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PRESENTATION

Operator

Welcome, ladies and gentlemen, to the first quarter earnings conference call. Please welcome today's speaker Mr. John Kelley, please proceed sir.

John Kelley *- Alexander & Baldwin - Vice President of Investor Relations*

Good day. This is John Kelley. With me are Allen Doane, President and CEO of Alexander and Baldwin and Jim Andrasick, the Senior VP and Chief Financial Officer.

I'll do this brief introduction and then Allen will make comments about the earnings release and the outlook. Jim will comment on some of the balance sheet, cash flow and other financial matters. I'll do a quick review of some items on the economy and then we'll open for questions.

I'd like to thank everyone for participating. If anyone is having trouble hearing, you can hit star zero and you'll get help.

You should have received this morning a copy of the earnings release and a reminder of the call by e-mail. If you did not, please call me office and you can get a copy right away. Or you can download a copy from the Web site where it's posted, as soon it crosses the wires.

Just a reminder, this is the 47th regularly scheduled conference call for A&B. And it's the 6th we've Web cast. And as you may know, a replay is available both on the Web and for those calling in live using the number on your invitation.

I'm always happy to take individual questions later. We just changed it to a six hour net time difference with the East Coast with daylight savings time, so you might want to make note of that. If that causes a problem, please get in touch with my e-mail or voice-mail. Earnings release are normally on the third Wednesday following the close of the quarter and after the close of after hour trading. So our second quarter release will be on July 17th.

Statements in the call today that set forth our expectations or predictions are based on facts and situations that are known to us as of today the 18th of April. Actual results may differ materially due to risks and uncertainties such as those we describe on page 19 on the Form 10-K in our 2001 annual report.

I'd like to remind listeners of our Web site, www.AlexanderBaldwin.com and it's links to our subsidiaries, as well as the State Department of Business, Economic Development and Tourism Web site which is quite useful in keeping track of economic information.

With that I'd like turn the conference call to Allen, Doane, our CEO.

Allen?

Allen Doane - *Alexander & Baldwin - President and CEO*

Thank you, John. I'm going to just briefly comment on the income statement. And then turn it over to Jim Andrasick to talk about cash flow balance sheet and other related issues.

We did expect as we've noted publicly prior to this a poor first quarter at Matson and that's basically what happened. We did perform slightly better than our plan both at Matson and at A&B and Aggregate for the quarter. We are forecasting results to improve for A&B in the next quarter and for the remainder of the year.

Let me first talk about Matson and talk about where we're going. First, we had deferred because of difficult economic circumstances in Hawaii, a rate increase that we would normally put into effect earlier in the year. We have announced a rate increase and it was effective April 14th at 2.75 percent. And that should help us as we forward in the year.

I would also note second that we have just announced an increase in the fuel surcharge from 3.25 to 4.75 percent. There's a relatively unstable situation I'm sure as you know in the are of oil prices. We averaged $17 per barrel during the first quarter of this year. However, the last stop at the gas pump so to speak was at $26. We don't expect that it's going to stay at that level, but nonetheless there has been a very significant increase in oil prices recently.

I would also just note, that on the positive side that volume trends at Matson are up. January and February were both quite weak, but March was better and April is starting our pretty well.

In terms of the two components of our freight package, containers are doing pretty well which is most of our business, but the auto business that you will note commented in the report, it was down 23 percent year over year our shipment of autos. And that is still relatively soft. So those are just some top line things that are happening at Matson.

I would also just for your information, note that we have implemented a reduction in the vessel serving Hawaii from eight to seven in January. We'll get the full benefit of that in the second quarter. If our cargo volume does return later on in the year, we may go back up to eight vessels, but for the moment we're down to a seven vessel fleet to Hawaii.

We're seeing increased productivity at our Sand Island Terminal in Hawaii. I would characterize it as better but not good enough. Still a drag on Matson's performance. There are improvements that are occurring. The efficiencies are getting better, but we still have a way to go there. And that's going to be another area where we should expect to see improvement in both our efficiencies and our cost structure as the year goes along.

Other than that, I would just finally note for Matson that we also expect to see gains at our affiliate for the rest of the year which should help our income.

Just to summarize, we did have a very touch fourth quarter, a difficult first quarter. We expect that there will be some substantial improvement in the second quarter and beyond at Matson. And we're certainly working very hard to make that happen.

