

THE KING OF PIPE

Birmingham's pipe industry is one of its oldest business segments, yet little has been done to train workers in order to secure its future growth. Despite this lack of state support, McWane Inc. continues to focus on its workers and the communities it operates in by ensuring the company and its philanthropy will be around for generations to come.

BY RUSSELL RICHEY

McWane Inc. is a fourth-generation, family-run diversified foundry business that has built its success on careful, long-term strategic planning and a steadfast commitment to its customers, employees and the communities in which the company operates. The company's core business is in the waterworks and plumbing products business, but it has diversified into the fire-extinguisher business with its acquisition of Amerex, and into the propane-tank business with its acquisition of Manchester Tank.

Business Alabama recently spoke with McWane Inc. President Ruffner Page. Page gave some revealing insights into the dynamics of the cast-iron pipe industry, and how McWane has continued to prosper in a rollercoaster global marketplace.

Tell us about how the foundry business works.

The foundry business involves melting scrap metal either by electric furnace or in a cupola, and then casting it into ductile or grey iron into either pipe or parts of valves, fire hydrants, the water-works fittings — the T's and bends that connect the pipeline underground together. Then there's above ground pipe, called soil pipe. It's drainpipe for non-pressure applications used inside buildings, and its demand is driven by the improved

soil pipe insulation versus plastic pipe.

What are some of the trends in your industry?

In both soil pipe and underground pipe, a recent trend is towards green buildings, and we believe that since iron is from cradle to grave recycled. Currently, when we make a piece of pipe, we'll actually shred an automobile. We'll keep it from going in the landfill and make pipe out of it. So, it's completely 100 percent recyclable, whereas plastic material, and the excess material, has to come from virgin resin and the waste material goes to a landfill. It's not recyclable.

Tell us a little about McWane's approach to strategy and planning.

The byline we use internally with our employees is that we run the company 'For Generations.' Phillip McWane is the fourth generation McWane to be chairman of the company. And we have the luxury, by being a family business, to think in terms of the long-term.

We want our plants to be successful not just next year, but 20 to 50 years from now, and we play a role in those communities philanthropically, and we want there to be trained, skilled employees in our plant communities to be able to work and benefit from having an operation there.

What are some of the challenges McWane is currently facing?

Our marketplace, like those of all manufacturers, is feeling the competitive strains related to Chinese competition, and we feel like we have responded to that in a different way in each of our different markets. We have four basic business lines. We have the ductile line pipe business, the valve and fire hydrant business, the cast iron soil pipe, and then we have our steel-fabrication operations.



Ruffner Page

So, we've responded based on what the economics are for each business. And in turn, we've built a plant in China for our waterworks fittings business, and have adopted a blend strategy with our existing operations in the United States.

Our employees are important to us, and because almost all of our employees are unionized and a lot of them are steelworkers, I went to Leo Gerard, the president of the International Steelworkers Union. I called him and explained what our strategy was so that he understood that we were not interested in offshoring all of our operations. But that to respond to competitive threats in our markets, we were going to utilize a blend strategy on a selective case-by-case basis, so as to keep our domestic plants competitive.

How do you see China's longer-term impact on your industry?

I think that like everything there is a cycle. And China will go through a cycle in which you see them being extremely export-oriented, almost mercantilist, and that as the population becomes more wealthy and aware in China, the costs in China will rise. In fact, we've already seen the prices for iron ore and coke and the Chinese RMB [China's currency] rise, and so the question is a matter of how long will it take for China to step out of third-world status from a labor-wage standpoint and become part of the industrialized world in terms of compensation and pay. That may take three years or it may take 15 years — I don't know. But it is a cycle that they will go through, and so we are committed to preserving our plants in the United States because we believe in the end that we are competitive currently, and we will continue to get more competitive as that cycle in China takes place.

Interesting that the foundry business seems to have competitive equity with China, since so many other sectors don't.

China is not much lower in cost in ductile iron pipe than in the United States. In fact, historically, the United States has been the low-cost producer of pipe in the world.

What factors go into America's ability to be a low-cost producer?

Well, I think that you have a large market, so you have economies of scale. You have a competitive landscape on the production side that consolidated in the 60's, 70's and 80's, which provided greater economies of scale. And we have an effective trade association with which we work to maintain standards that allow for high-volume, cost-effective production methods and a product that our customers want. There has been a lot of hard work in our plants by our people to reduce cost every year.

I bet that most consumers don't really know that.

And most people in Birmingham don't know that Birmingham is the king of the ductile iron pipe [industry]. If you look at it, three of the four ductile iron pipe operations are based in Birmingham. Probably half of the entire United States' ductile iron pipe productive capacity is in Birmingham.

And if you talk to consultants that

review what it takes to have economic growth in communities, one of the things that they focus on is that if you have a concentration of talent focused on specific skills, like the foundry industry and like making pipe, a particular community can actually excel in growing, economic development-wise, because they have developed and invested in those skills in the workforce and they just don't exist where that concentration of production activity doesn't exist. So, there is a neat talent pool in the Jefferson County MSA area of people in the ductile iron pipe a centrifugal casting business.

Unfortunately, we haven't gotten a lot of support from a training standpoint, and we've seen a lot of our skilled employees go to the autos, and we've had to retrain much of our work force. In fact, the only complaint that I would have is that we would ask that the state try and help what we think is a significant industry in Alabama with some training support.

You've been in upper management

for some years. What general business advice would you give to a young CEO of a company?

I don't know if I should be giving advice to anyone, but what I might offer to a young CEO is: it's never as good as it seems, and it's never as bad as it feels. There are highs and lows and the role of the CEO-politician is here to stay. CEOs have to be involved externally, because — look at the primary criticism of Bob Nardelli and his departure from Home Depot. The primary criticism of Nardelli is that he didn't manage the external optics of the way the company was perceived. Playing a leadership role in a large organization requires not only internal focus and success, but also external focus and communicating those successes. •

Russell Richey is a regular contributor as a freelance writer for Business Alabama. He works for EBSCO subsidiary Web Services, and can be reached at rrichey@ebSCO.com.

For more from our interview with Page, visit www.businessalabama.net.



PARKER

Jim Parker Building Company, Inc. has established itself as a performance oriented General Contractor serving the Southeastern United States.

Our company continues to sustain its growth while moving into larger commercial and industrial markets as well as healthcare facility renovations and design-build projects.

Please visit our website and call us today.

Jim Parker Building Company, Inc.

(334) 887-7275

www.ParkerBuilding.com