

IN PERSON

WEATHERING THE STORM

BY PAUL MCMORROW | BANKER & TRADESMAN STAFF WRITER

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Paul Martini has seen storms blow through before. Literally. Once, a particularly nasty gust of wind picked up a construction trailer and hurled it at the entrance to Boston's Hancock Tower, shearing off the aluminum side.

The ill winds are blowing again. But Martini believes his family firm, with offices in Winchester, Portsmouth and Miami, will survive the storm now wracking the building industry by planning carefully and focusing on quality.

He's got a major expansion at the Winchester Hospital keeping him busy at the moment, and high hopes for the long-term health of his academic, health care, corporate interiors and historic preservation clients.

Paul Martini

Title: Chairman

Company: A.J. Martini, Inc.

Age: 57

Education: Union College



Q: The small size of your company - is that a conscious decision?

Absolutely. We like to build interesting projects, we like to do things in a very high-quality manner, and the complexity involved in coordinating the construction of a facility is quite vast, and the larger a construction company gets, the harder it is to control that. There are a few large companies that do a very good job. A few. And there's a lot of large companies that don't do a very good job, and the built environment is fraught with poor workmanship. If you treat construction as just a service business, that things will get done one way or another, nobody cares. We want to do everything well, and the way to do that is to stay in control, and the way to stay in control is not to get too big.

Q: How have you been dealing with this downturn?

It's gotten us really religious about watching overhead and driving for profit. Now, every single penny is watched. Every penny. If that's the result of this crisis we're living through, it'll make us stronger when we come out of it, because hopefully that discipline that's been ground into us in the last six or eight months is going to last for the next 10 years. If you're running a business, everyone says they do that all the time. But they don't.

Q: Did you have contingencies built in for recessions?

We're always assuming that 10-20 percent of the work we've won is going to be postponed or potentially cancelled, and that's a relatively conservative approach. As conservative as we were, in December, I stood up and said, "I'm very confident that the work we currently have, we've discounted enough, and we're going to be in pretty good shape in 2009." By January, I'd lost 50 percent of our business for this year. And I think I know what I'm doing! Nobody was prepared for this.

Q: What's going to drive recovery?

We have to get the banks back in shape, no matter how much they screwed up, no matter how many people they screwed, you've got to get that house in order.

Q: How do you get them to a point where they have the capacity to lend again?

Change the accounting rules. If the government is going to provide the cash, they have to allow the money to flow out. They're throwing money on your balance sheet and then saying, "you've got to keep improving your balance sheets," as opposed to changing the rules of the game. Suspend current regulations - which sounds crazy, in a market that needs regulation. Tell these banks, 'here's an influx of capital, and this is only for commercial lending.'

Q: Are you expecting the stimulus to jumpstart construction?

The Big Dig, as fraught with problems as it was, it dropped \$15 billion into the middle of downtown Boston, put thousands and thousands of people to work, paid those people very well, and what that did was allow everybody to buy a car, pay for their insurance, buy sneakers, send their kids to school, donate to charity - it had an incredible multiplier effect in this community. That was \$15 billion over a dozen years. This new bill has something like \$30 billion nationwide for infrastructure - that, to me, is a travesty. It should've been \$300 billion.

Q: What goes through your mind when you see Harvard stop construction in Allston?

I was amazed. I know their endowment's down, but they're very smart people, and they've done an amazing job with their facilities. They're a great client to work for. In the early-to-mid 90s, Harvard accelerated their building program in a recession to take advantage of capacity and competitive pricing in the marketplace. This downturn is so pervasive that even Harvard has slowed down. That, to me, was one of the striking economic indicators. They're not just some small developer whose housing is on hold or whose small office building is on hold. This is a major-league transformation of a good section of our region, and Harvard stopped. It gives you pause to think about how big a mess we're really in.