In the real estate business basically everything is at or above our plans for 2002. I can say that just for prospective purposes that we've had 10 years of never having missed a plan in real estate. So I think that business is going to do pretty much what we think it's going to do for the year.

In the leasing area, commercial properties, there's been some softness in occupancy, but again we've anticipated that. We expect that as the year goes along we'll probably see some pick ups there. We had a very good property sales quarter compared to a great sales quarter that we had last year, but it will still very good. We sold and industrial property portfolio in Dallas and a number of small Hawaii properties in the quarter.

The only area where there's a little bit of weakness is in some of the resort development activities that we have in Hawaii. If you've go a resort project and it's basically in a launch or a sale at least up phase things are slow, but that represents a small component of our capital in the neighborhood of about, 6, 7 percent of the total capital that's in the business. So it's a relatively small exposure but there are some short term reductions in meeting some of our objectives there but it's certainly containable.

In the food products area the investment there is principally our sugar plantation on Maui. We have a residual, small interest now of about $12 million or so in C&H sugar refinery in California, but it's mostly the agricultural business on Maui in sugar. Sugar prices have dropped recently. However, we've priced forward about 14 percent of our crops so far at pretty good prices. We'll see what happens to the rest of the group as the year goes on. We think that prices will probably firm. But we're also no in the business of projecting commodity prices all that well either.

I would say on a positive note, that the farming bill which is sort of the structure under which our sugar business operates, the expectation is quite positive. And high that there will be a renewal of farm legislation which will provide stability and probably a little bit of an improved pricing environment for sugar over a number of years in the future. It's still caught up in Congress right now, but that will probably be passed some time in the next few months.

In terms of the company's development and acquisition activity. We continue to work on several large projects and activities. We are getting close to a decision on what would be the purchase of two vessels that are being constructed for our container operations to Hawaii. We're not quite there yet but we're relatively close to a decision on that. This would be in excess as we've noted before of $100 million per vessel but not too much in excess of $100 million per vessel if we were to make that decision.

We are also expecting to complete, and when we do, announce a longer term real estate development venture with a partner in Hawaii.

On the acquisition front, it's been publicly reported in Hawaii that Victoria Ward has reached an agreement to sell. We were apart of the process. We were not ultimately the party that they decided to go forward with. And partly, I guess that was because the price go to a point where we were not comfortable that it was a good investment for Alexander & Baldwin. There's a tendency to sometimes chase things beyond a point where it makes good economic sense, so we pushed away from the table at a point in the process. And it appears the General Growth will be owner of the Victoria Ward portfolio in Honolulu.

We are also involved in some other acquisition activity which we're not able to really comment on at this time, but we're quite active in looking for value driven investments for the company.

So with that, I would just make two final points. One, we've had a - there's an accounting change that has occurred which has not changed in any material way the results of the company, but it has changed in some respects how we report these results in real estate and Jim Andrasick will talk about that in a moment.

I would also note that John Kelley is going to talk about the economy of Hawaii. And it certainly looks like the projections are getting much, much better. In fact, the gross product for the states there's been quite an optimistic upward adjustment to what the economic circumstances are for Hawaii for the remainder of the year. And John will comment on that.

So with that, I'll turn it over to you Jim.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

Thank you very much, Allen.

First, if I can just turn to the P&L on page five and comment on a couple of items. The treasury environment, of course is very favorable. If I could just point out on the interest expense line we are down 2.8 million in expenses, which is about 50 percent from the prior year's quarter. And we've had a following wind on this on rates as everyone is aware all year long.

Our average rate for the first quarter of 2002 is 4.2 percent. That's on all borrowings, fixed in floating, compared to a prior year's quarter of 6.6 percent. And about half of this is a result of the reduction in expense was lower volumes, $85 million in lower average balances and about half was due to rate. So good performance there.

On the corporate expense line we're down 800,000. We had a non reoccurrence this year of the charitable contribution of stock in 2001, as well as about 300,000 in absolute reductions in G&A which the result of various management initiatives to control cost.

Let me add, the income tax line, and I know many of you haven't probably taken the effect rate or computed that, but you will know that last year's first quarter we used an effective rate of 35.5 percent. This year, it's up to 38 percent. That's a pretty large increase, so I thought I would comment on that.

