

JM Eagle offering 50-year warranty on its water and sewer pipe

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LOS ANGELES (April 5, 9:10 a.m. ET) – JM Eagle, under fire from a whistle-blower lawsuit, has announced an “unprecedented” 50-year warranty on its water and sewer pipe – but President Walter Wang said company officials were studying the move well before the suit was unsealed.

JM Eagle has offered a one-year warranty, which Wang said is the standard warranty for pipe. Effective April 1, JM Eagle will warranty its water pipe — BlueBrute, Big Blue and Ultra Blue PVC pipe, and solid-wall polyethylene pipe — for 50 years. The company also has extended the warranty to cover pipe it made in the past.

The warranty covers water transmission and distribution pipe and forced sewer pipe.

JM Eagle is the largest plastic pipe maker in North America, with annual sales estimated by Plastics News at \$1.6 billion. The company runs 23 U.S. pipe plants and plans to invest \$20 million this year to buy equipment and develop new pipe products.

JM Eagle is guaranteeing its pipe meets industry standards of the American Water Works Association, ASTM International, American National Standards Institute/NSF and Underwriters Laboratories.

“JM Eagle warrants that each of these products manufactured by JM Eagle left our plant free from defects in workmanship and materials. These products as manufactured by JM Eagle are retroactively backed by our extended, unprecedented, 50-year limited warranty,” according to the guarantee.

The company announced the warranty officially April 5. The plan does not cover defects or failures caused by problems after shipment, such as improper installation.

Wang said the warranty is a statement that the company is willing to stand behind its products. JM Eagle’s reputation got slammed by the whistle-blower lawsuit, joined by four states and 43 cities and water districts in California. The suit was unsealed Feb. 8 in U.S. District Court in Los Angeles.

The suit alleges JM Eagle made substandard pipe, cutting corners to increase its profit.

JM Eagle officials have vehemently denied the charges. The whistle blower is a former employee, John Hendrix.

“This 50-year warranty is really very separate from this lawsuit,” Wang said. “Actually it arises from last year, when we thought about this because of the recession.”

Wang said the economic downturn highlighted the need to promote plastic pipe as a high-quality, long-lasting product. JM Eagle also wants to promote plastic pipe now, as the federal government is putting economic stimulus money into infrastructure projects, he said.

“This is an opportunity for the entire plastic pipe industry to take a stand and say our product is great. Let’s give people comfort,” Wang said.

The pipe already lasts 50 years, according to Wang. “We thought it would add a lot of credibility if we introduced some kind of warranty for 50 years,” he said.

On April 2, JM Eagle announced the \$20 million investment to improve its pipe factories. Officials said the company has invested more than \$350 million over the past 15 years.

The warranty is for newly filed claims. Wang said the guarantee covers pipe made by JM going back to 1982, when Formosa Plastics Group, a Taiwanese resin giant, bought the pipe business from Johns Manville Inc. and formed JM Manufacturing Co. Inc. Wang said he led a leveraged buyout of the company in 2005, and it is no longer affiliated with Formosa.

JM Eagle was formed in 2007 when JM Manufacturing merged with PW Eagle, and then moved its headquarters from New Jersey to Los Angeles.

The whistle-blower lawsuit claims Wang implemented "a series of cost-cutting measures that undermined the quality of JM's PVC pipe products." Wang's name comes up repeatedly throughout the 70-page lawsuit, which has received widespread news coverage.

The Justice Department and attorneys general in California and Florida decided not to join the whistle-blower lawsuit. The Justice Department conducted a three-year investigation, the company said.

Wang, in his first interview about the lawsuit, said the "false accusation" is aimed at the entire company. "It hurts me, but it hurts me most because they're hurting my people," he said. "These are people that are in the local communities. They are honest people. They work so hard for an honest day of pay."

How does Wang feel about being singled out in the lawsuit?

"I do believe deeply that human beings are basically good. So after this false accusation, it's falsely accusing you of doing something that you did not do," he said. "At the beginning 3½ years ago, when I found out about this, it was really hard to swallow. I've thought to myself, what have I done? I've done nothing wrong."

Wang said he is confident JM Eagle will be vindicated.

"I just want the truth to be told, because I believe at the end of the day, the truth will set you free," Wang said.