War stories

Reaction to Gulf mixed...

BY MARK LESLIE

As the Persian Gulf crisis turned 1 month old, investors, builders and ar-
chitects in the U.S. golf industry reacted with varying degrees of caution and
optimism.
The length of the crisis is crucial to deciding its impact, everyone agrees.

Michael Hurdzan, an architect based in Columbus, Ohio, predicted an "in-
credible impact" from the crisis and hardened back to the Arab oil embargo of 1974 when the golf construction
"virtually dried up."

"I think this situation is so unsettling that developers in the U.S. who have
not already committed (to a project) are going to wait and see. I think that some of those who are committed and who are on the fine edge are going to say, 'Hey, I'm going to cut my losses and stop right now.'" Perry Dye, president of Dye Designs in Denver, Colo., and of the Golf Course Builders of America, said: "We're in the recreativaional, extra-dollar industry. We're the first to go and the last to come back. But until it happens we won't feel it."

Dye said developers whose projects have been in the permitting process
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Fla. summit will draw all parties

BY PETER BLAIS

Item: A Florida water district considers instituting a $1 per 1,000-
gallon surcharge on golf courses for water pumped out of courses' own
wells. The move could add $10 to the average round and $800 to the
typical private club membership fee.

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Irrigation

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to a Maxi 5."

Manufacturers’ list prices on
computer control systems range
from $17,000 to $28,000, but they
normally sell for 40 percent less,
said one industry source. The price
usually covers the software, sup-
port, training, and the interface that
allows the computer to talk to the
satellites.
The satellites cost about $3,000
per unit. An average 18-hole course
on the East Coast will install 12 to 15
satellites while a West Coast course,
which waters the rough, will have
30 to 40.

A key feature for many superin-
tendents considering a computer
controlled irrigation system is
whether it can run other programs.

Expanded uses

"The demands of superintend-ents include so many things," said
John Skidgel, golf marketing man-
ger for The Toro Co. Irrigation
Division. "They want records. They
want to know if there’s any shut-
down. They want to operate lights
on the tennis courts, open and close
valves on the ponds to keep the
water levels at a certain point. They
want to turn on their aerator out in
the middle of the pond. On and on
and on...."

“We’ve even got additional pro-
grams so guys can do things like
lightly sprinkle the fairways to re-
move frost right before play starts
in the morning.”

Some systems are PC-dedicated;
others are not. The difference is
that one can be used for other pur-
poses while it is controlling the irri-
gation; others cannot.

But Wright said it shouldn’t mat-
ter. "You figure you irrigate from 10
at night to 6 in the morning. No one
uses the computer for other things
at that time," he said.

The difference from one system
to another?

“We don’t find a whole lot of dif-
fERENCE,” said consultant Mervis.
"They’re all trying to do the same
thing."

Future

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energy and ground water contami-
nation — this is a way of control.

"Superintendents can use com-
puters to solve environmental con-
cerns."

Christie predicted systems will
have information “as to how much
water, over what period of time, is
needed to wash fertilizer in slowly
rather than going straight to the
ground water.”

Sears said one manufacturer is
developing a system programmed
with weather data from the last 30
years. A superintendent will punch
up his ZIP code and the program
will plug that data right into the
system. The weather station will
then base itself, and make daily
adjustments from that data.

The cost

The cost of computer controllers,
Thompson said, will depend mostly
on supply and demand.

"You pay a premium for new
technology," Thompson said, "but
that will stay the same proportion-
ately."

Ray Davies, superintendent of
Virginia Country Club in Hunting-
ton Beach, Calif., and president of
the Golf Course Superintendents
Association of Southern California,
said he doesn’t consider it a dis-
antage for a company to promote
its system’s many capabilities, even
if they are not used much.

"It may be an inaccurate sales
tool," he said. "You only talk about
a bell or whistle if that thing’s im-
portant to the customer. And it’s up
to the customer to decide if it’s what
he needs and to buy accordingly."

Supers

Continued from page 1

gallon more than before. The
price of oil had just gone up to $24 a
barrel and was destined to climb
to over $30.

"We get monthly 1,000- to 1,500-
gallon deliveries," Jones said. "I hate
to think what my next fill-up is go-
ing to cost."

Ken Flisek was more optimistic
about his situation at The Wood-
lands course in Falmouth, Maine,
which is closed in the winter.

“Our fuel is only about $10,000
out of a $400,000 budget," Flisek
said. "That may go up to $12,000
next year. That doesn’t count heat-
ing fuel for the maintenance build-
ings in the heartland of the country,
Stephen Biggers IV reported a
similar feeling.

The president of the Indiana Golf
Course Superintendents Associa-
tion and superintendent at Highland
Golf and Country Club in Indian-
apolis, Ind., Biggers said, “Guys
with a longer season will be hurt a
lot more than us.”

Biggers said gas prices had gone
from $1.00 to $1.30 per gallon, but
that impact was minimal consider-
ing the size of his overall budget.
He said he had not bought oil or
chemicals since the Middle East
crisis arose, and added: “I don’t know
what will happen in the chemical
industry. I’m sure there’s plenty
in stock. New materials will
probably go up. More than any-
thing else, the cost increase would
be in products that use surfactants
(surfactant agents or emulsifiable concentrate-
type materials.

