

Making Money by Making Friends: SNC-Lavalin/AltaLink

Recent SNC-Lavalin Activities Around the World and in Alberta, and Measures Needed in Alberta to Combat Questionable Corporate Behaviour

The news recently has been full of questions about potential unsavoury relationships between Quebec-based engineering firm SNC-Lavalin and dictatorial regimes around the world.¹ A pattern appears to be emerging of a company that seeks to make money, not necessarily by offering the best product at the best price in an open market, but by currying favour with unsavoury political elites and then reaping the rewards.² This apparent pattern of making money by making friends is reported to be behind a significant drop in the value of SNC-Lavalin stock in recent days.³

What has been minimally reported up until now is that this apparent pattern of questionable corporate conduct by SNC-Lavalin may be spreading to its activities right here in Alberta. This paper will outline SNC-Lavalin's reported behaviour internationally, explore its dealings with the Alberta government, and conclude with some recommendations about how Alberta can respond.

SNC-Lavalin's Dealings Internationally

SNC-Lavalin operates in many countries throughout the world. In the last year, according to media reports, this company has had a person working for them arrested in Mexico in connection with alleged efforts to rescue members of the Gadhafi family⁴, offices raided in Canada in connection with a corruption investigation in Bangladesh⁵, an email leaked about pro-government political activity in autocratic Syria during the current revolution⁶, a lawsuit filed by shareholders over alleged unlawful activity in Libya⁷, revelations come out about \$35 million worth of undocumented payments⁸, and further debate about its alleged involvement in one of India's biggest corruption scandals.⁹ Through these various scandals, a pattern appears to be emerging. SNC-Lavalin staff seek to develop a close relationship with government officials (even the most unsavoury) through a variety of means.¹⁰ Then, SNC-Lavalin realizes the benefits of those relationships in terms of leveraging contracts, in some cases for things which appear to be of questionable necessity.¹¹ (This pattern was referred to recently by SNC-Lavalin's International Director of Strategy and Infrastructure Projects Saloua Benkhouya. According to Macleans, she told a group of students at the University of Toronto's Rotman School of Management in January that befriending local partners who can "open doors" is critical for success when doing business in North Africa and the Middle East.)¹²

Libya

Consider first what is reported to have happened in Libya. SNC-Lavalin executive Vice-President Riadh Ben Aïssa developed a very close relationship with Colonel Gadhafi's sons.¹³ The company also hired the spouse of Canada's ambassador to Libya and the freshly retired Canadian ambassador to Tunisia.¹⁴ With a team star-studded with people with political connections instead of technical expertise, SNC-Lavalin was able to get billions of dollars worth of deals in Libya.¹⁵ These included building a prison for \$271 million.¹⁶

Even as things got rough for the Gadhafi regime, SNC-Lavalin executives stood by them.¹⁷ SNC-Lavalin financed a ‘fact-finding’ mission which accused NATO of committing war crimes in Libya.¹⁸ A consultant for the company named Cynthia Vanier was later arrested for allegedly plotting to help members of the Gadhafi family escape.¹⁹ (She was arrested while in the middle of a meeting with SNC-Lavalin accountant Stephane Roy).²⁰

Syria

The details of SNC-Lavalin’s dealings in Libya have been extensively reported in Canada, but it seems that members of the company may have also been seeking to curry favour with the Assad regime in Syria.²¹ Last June, Nawaf Al Dandachi (then a senior estimator at SNC-Lavalin) sent an email promoting a pro-Assad rally in Syria (aimed at sucking momentum from pro-democracy protests which have been going on for about a year and have seen thousands of civilians murdered by government troops).²² Al Dandachi used his work address and title to promote the pro-Assad rally.²³

Why would an SNC-Lavalin employee in Canada promote a pro-Assad rally in Syria? In responding to this story, a senior VP at SNC-Lavalin claimed that the company has no contracts in Syria.²⁴ However, further research by the Ottawa Citizen uncovered that SNC-Lavalin won a \$13.5 million contract to design and do feasibility studies on an oil pipeline from Iraq to Syria, to be completed by 2016.²⁵ Regime change in Syria would put projects like this in jeopardy.

