflation-adjusted salaries is dismal, increasing only about one-third as fast. The traditional source of healthy consumer spending is job growth, but with the exception of a couple of strong months, job creation is sporadic and overall anemic. Until the labor market tightens, households are unlikely to experience earnings increases that can support recent spending patterns.

The Business Sector

Businesses are sitting on a ton of cash, an amount equal to nearly 11% of gross domestic product (GDP). That

percentage is higher than at any time since Eisenhower was in office. Corporations are returning cash to investors through repurchase of shares, dividend increases, and paying down debt.

The good news is that no shortage of cash exists for new investments. The bad news is that the risk-averse mindset of corporate executives translates to fewer dollars for investments that spawn jobs. But businesses are beginning to open their wallets. Spending on business equipment has surged, and inventories are growing at a brisk pace.

Analysts don't know whether this surge in spending is simply to replace old equipment or if those dollars are earmarked for expansion. Adding to the confusion is whether investment dollars are remaining at home or being directed overseas. The incredible caution exercised by the private sector in 2004 seems to indicate that business investment will follow a growth cycle, not lead one.

Health Care Costs

Why might businesses be so reluctant to hire new full-time employees? Health care costs are a major factor. In 2004, employer-sponsored premiums rose an average of 11.2%, the fourth straight year of double-digit increases. The impact on small businesses, which are usually the first to hire at the beginning of a recovery, has been most severe. The percentage of small businesses offering health insurance declined from 68% in 2001 to 63% today. Spiraling health care costs provide an incentive to hire temporary and part-time employees, instead of full-time help.

Exploding health care costs not only retard corporate hiring, but also take a substantial bite from employees' discretionary income. Higher premium and co-payments, deductibles, and co-insurance have resulted in employees paying an average of 64% more in healthcare expenses than they did in

2000. The modest increases in consumer earnings that aren't whittled away by health care costs, are being depleted at the gas pumps.

Oil Prices

Predicting oil prices is as perilous as forecasting interest rates. Energy is a boom and bust industry with prices capable of tripling within a year and dropping by half in a similar period of time. What's clear is that surging short-term energy costs for heating fuel and gasoline crimp household budgets and either delay or postpone expenditures.

U.S. energy companies have long memories and are not about to sink significant investments into exploration, only to see \$50 a barrel oil tumble to half that price. "Politically stable" is not a term often used to describe our major overseas suppliers – Saudi Arabia, Indonesia, Venezuela, and Nigeria. If you're betting on future oil cost, choose a price closer to \$50 than \$30 a barrel.

Will rising oil prices contribute to inflation? Only negligibly. The biggest impact will be to stifle consumer spending. If you're looking for a factor that stokes inflation, the bloated U.S. budget and trade deficit could provide the spark.

Budget and Trade Deficit

In days of old, Americans used to shrug off the debt generated by large federal budget deficits. After all, interest and principal would be repaid to businesses and households right here in the good old USA. With global investors financing over half our budget deficit and purchasing a large share of domestic mortgage securities, our creditors now reside overseas. And therein lies a potential minefield.

Creditors have a preference for their investments to appreciate, not lose value. Record U.S. trade deficits are placing downward pressure on the

Continued on p.11

Recent Policy Developments In The U.S. And Europe

By: Christian Richter, The Policy Group

While the President's State of the Union speech reflected the optimism of many Americans over the recent elections in Iraq, congressional lawmakers – including some Republicans – are facing some hard facts as the first session of the 109th Congress kicks off. Conflicting federal budget priorities, widening federal budget and trade deficits and long-term challenges to social security that elude an easy political fix are only a few of the hurdles now facing lawmakers.

While the Senate has already achieved a victory in passing reform legislation on class action suits – one of several Republican priorities on the tort reform agenda – Senate leaders are already putting off until spring taking up major legislation like the energy bill, some versions of which will contain PMI-supported provisions on expanding water conservation and efficiency through the federal purchasing process. Because the energy measure last year ended up with a bloated \$31 billion price tag, some lawmakers are looking for ways to pare it back in light of increasing pressures to control spending.

On the spending front, the President's budget has offered up a fairly austere set of budget cuts, at least on so-called "non-defense discretionary spending," that one-fifth of the federal budget over which lawmakers actually have some control. Among the "losers" for federal agencies is the EPA, which gets one of its largest cuts in recent memory under the Administration's proposal. Among other criticisms of the EPA cuts is that the President will shortchange important scientific research activities used to drive important new regulations (to some, this is a rather welcome development).

