It's Tough Out There, But...

Despite a poor performance by the U.S. economy this year, the industry remains cautiously optimistic about 2002

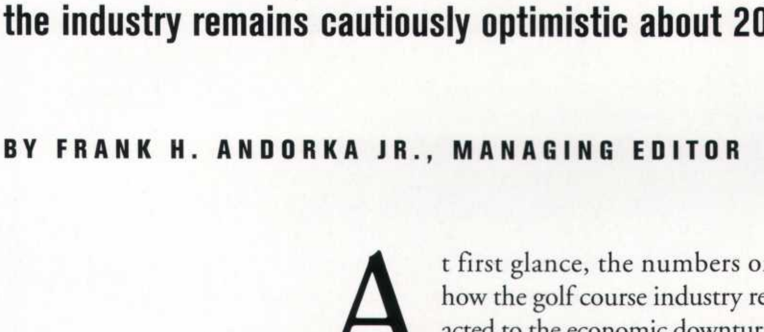
BY FRANK H. ANDORKA JR., MANAGING EDITOR

At first glance, the numbers on how the golf course industry reacted to the economic downturn in 2001 aren't encouraging.

Rounds at the end of September dipped 2.3 percent nationwide, according to Golf Datatech, a Kissimmee, Fla.-based golf market research firm. Also, the National Golf Foundation (NGF) recently reported the number of new golfers entering the game in the last year is flat, and the National Golf Course Owners Association (NGCOA) reported golf course construction slowed considerably.

What's Your Budget?

The average total maintenance budget for superintendents last year was $570,000. The breakdown is as follows:



Readex/Golfdom, 2001

"That's what happens when you live in a free-enterprise economy," says Mike Hughes, executive director of the NGCOA. "You're going to have up times and you're going to have down times. This happens to be one of the down times."

Numerous factors combined to depress the golf industry across the country. Winter weather-related damage affected golf in the upper Midwest and Northeast. A slumping economy hurt business at courses that depend on corporate outings, and the Sept. 11 terrorist attacks slowed play in resort areas, such as Florida and California. With no immediate end in sight to the struggling economy, one could excuse members of the golf industry if they viewed the future with trepidation.

Instead, cautious optimism prevails — so far. Superintendents report normal increases in their maintenance budgets, while owners try to attract new golfers to the game and builders shift from constructing new courses to renovating old ones. Although no one is expecting the industry to rebound to late 1990s levels immediately, observers say the infrastructure of the industry is solid as it moves into 2002.

"That's the good news for the golf industry overall," Hughes says. "From everything

I've read so far, economists expect the economy to rebound by late 2002."

A difficult year

Weather and a slowing economy created financial difficulties for golf courses across the United States, reducing rounds and forcing corporations to cancel outings. According to Golf Datatech's numbers, the worst-hit areas included the upper Midwest states and New England, where bad winter weather clobbered courses, limiting playable days and subjecting courses to unprecedented disease pressures.

"The weather hurt us more than the downturn in the economy," says Ronald Kirkman, certified superintendent of Needham GC in Needham, Mass. "We never saw winterkill as bad as this year. Our play was severely limited until June, and I know other courses that had to overseed fairways three times. That's tough to handle."

Courses that depend on corporate business felt the pinch severely. Corporations that normally hosted golf outings couldn't finance them this year. When corporations cut costs, entertainment is often the first item slashed from the budget, Hughes says.

"When first-quarter profits turned sour for so many companies, you knew their entertainment budgets would suffer," Hughes says. "Corporate outings don't seem essential as profits fall."

Judy Hutt, general manager of Shadow Valley GC in Boise, Idaho, says her course normally does considerable corporate business, but many corporations cancelled events as the economy slowed.

"We lost 15 percent of our corporate business this year, even from companies that we've hosted for years," Hutt says. "It's all because of cutbacks in budgets attributed to the slowing economy."

The Sept. 11 effect

As the economy teetered on the brink of a recession, world events conspired to touch segments of the golf industry that the faltering economy hadn't already touched. After terrorists leveled New York's World Trade Center in September, the attacks' effects rippled all the way to Kansas.

