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## MARINE CONSTRUCTION MARKET DOWN BUT SHOWING NEW LIFE

By Bruce Johnson

The marine construction market is producing mixed results. Growth in commercial shipping and projects funded by the Defense Department are key factors behind the strength, but the depressed oil industry is having a devastating effect on fabrication of offshore structures and related shore facilities. Even where work is relatively plentiful, conditions are less than ideal for the players.

"There seems to be plenty of work, but work is going cheap," lamented Wayne Sutherland, for Morrison Knudsen Co. Inc. He noted that his company doesn't do much oil patch work but "the price of oil affected us." "There's more capacity than jobs to bid," he said. "Any reasonable-sized jobs will draw seven to nine competitors." Unlike a few firms in the market, Morrison Knudsen survived the recession "quite well." But he noted that companies now are looking at projects worth \$1 million, whereas a project previously had to be at least \$30 million to trigger large-company interest.

Added Bob Ramsdell, Kiewit Pacific Co., Vancouver, WA: "We're not doing much; the outlook is pretty bleak." Optimistically, it is possible that \$100-\$150 million will be bid next year in California, but the reality is "probably a third to half of that. The money available is very limited."

Dick Lowe, POMCO Associates, Inc., Palmetto, FL, reported that "there always seems to be some work" but that "marine-type work is consistently slow, not overabundant." A year ago, POMCO completed the Interstate 275 Sunshine Skyway Bridge over Tampa Bay.

"Very soft" is how Jim Pearson, Dillingham Construction, Pleasanton, CA, termed business. "There haven't been many jobs to commit resources to." He noted many projects are funded by municipal bonds, particularly port district developments, and bond financing has diminished in the eyes of investors.

A spokesperson for Bechtel Group Inc., San Francisco, observed "the industry closely follows the economy" and that the demand for facilities, such as refineries, pipelines or mining installations, "is bearish." But she added "the market for commercial ports is alive and well, especially on the West Coast. Right now, there are projects in the works in Los Angeles, Oakland, and Puget Sound.

Southern California is the bright spot not only for the West Coast but for the country. Rapid growth in containerized shipping continues to create terminal construction and expansion at the ports of Los Angeles and Long Beach. In addition, U.S. Navy facility work is steaming full speed ahead at San Diego. "We and other companies in the Northwest have had to venture into the California market to keep our equipment working," noted Tom Sherman, General Construction Co., Seattle. General is doing a major marine terminal job for the Port of Los Angeles, starting a terminal facility at Port Hueneme and has significant Navy work at San Diego. Added Glenn Edwards, of Manson Construction & Engineering Co., Seattle: "We had to stretch out our geographic scope". Manson just finished a major dredging job for the Navy and a marina project, both at San Diego. The firm also has miscellaneous dock work in California.

While Southern California is the bright spot, the Puget Sound area is not without opportunities. Although major terminal construction and rehabilitation projects were completed last year at the Port of Seattle, the Port of Tacoma recently awarded a contract for a new container terminal. Doing that job together are Mason and General. "I think the outlook in the Northwest is good," said Sherman, of General. Beside the Tacoma project, the Port of Seattle and Washington State Ferries have work scheduled. Also pending are the Elliott Bay Marina at Seattle and Navy home port at Everett. "We're looking forward to Everett home port work" bidding, said Sutherland, of Morrison Knudsen. That, with similar work that may shape up for Hunters Point at San Francisco, would be "a good infusion into the business."

"I think it looks a little better," said Edwards, at Manson. In addition to shipping and naval work, some harbor deepening is on the horizon due to passage last year of the federal water resources bill. "That is a big plus."

However, work on the West Coast has slowed to such an extent that Kiewit has turned to Hawaii. "We have more work in Hawaii than on the West Coast," said Ramsdell. The company just completed a pier extension on Maui, a seawater intake for an industrial installation on Hawaii and a bridge to Sand Island in Honolulu Harbor. Navy work also has been relatively strong.

But Reginald Lee, Hawaiian Dredging & Construction Co., Honolulu, said "the rest of the year doesn't look like much." "There is very little large, new, marine related construction" coming to bid. His company completed a large outfall two years ago and is bidding on another such project. Other activity consists of maintenance dredging and breakwater work. Hawaiian Dredging used to go farther afield to such places as Guam and Okinawa, but because of international competition, that work ended five or six years ago. "It's difficult to compete against the Japanese."

Some American companies still have sights set on offshore as well as domestic construction. One is The Parsons Corporation, Pasadena. "I think you're going to see selected improvements to marine facilities throughout the Pacific Rim," said Charles Terhune. Some work is anticipated in the People's Republic of China, and when the Iraq Iran war winds down in the Mid-East, there will be considerable terminal work to be done. Currently, thought, "it's pretty down for us." Parsons, with other companies, has been impacted by the decline in crude oil prices.

Sam Brice, Brice Construction Inc., Fairbanks, AK, noted that no tug\barge sealift with prefab oil field facilities is planned next year for Alaska's North Slope. "Flat to downward is what most of us see now." Although some projects, such as the Red Dog lead and zinc mine in NW Alaska,

are shaping up, bidding will be "very competitive." Other than this type of work, the future of projects in Alaska hinge on oil prices and whether Congress will allow exploratory drilling in the Arctic National Wildlife Refuge.

Much the same assessment was given by Gary Newchurch, McDermott Inc, Amelia, LA. Once crude oil prices climb to about \$25 a barrel and prices stabilize, shoreside as well as offshore construction again will materialize. With the industry looking at drilling as deep as 2,000 feet, there is good potential but this is long-term, looking at the mid 1990's. Even for less extensive work, nothing will happen overnight. The lead time for construction is 18 months to three years, depending on the size of structure or depth of water. Right now, thought, this is a dream, not a reality. "Anything in the marine arena right now, as far as financing, is very difficult," Newchurch asserted. "The industry per se is in bad shape, terrible shape."

On a more positive note, Glen Clark, Pipe Lines Unlimited Services, Houma, LA, reported that things are looking up for his underwater pipelines firm, which merged with Santa Fe Offshore Construction. "It's pretty active now." "There are plenty of bids coming in. It's a normal bid flow." He attributed this increase to new leases being granted in deeper water, an improvement in gas prices and a stabilization in oil. "There's no projected plummeting of prices. People are feeling more secure." Pipe Lines, being one of a few firms capable of laying pipe in deep water, also is well positioned to capitalize on the move into deeper water areas, ranging up to 1,000 to 1,500 feet such as in the Green Canyon area south of New Orleans.

Business also has been strong for Healy Tibbitts Construction Co., San Francisco. "Volume this year is going to be four times last year's," reported Richard Smith. Most of the work has been on the East Coast, in the form of bridges, an outfall, and cable crossing. Business is definitely stronger on the East Coast than the West. "The East has always preceded the West on recovery" from past recessions and this is no exception. Worldwide, the market is looking stronger, Smith said. But he added that "I don't expect any money to be spent in the oil patch for a long time."

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