Bangladesh

SNC-Lavalin offices in Canada were raided this past September after police received a tip from the World Bank about potential issues associated with the company’s involvement with the Padma Bridge Project in Bangladesh.²⁶ Here’s what allegedly happened – in April of last year, the World Bank agreed to lend \$1.2 billion to Bangladesh to build a bridge which would play a key role connecting the country’s undeveloped south with the country’s capital and it’s main port.²⁷ (The World Bank was leading a consortium, prepared to provide about \$3 billion in total).²⁸ However, a few months later, the World Bank became aware of significant potential corruption concerns associated with the pre-bidding process for the contract to build the bridge.²⁹ Many of the details are still unknown, but the World Bank provided the RCMP with a tip which led to the raid on SNC-Lavalin offices.³⁰ The vital Padma Bridge Project is on hold, and the RCMP have yet to offer further details publically as to the status of their investigation.³¹

India

Finally, there is the case of SNC-Lavalin’s involvement in India. This story is particularly interesting because the context in India is most similar to the situation in Alberta. In a state in southern India called Kerala, SNC-Lavalin signed an agreement with the state’s energy board to renovate some local electricity generation units.³² It is unclear how the company managed to convince the energy board to accept this, since India’s Central Electricity Authority recommended against this project and noted that renovations were not required.³³ A feasibility study was conducted on the proposal, but the person who conducted

the study would later become an SNC-Lavalin consultant. Based on this feasibility study, the project proceeded.³⁴

As a result of various different factors in the deal, there were significant cost overruns for Kerala's electricity board.³⁵ Also, there were technical problems with a lot of the equipment, and the generation of power could not even be maintained at pre-renovation levels.³⁶ Huge amounts of money were spent on a project of questionable need and with limited effectiveness, potentially because of close relationships between key decision makers and SNC-Lavalin.³⁷ In 2007 Kerala's high court ordered an investigation into the scandal, and in 2009 India's intelligence bureau (the CBI) recommended that corruption charges be laid against a former government minister, SNC-Lavalin itself, and a former SNC-Lavalin executive named Claus Trendl.³⁸ In 2011, a non-bailable warrant was issued for Trendl's arrest.³⁹

SNC-Lavalin in Alberta

In Alberta, as in other parts of the world, it appears that SNC-Lavalin is making money by making friends. Through the operations of AltaLink, a wholly owned subsidiary of SNC-Lavalin, the company has been given the right to build significant and many would argue unneeded expansions in Alberta's electricity transmission grid. Unlike in other places, there has been no pretense of open tendering or of an independent needs assessment.⁴⁰

In 2009, the Alberta government pushed through a bill called the Electric Statutes Amendment Act (generally known as Bill 50), in spite of strong province-wide opposition. Bill 50 eliminated the independent needs assessment process which had previously existed for the building of new high voltage transmission infrastructure in Alberta in cases designated by cabinet.⁴¹ It is not clear exactly at whose behest this happened, however we know of the following key connections between AltaLink and the Alberta government:

-Leigh Clarke is currently AltaLink Senior VP, External Engagement & General Counsel, and was a party vice-president for the PC Party of Alberta.⁴²

-Patricia Nelson is a former Alberta PC Energy Minister and sits on AltaLink's Board of Directors.⁴³

-Jack Janssen is registered as a lobbyist for AltaLink. He served as an executive assistant and special advisor to Alberta PC Cabinet Ministers for almost a decade before joining AltaLink.⁴⁴

-Kellan Fluckiger was the senior Alberta Energy public servant in charge of transmission policy, while at the same time also being married to AltaLink executive Zora Lazic, Senior VP, Regulatory and Client Services.⁴⁵

-Every year, SNC-Lavalin and/or AltaLink give huge amounts of money to the PC Party of Alberta. In 2010 (the last year for which disclosures are available), SNC-Lavalin and AltaLink gave the PC Party a combined total of \$18,350, which exceeds the maximum \$15,000 that a single entity can give a political party outside of an election year. (At the time, SNC had not yet acquired 100% of AltaLink stock, although they were in majority control.)^{46,47}