Wayne Van Arendonk, certified superin-

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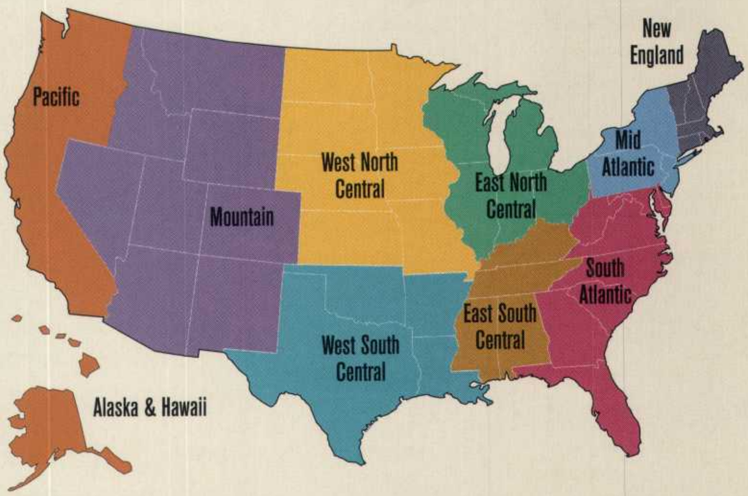
Golfers Stay Home

Rounds are down around the country. Here's a regional breakdown:



Region	Rounds in September (compared to September 2000)	Year To Date
New England	-1.4%	-4.1%
Middle Atlantic	-7.2%	-2.1%
East North Central	2.3%	-0.6%
West North Central	-4.1%	-7.0%
South Atlantic (w/o Florida)	1.7%	-0.6%
Florida	-8.4	-1.9%
South Atlantic (with Florida)	1.7%	-0.6%
East South Central	1.4%	0.1
West South Central (w/o Texas)	-3.0	-2.2
Texas	-10.0%	-8.8%
West South Central (with Texas)	-7.0%	-6.4%
Mountain	-2.9%	-3.7%
Pacific (w/o California)	-1.8%	-3.8%
California	-0.9%	0.5%
Pacific (with California)	-1.2%	-0.7%
Total	**-1.5%**	**-2.3%**

Golf Datatech

"The weather hurt us more than the downturn in the economy."

RONALD KIRKMAN
SUPERINTENDENT
NEEDHAM GC, NEEDHAM, MASS.

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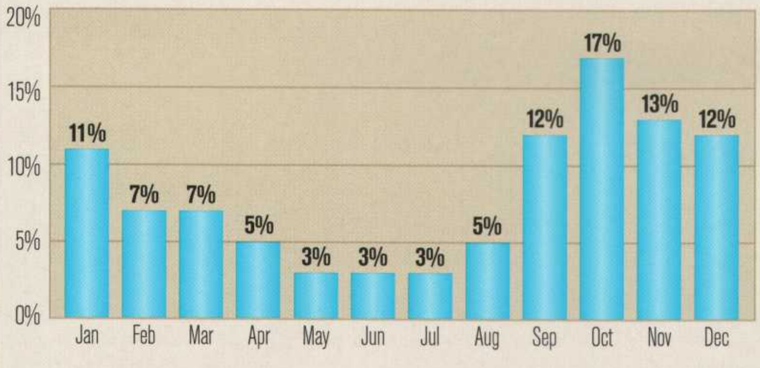
tendent of Rolling Hills CC in Wichita, Kan., says his course hosts executives and employees from local companies like Boeing, Raytheon, Textron and Bombadier, which manufacture airplanes and airplane parts. As the airline industry suffered financial setbacks after the attacks, the companies began laying off people. Van Arendonk says he's girding for tougher times in 2002 as corporate layoffs pile up because fewer people will have money to spend on golf.

"We're only a town of 400,000 people and the corporations have announced layoffs of 7,000 employees," Van Arendonk says. "There are rumors that another round of layoffs is imminent. It doesn't make for a pretty picture around here."

