

Smooth road predicted for A&B-Grace Pacific deal

Other contractors expect little change in construction industry

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When Alexander & Baldwin Inc., one of Hawaii's largest landowners, announced that it was buying Grace Pacific Corp., the state's largest construction company, for \$277 million, it raised some eyebrows because it involved two high-profile local firms.

But most contractors whom PBN spoke with for this story say the sale won't create any major changes in the construction industry, especially in the asphalt sector, where Grace Pacific is the top dog in Hawaii.

"It's the biggest paving company in the state and they own a lot of rock quarries, as well as most of the asphalt plants," Alakona Corp. Project Supervisor and Corporate Officer Arist de Wolff told PBN. "They are a little bit of a monopoly, and I don't see where they would be able to charge more for asphalt because it all depends on oil prices."

But he pointed out that Grace Pacific does control pricing for the jobs it really wants to get.

Hawaii's asphalt prices, currently between \$125 and \$135 per ton, probably won't go up because of the pending transaction, which is expected to close later this year, de Wolff said.

"You've got other companies in town

Alexander & Baldwin Inc.

Real estate and land company

Chairman and CEO: Stanley Kuriyama

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Phone: (808) 525-6611

Website: www.alexanderbaldwin.com

Grace Pacific Corp.

Construction company and asphalt paving contractor

Chairman and CEO: David Hulihee

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Phone: (808) 674-8383

Website: www.gracepacificcorp.com

doing the same stuff on a smaller scale," he said. "There's a company from the Mainland [Road and Highway Builders LLC of Nevada] that just moved into the market and they're stirring it up by bringing in rock and asphalt from the Mainland, shipping it in cheaper than what they're buying from Grace Pacific."

de Wolff does see at least one advantage from the purchase: As a large landowner, Alexander & Baldwin possibly could find better spots to mine for rocks that can be used to make asphalt.

Meanwhile, it will be business as usual for Honolulu-based Alakona, a 30-year-old company with 20 employees, de Wolff said.

"We are in a niche market and we try

not to go against the big boys," he said. "If [Grace Pacific] wants a job, they will blow you out of the water."

Chris Laird, who co-owns Honolulu-based DC Asphalt Services Inc. with Dene Schnaible, predicts that Alexander & Baldwin's purchase of Grace Pacific won't have much of an impact on his business.

"I don't think it will change pricing," he said. "Grace Pacific has always been good to us and we're not really a competitor, as they sell materials to us."

Laird said he can't imagine his solid relationship with Grace Pacific changing and thinks that the purchase will be good for the state's construction industry.

"They make good decisions and they're in the business to make money and they do a good job at it," he said. "I view them as a very successful company, run by a good board of directors, who know what they're doing."

Bill Wilson, president of Hawaiian Dredging Construction Co. Inc., the state's second-largest construction company, agrees with Laird.

"We've done a great deal of business with Grace Pacific and A&B," he told PBN. "Our company has a very good working relationship with both companies."

For example, Honolulu-based Hawaiian Dredging Construction is working with A&B on its Waihonua condominium project.

"I think [the sale] is a positive thing for both organizations," Wilson said. "I

think it permits an orderly adjustment of their ownership as their owners decide what the future holds for them."

It also will be business as usual for the state's paving industry, said Jon Young, executive director of the Hawaii Asphalt Paving Industry, which represents asphalt pavement producers and laydown contractors in the state as well as industries related to pavement preservation.

"It doesn't seem like A&B plans to make any changes immediately," he said. "I don't believe pricing will change, as they will still put out their best competitive pricing."

Executives at both Alexander & Baldwin and Grace Pacific declined comment for this story, other than to say that nothing has changed since the announcement of the transaction on June 6 and that the sales process remains on track.

Stanley Kuriyama, chairman and CEO of Alexander & Baldwin, said previously that the addition of Grace Pacific will extend its capabilities to encompass infrastructure development and replacement work, for which it sees a steady and growing need in the state.

For Grace Pacific Chairman and CEO David Hulihee, who will continue in that role after the sale, the joining of forces between the two firms "will allow both to be better able to leverage their combined market knowledge, expertise, asset base and financial strength to capitalize on growth opportunities.