-AltaLink sponsored the PC party's convention in 2009, right in the midst of contentious debate on Bill 50.⁴⁸

With the strong support of SNC-Lavalin/AltaLink, the government passed Bill 50 and pushed ahead a series of sole-sourced transmission line builds which are opposed by landowners, power consumers, and various community groups.⁴⁹ Rate-payers are to be put on the hook for the full cost of the lines that SNC-Lavalin/AltaLink builds, and SNC-Lavalin/AltaLink will receive a 9% guaranteed annual rate of return on their investments.⁵⁰ Given these generous terms and the lack of independent needs assessment, this is a bad deal for Albertans.

According to former ENMAX CEO Gary Holden, the plan for this massive deal was made in two secret meetings held at the Alberta Legislature in February and March of 2009.⁵¹ These meetings involved Alberta Energy officials, members of the electrical system operator, and representatives of various power companies.⁵² According to Holden, SNC-Lavalin/AltaLink and others negotiated a plan to divide up the province between major power companies and allow the massive overbuild without independent needs assessment.⁵³ Consumers would lose, but SNC-Lavalin/AltaLink would make a lot of money.

As with events elsewhere, we have a case in which the government appears to have a close relationship with SNC-Lavalin/AltaLink and ultimately made a questionable deal. SNC-Lavalin is doing in Alberta what they have done elsewhere – making money by making friends.

After Alison Redford became Premier, her government ordered three Bill 50 lines put on hold. However, a few hours after this was announced, Redford reversed the government's decision with regard to the Heartland Transmission Project, which has been given to AltaLink and EPCOR.⁵⁴ The government has subsequently decided to continue with the construction of all designated Bill 50 lines, without any kind of independent needs assessment process.⁵⁵ Many have wondered who contacted the Premier between the announcement of the suspension of the Heartland line in the morning and the announcement of its continuation in the afternoon. What is clear is that her talking points on the Heartland line increasingly mirror statements made by AltaLink executives. For example, she recently claimed (incorrectly) that "The commission [AUC] certainly heard from numerous experts, including some hired by the opponents of this project, and they've found that the electric and the magnetic fields from the overhead lines would be lower and likely indistinguishable from any background or normal levels already at [Colchester] school."⁵⁶ AltaLink VP Darin Watson used virtually identical wording and expressed the same (inaccurate) point in a meeting with Elk Island Public Schools and Colchester Elementary School parents a few weeks earlier.

AltaLink has recently announced that their profits are up by 87%.⁵⁷ This is good news for SNC-Lavalin. With SNC's shares in freefall as a result of scandals elsewhere, Alberta seems to be the one place where their close relationship with government is not getting them into trouble.⁵⁸

Conclusions

Many Albertans will be concerned to find out about how SNC-Lavalin/AltaLink has been able to operate in Alberta and develop a close relationship with the government in spite of their problems in other parts

of the world. In light of the revelations from around the world about SNC-Lavalin's activities, we recommend the following:

-The provincial ethics commissioner should be called in to investigate the relationship between SNC-Lavalin/AltaLink and the PC Party of Alberta, and the relationship between SNC-Lavalin/AltaLink and the Government of Alberta.

-A mechanism needs to be established by which companies whose ethical track records are questionable can be independently investigated, and depending on the outcome of the investigation, barred from receiving government, other publicly-funded, or consumer-funded contracts.

-A requirement needs to be established in Alberta that any public infrastructure building contracts exceeding a certain minimal threshold be put out to open tender. All companies, except those barred from bidding because of unethical practises, should be given an equal chance to bid.

-A provincial equivalent of the Federal Accountability Act needs to be passed in Alberta, addressing conflicts of interest for government ministers, staff, and bureaucrats and limiting the ability of large corporations to buy their way into government.

It is time for Albertans to stand up and demand that their government operate with integrity, and that it not fuel the profits of companies who engage in questionable practises here or elsewhere in the world. Alberta should be a place where companies make money by having the best ideas and the best products, not where they can make money by having high-placed political friends.

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