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Strategic Information for a Changing Industry

GEI CONSULTANTS ADDS VALUE TO WATER RESOURCES, CLEANUP PROJECTS THROUGH ECOLOGICAL SCIENCE

Although it's currently a very small part of the business at \$70-million GEI Consultants Inc. (Woburn, MA), ecological sciences is a growing segment that's pervading the firm's historically more dominant practices in environmental remediation and water resources design and engineering. The fundamental reason for that growth is quite straightforward, according to GEI President Frank Leathers: through its ecological sciences expertise, GEI is helping clients to better understand the environmental impacts of their projects and make design decisions that balance cost effectiveness with environmental protection.

The emerging environmental science expertise combines with historically strong geotechnical engineering roots to form a keel for GEI's core business, which Leathers characterizes as follows: environmental work, accounting for about 40% of revenue and breaking down primarily into environmental cleanup and secondarily into permitting; and water resources, accounting for another 40% of revenue and encompassing anything to do with managing the raw water resource before it gets to the water treatment plant and after it exits the wastewater treatment plant. "Anything," to Leathers, means surface and groundwater hydrology and hydraulics, water resource planning, dams, canals, levees, integrated surface and groundwater use, and, increasingly, flood management and planning.

The ecological science business perhaps constitutes 5% of annual revenue but "is very important to us and growing in importance," Leathers tells EBJ. "It started out as aquatic ecology, focusing on the impact of development projects like mining and industrial facilities on aquatic ecosystems. We've expanded that into terrestrial ecology and eco-toxicology, looking at how facilities and their discharges impact ecological systems."

GEI has built the business around its acquisition four years ago of Denver-based Chadwick Ecological Consultants, which brought with it "a very strong ecological testing laboratory," says Leathers. The laboratory and the ecological sciences expertise surrounding it are helping clients make cleanup or

water infrastructure design decisions using environmental data of much higher quality than in the past, he notes, and this is helping them reach records of decision with regulators that make more sense.

"Now, instead of trusting your gut and just picking a number, you've got toxicological data to help you figure out what's acceptable, environmentally speaking," Leathers explains. "We've been quite successful in helping clients go to regulatory agencies and say, 'here's what the toxicological data says.' Based on that, they can often do less-expensive discharge treatment or groundwater and soil treatment." As a result, "the public is getting the level of restoration it wants, and the client is getting the flexibility it needs.... A number of our clients feel that the presumptive standards set by the regulators are too strict and require too much remediation," he continues. "They look to us to establish a base of good science and good engineering to determine what standards would be appropriate to protect the environment while allowing projects to move forward."

The client base is responding quite positively to this value-added capability, Leathers affirms. That client base is heavily industrial, but municipal clients are benefiting as well. "Municipal utilities face discharge limits, and they're being pushed to do expensive upgrades when a different, less-expensive approach would provide equal protection of the environment. That's how we're using a good understanding of basic science and engineering to get to what I consider win-win solutions."

BACK ON GROWTH TRACK

GEI Consultants, which today employs about 400 people at 20 offices throughout the United States, has stood its ground through economic downturn very well, Leathers believes. The company had averaged 7 to 10% annual revenue growth from the late 1990s through 2008, when it had its best year at \$70 million in gross revenue. That growth had come through a mix of acquisition and internal growth, allowing the company to



Leathers

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expand its service portfolio and geographical reach without “getting too ahead of ourselves,” says Leathers.

Revenue in 2009 was essentially flat compared with 2008, perhaps declining by a fraction of a percent, he estimates. The flatness continued into 2010, but business and backlog have steadily increased since about early May. GEI is now projecting 2010 revenue in the range of \$74 million to \$75 million.

The business arising from the cleanup of manufactured gas plant (MGP) cleanup has continued to grow significantly, according to Leathers. Utilities have long-term MGP cleanup agreements with regulatory agencies that have firm dollar commitments and time frameworks for completion—in some cases extending out for another 10 years. Short of severe financial stress, these utilities are expecting to keep to those schedules, he says. Some of these utilities have been consolidating their vendor lists, and GEI, a firm with a solid reputation in the MGP cleanup field, has managed to remain on their short lists.

BROWNFIELDS SUCCESS: PREPARE FOR THE REBOUND

Leathers also points to some success in the troubled brownfields cleanup market. “Interestingly, we’ve had some clients continue to pursue their brownfields redevelopment—perhaps at a slower pace,” he says. “Some of these clients are sufficiently forward-looking to want their properties to be attractive and usable when the economy does rebound.”

On the water resources side of the business, an area of growing opportunity is flood planning and management, including dam and levee safety. The company has been doing flood protection and levee work in New England and in California, and is starting to get that type of work in the Midwest. “Not a year

goes by that there aren’t major floods in the Midwest, and the Corps of Engineers is anticipating a lot of work to upgrade flood management systems and integrate those upgrades with navigation system upgrades.”

In fact, the Upper Midwest is a new territory for GEI, established last year the hard way—through a “cold start,” rather than an acquisition. The company hired key people, and other good talent—as well as clients—followed them in, says Leathers.

“It’s off to a great start; it all came together just right.”

Looking forward, GEI is plotting a strategy that will return it to that manageable level of 7 to 10% annual growth. “We continue to position ourselves in the markets in which we’re doing okay now, but we’re also putting some special emphasis on markets that are currently slow, like brownfields and property redevelopment, because we know there is money that will flow when our industrial and

commercial clients have confidence that they can proceed with their projects,” says Leathers. “We maintain contact with these clients, even if these projects are months or a year or two off.”

Beyond those goals, GEI will continue to do what it has been doing successfully for several years: expanding into new geographic regions, developing some complimentary services that round out the firm’s water resource, environmental, ecological, and geotechnical practices, and continuing to pursue a diverse client base. That strategy worked through the recession, Leathers says, and he sees no reason to believe that it won’t work as the economy comes back.

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