"Luckily, we’re almost out of the
season for chemical applications.”

Saying that he did not think cost
increases for chemicals would hurt
much, Flisek added, "Unfortunately,
only once the fuel price goes up,
the price of every commodity in the
world goes up."

Jones thought the worst effect
would come from the domino
theory.

"All our fertilizers are based on
fuel oil. Our chemicals are based
on fuel oil... And I think the domino
Continued from page 1

"are not going to quit because of current affairs ... They've been involved for a year, maybe two, and they're just not going to quit on Aug. 1. It might stop a few guys from starting on Aug. 1, and we won't be affected by those for a year from now."

"Do I feel any different? No, because you can't stop a golf course halfway through construction — unless you're a savings and loan."

Dye said developers are "some of the biggest risk-takers in the industry today. They're fearless-type people. It's the lenders who usually draw back."

Ed Seay, executive vice president of Palmer Course Design in Forte Vedra Beach, Fla., said: "We have over 60 clients representing 80 projects and I have no indication it's (Middle East turmoil) affecting anything... Perhaps we'll feel an effect from the aftershock."

Thomas Clark of Kensington, Md., vice president of the American Association of Golf Course Architects, said it is too early to say what effect the crisis will have on the industry, but added, "I got three calls today from people who want to build courses."

Nevertheless, uncertainty reigns in many quarters, and architect John LaFoy of Taylors, S.C., said the American public's perception of the situation is all-important.

"Perception is the big problem," not the oil itself, nor finances, said LaFoy. "Perception that there will be ill effects on the economy will be the only reason development would stop."

Willard Byrd, an architect in Atlanta, Ga., who specializes in planning golf course communities, said: "Oil prices are going to have some effect if it's prolonged... If the stock market continues to go down, it will affect the availability of money, particularly with the private investor.

"It may have some effect like it did last time (the 1974 oil embargo), and people just not doing (a project) because of the uncertainty of it. Construction dried up more from the standpoint of the clientele not going to the project."

Byrd said the length of the Persian Gulf confrontation will determine its impact.

Like Dye, he said: "We can't tell much about it yet because what we've had under contract is still progressing."

But he did say one lender backed off a project after verbally committing to funding it.

"What bothers me is that and the stock market going down, and these fellows being able to get private lending. You can lose a lot of money right quick on paper," Byrd said.

Hurdzan said a critical factor is that "so many of these golf course projects are housing driven."

Explaining that developers usually borrow money at the prime interest rate plus 2 percent, Hurdzan said: "When the prime rate hits 11, the yellow light goes on. When it hits 13, the red light goes on... When money costs 15 percent, everybody just about dead stops in their tracks. So, if we can keep the interest rate down, things will probably continue to move through.

"But... people are nervous. We have the S&L problem. We've got the possibility that if we do go to war, what's going to happen to the overall oil supplies. And people are going to get very conservative."

"We are seeing that in developers who are clients. The personal interest has slowed down in guys who were eager six to nine months ago."

Hurdzan said: "The developers who are affected the most are, in order, the housing people, particularly if they are trying to sell a second home, the condominium developers... Then it's the resort builders who are trying to build a 200- or 400-room hotel...

"The governmental ones are going to stay right through to the bitter end. We were building courses in The Depression in the '30s. The government feels part of its function is to provide recreation for the people, and the worse the economy gets, the more they feel they have to get people in the place to recreate. The government will continue to build."

LaFoy and Byrd agreed about which developers would be affected the most.

LaFoy said that in his region at least, many developers are now building medium-priced golf courses and communities because there is a glut of houses $200,000 and up.

"Developers are pretty imaginative. When one market starts drying up they look for other markets, and I think they're hitting the nail on the head with medium-priced houses," he said.

"A lot are going toward semi-private or daily-fee courses with $110,000 to $150,000 homes, and with the pool crisis, developers are now building medium-priced houses."

LaFoy said the exclusive and lower-end clubs won't be hurt as much as the ones in between.

He explained: "People with a lot of money never quit spending. New-money people stop spending on luxury items. That applies also to golf courses."

Byrd added: "The high-end market is the last to be affected. The middle market is hurt the most — people in the $150,000 to $350,000 second-home market. Above that, we haven't seen the effect too much."

Byrd added that if the Persian Gulf confrontation is short-term, "I don't think in the long run, if it's long-term, I think it will have a big impact on the industry."

"We'd have to devote our attention in another direction."

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October 1990

It's too early to say what effect the crisis will have on the industry."

- Tom Clark

"...and they're just not going to quit because of current affairs..."

- Michael Hurdzan
Iraqi neighbors, Asians non-plussed

BY MARK LESLIE

The possibility of a war brewing in the neighborhood is not stopping golf course developers in Eastern Europe and Southeast Asia—Indonesia and Thailand are among the Americans involved in projects overseas.

