

Phc News

plumbing & hydronic contractor news

PIPING REPORT

Charlotte Pipe® — Integrity is foundation of success



Phc News welcomes you to a new monthly feature called “The Executives Club,” where the editors interview a top executive(s) of a manufacturing company for an inside look at their company.

Phc News kick off this feature with an exclusive interview with Charlotte Pipe’s Frank Dowd, IV, chairman and CEO and Roddey Dowd, Jr., president.

Phc: What is the mission statement for Charlotte Pipe?

Charlotte Pipe: Integrity is our foundation. Meeting the expectations of our customers, associates and owners is our commitment.

Our mission statement and statement of values set the tone for our company’s business practices and guide the board and management team. The first line of our mission statement — the bedrock of our philosophy — is integrity. That’s what guides us in making decisions to benefit our customers, associates and shareholders.

Phc: What were — and are — your personal initiatives for Charlotte Pipe?

Charlotte Pipe: Safety is our most important job and responsibility — something all in management take very personally. We work relentlessly to eliminate workplace accidents. Maintaining the safest and cleanest plants in the industry and improving our safety record each year continue to be our absolute highest priorities.

Obviously, quality is very important as well. It is essential that we make the best quality products possible or risk tarnishing our image in the marketplace. Poor quality subjects our company to great danger at the hands of our competitors and makes us vulnerable to unfairly traded imports.

Phc: Tell me the importance of Charlotte Pipe being a multi-generational company — for its employees and yourself?

Charlotte Pipe: After 107 years, we

are still a privately owned family company, which means we can make decisions based on what’s best long-term for the company and our associates. As the fourth generation of leadership, our senior management team has been entrusted with the future of this company. A lot of people rely on Charlotte Pipe for their livelihood — and that’s a responsibility we take very seriously. For example, we have not had a forced layoff at any of our plants in more than 26 years — even in difficult economic times like we have been experiencing over the last two years. It is our duty, working together with our management team, to take care of our associates and to ensure that Charlotte Pipe is on track to serve our customers’ needs right now — and for years to come.

Phc: What is Charlotte Pipe’s investment in its employees?

Charlotte Pipe: Without a doubt, our associates are our greatest asset. We are

indebted to them for their hard work and dedication. Providing them with a safe and secure work environment is our first priority. Providing them with the most modern equipment and plants is also a priority. That way they can be productive and competitive in the global market place.

It is not a cliché to say that Charlotte Pipe and Foundry company is a family. Many of the folks who work here are brothers, sisters, parents, cousins or in-laws of former or current associates. There's a feeling of pride and responsibility that you won't find anywhere else. And that may be why many people tend to stay with us for decades.

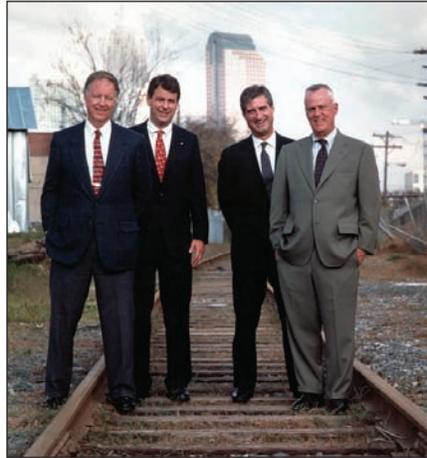
Phc: What is Charlotte Pipe's investment in the community?

Charlotte Pipe: We also take great pride in how much the company and our associates give back to the communities in which we work and live through our time and generous giving. For example, in 2007, we raised more than \$600,000 for the United Way of the Central Carolinas through individual associate contributions, special fundraising events and company matching funds. In addition, the Company and its charitable wing, the Dowd Foundation, give away approximately 3% of Charlotte Pipe and Foundry's pre-tax income every year to worthy charitable causes.

Phc: Can you touch upon a couple of things CP is doing to work "green"?

