Buyers keep scrambling for equipment

Long delivery times, soaring prices and shortages abound

Shortages, lengthy delivery times and skyrocketing prices are plaguing equipment buyers. But if bargains have become few and far between, buyers seem to have learned to live with their many problems.

Dave French, equipment engineer at Borden Chemical (Seattle), sums up the situation by saying it "could be worse." Lead times, which now are six to nine months for many items, could stretch even further if there are strikes later this year.

"This situation certainly puts everyone to the test. We're scrounging for anything at any price when a particular production schedule is at stake. It takes a lot more work on our part to nail down an order than it used to," French says.

Any item that involves castings takes a long time to obtain. And French indicates that prices of most items are up considerably. For example, stainless steel equipment, such as fabricated pipe, tanks and pressure vessels, cost 40% more than in January and have doubled in price in the last four years.

Others in the Seattle area concur. A Hooker Chemical plant manager reports that chlorine pumps take at least six months to deliver and the price is 15% higher than in January. And an equipment buyer for Crown Zellerbach says, "Most piping items are harder to find now because of the great demand created by the Alaska pipeline construction." He figures prices have increased 1-1.5%/-month since the first of the year, predicts this will continue through the rest of 1974.

But French says it still pays to shop around. In fact, it may be more important than ever. French has found that bids vary an average of 35% now, compared with only 10% last winter. "We actually have had bids on 2-in. stainless steel pipe on which there was a 100% difference in price," he says.

Slipping Badly: The situation is not much different in other parts of the country. In Chicago, Emile F. Harp, director of engineering for Armak, observes, "Almost everything has slipped badly."

Harp, who is in charge of equipment for new installations, says that one 6,000-gal. reactor of special construction was ordered in August 1973 with a promised delivery of 25 weeks. It hasn't arrived yet. It is now scheduled for September delivery, but Harp isn't confident of that date either. A filter of special design was ordered July 25, 1973, promised for delivery in December. It arrived this June. Several glass-fiber-reinforced tanks were ordered in August 1973; one was delivered in June, but the others have yet to arrive.

As for prices, Harp adds that "guarantees mean very little." Some manufacturers add a surcharge to prices although the products were sold on a firm-price basis, he explains.

"I doubt this situation will be solved in six months or even next year. It's going to take a number of years to correct itself," he says.

At Midland, Mich., Dow Chemical purchasing agent Jim Miller says, "What took six months to get before, now takes one year or 18 months." For the future, Miller expects "the same thing or maybe even worse. There's no letup. There will be continued shortages."

Costs have gone up 5 to 10% each month. "We have some specialty fabricated (not catalogue) items that have

Stretch-outs continue in CPI equipment delivery schedules

	Waiting time now (weeks)	Waiting time in April (weeks)
Boilers, packaged	32-95	44-60
Boilers, field-erected	72-120	72-86
Condensers	40-60	40-44
Heat exchangers, steel	22-56	36-60
Heat exchangers, alloy	40-60	40-52
Heat exchangers, air-cooled	16-52	36-44
Heat exchangers, finned-tube	28-40	36-40
Heavy-wall exchangers and reactors	60-156	86
Reactors and columns, steel	24-104	60
Reactors and columns, alloy	30-72	–
Tanks, field-erected	60-156	60-104
Agitators	20-36	20-24
Compressors, centrifugal	52-104	52-60
Compressors, reciprocating	26-52	40-52
Compressors, refrigeration	26-52	40-48
Cooling towers	20-52	42-52
Pumps, centrifugal	30-80	30-56
Pumps, reciprocating	32-42	32-42
Pumps, rotary	24-32	20-26
Steam turbines	80-104	–
Electric motors to 250 hp.	Stock-38	20-38
Electric motors over 250 hp.	20-52	32-60
Pipe, plastic, 3 in. and over	6-52	10-20
Pipe, steel, coated and wrapped	25-47	30-42
Pipe, bare steel	2-26	–
Pipe, alloy	18-48	32-42
Condenser tubing, steel	20-40	20-40
Condenser tubing, copper	24-36	–
Condenser tubing, stainless	22-34	–
Flanges and fittings, steel	28-48	28-34
Flanges, fittings, stainless	16-20	–
Valves, steel	8-70	–
Valves, alloy	8-48	–
Reinforcing bars	12-18	52
Insulation, calcium silicate	10-26	26-30
Insulation, refractory	12-14	–
Structural steel	46-52	52

gone up 60%," Miller says. His outlook for the next six months is that costs will go up another 5%. "The biggest price surge came when price controls were lifted," he adds.

