

David and Goliath & lessons learned

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Abstract

Debly Construction is a local construction and materials company in Saint John. It was started by the Lebanese Brother who were educated in civil engineering- one with a masters in construction materials. No one thought competing with the Irving billionaires was possible in Saint John. The Debly's proved everyone wrong. The Debly's are successful and expanding.

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1. INTRODUCTION

Well Well, we thought it couldn't be done. My uncle said that companies don't move into New Brunswick because eventually they must deal with the Irvings. There is some truth to that, but it isn't conclusive.

While the Irving family has over 300 business vertically integrated in every area of the economics sectors, who are worth \$17 B CAN in Canada's poorest province, they built business by growing on the edge. I heard it said that every year, they go down a list made up of those who are their biggest suppliers and try to buy them out. The threat is made that if you don't sell your venture to us, we'll put you out of business by taking our business elsewhere. They tried to buy the telephone company, and they tried to buy the hydro company. No deal. They are supposed to be investors in Sobeys Food Stores through stock ownership. The Federal government awarded them the largest contract in Canadian History but they had to move the ship yard to Halifax from Saint John. So the Feds paid to shut down Irving Saint John Shipbuilding and paid to expand the Irving Halifax Ship Yard. We see where their loyalty is. It's to the dollar. When they proposed building an LNG in Saint John, they asked the Mayor for a tax concession. Mayor Norm McFarlan said He looked the Irving's in the eye and said, will you really move the LNG somewhere else as they threatened? Yes they responded. The tax concession to the poor city and its poor city taxpayers make up the difference. The Irving's are not good corporate citizens. Norm promised a lot of Chemical plants with an LNG here. It, of course, didn't materialize.

The Irving's are said to control more land in the province in New Brunswick than does the government. An accountant said he calculated that they make \$1 million per minute. That is not democratic capitalism. And it is not just limited to New Brunswick. Besides the Atlantic provinces, they have the Irving Bank on Wall Street as well as recently completing a \$450 M potatoes plant in Georgia. The State of Maine was smart enough to avoid a takeover by the Irving's by denying them land acquisitions. The Irving's replied that they just skip over Maine and go to the next states. The tactic is that they dangle the carrot of providing much needed jobs and investment. The price is that you have to give up democracy.

The Irving's owned every English Daily Newspaper in the province. Of course they control editorial output. The Irving's claim they don't. That's ridiculous. How long will you be employed if you are writing about bad things about your employer. NB was like a banana republic, all for the price of jobs. The Irving's recently sold their newspaper businesses. Poor demand. They do have polluting business in Saint John. They owned Canada's largest Oil Refinery built right in the city next to where people live. Environmental standards are said to be low for Canadian refineries compared to the US counterparts. They own 7 pulp Mills and a paper mill, and a tissue plant. One of the pulp Mills is located in the heart of the city. The pollutants that they put out causes disease like Alzheimer's and Cancers. The Irving's are

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in it for themselves. They make the odd gesture, but by and large they all for themselves and the almighty dollar.

So some say you can't compete against the Irving's because they own too much. While it is true that they own too much (and skip taxes viz LNG), there was a light of hope with the Deblies. They are a couple of Lebanese brothers who are engineers who studies Construction Materials at UBC, Canada's second ranked university. The started with a few oversized dump trucks, and a pit of crushed rock. They invest in Subdivision Development. Now they also own a concrete ready mix company. They do asphalt as well. They'll take any contract they can get. The purchase small parcels of land to have somewhere to dump their excess gravel. They don't pay high salaries. I had an interview with one of the brothers as a construction engineer. He asked me how much I wanted to make? I said \$40 k CAD. He exclaimed, Forty thousand? I don't think I make \$40k.! He also wanted me to run the night shift in the winter overseeing the plowing of snow blizzards. I suppose that is all that civil engineers get paid. I worded in Ontario for Peter Kiewit sons -the 8 th largest general contractor in the US. They purchased more heavy equipment form Castellar form CAT than anyone else in the world save the US Army. They paid me less than \$40.

The Irving's are heavily invested in the construction business. They have Dump Trucks ; Steel fabrication; Concrete Supply and Precast, Engineer and Project Management and General Contracting. They also have a chain of big box Hardware Stores and Lumber supply. Yet the Debblies compete and win. Good for them! They said it couldn't be done. The Deblies are doing it. How I wish I were 25 again.

I guess the Deblies got their initial investment from an ex Saint John Lebanese Civil Engineer who made \$2 million on stock in the Ontario ICI Construction Industry during the hay da of Toronto expansion. The entrepreneur there was Vere Mason from Nova Scotia. He was let go from his tenure at a large Boston based Construction outfit. So he moved to Toronto to build a business stating in his 50's. It took him paying salaries for a year before he landed his first contract. He went on to build the royal Bank Building in downtown Toronto as well a s Commerce Court. They built half of downtown Toronto. Of course, they went out of business when they he did not plan for succession of the presidents job. An MBA might have helped him. The man who took it over wasn't suited for the job. He hired people who destroyed the company. After Vere Mason the company failed under the stress of a bad economy.

Another Saint john construction company that went belly up was an entrepreneur who build the \$16 million Stadium. He relied on nepotism – a technician instead of an engineer – and that cost hi his company. At the hands of the Irving's, a contract claim wasn't approved, and Meridian was. The technician ordered

the Ocean Steel and Stresscon (two Irving companies) to proceed anyway. The Irving companies put Meridian out of business when they could not get a loan to cover it.

Some people think Real Estate Development is an easy business. I studied civil engineering and real Estate as well. There has been a flurry of activity of building apartment buildings in Saint John. The province just lifted the rent control. Rents have increased by anecdotally 50%. One would be developer purchased a corner lot on the main street. He tore down the vacant Zellers Department store. There is a massive hole in the ground that has been like that for two years or more. He claims that 99 King isn't going up because the cost fo concrete has escalated too much with inflation to make the project feasible. He is losing the interests payments on the loan for demolition which probably costs \$1 million. The city, desperate for development must have issued a demolition permit. I wonder if they got a bond. If they did, they should execute it. Real Estate development is a highly leveraged business. That means you can make or loss a lot of money quickly. The developer is losing a lot, I think.

Conclusion

The lesson is hire engineers, not technicians. Hire engineering MBA's for your leadership You must pay higher salaries, but it will save you in the long run. Don't hire family just because they are family. Hire someone who is best suited for the job. Don't hire Business students to do an engineers job. Don't hire people who don't have the educational background. This is common sense that isn't too common in the Construction industry. I left it in 1995 and never returned. I should have been a doctor. It would have been a good business decision. And David can compete against Goliath. If you are getting into Development, partner with an experienced company. They call that technology transfer. You might call it on the job training. Sink or swim is not a good policy when it comes to money. Hire people who know

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