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✓ ENVIRONMENTAL DAMAGE ABROAD

State Firms in Position to Clean Up

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A growing number of California companies are finding that the booming green movement abroad can translate into greenbacks at home.

The crowded Pacific Rim, with its vast wealth and growing environmental consciousness, offers extraordinary opportunities for leading-edge California firms. And the potential market for environmental technology in industrially ravaged Eastern Europe alone could approach \$1

trillion over the next decade, experts say.

In one bid, California companies are proposing to design an entire environmental regulatory system for Hungary. And shorter-term cleanup projects that will be necessary after the Persian Gulf war ends could provide a boost for local engineering firms as well.

Entrepreneurs warn that firms will face political and financial obstacles as well as tough competition, particularly from technically advanced European

challengers. But California's skilled immigrant population, its window on the Pacific, advanced technology and long experience with strict environmental regulations make it a natural competitor in the market.

The demand for environmental services abroad "is so big it's scary," said Jorge Haynes, staff director for the House subcommittee on environment and labor. "Because California is in the forefront of the environmental technology movement, we see it

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as being able to establish a beach-head overseas."

The California Commission for Economic Development, led by Lieutenant Governor Leo McCarthy, has scouted the way with two study missions to Asia and one to Eastern Europe in November. In a December report on Asian markets, the commission cited "exceptional opportunities for California's environmental industries and consulting firms."

Pacific Rim countries have budgeted huge sums of money to address their problems, the report said. "(The Republic of China on) Taiwan has already committed \$33.3 billion between now and the year 2000," it noted.

Even tiny Hong Kong has pledged \$2.5 billion over the decade to fight pollution problems.

Some California firms have already begun tapping that market.

In December, Bechtel Environmental Inc. won a bid to design and build a \$125 million chemical waste treatment facility for Hong Kong, according to its international manager, Roger Strelow. The firm has also done jobs in Taiwan and Indonesia.

"The largest single area of opportunity for us is in the Pacific Rim, with Hong Kong and Taiwan being just the tip of the iceberg," Strelow said. "We benefit immensely from having had other Bechtel businesses active in the area. This helps us compared to some other environmental firms."

James M. Montgomery Consulting Engineers of Pasadena, one of the largest environmental consulting firms in the country, just won a contract to manage a wastewater treatment project in Sydney, Australia, said Bob Uhler, senior vice president. Uhler credits "stiff regulations" in the United States for his firm's development of advanced technologies that "give us a comparative advantage" in export markets.

Opportunities for Small Firms

Smaller firms also have enormous opportunities. Carnot, an air-quality consulting firm in Tustin, sent a team to Taiwan in the late '80s to train local technicians in air-monitoring methods.

"It was a great success," said Zoltan Mester, the firm's manager of technical development. China is too poor to offer much business, he said, but Taiwan is eager to lure American environmental firms in order to acquire advanced technology and satisfy Washington's demand to cut the trade surplus.

Yet not everyone is bullish on the new market. Douglas Lockwood, general manager of American Environmental Management in Rancho Cordova, said his firm looked into Taiwan two years ago but pulled back.

"You need to know the language to be connected in having individuals who know how to do business in that area," he said. "There was also a requirement for a bond of some sort. Wrap it up and you get a bundle of uncertainty compared to the California market for environmental services, which looks very good."

Mary Leslie, executive director of the state Commission for Economic Development, said some firms distrust Taiwan's commitment to protecting intellectual property. "The big guys don't want their processes to be copied," she said.

Many experts say the potential market in Eastern Europe is astounding. Second to the Pacific Rim, it represents the best opportunity for aggressive environmental firms willing to hang in for the long haul, they believe.

"There is no doubt that it will be the largest environmental market in this decade," said Nino Duplancic, director of site operations and engineering for IT Corp. of Torrance, the country's largest environmental design firm. "Forty years of communism devastated those countries. Everything was subject to industrialization with no regard whatsoever for the environment."

After a recent tour of the region as part of a delegation organized by the state Commission for Economic Development, Duplancic estimated the total market at \$850 billion over the next decade. "If we would move right now and commit," he said of U.S. environmental firms, "we could corner 30 percent of the market share in Eastern Europe."

The region's problems are staggering. In northern Bohemia in Czechoslovakia, for example, strip mining of coal has left severe damage for miles.

Environmental Horror Stories

"You can hardly breathe from all the sulfur," said Leslie, of the Commission for Economic Development. "When it rains, the leaves fall and they don't come back. Kids have to be rotated out of this area. Life expectancy is 10 years less than normal."

IT Corp. is positioning itself to help clean up a century-old toxic dump in Czechoslovakia that is believed to hold chemical weapons from the Nazi era.

"Today you see a volcano-shaped mountain with 6 million cubic yards of waste," Duplancic said. "On top there's a lake with hazardous liquids whose colors you couldn't imagine exist. It's bigger than any site in the United States, and more complex to clean up."

A group of California firms, including IT, are preparing a bid to design Hungary's entire environmental regulatory apparatus. A similar bid may go out to Czechoslovakia, said Roger Carrick, a partner with Heller, Ehrman, White & McAuliffe in Los Angeles, which is part of the consortium.

Hungarian authorities are eager for such help. The environmental minister, a Columbia University graduate, has only 59 employees to handle policy, regulation and enforcement for the entire country, Leslie said.

Who Will Foot the Bill?

The \$1 trillion question is: Who will foot the bill for cleaning up Eastern Europe? "We know what we can do, they know what they need, but how to pay for it is a huge problem," said Carnot's Mester. "Their economies are so bad I don't see how they can pay."

But billions of dollars are available from the World Bank, the International Monetary Fund and a newly established European development fund. In the long run, Western Europe will probably come up with billions more.

"Pollution, particularly air pollution, doesn't recognize any borders," Duplancic said. "For a lot of Western governments, it will be easier and provide more benefit to offer funding for cleanup in Eastern Europe rather than fighting diminishing sources (of pollution) at home."