Part of it is the result of not taking some large charitable deductions for low basis stock that was contributed last year. Part of it is a dividend received deduction that we got on investments last year which will not - since we have sold those investments, that will not reoccur.

And also we had a roll off of various low income housing and tax credits late in 2001, which will not reoccur in 2002. At least we're not projecting that they will.

I need to comment as Alan said on discontinued operations because for presentation purposes we have broken out properties and agriculture separately. And as our press release stated, the new standard of accounting for disposal of long lived assets now treats the sale of certain income producing assets, even individual building as discontinued operations if their earnings and cash flows are separately identifiable and they're material to results.

I think, as everyone recognizes, the standards of materiality have gone down considerably, both in the SEC's eyes and public accounting eyes. We had two sales in the first quarter that qualified under these rules and that contributed 4.3 million which was treated on an after tax basis. And we've attempted to continue to give you information in the revenue and operating profit lines which shows comparable year performance and treated these discontinued operations as a deduct from both revenue and operating profit.

But this will have an effect on our property sales activities going forward. In that we will have to declare in advance properties that maybe put up for sale and have buyers identified.

The other thing I would point out is that in this first quarter's activity, the proceeds from those land sales sold about 30 million. You can see that as the deduction from revenues. And all of those monies were held in escrow pending reinvestment in qualified 10-31 replacement properties which has been A&B's long standing practice.

Turning to the balance sheet and cash flows, really there were only three events that explain most of the account changes in the first quarter beyond the normal ebb and flow of seasonal working capital changes. The first was a payment of $38 million tax bill, U.S. federal tax bill which - in the first quarter which was the result of our bank stock sale late last year. This reduced current liabilities and of course impacted operating cash flow.

Another event was the sale by Matson of two vessels to a minority affiliate. These ships had been under charger to that affiliate with an option to buy. That option was exercised. And at year end 2001 those vessels had been held in current assets for disposition. The cash proceeds of about 16 million from that sale were contributed to the capital construction fund which closed that account balance .

And finally the third event, as I previously noted is property sales. That reduced the property net account by about $25 million. And the cash proceeds were placed in escrow for reinvestment which is carried in other assets that in term explains the $30 million increase in that account. Overall results was a net requirement to borrow about 44 million against that revolving credit facilities and which is shown in the increase in debt, and also as a source of funds and cash flow.

I would just comment on two other areas. Capital expenditures as shown in the cash flow were down considerable year-over-year. We spent 8.2 million in the first quarter. And most of the decline was at Matson where we have either - we have deferred equipment purchases and throttled back consistent with our earnings performance.

The second point would be on, which we discussed at our last call, is on pension credits and debits. In prior years, the company has reported income from it's over funding in effect of it's pension obligation. That over funding continues - continues through the first quarter. However, it's not at the same level as previous years. And that in tern results in a lower level of pension credits year over year. So last year we picked up about six to seven million in favorable income pre tax. This year, we're projecting about break even to one million. So those credits which are none cash impact on earnings will decline.

I would just make a final comment if I may on transparency. A&D has no special purpose entities. The full extent of our guarantees and other commitments is disclosed in our annual reported and in the 10-k on page 24 just as a reference.

But let me just quickly restate what our position is. We do have letters of credit out standing and performance bonds. At year end 2001, those totaled about 26 million, that's been reduced to 22 million as a result of the release of various performance bonds against real estate projects. And we do guarantee the debt of two affiliate companies in the aggregate 46.5 million at year end 2001. That is unchanged at quarter end.

So we finally report the company continues to be in excellent financial health. And with that, I will turn it to John Kelley.

John Kelley - *Alexander & Baldwin - Vice President of Investor Relations*

Thanks, Jim. In the all important psychologically as well as from a solid economic point of view visitor industry trends continue to improve. I think many of you have read some articles in the eastern press noting that mainland visitors are back nearly to normal, that is pre 9-11 levels. But visitors from Japan or other from other international areas continue to lag.

In the January and February numbers which came out since our last call, the total number of arrivals were down 16.5 percent in January and about 9 percent in February. The March numbers aren't out yet. And if you split those in January, people on domestic sights were down 8.4 percent, and in February they are two-tenths of 1 percent. So a good trend there. International arrivals were down 28.8 percent in January. And now they've improved the decline of 24.7 percent by February.