Lee Rubenstein, superintendent at Summer Grove GC in Newnan, Ga., says rounds before Sept. 11 rose slightly over where they had been the previous year. In the month following the attacks, however, business dropped 50 percent, causing Rubenstein some sleepless nights.

Budget Time

Which month do you and the green committee hash out your budget for the following year? Here is what our research found:



Readex/Golfdom, 2001

"I kept wondering if we'd recover," Rubenstein says. "Fortunately, we're in a growing suburb of Atlanta where home building is booming. The golfers have come back slowly, so I feel far more comfortable now."

Mike Rewinski, superintendent of Westhampton CC in West Hampton Beach, N.Y., says Sept. 11 had a devastating impact on his course's play because 70 percent of the club's members work on Wall Street.

"Things were really slow for a while, but it's starting to come back," Rewinski says. "Our members are still stunned by the disaster, so it's too early to tell what the long-term effect will be. We're a good value as a club, however, and we will come back."

For all the difficulties the industry has suffered this year, NGCOA's Hughes insists 95 percent of play is local, so golf courses can capitalize on local demand in 2002. With less money to spend on out-of-town vacations, local golf is an attractive alternative, Hughes says.

Owners hit hard

Hughes says new course openings fell 50 percent to 60 percent in 2001 because supply outstripped demand. He predicts that areas overbuilt during the course building boom of the late 1990s will see a correction during this down cycle.

Owners Jim Scott and Cliff Rampy certainly hope so. Scott, owner of Gull Lake View Resorts in Augusta, Mich., says his area has far too many golf courses to support the number of golfers. Rounds at his course were down 10 percent in 2001.

"A lot of people thought purchasing a golf course would be a cool way to invest when times were good," Scott says. "The cheap land in Michigan made it a great area to build golf courses. Now it's overbuilt."

Rampy, who owns Treeline GC in Houston, says rounds fell 15 percent in 2001 and he expects them to decrease another 8 percent in 2002. Houston saw an influx of new courses in the last year as wealthy citizens moved to the suburbs, particularly to the city's northwest side where Treeline is located.

"Golf is a game of variety," Rampy says. "We're seeing fierce competition on price as the number of courses increase and the amount of discretionary income in golfers' hands decreases. It's a battle."

Scott says he has no plans to cut back on the course's maintenance budget because his superintendent already keeps the course in top shape on a frugal budget.

"It's a good time to buy maintenance supplies," Scott says. "The equipment and chemical manufacturers are increasingly willing to shrink their margins to get the business."

Rampy says he will streamline his operation to cut costs.

"We'll cut the little things first, like spending for flowers in the clubhouse and maybe mow the fairways less often," Rampy says. "We'll have to tighten our belts because it's going to be two to three years before the industry hits a high point again."

For sale

Courses that can't compete in today's tighter market will inevitably go on sale, according to Tom Bruff, managing director of Dallas-based KPMG, a financial consulting firm with a golf industry practice. He doesn't expect mass closings of golf courses, but he expects a buyer's market in 2002 as current owners decide they can't operate their courses at enough of a profit in a bear market.

The money available for course acquisition, however, will be harder to come by, Bruff says. Bank of America's decision to close its golf course financing division dried up a significant portion of acquisition funding.

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What Lousy Economy?

Management companies expect business opportunities, not business gone wrong

BY MARK LESLIE

American Golf Corp. (AGC) co-CEO David Pillsbury, Evergreen Alliance of Golf Limited (EAGL) President Larry Corson and Signet Golf Associates co-President Peter Dejak agree that, although saddled with national tragedy and a struggling economy, management companies are finding that times of hardship and strife are rife with opportunity.

"It's a double-edged sword," says Pillsbury, whose AGC is the world's largest golf course operator with 315 courses in the United States and United Kingdom. "The tough economic times are difficult for us as they are for everyone. But out of this will emerge opportunity by virtue of the fact that we have what it takes to get through these difficult times."