Insofar as the budget restraints on EPA impact the Office of Drinking Water's overhaul of the Lead and Copper Rule (LCR), there is no

indication at this point this will be the case. PMI's continuing discussions with top Agency officials on the emerging LCR rulemaking initiative tell us that EPA's top priorities for improving the regulation will be released in March or April.

Europe: Nickel Concerns Advancing

For those paying attention, European regulators are still quietly but steadily attaining global influence over consumer products and manufacturing. Depending on the manufacturing sector or product base, their reach is extending to U.S. and other companies not even located in or selling to European Union countries.

With respect to plumbing products and related manufacturing operations, a major European review of the risks from nickel was completed in late 2004 that may require further attention from companies using nickel in their products. The effort thus far has generated modest regulation of products to date, primarily for nickel-containing jewelry and coinage. However, some of the recent discussions among European Union regulators continue to point to expanded product restrictions on a wide range of other nickel end uses.

The documents generated out of what has essentially been a multi-year risk review process are massive and complex, and a number of rather nuanced conclusions have emerged. Among the concerns advancing are those recently expressed over consumer exposures from the release of nickel from "taps and fittings" to drinking water. In this instance, the Europeans have concluded that there is a need to limit risks to consumers from these nickel-containing products. There is some attention paid to limiting new restrictions to people with severe nickel sensitization, but the next steps in the process may entail advancing a more aggressive legislative program to limit

environmental and health risks from nickel.

PMI member companies wishing to find out more on these issues, particularly



Christian Richter

EPA's plans with respect to the Lead and Copper Rule agenda and its potential impact on plumbing products, will definitely want to attend PMI's April meeting in Savannah, Ga. Among others invited to speak will be **Cynthia Dougherty**, who currently heads up EPA's Office of Drinking Water. See you there!

Dan Hinkle - Welcome To The PMI Lobbying Team

PMI is pleased to welcome **Dan Hinkle**, who replaces **Charlie Schnabel** as our Texas lobbyist.

With a background in both engineering, and law, Dan brings to us 20 plus years of government affairs experience. Dan was head lobbyist for the energy industry in Texas and Louisiana on oil spill legislation and regulations, including Natural Resource Damage Assessment regulations.



Dan Hinkle

He was also team leader on the lobby effort to defeat anti-indemnity legislation.

In addition to legislative issues, his practice also includes regulatory and permitting needs for his clients. We look forward to working with Dan and are glad to have him on board.

Delta To Unveil Filtered Faucet

(from Contractor magazine January '05)

Delta Faucet Co. announced that it is partnering with PUR Water Filtration Products, a division of Procter & Gamble, to produce a filtered faucet.

"More and more people are demanding easy access to healthy water that tastes great," said **Ray Kennedy**, Delta's senior vice president/sales and marketing. "By partnering with a leader like PUR, Delta Faucet Co. is able to answer this demand and provide our customers with solutions that fit their lifestyle."

The system uses PUR blue filters which are readily available. These filters reduce a variety of harmful chemicals and contaminants, including heavy metals (lead, mercury), chlorination byproducts (TTHMs), agricultural pollutants (pesticides) and industrial pollutants (gasoline additives, such as MTBE). The filter also reduces 99.99% of microbiological cysts (cryptosporidium and giardia).

Available in standard or traditional spout design, Simply PUR was developed to coordinate with a variety of Delta kitchen faucets, with filtration taking place under the sink style is never compromised.

Made in Chicago

The **Chicago Faucet Company** and **Keith Kramer**, president, were featured on the "Made in Chicago" segment on WBBM radio last month – January 17, 2005.

Falcon Waterfree Opens R&D Center

(from The Wholesaler December '04)

Falcon Waterfree Technologies announced the opening of a new research and development center in Brea, Calif.

According to **Michael Higgins**,

vice president, research and development, the new facility includes laboratories for development of sealants, electronics research, product testing, quality control, specification verification, a molding and prototype area, plus a complete workshop. The research center also features CAD stations and a three-dimensional printer for rapid prototyping, a graphics workstation, an extensive material research library and a centralized document control system.

Falcon Waterfree Technologies was formed to promote conservation of the Earth's limited supply of fresh water and support sustainable resource management. Since its founding, Falcon has invested considerable resources in the scientific study of waterfree urinals, not only from a water conservation standpoint, but also to determine how waterfree technology relates to improved sanitation and public health issues.

Honkin' Harley

(from Reeves Journal November '04)

Brett Davis, a project manager with Burnstead Construction in Bellevue, Wash. took home the grand prize of a 2004 Harley-Davidson Sportster motorcycle in the **Price Pfister 2004 "Get a Phresh Look" Sweepstakes**.

