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BESCHLOSS BEAT

Q&A with Ed Kerins Jr.

Cambridge-Lee joins copper tube leaders

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Cambridge-Lee is one of the three largest U.S. copper tube manufacturers. Cambridge-Lee Industries was founded in Allston, Mass., by Harry Indursky in 1963. During the early years, Cambridge-Lee imported limited sizes of copper plumbing tube from Europe. A few years later Indursky was introduced by a mutual acquaint-



Ed Kerins Jr., vice president of sales and distribution, Cambridge-Lee Industries.

tance to Byron Halstead, who had a tube mill in Zelenople, Pa., and a partnership was formed.

Halstead was producing tube for heat exchangers, but the capacity of the mill was more than they could consume in the heat exchanger operation. Halstead's extra capacity and Cambridge-Lee's need for more tubing was a perfect match. As the years went by, Halstead opened two additional mills, in Wynne, Ark., and Pine Hall, N.C. Both companies continued to grow through the 1980s and 1990s.

Early in 1993, Cambridge-Lee was approached with an acquisition offer by a Mexican conglomerate, IUSA. Cambridge-Lee had been purchasing limited amounts of tubing from IUSA since the mid 1980s. IUSA's capacity was growing and they were looking for ways to increase their penetration in the US market. The purchase was consummated

later in 1993. Soon after the acquisition IUSA/Cambridge-Lee began looking for a U.S.-based production facility.

In 1996 IUSA/Cambridge-Lee purchased Reading Tube in Reading, Pa. All of the production from Mexico and the U.S. is sold under the Cambridge-Lee name. In 2000, IUSA invested \$40 million in the Reading plants to increase productivity and lower costs.

It is my privilege to engage in the following interview with Ed Kerins Jr., vice president-sales and distribution.

Beschloss: Ed, your 34 years with Cambridge-Lee qualify you as an outstanding industry veteran. I presume this is your life-long challenge.

Kerins: I started with Cambridge-Lee as a summer intern in 1974 while I was attending graduate school for my M.B.A. Before the summer was over, I was offered a permanent position. I have enjoyed working in the copper industry and I have made many friends over the years.

Beschloss: Based on the success of Cambridge-Lee during your association (since 1974), this time period has seen the company move into the upper strata of the copper tube industry. Other than the affiliation with IUSA and the acquisition of Reading Tube, what has been the key to the company's success?

Kerins: We have been blessed with many long-term employees. Our production and distribution people are highly skilled and have contributed much to our success. Our salespeople have developed long-term relationships with their customers, which is especially important in a commodity business.

Beschloss: What has been the involvement of IUSA in strategic decisions?

Kerins: At the direction of our parent company, we went through a restructuring a few years ago. A couple of layers of management were consolidated. Since the restructuring, both sides of the border have participated in strategic decisions. Since that time, I have reported directly to the family ownership in Mexico.

Beschloss: Since the wide range of copper tubing that you manufacture and distribute puts you in the plumbing-heating-cooling sector, as well as commer-

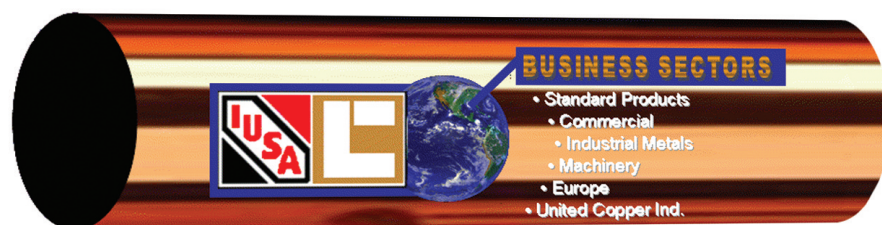
cial and industrial, how have present marketing conditions affected your growth?

Kerins: Demand for copper plumbing tube started to drop in May 2006 when copper reached \$4.00/lb. for the first time. Over the past couple of years, plastic pipe has considerably increased its

were Reading Tube customers in the past. Many of the customers were buying from both of us anyway.

Beschloss: Do you believe your production facilities and overall access are adequate for requiring the penetration level you've been able to attain?

Kerins: Over the last several years



market share in the new residential construction market. Commercial construction still remains predominantly copper.

Beschloss: Has your commercial/industrial penetration offset the loss of residential projects?

Kerins: Yes, though the reduction in volume in the residential market has been more than the increase in the commercial market.

Beschloss: We both remember copper at 75 cents a pound only a few years ago. With \$4.00 a pound having been reached, how have you made provisions for volatility and price disparity?

Kerins: In the copper business price volatility is always a concern. We have reduced our inventories in raw materials, WIP and finished goods in response to the recent increase in volatility.

Beschloss: As vice president-sales, you've worked with direct sales, regional managers and manufacturers reps. Have you reached an optimum mix in this approach to distribution? As a long-term manager, have your distributors expressed satisfaction with your marketing approach?

Kerins: We have a flexible approach as to which type of sales force we use in each territory. When we purchased Reading Tube in 1996 their outside sales force was predominantly manufacturers' reps. As I responded earlier, we have many long-term employees. We also have a few long-term manufacturers' reps. When combining the sales forces, we kept the Cambridge-Lee salespeople and they absorbed any customers that

our parent company has invested heavily in the production facilities here in Reading and in Mexico. We have consistently been able to lower our costs in order to stay competitive.

Beschloss: How have you balanced the access from Mexico and Reading, and your traditional locations? Is this by size and type, or a mixture dependent on facilities available at the time?

Kerins: We factor in several variables when deciding where to produce each product. Most of our sizes and types can be produced in either location. Over the years the acceptance of the made-in-Mexico product has grown and it is now a non-issue as to where the products are made.

Beschloss: What is your current market outlook for now and the rest of the year?

Kerins: I feel that the demand for copper plumbing tube this year will be flat compared to 2007.

Beschloss: Are all your capital spending needs being met by internal financing and support from your Mexican parent company?

Kerins: Our parent company has been very supportive in supplying our financial needs.

Beschloss: Despite the company's growth into the upper strata of the U.S. copper tube industry, are other industry acquisitions on the horizon?

Kerins: We have explored some strategic acquisitions over the last few years, but there are none pending at this time. ■