"If you look at it in terms of golf course profitability, what we're finding is resort destination golf is getting hammered," says Corson, whose Dallas-based company manages 40 golf courses around the country. "At the same time, in local golf — primarily what EAGL has — there's been no disruption. In some respects, there has been a modest improvement."

"Even before the Sept. 11 tragedy, we were getting a lot of calls from owners of golf courses and banks," says Dejak, whose Signet Golf Associates in Pinehurst, N.C., manages six facilities in the Carolinas, Georgia and Tennessee. "We dealt with a couple of projects where the banks had taken over and didn't know what to do or how to manage golf courses."

Pillsbury, Corson and Dejak concur that the tighter the economy, the greater the call for their services.

> **"The skills we bring to the table are particularly beneficial in adverse economic times."**
>
> DAVID PILLSBURY, CO-CEO
> AMERICAN GOLF

"I expect it will happen in a very big way," Pillsbury said. "The skills we bring to the table are particularly beneficial in adverse economic times."

Dejak says some owners are giving up. "They bought the golf courses five years ago for $5 million or $6 million when things were going well," he added. "Now they're having a hard time servicing the debts and finding it difficult to sell them for $3 million."

Some industries have been brought to their knees by product oversupply, an economy sliding toward recession and the Sept. 11 tragedy. Yet certain segments of the golf industry are fine.

Pillsbury says the impact of Sept. 11 will be short-lived. He admits there's been a drop-off in corporate outings and golf tournaments, and that companies with sales forces that frequent high-end daily-fee and resort courses have reduced their expense accounts. Nevertheless, he said in mid-October, "We're already seeing groups rebooking and that business is bouncing back."

But that does not diminish the fact that 2001 was an industry-wide bad year following a sub-par 2000. Bad weather only increased the financial problems.

Pillsbury cited the reported 1.5-percent increase in demand for golf as falling short of the numbers needed to prop up the record number of courses built over the last decade. "The supply is growing at a much faster rate, so that dynamic had already created softness," he said. "As the economy began to slow, it exacerbated the problem."

Leslie is a free-lance writer from Monmouth, Maine.

"Things were really slow for a while, but it's starting to come back a little."

MIKE REWINSKI
SUPERINTENDENT
WESTHAMPTON CC
WEST HAMPTON BEACH, N.Y.

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Still, there will be bargains if owners can put together the right financial backing, Bruff says. Just don't expect established management companies to gobble up all the deals, however, he adds.

"I wouldn't expect the major management companies to be as active as they might have been in the past," Bruff says. "Some of them may not have the money they've had in previous downturns."

Bruff says the time is ripe for new management companies to enter the market. He adds such companies will have opportunities as golf course prices continue to come down.

Builders shift strategy

Although new course construction has declined, don't expect owners to stop building courses already under construction, says Barry Frank, NGF's vice president for growth and development.

"Once you've committed the resources and are already building a course, you're not going to stop," Frank says. "It would take something catastrophic to stop construction once it's under way."

The economic downturn will more likely affect golf courses that are still in the planning stages before construction starts. Frank admits that now might not be the best time to plan new courses, but potential investors should evaluate projects on their own merits. Some markets remain untouched by the building boom, and development might make sense in those areas, he says.

Fidel Garcia, vice president of Ryangolf Corp. and president-elect of the Golf Course Builders Association of America, says the economic slowdown will force builders to shift from building new golf courses to renovating older ones.

"We can't continue to build 700 to 800 new courses every year," Garcia says. "We're happy the building boom lasted as long as it did, but now it's time to shift our focus."

Four or five years ago, in the midst of the boom, Garcia says his company wouldn't have even looked at renovation projects because the profits weren't there. As big-money projects slow down, however, the renovation side will continue to grow, he says.