What is Miller doing to solve equipment problems?: "Saying a lot of prayers. We order a lot earlier, too. We warn engineers of long delivery times and costs and ask them to order six months earlier. Right now we're ordering for January 1975."

"Now just a quotation on equipment takes three months," says Roland E. Neal, Dow Corning's (Midland, Mich.) purchasing agent. "It took only three weeks to get a bid a year ago." Neal sees no improvement in the future for delivery time. "Anything with steel, such as storage and pressure vessels, takes longer.

"Since 1973, chemical process equipment has gone up 35%. Steel keeps jumping in price and with the demand strong, I think the price will continue to go up. Ferroalloys are up drastically—that's a most critical item for us. In 1973 the price was 24¢/lb. and now it's 55.8¢/lb.

"We've always had a plan, a target date, but now we try to expedite it. We rely more on the supplier, We talk to him more often and try to help him find solutions for some of his delays. We also try to stay with suppliers we have confidence in."

Says Thomas Brown, plant manager of Grow Chemical Corp.'s Pontiac, Mich., coating operation: "Our annual forecast on equipment needs is our only help. We take a look at what we need before the fiscal year starts. If something burns up that we didn't plan for we're out of luck.

No Difference: Equipment buying experiences in the East follow the pattern. A Sun Oil purchasing agent expects lead times on cast steel gate valves to continue to stretch out beyond the current 12 to 14 weeks because many casting houses are going out of business.

Allied Chemical's buyer in Philadelphia says valves that were on eight-to-10-week lead time at the beginning of the year are now at 16 weeks.

Another equipment purchaser reports he took a price survey in May of items that his company had inquired about last October but had not moved to buy. He found prices meanwhile had increased 15% to 150%. Some pumps increased 10%, others 30% and others 80% in price, depending on the manufacturer. Biggest price increases were on specialized equipment.

He says escalator clauses on equipment contracts started slowly, but "we went

through that period like a freight train. Now it's all 'price at time of shipment.' You just don't see front-price contracts now. Such a contract is one in 300."

He sees no sign of improvement in lead times. "I don't trust anybody—even if I've worked with them for years. The people who get the stuff are ones who holler and push to get it. If my order is off by 10 weeks I see that it causes chaos," he says.

A Little Light: But there are some signs of optimism. Du Pont says its chemical equipment buyers don't see much difference between delivery times now and those of six months ago. And while it says that equipment prices have doubled since 1973, it expects considerable easing in the rate of price increases in 1975.

A Scott Paper equipment buyer says prices of equipment have increased 25% over the past six months, but he doesn't think the same degree of increase will continue. Reason: the tight money market, along with high interest rates, will cause some companies to re-evaluate plant expansions. That, in turn, will take some of the pressure off the capital equipment market.

Says Stanley E. Carrier, director of purchasing for Arthur G. McKee (Cleveland): "I don't think things will get tighter. Equipment shops are booked up through, or nearly through, 1975. There will be more moving around to find a manufacturer who isn't tied up. Deliveries will be the same, but people will be changing sources.

"Prices have increased but it is very difficult to measure the amount. The best published figures seem to be around one and a half or two percent increase in price per month. That's the general rule, but then you find people who raise their prices 30% all at once.

"Standard centrifugal pumps and centrifugal compressors fall broadly into this category (about 2% increase per month).

"Heat exchangers use so much steel plate and steel pipe (steel went up 20% last month) that this greatly influences the price. Some manufacturers bought the steel before the increase, so their prices are lower.

"Valves and pipe fittings went up 60% in the first six months. There wasn't too much profit before, so they decided to catch up."

To help ease the supply crunch, Carrier says, "We are doing more in-shop expediting. We are trying to get standardization of specifications, and we are ordering early. Prices? We have to pay them. We are arguing like hell and losing every battle."