In the visitor days that is the more relevant economic measure that dwells high in the economic contribution, in January visitor days were down about 13 percent and that had come up to a decline of just 5 percent in February. If you look at the most recent period in the seven days ending the ninth of April, which is the most recent domestic data available, domestic rivals were at 91 percent of prior comparable period levels.

And looking just at Japan in the seven days ending the 10th of April, Japanese travelers were at 82 percent of their prior year level and that's down from a 95 percent level they'd reached earlier in the month. So the domestic travelers continue to show strength. Japan continues to lag, but the improvement is gratifying.

In terms of Hawaii's own economic measures, some of the leading indicators and other things we've talked about are still not reflecting all of the improvements. There's a lot of noise in the data. But if you look at some of the physical factors that drive demand and provide visitors, airline seats are probably one of the most noteworthy. And the employee visitor and convention bureau reported the other day that there are about 400, 000 new seats have been announced in calendar year '02. And that's in addition to about almost 190,000 seats that have been restored since suspensions following 9-11.

And particularly - in particular Hawaiian airlines announced direct service to Ontario, California and Sacramento, and in October they'll be starting direct service to Phoenix. So some of the air carriers here are reaching out to mainland destinations. In addition, the more traditional carriers like united, just announced two weekly Denver to Honolulu non stops. And in June they're going to add two - a second domestic flight from San Francisco direct to Konan, the big island, with a 757.

In addition to American airlines in mid June it's going to add daily service, a second daily flight from Los Angeles direct to the island of Kauai. So I think what's happening is that the demands, especially from the mainland is being read loud and clear in the airline industry and they're responding.

On the economic front, unemployment levels in Hawaii are improving slightly. February's most recent data available it's 4.7 percent unemployment rate. That was a slight improvement from 4.8 in January and five in December. Hawaii continues to look better on that measure than the U.S. February for the U.S. of course was 6.1 percent.

I think if you step back from the numbers, let me read you a short overview from a set of economists at the university of Hawaii. I think this more or less says it all. And these guys are as an unbiased as you can get from the academic point of view. Headline is brief recession likely over. And they go on to say "outside of tourism, the state has weathered the current slow down fairly well. Job losses have been significant but the labor markets appears to have turned the corner. Hawaii will likely experience only a mild and short lived recession in real personal income with year over year growth resuming in the second quarter of '02. Economic recovery will strengthen as the year proceeds."

And they go on in the article to say there are really only two significant risk factors, one is uncertainty over the state of economics affairs in Japan. And the second of course is the unrest in the Middle East, which could trip a lot of things going the other direction.

And when you take these things together, the present forecast for visitor arrivals by the state agency responsible projections is for an improvement of 3.5 percent in 2002. And that follows the decline of 9 percent in 2001.

On the personal income front, the state's projecting about a 1.3 percent real increase in personal income in '02. And that's an improvement over their prior figures. And in their real gross state product projection there, now as Allen stated 1.7 percent for '02. And then 2 percent and around 2 percent thereafter in '03. And that contrasts with about 1.4 percent projected for the actuals in 2001.

So I think we're looking at relatively modest economic growth, but you've got to take into account that we've got one weak quarter in '02. So those numbers actually reflected fairly rapid and reasonably strong turnaround. I think the fact is from an operating leverage point of view that's exactly the kind of environment we can flourish in.

So with that, I'd like to step back from our monologue if you will and open it to questions-and-answers. So operator if you would explain the ground rules for using the phones for Q&A.

QUESTIONS AND ANSWERS

Operator

Certainly, sir. Thank you very much, Mr. Kelley. For those of you who have a question that was one-four on your touch-tone phone at this time. Now, please keep in mind, that if you're using a speakerphone, you must pick up your handset to press one-four to register in our question-and-answer line up. Once again, for those of you who have questions, please press one four on your touch-tone phone now.

Thank you very much, sir. And it looks like our first question is going to come from a Mr. C r a i g S e r o i s e (ph) . Please proceed, sir.