"There are a substantial number of older courses which will need renovations to stay competitive," Garcia says. "In a time of eco-

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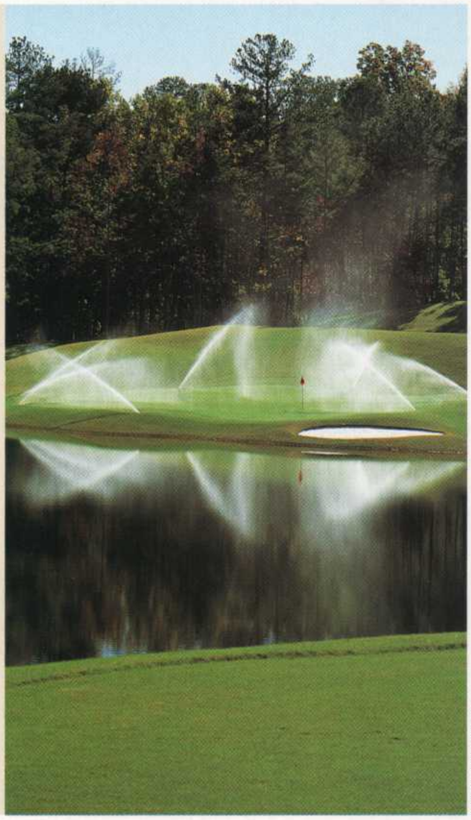
The Shopping Cart

Here's what the average superintendents spent on the essentials for golf course maintenance in a year's time. The data was collected from surveys completed by 269 superintendents last spring.

Category	Mean Spending
New irrigation system or remodel	$97,000
Fertilizer/plant nutrition products	$21,600
Fungicides	$20,100
Fairway/other mowers	$16,500
Greens mowers	$15,200
Utility vehicles	$12,500
Irrigation heads. controllers, or other parts/supplies	$9,900
Turf seed	$9,600
Herbicides	$8,460
Insecticides	$7,090
Aeration or cultivation equipment	$5,240
Growth regulators	$3,090
Total	**$226,360**

Readex/Golfdom, 2001



MIKE KLEMME

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nomic uncertainty, this will be the way to go."

Garcia also believes an influx of public money will fund new projects at municipal levels in an attempt to stimulate local economies.

Brad Schmidt, general manager for Lincoln, Neb.-based Landscapes Unlimited, says his company is still "riding the crest of the '90s" from agreements made three years ago and is building high-end golf courses. Nevertheless, Schmidt expects business to slow soon. "We're gearing up for the pipeline to go from building 500 courses a year to about 250 courses," he says.

Financial Impact

We asked superintendents: What's the word on the street from fellow superintendents about their facilities' financial prospects in 2002?

"Most are maintaining their current budget amounts. I haven't heard of any reductions to budgets. Private equity clubs like mine will continue to spend more as memberships become more expensive and more desired among the several semi-private and public courses in Florida."

Kyle D. Sweet, Superintendent
The Sanctuary GC, Sanibel Island, Fla.

"The wealthy clubs will be fine and the marginal clubs will struggle."

Dale Walters, CGCS
Royal Palm CC, Naples, Fla.

"It will be a bumpy ride in the next few months."

David Duke, superintendent
Golf und CC Seddiner See, Beelitz, Germany

"Word on the street is to tighten your belts. Well, we've done that for the 14 years I've been superintendent here. We supply very good playing conditions at affordable prices, and we'll move forward even with the instability of the world to date."

Greg O'Heron, superintendent
Peterborough G&CC, Peterborough, Ontario

"Obviously, the events of Sept. 11 are going to have a major impact on the way we look at next year and probably years to come. Maybe we, members and players will be a little more reasonable and focus on things that are really important – rather than greenspeeds of 12 feet and higher."

Ed Walsh, CGCS and Project Manager
Wending Creek GC, Coudersport, Pa.

What can you do?

In difficult economic times, everyone must plan to minimize the long-term damage. David McCallum, superintendent of The Island CC in Plaquemine, La., says he's considering giving all of his business to one chemical supplier in an attempt to negotiate a better price.

"I'm used to giving out my business in pieces, depending on who has the best price at the time I need the product," McCallum says. "This year, I'm thinking of giving it all to one supplier to see if that will bring me a better price."

McCallum says his course also created a new membership drive, which includes purchasing kiosks in a local mall to encourage members to join the club.