Davis' entry was randomly drawn from a pool of more than 2,000 submissions dropped off in the Price Pfister booth at PCBC, the Premier Building Show held in San Francisco June 16-18.

Davis has been with Burnstead Construction for more than 12 years.

Kohler Provides Attendees The Best Seat In The House At New York's Fashion Week

(from Kohler press release February '05)

New Purist® Hatbox toilet challenges conventional wisdom and epitomizes

"high design" in today's home — Kohler is pleased to announce its first-ever sponsorship of Olympus Fashion Week and marks the occasion with the introduction of the Purist® Hatbox toilet — a product that is destined to redefine common perceptions of what the traditional American toilet should look like.



"Like the fashion industry, design is part of the fiber of everything that we do at Kohler to constantly develop new products that enhance the gracious living possible in today's kitchens and bathrooms," said **David Kohler**, President – Kohler

Kitchen and Bath Group. "During our 130-year history – from introducing the first colors on plumbing fixtures in the 1920s to advancing the home spa with flagship whirlpools and performance showering products – Kohler has been progressive in making sure the products we create are innovative, bold, and forecast the next trends in home design."

Attendees of Fashion Week are the first to see the new Purist® Hatbox toilet, on display in the main lobby of Fashion Week. Conventional cues of the traditional toilet are removed as the minimalist inspired electric toilet offers a clean, streamlined aesthetic both visually and physically with its innovative tankless design.

Sloan Pair Earn LEED Accreditation

(from Reeves Journal November '04)

A pair of managers at the **Sloan Valve Co.** in Franklin Park, Ill. have earned Leadership in Energy and Environmental Design accreditation by successfully demonstrating their knowledge of Green Building design, practices and strategies, and a thorough understanding of the LEED Green Building Rating System, resources and

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PMI Member Companies In The Industry News

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processes on the LEED Professional Accreditation Exam, which is administered by the U.S. Green Building Council.

With LEED accreditation water conservation division manager **Jim Allen**, and SloanStone product manager **Graham Allen**, will now facilitate LEED Certification on construction projects. LEED Accredited professionals are experienced building industry practitioners who have demonstrated their knowledge of integrated design and their capacity to facilitate the LEED certification process on the LEED Professional Accreditation exam. The accreditation program recognizes expertise in green building and LEED to help meet the growing demand from the public and corporate sectors for green buildings.

(from Reeves Journal November '04)

The **Elkay Division of Elkay Manufacturing Co.** in Oak Brook, Ill. has tapped **Bob Seeley** to the post of executive vice president of marketing, sales and product management. Seeley joined the company in 1997 and will report to division president **Jim Scott**.

Attention PMI Members:

Be sure to check out the February 2005 issues of BNP Publications (**Plumbing and Mechanical, Supply House Times and PM Engineer**) for a special feature on the Plumbing Manufacturers Institute!

Barbara Higgs, Executive Director, and **David Viola**, Technical Director, provided articles for the feature. Call your local BNP representative, **George Zebrowski** (413) 684-1447 or PMI for copies of the publications and/or articles.

Thank you to PMI members **Brasscraft, Symmons, Neoperl, Sloan and Woodford Manufacturing** for your support of the section.

Member Feedback: (email)
From: Tom White
To: Barbara Higgs
Subject: PMI In The News
A great piece could have been written by the membership committee!!
Thanks for passing it along.

January '05 PM Engineer Magazine:

Elkay has announced its acquisition of Phylrich International, a manufacturer of decorative plumbing products. Details of the acquisition were not made public. (page 5)

Elkay has named **Stephen Rogers** as vice president, engineering. (page 6)

Kohler Co. has named **Mike Chandler** vice president, fixtures marketing for its Kohler Brand. (page 6)

"The **Symmons Industries** Visu-Temp with Clear Vue Shower" (page 48)

"Quality Runs Deep With **Haws** Products" (page 86)

"**Elkay** Expands Offering of Quick-Clip Sinks to Meet Contractor Demand" (page 110)

"**Chicago Faucets** Introduces Its First Metering Faucet with Temperature Control" (page 122)

Don't Pop Champagne Corks For 2005 Economy

Continued from page 8

dollar. For the most part, our overseas creditors are being repaid in U.S. dollars that have declined in value. If this descent continues, will foreign investors be willing to buy U.S. securities without substantially higher interest rates?