Craig Seroise

Good morning, to you guys. I've all ready had a long day, but good morning out there. One thing I'd like, if you can, qualify - quantify the 15 million drop in the operating income at Matson. Can you separate out what was ship operations? And what might have been due to the Sand Island pick up I guess it was?

Allen Doane - *Alexander & Baldwin - President and CEO*

Yeah, I - this is Allen, I can give you some general direction - really all that specific, C r a i g (ph) . It's a good question.

The terms of the variance for the quarter, market factors represented about $5 million of the variance strictly the market. That would be Hawaii and the Guam market. In very general terms there was about a $3 million reduction because of a share change versus the competition. And part of that had to do with the fact that our service levels are low. So it wasn't just a matter of pricing.

It was just that because of some of the problems that we had we've lost some business here from what had been a historically share that the Matson had had. So that's about another three million. We've got about 2.5 million of inefficiencies at Sand Island. We have about $1 million of unusual bad debt, almost all of which is due to Kmart.

We have about a $1 million, Jim mentioned the pension credit issues, about $1 million of the pension credit change year-over-year. About $600,000 reduction in our affiliate performance, which brings you up to about $13 million of the variances. You've got a couple of million dollars which is everything else. Inflationary increase is offset by improvements because we have fewer vessels and other benefits that have been achieved.

Craig Seroise

Thanks. That's good detail. That's more than I expected without your Matson guys there.

Now ...

Allen Doane - *Alexander & Baldwin - President and CEO*

I don't know if that's a compliment or not.

Craig Seroise

It's a compliment. The Sand Island, what's needed there to improve the efficiency? It this is volume cargo thing or have other things been identified?

Allen Doane - *Alexander & Baldwin - President and CEO*

It's really not volume driven. It's just after decades of using one approach is how the terminal has operated. They mad a conversion about two-thirds of the way last year. It turned out that it's been not only from a technical standpoint but management and labor standpoint much, much more significant transition than the company had originally anticipated. So the shake down period here is taking a while.

We're seeing improvement, for example we had in the first quarter, just one of the ratios, and I mean it's not really very god right now. The first quarter we were getting off of our cranes about 17.2 moves an hour. We expected that we wanted to be getting about 21, that was our objective. But by the end of the quarter, we were operating at slightly above 18. So there was a trend upward, but as I in general terms indicated at the beginning, while we're seeing progress, we're still not hitting the objective that had been established.

And it's not one or two things. It's a list of like 20 or 30 different issues that deal with different practices and how the shifts are unloaded and then reloaded when they leave. But we're making progress. It's the biggest change that this part of the company has had in decades.

It also involved things like global positioning systems and things that just don't necessarily come all that easy to an operating business. So it's an absolutely, revolutionary change that we probably, certainly did underestimate the challenges of just launching as well as we wanted to.

Craig Seroise

Thanks. Now you mentioned the bad debt due to Kmart. Did they - on the property side, did they lease any properties from you? I know Wal-Mart has a Hawaii property.

Allen Doane - *Alexander & Baldwin - President and CEO*

Yeah. The answer to that is that we sold approximately two years ago a Kmart property that we had owned. So on the leasing side, there is no exposure. On the operating side, we actually did pretty well relative to the size of business we have with Kmart in terms of our recovery of the receivables. It's just that we weren't able to recover all.

Craig Seroise

OK. And just the capital - the cap ex budget for this year. If you buy those ships that you were - referred to, would that be this year or would that be going into more next year?

Allen Doane - *Alexander & Baldwin - President and CEO*

You can assume that there will be modest at best and perhaps zero but very, very little capital impact in the year 2002 from any vessel construction activity.

Craig Seroise

OK. Then what's the plan for '01 without that possibility?

Allen Doane - *Alexander & Baldwin - President and CEO*

The plan for '01? Or the plan for '02?

Craig Seroise

I mean '02, excuse me.

Allen Doane - *Alexander & Baldwin - President and CEO*

Yeah. We have a plan that has about $120 million of capital spending in it.

Craig Seroise

OK.

Allen Doane - *Alexander & Baldwin - President and CEO*

That involves a massive and a fairly low level of 25 to $30 million. We got our real estate business in at about $80 million and our agribusiness in at about $10 million. Now of the $80 million we have in the real estate business, you can assume that about half of that or maybe even a little big more is what we would call growth acquisition activity. So it's not replacement or project spending it's acquisition activity that we put in our budget for the year.