Consul Kim McLoughlin and architect J. Michael Poellot, both fresh from long trips to the region, agree developers are not discouraged by the Persian Gulf crisis: “We've got two clients in western Turkey on the Mediterranean coast, 300 to 400 miles from the Iraqi border, and they are proceeding,” said McLoughlin, president of The McLoughlin Group in Pleasantville, N.Y. “I have 11 projects in Thailand and they're going hell bent for election.”

McLoughlin said the Turkish believe the Persian Gulf confrontation is “a political situation, and the only thing that will hurt the projects there is if a policy has to be cleared through government, whose agenda is crowded. So politics would slow it down, not directly but indirectly because of the Gulf crisis. Economics is not a problem. Safety is not a problem. And Turkey is as close as you can get to Iraq.”

“In that region of the world, they’ve had political unrest for centuries,” McLoughlin said. “This is probably the 833rd time they’ve had a threat of war.”

He added that two projects he is consulting on in Yugoslavia have come to a stop — but because of internal, not external politics. Meanwhile, in Southeast Asia, extreme wealth of developers means money in hand, which means keeping projects alive.

“In all those highly active golf environments in Asia—Japan, Taiwan, Thailand and Korea — the economy won’t have an impact on golf for about a year because all the projects are with money in hand...,” McLoughlin said. “Golf is popular. There are ways to cut through the government redtape to get approvals. So the impact of the Persian Gulf on the economy won’t affect them for about a year.”

He said: “In Thailand the wealthy are very, very wealthy. They’re dealing with money in hand, not like the United States, where you have to go out and raise it.”

McLoughlin said Thailand and Taiwan get most of their oil from Iraq. Thailand’s economy is growing about 14 percent a year. Working closely with government officials, McLoughlin said half think the economy is “so strong the Gulf crisis will not make a difference. The other half feel it will slow the economy about one-half.”

“They feel that if this happened two years later there would be no impact whatsoever,” McLoughlin said. “We have two clients (one for 36 holes) in Japan. But again, in Japan they have their money before they start a project.”

“They buy land and decide to build a course. They announce it and get a fully subscribed membership before they break ground. The investor and developer both have money in hand...”

They pay $300,000 to $500,000 for membership.”

Poellot agreed: “The average golf course developer (in Japan) is not fazed at all” by the Gulf crisis.

“We’re dealing with a segment of society that has been without war... and has only known very good times the last 50 years, and I don’t think the gravity of the situation has filtered down to them,” he said.

“I’ve never seen a stronger market for golf in Asia in the 20 years I’ve done business there. I was in Indonesia, Thailand, Hong Kong, Japan, China.”

“In some areas it’s waning. In others it’s just on the horizon.”

Poellot pointed to Indonesia and Thailand as hottest markets. To emphasize Japan’s feeling of euphoria, he said that although the country is 100 percent dependent on foreign oil, 70 percent of which comes from the Middle East: “Several weeks after Iraq invaded Kuwait there was no change in gas prices in Japan, whereas in the U.S. it was already up 15 percent and it was up as high as 30 percent in many countries in Europe.”

A sort of “naive confidence” pervades in Japan, he said.

Indonesia is not economically affected because it has its own oil supplies. And although Thailand is largely dependent on the Middle East for oil, “they are not too concerned right now,” Poellot said. “It is a thorn in their side but they don’t seem to be trembling about it.”

Reserves few in industry

The call to arms is affecting many companies nationwide that employ military Reservists. But the golf course industry is apparently nearly immune.

Dr. Michael Hurdzan, an architect whose firm is headquartered in Columbus, Ohio, apparently stands alone.

The reason is simple: Summer, the traditional training time for Reservists, is the busiest time of the year for superintendents, builders and architects.

John LaFoy, an architect in Georgia, retired last year after 20 years in the Marine Corps Reserves.

A lieutenant colonel in the U.S. Army Reserves, Hurdzan is a Green Beret and psychological operations officer who trains in

Impact on construction

Golf course architects Thomas Clark of Kensington, Md., and Willard Byrd of Atlanta, Ga., said builders will feel the effects in the cost of irrigation pipe.

“Our gas prices are fluctuating from month to month regardless of what’s going on. We’ve had 50-cent-per-gallon jumps within a month span, and then it goes back down, then jumps back up. Yes, it’s gone up but nothing out of the norm,” Kline said.

He said electricity increases also have not been approved.

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Existing courses

Ken Flisek, superintendent at The Woodlands, a golf course community in Falmouth, Maine, said of the conflict’s impact on his course:

“People can’t spend as much in dues so they ask you to cut back on maintenance. Now is not a good year to ask for money for a capital project.”

Flisek said he is more concerned with “the overall big picture. When the economy slows down we tend to get hit more.”

“We are a playground for the rich. When they’re not making as much money we get the after-effects.”

Roberts estimated that would translate to $10,000 more for the pipe in building an 18-hole course, plus more for the components. A course requiring 800 heads, at $200 apiece, would see an $8,000 increase just for heads, most of which are PVC.

“If (President) Bush keeps us in a stalemate for a year, I wouldn’t be surprised to see another 30-percent increase for pipe,” he said.

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