China has been an enormous purchaser of U.S. securities, but since Chinese currency is pegged to the dollar, their U.S. investments have not diminished. But once China's unsustainable growth rate begins to ebb, Chinese investors and their central bank's appetite for dollars are likely to diminish. U.S. trade deficits can be narrowed by a world-wide recovery, but

there's no alchemy to reduce the budget deficit to a manageable level. This is one area that can be largely controlled by U.S. policymakers, who have not had the inclination to act.

Expect 2005 to look a lot like 2004 with positive job numbers each month, but not nearly enough to absorb growth in the labor force. If capacity utilization increases, commodity prices should start to move through the pipeline to consumers.

Some pricing power in the business sector would be a reasonable tradeoff for higher inflation. Fiscal discipline in the White House and Capitol Hill

would go a long way toward restoring creditors' confidence in the dollar. Modest economic growth is probable, but don't break out the party hats.

Scott B. Franklin is a principal at First Generation Consulting and holds a master's degree from the London School of Economics. He develops seminars, speaks, and writes about economic issues facing the business community. Scott can be reached by phone at 913-642-6951 or through First Generation's web site at: www.firstgener.com.

MPC Plastics Resigns From PMI

Dear Barb,

I am saddened to inform you that I have decided to resign my positions on the board of directors, the executive committee and the Government Affairs Co-chair of PMI and to discontinue MPC's membership in the Institute.

Reaching this decision was difficult because of conflicts between personal desires and business sensibilities. I have personally enjoyed my experience with PMI and the wonderful members and staff associated with it — so on a personal level I wished to continue. On the business side, the plumbing market has diminished in significance to MPC while other markets have emerged and grown — so from a business perspective we need to concentrate our energies in other directions.

After wrestling with this for some

time the business side prevailed.

I would like to thank the organization and all the members for the warmth and generosity with which they received me and MPC. Please extend to the membership and the staff my personal wishes for good health, joy, prosperity and God's blessings.



Al Walcutt

Best regards,
Al Walcutt
President, MPC Plastics

Editors Note: We'll miss you, Al!

News From NAM Victory And Anniversary

By: John M. Engler, NAM President

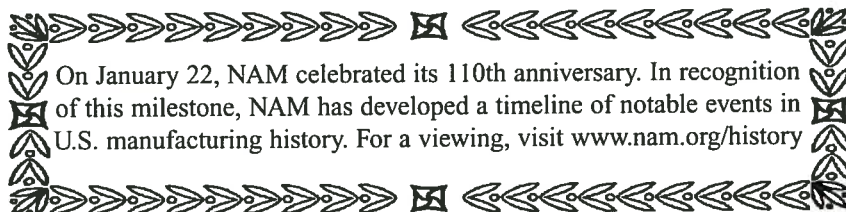
Today, a strong, bipartisan majority in the Senate resoundingly approved by a vote of 72-26, S. 5, the Class Action Fairness Act of 2005. This is a major first step to sensible legal reform and a big win for manufacturers.

Manufacturing helped set the stage for this victory by helping to elect a more pro-manufacturing Congress. Several Democrats joined Republicans in support of S. 5 which reasserts basic Constitutional principles of interstate litigation. We anticipate the House will move soon on legislation similar to S. 5, and that it will be signed into law by President Bush.

Lawsuit abuse hits large, small and mid-sized manufacturers and has become a major impediment to

investment and growth. This victory in the Senate is an encouraging sign that more substantial legal reforms are possible with this Congress. With your support, we anticipate more victories as we move on to asbestos reform, energy legislation, and other items on our pro-growth agenda, the promise of a continued renewal in our economy and our manufacturing base will be better realized. The NAM, on behalf of your membership and your own company's growth, is committed to this effort. Thank you for backing our work.

Note: John M. Engler is the President and CEO of the National Association of Manufacturers.



On January 22, NAM celebrated its 110th anniversary. In recognition of this milestone, NAM has developed a timeline of notable events in U.S. manufacturing history. For a viewing, visit www.nam.org/history

2005 PMI LEADERSHIP

Executive Committee

John Lauer, Sloan Valve Company
President

(vacant)

First Vice President

Claude Theisen, T&S Brass & Bronze Works
Second Vice President

Ken Martin, Delta Faucet Company
Treasurer

Jim Westdorp, Kohler Company
Immediate Past President

Directors at Large:

Bill Axline, Fluidmaster, Inc.
(1/05-12/07)

Herb Barnhart, Tempress Ltd.
(1/05-12/07)

Pete DeMarco, American Standard, Inc.
(1/04-12/06)

Ray Fisher, Jr., Fisher Manufacturing Co.
(1/03-12/05)

Rod Ward, Speakman Company
(1/04-12/05)

Tom White, Haws Corporation
(1/04-12/06)

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