Craig Seroise

OK. That were - that would seem to indicate to me that there's going to be a lot more spending in the - as the year progresses than there was in the first quarter which was pretty low, but that's OK.

Allen Doane - *Alexander & Baldwin - President and CEO*

That's correct.

Craig Seroise

Yeah. And then for Jim, is that 38 percent tax rate good for the year?

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

That is our latest projection based on everything we know about full year estimates, yes.

Craig Seroise

OK. One final one I have for you if it could. Let's see if I - I'm not an accountant I don't know if I understand this new rules here. Does this mean that every time there's a real estate sale that you might have to report discontinued operations for the quarter? This could get messy if that's the case.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

Well the technical answer is yet if it's material. And if, as we do with just about all of our income properties, we track them from revenues and cost standpoints separately. So yes, this is a very messy rule for a company like Alexander & Baldwin.

Craig Seroise

Right.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

I know the REITs are struggling with it too. And we're all going to be very interested and see how, you know, various companies interpret this who are in the real estate business.

Craig Seroise

OK. Me too. OK. Thanks a lot.

Allen Doane - *Alexander & Baldwin - President and CEO*

I would just make one comment on that. Jim mentioned it earlier on, but the strange aspect of this is that we will sell a property for example for $25 million. We will then put the proceeds from that which we have done historically consistently into escrow, we will exchange it on a tax deferred basis into another property. So we consider the sale as a continued operation. But from a practical standpoint, we've had a history of reinvesting into other properties the proceeds from our sales.

Craig Seroise

Right. That hasn't...

Allen Doane - *Alexander & Baldwin - President and CEO*

So it's a very difficult accounting rule for us.

Craig Seroise

Yes, well that hasn't changed. My difficulty is trying to explain that to maybe some investors that don't understand but that's my problem. OK. So thanks a lot.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

It has the practical effect of making total operating profit far less meaningful than it used to be.

Craig Seroise

Yeah.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

But we have made an effort to provide you the information in a way that you can see it on the old basis and also see the adjustments.

Craig Seroise

Right.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

And as long as we're able to we'll continue to do that.

Craig Seroise

OK. Thank you very much and have a good day.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

Thanks, C r a i g (ph) .

Allen Doane - *Alexander & Baldwin - President and CEO*

Thanks, C r a i g (ph) .

Operator

And our next question comes from Mr. K e i t h H a n s o n (ph) Please proceed, sir.

Keith Hanson

Aloha from Sunny, Columbus. Thank you for the additional disclosure.

Allen Doane - *Alexander & Baldwin - President and CEO*

That is Ohio.

Keith Hanson

It is Ohio, that's right. It's supposed to cool off by the weekend but I guess we're enjoying it this week. The question I had was is there going to be any impact on Matson from a potential work disruption in the west coast?

Allen Doane - *Alexander & Baldwin - President and CEO*

Yeah, that's a good question, a very good question. I can give you the stock response we don't know and we hope not. From a practical standpoint, this is the every three year reopening of the contract with the IOWU first on the west coast and then in Hawaii. The big issue this year is the use of technology on the - at the terminals. And I don't think anyone really knows how difficult an issue that is going to be between the union and the various management organizations that are involved on the other side.

We hope that there won't be any disruptions. Normally, what happens is that instead of a strike there have been some slow downs in the past. And those are difficult to deal with as well. So, you know, it's really hard to say what's going to happen. The hope is that everything will be settled in a reasonable manner as the contract expires at the end of June.

Keith Hanson

OK. Thank you.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

We do bargain as an industry, Keith. So it's the whole coast at once, one employer group, one labor group.

Keith Hanson

OK.

Operator

Thank you. And our next question comes from Mr. T o m S p i r o (ph) . Please proceed sir.

Tom Spiro - *Spiro Capital*

T o m S p i r o (ph) , S p i r o C a p i t a l (ph) , hello?

Allen Doane - *Alexander & Baldwin - President and CEO*

Hi, T o m (ph) .

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

Hi, T o m (ph) .

Tom Spiro - *Spiro Capital*

Hello. Could you update us please on the potential entrant of one or more new competitors into the Matson line of business, yes, P a s h a (ph) and the second potential competitor?