"My owners told me that if there are cuts to be made, they won't be in golf course maintenance," McCallum says. "At the same time, I recognize my role as a manager is to be as conservative as I can."

Rolling Hills' Van Arendonk says he expects his maintenance budget to go down next year, but he will still make his case against drastic cuts.

"If they come to me with budget cuts I don't think the course can handle, I'll make a list of the tasks that won't get done if they cut my staff," Van Arendonk says. "That may change some minds."

NGCOA's Hughes urges owners to focus on keeping their current customers happy. "You'll have to expand your efforts to take care for customers you have now because it's more expensive to attract new customers than to take care of the ones you already have," Hughes says.

The best idea for superintendents, owners and builders is to focus on building long-term strategies that will benefit their courses after the economy rebounds, KPMG's Bruff says.

"This is the kind of economy where everyone has to be smart about the way they do business," Bruff says. "If they do that, they should weather the storm well, no matter how long it lasts."■

Layoffs Won't Widen Labor Pool

'I don't foresee hiring a flight attendant to mow the greens,' superintendent says

BY MARK LESLIE

Superintendents may have to adjust their thinking if they believe job layoffs in various industries nationwide are an answer to their perennial problem with finding employees.

"The people who are losing their jobs because of the turn back in the economy are typically not janitorial or foodservice-type workers, but rather mid-level management," says Bruce Williams, director of golf operations at Los Angeles CC. "Those people are not going to take jobs on golf courses. Typically, people in manufacturing jobs aren't going to take outdoor jobs working on a golf courses."

Agreeing with Williams, superintendent Dan Dinelli of North Shore CC in Northbrook, Ill., adds: "I don't foresee hiring a flight attendant to mow the greens. When you look at these layoffs, none of them pertain to hand labor or field work."

Along the Northern tier of golf courses, staffing is not an issue this time of the year, so layoffs are not affecting the facilities. As superintendent Gerry White said from Point Sebago Resort in Casco, Maine, "We're at the end of our season in the Northeast and not in a hiring mode."

Along with the six-month financial downturn, the economics of golf pre-Sept. 11 and post-Sept. 11 are the new dynamic many people are dealing with at public, private or resort facilities, according to GCSAA President Tommy Witt.

"Whereas you had a certain situation pre-Sept. 11, now the question in many places is: How are they going to handle the employees they already have?" says Witt, director of golf course management and special projects at Kiawah Island Club in South Carolina. "Some are cutting back. Others are shutting down for the season."

"Two things are happening," Dinelli says. "First, the layoffs and the unemployment rate are higher and, in theory, you may have a bigger pool to choose from. But many of us are being asked to tighten the numbers and hold labor to zero increase. I wouldn't be surprised to see guys being asked to reduce their labor force. Even if there were more hands available, we may not be in a position to capitalize on it."

MIKE KLEMME

Even if the slow economy forces more workers to enter the labor market, superintendents may not capitalize on it because of tighter maintenance budgets.

The double crunch of the economic downturn and the Sept. 11 terrorist attacks has meant empty tee times at some resorts.

"Many resorts are down in activity right now," Witt said. "Many things are canceled throughout the country through the end of the year. Many courses will have to decide how they handle employees between now and the end of the year.

"Even private courses are being hit somewhat with less activity," he added. "But they have a fairly consistent revenue stream from dues. A superintendent can plan a little more because activity might be down, but he has an audience and those people will slowly return as some degree of normalcy returns to our lives."

Meanwhile, there is good news and possible bad news for the many courses nationwide that depend on Hispanics to fill their workforces. Hispanics, according to Witt and Williams, are a stabilizing influence at many courses. For those in the North, many Hispanics go home to Mexico for the winter and come back in the spring. But the Sept. 11 terrorist attacks may throw a kink in that constancy, Williams says.

"There could be problems because of greater difficulty obtaining immigration and naturalization," he says. "There has been a constant flow of Hispanic labor supply, and if that tightens up, it could have an impact on us – maybe not in the next six months, but in two or three years."

Leslie is a free-lance writer from Monmouth, Maine.