Charlotte Pipe: Throughout its history, Charlotte Pipe and Foundry has been committed to making every effort to be a good corporate neighbor and a responsible employer. We work hard to stay ahead of all the federal, state and local environmental protection regulations and standards at all of our plant locations. Over the years we have voluntarily installed new equipment to improve our environmental control systems. Company engineers responsible for these programs report through senior management to the president. We also employ third-party consultants to independently verify our environmental compliance efforts and reporting.

As far as our products being "green" our cast iron soil pipe is made from



Charlotte Pipe's upper management team consists of (from left to right): Frank Dowd, Jr., Chairman Emeritus; Frank Dowd, IV, Chairman of the Board and chief executive officer; Roddey Dowd, Jr., president; and Roddey Dowd, Sr., Chairman of the Executive Committee and director.

100% post-consumer recycled scrap. Each year we recycle hundreds of millions pounds of scrap iron and steel, converting it into cast iron soil pipe and fittings. Additionally, at the end of the life of a building, the cast iron piping can be recovered and recycled again, to make new cast iron pipe and fittings.

Phc: Charlotte Pipe is "American-made." Can you explain what that means to you and what you think that means to CP's customers?

Roddey Dowd, Jr.: It is very important for us to remain a U.S. manufacturer. We feel strongly that keeping good, high-paying manufacturing jobs in the United States is vital to our economy and our national security. Our associates' families and communities depend on a strong manufacturing base for their livelihood. And while many plumbing products are being manufactured overseas, many of our customers still insist on buying American-made products when they can.

At Charlotte Pipe, we know we can compete with foreign competitors with our modern manufacturing facilities and our highly productive, highly skilled labor force. All we ask for is a level playing field. But we face a staggering set of obstacles: rising health care and retirement costs, currency manipulation by the Chinese that distorts the marketplace, and

unchecked processes on manufacturing standards and international trade, safety and environmental rules. All the while our politicians in Washington do nothing to help U.S. manufacturers remain competitive.

In North Carolina alone, we have lost more than 217,000 manufacturing jobs since 2000, a direct result of the trade deficit with China. That's about 2% of the total state employment.

Phc: What is your involvement with CISPI? What is CISPI's role in the cast-iron soil pipe industry?

Roddey Dowd, Jr.: Charlotte Pipe and Foundry is one of the charter members of the Cast Iron Soil Pipe Institute. Organized in 1949, the Institute is dedicated to aiding and improving the plumbing industry through the preparation and distribution of technical information, renewing and updating specifications, providing technical assistance on job sites and conducting quality control programs.

CISPI is well regarded within the plumbing industry. A recent survey showed that most plumbing engineers and inspectors view CISPI as an important resource to the plumbing industry and a useful source for information on issues related to the use of cast iron and compliance with CISPI and ASTM standards.

The Institute's Quality Control Program is of particular importance and value to the industry. Created in the early 1960s, CISPI technicians make three unannounced inspections of member company inventories per year to check dimensional accuracy, metallurgical data and record keeping requirements. NSF International recently approved CISPI's Quality Control Program to validate the compliance of member products with the CISPI 301 and ASTM A 74 Standards. NSF also certified that CISPI's member-company cast iron soil pipe and fitting products, inspected by the Institute and NSF, are compliant with these standards. The addition of NSF's certification adds an oversight to this ongoing quality control program and provides an added assurance that products made by CISPI member companies are compliant with the product standards.

Phc: What are your biggest concerns

with competitors that claim they comply “by the book”?

Roddey Dowd, Jr.: Customers should have the peace of mind of knowing that overseas manufacturers have diligently followed all the necessary quality control requirements embedded in the standards. In our business, ASTM and CISPI standards for cast iron pipe and fittings require consistent tensile strength, chemical and dimensional testing and radiation testing of raw materials. These tests must be done during the manufacturing process by the manufacturer to ensure consistent quality and to be in compliance with the standard. No third-party certifier or importer can do that after the fact.