Allen Doane - *Alexander & Baldwin - President and CEO*

Yeah, there's really - we didn't say anything about this. We've talked about this during the last two or three calls. And you're probably wondering why we haven't mentioned it in this call and that's basically because there is absolutely no new information. The ship that was partially - it was under construction partially built. It was involved in a bankruptcy action, a ship yard. And it's sitting at the same state of completion that it was about nine months ago.

So we don't know whether that ship will ever be completed. There's speculation that it won't but we can't say. So that's where things are with Pasha which was the entrant into the Hawaii service that was most imminent.

There's been an announcement made by a group, it calls itself Santa Maria. And we haven't heard anything about them in quite a while. So they had planned to secure financing relative to coming into the Hawaii market. The - what's happened with this Pasha vessel and also the fact that there's something called American classic crews which had $300 million plus of government loans that's going upside down on a cruise line that serves Hawaii. It might make it a little bit more difficult from a political standpoint for these things to be financed but we really don't know.

So at this point, the reason it wasn't brought up today is that there's absolutely no information that would make for any changes.

Tom Spiro - *Spiro Capital*

Thanks a lot.

Allen Doane - *Alexander & Baldwin - President and CEO*

You're welcome, T o m (ph) .

Operator

And once again, for those of you who have a question, that was one four on your touch-tone phone. Thank you. And our next question comes from Mr. P a u l P a t r i c k (ph) , please proceed sir.

Paul Patrick

Hi, good morning.

Allen Doane - *Alexander & Baldwin - President and CEO*

Hi, P a u l (ph) .

Paul Patrick

A question on Matson, you talked about service difficulties and it sounds like it might be something separate from Sand Island. Is that the case? And can you talk about why it's going on?

Allen Doane - *Alexander & Baldwin - President and CEO*

No, it's mostly Sand Island. I mean they're all - these are service disruptions. The service disruptions increase in the winter, but that's sort of you sail the same seas that everyone does. So your ship arrival on time percentage has a tendency to go down during the winter season, but that goes down for everybody.

The principal problem is the Sand Island problem.

Paul Patrick

OK. And you also talked about pricing pressure from I guess it's the CSX is that - is there anything new? Is there any reason behind that?

I know that they heard that they are getting - are looking to be sold. I don't know if that would have anything to do with it?

Allen Doane - *Alexander & Baldwin - President and CEO*

Yeah, I didn't say anything about pricing pressure from CSX.

Paul Patrick

You said pricing pressure as a cause of the decline in the business at Matson.

Allen Doane - *Alexander & Baldwin - President and CEO*

No, I really didn't.

Paul Patrick

Oh, you didn't?

Allen Doane - *Alexander & Baldwin - President and CEO*

If I did I apologize for saying that. You know, in this business it's just about like every other semi commodity business, you've got a lot of punching and pulling going on an a day to day basis. They - CSX is pretty competitive now on pricing but that is not a principal factor for what is - what's happened on the performance side.

Paul Patrick

OK.

Jim Andrasick - *Alexander & Baldwin - Senior Vice Presidnt, CFO*

And both carriers have made general REIT decisions recently. And both carriers have in their own ways redefined their bunker surcharges. So I think we're - that's really not a practical problem.

Paul Patrick

Great. And then one question on the property leasing, the margins were down considerably year-over-year is there any explanation behind that?

Allen Doane - *Alexander & Baldwin - President and CEO*

Yeah, the margins are down a little bit. It's a little bit occupancy and we - it's a bit of a few one timers. Our plans for the year show that, you know, that we're going to be OK for the full year. That we're going to have a pretty good performance. We had about a 6 percent blip year-over-year decline in the first quarter. But there's really nothing that's all that remarkable or unusual happening in our portfolio.

We're very diversified. But we're diversified on the mainland which - west coast, which has had it's own, you know, set of economic challenges until recently and then in Hawaii. So we're showing weaknesses in the portfolio but it's not that significant. And we're not - we're just not that concerned about.

Paul Patrick

Great. Thank you.

Operator

Once again, for those of you who have a question that was one four.

Allen Doane - *Alexander & Baldwin - President and CEO*

Well if there are no further questions at this point, we'll close off the call. And we thank you all for participating. And look forward to seeing you or talking to you in the future.

Aloha.