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Wastewater market analysis: U.S. sewer, pipeline rehabilitation market declines but growth projected

LOS ANGELES, CA, Jan. 6, 2012 – According to new analysis from IBISWorld, the [sewer and pipeline rehabilitation](#) industry in the US has experienced declining revenue over the past five years, due in large part to constrained local and state budgets and a sharp drop in residential construction. Revenue is expected to continue to decrease an average of 1.2% annually to \$5.1 billion in the five years to 2012. A positive shift is expected after that, however.

"The next five years are set to be better for the industry," said IBISWorld industry analyst Justin Molavi. "Despite constrained local and state government budgets and continued growth constraints in the residential housing market, these factors are set to recover in the latter half of the five years to 2017, benefiting industry growth. Certain regions will benefit the industry more than others as expected demographic shifts will benefit players in the Western part of the country." Additionally, the policy of low interest rates will continue to benefit the industry and allow players to finance their activities more easily. As a result of these trends, revenue is expected to grow an average of 3.6% annually to

The recession hasn't been all bad for the market, however. "In response to the recession, the US government passed the American Recovery and Reinvestment Act (ARRA), in its attempt to stimulate the economy. In turn, many contracts were given out to improve the state of water and sewer infrastructure, benefiting industry players. Firms that won these contracts generally outperformed their peers, as demand for industry services was low during the recession," said Molavi.

Additionally, the Federal Reserve promoted low interest rates across the board, as the US government attempted to stimulate the economy in other ways. Low interest rates generally benefit the industry as firms can borrow at favorable rates, offering the prospect of higher profit margins for some firms. This trend will bode well for the industry as firms borrow favorably to complete projects during 2012. Revenue is expected to increase 2.3% from 2011 to 2012.

According to IBISWorld, the sewer and pipeline rehabilitation industry is characterized by a low level of concentration, with the top four firms accounting for an estimated revenue share of about 10%. This low concentration reflects the industry's highly fragmented nature, with few firms operating in more than one regional market. The largest industry player, Insituform Technologies (owned by Aegion Corporation) is one of just a few firms that operates on a global scale.

Other prominent (albeit small) firms include SAK Construction, which focuses its efforts on the West region of the United States. The remaining 1,137 companies are more regional, often working exclusively within one municipality or county. Additionally, local government public works entities manage and fund a considerable proportion of industry activity. These entities are often mandated to give some preference to small and local enterprises, reinforcing the industry's fragmented nature.

For more information on IBISWorld's Sewer and Pipeline Rehabilitation Industry report, visit: <http://www.ibisworld.com/industry/sewer-pipeline-rehabilitation.html>

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