The problem is that most U.S. importers purchase cast iron soil pipe and fittings from multiple foundries in China. The name of the producing foundry frequently is not stenciled on or cannot be readily identified on the pipe being sold (which is required by the standard). This makes it difficult to identify which foundry produced the material. Also, the pipe sometimes is only marked with the month and the year it was manufactured, not the date of manufacture (which is also a requirement of the standard). These lapses make it impossible for consumers to tie back pipe or fittings to chemical, physical and dimensional testing reports at a given foundry, as required by the standard. If there was a quality problem, how would the purchaser know what day the material was made, or which foundry made it, so they could ask for test reports that would verify the quality?

Recently, the Michigan Construction Code Commission voted to deny approval of an importer of cast iron soil pipe and fittings from China for use on state construction projects in the state of Michigan. In the case, a U.S. importer had requested official approval of the products they were reselling. They were denied approval after Michigan regulators were not satisfied that the products they were outsourcing conformed to applicable standards referenced in the Michigan Plumbing Code.

Requiring products to conform to applicable manufacturing standards is essential in today’s world of global outsourcing. The news headlines demonstrate all too well what can happen if they are not followed. Demanding that foreign-made products prove they meet the standard is a legitimate, understandable requirement of those entrusted with protecting the health, welfare and interest of consumers and taxpayers. Anything less will not adequately protect the customer.

You talk a lot about competing with the Chinese. Have you been to China?

Roddey Dowd, Jr.: I have visited China regularly since the mid-1990s to make sure we understand their capabilities when it comes to manufacturing plastic and cast iron pipe and fittings. My last trip was just 11 months ago. I have been in the primary cast iron pipe plants which are supplying the importers. As the evidence presented in Michigan demonstrates, and from my firsthand observations, these foundries supply multiple U.S. and European importers. They have no knowledge of the U.S. market or our manufacturing standards and will put anyone’s name on the pipe if they place an order.

Based on your knowledge of the Chinese production base, did the Michigan decision surprise you?

Roddey Dowd, Jr.: Not at all. What surprises me is the fact that these questions hadn’t surfaced earlier. Having been in this business for 27 years, I’ve come to understand how difficult it is to produce a high quality product. I would certainly not be comfortable relying on the multiple parties involved in this supply chain to guarantee quality sufficient to put the Charlotte® brand on. The foundries in China are very small shops with primitive technology. They are undercapitalized and extremely challenged by the rapid increases they are facing in wages, raw materials and energy. There’s no need to even comment on safety and the environment — no controls exist. No wonder the importers did not want a minimal safety reference added to the ASTM standard.

Doesn’t the fact that they have certification give some level of quality assurance to the buyer?

Roddey Dowd, Jr.: As to third-party certification, it’s important to understand and quantify the level of expertise that the inspection agency has. Based on my experience, the third party certification in China is lax to inconsistent. Charlotte Pipe’s plastic and cast iron products carry third party certification. Without saying more, we would state that we see a wide disparity in inspection expertise and rigor. That is why the cast iron ASTM standards require that product certification must be done by the foundry which pours the metal. Furthermore, the one entity that knows the most about inspecting soil pipe is CISPI. The CISPI quality control program, which is certified by NSF, is rigorous and extensive. Along with other senior executives in our Cast Iron Division, I receive a copy of every inspection report and see any non-compliant items, which we immediately correct.

Phc: What would you like your legacy to be at Charlotte Pipe?

Charlotte Pipe: We would like to see Charlotte Pipe and Foundry remain a privately held company and an industry leader. We want to continue to innovate. We want to continue to work everyday to develop and maintain close relationships with our customers and provide a reasonable return to our shareholders. And we would like to see the company continue to look after its wonderful associates, providing good jobs here in America.

Phc: The history of Charlotte Pipe is solid; where does the company go from here?

Charlotte Pipe: We will continue to re-invest to make sure that we are able to weather the tough times and prosper in good times. It is important to keep our focus on the horizon and to manage the details of our business carefully so we can be the kind of company our customers, ownership, suppliers and associates can be proud to work with.

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For more information, call toll-free at (800) 438-6091
or visit Charlotte Pipe at www.charlottepipe.com.

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