SNC-Lavalin chief warns criminal charges could force closing or sale

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The head of Canadian engineering giant SNC-Lavalin Group Inc. says any move by authorities to charge the company in connection with an extensive bribery scandal would immediately threaten its future and could force it to close down.

SNC chief executive officer Robert Card, speaking to The Globe and Mail's editorial board, said he would be "deeply concerned" if the company was charged because it would hurt the business severely. And "if the company can't do business, you really only have two choices. You are going to do some dismemberment and cease to exist entirely, or you are going to be owned by somebody else."

A shift to a foreign owner would jeopardize the 5,000 Canadian SNC jobs that are associated with its headquarters, he said.

SNC has been reeling from probes into alleged unethical dealings by some of its former employees in Libya, Algeria, Bangladesh, and in the contracting process for a new hospital in Montreal. It has fired the alleged perpetrators – including its former CEO Pierre Duhaime – and overhauled its compliance efforts, bringing in Mr. Card in 2012 to clean up the company. Six former employees, including four former executives, face criminal charges related to the scandal. None of the allegations have been proven.

The company has already taken a financial hit from the allegations and survived, Mr. Card said, but it might not be able to continue in its present form if it faces criminal charges.

"I'm not panicked," he said, because he thinks policy makers will understand the implications for a crucial homegrown company. What does worry him, however, is if "some lower-level person says, 'I don't think they are really going to be injured by this, so we are going to do it and see what happens.'"

One reason the company would take such a hit is that a majority of SNC's business in Canada is associated with government entities. New federal anti-corruption rules would ban companies from doing business with the government if they have been convicted of crimes. That policy is a "meat cleaver" that allows little leeway in getting companies to improve their behaviour, Mr. Card said.

Even if SNC was charged, but not convicted, it would face such damage to its reputation that all its government business would be at risk, Mr. Card said. "We operate on image," he said. "Imagine you are a government official and you are getting ready to award a big contract to a company and they have been charged. You have two other companies that haven't been charged bidding for it ..."

The reputational damage would also affect international work, he said, because foreign clients would be concerned if SNC faced charges in its home jurisdiction.

Mr. Card said he can understand that law enforcement authorities might want to send a strong message to other companies to warn them off unethical behaviour, but he hopes they will take into account that "there is absolutely no way to inflict harm on the bad people through the company."

Indeed, charging the company would amount to “inflicting pain on the survivors, who are already victimized.” Essentially it would mean “bayoneting the wounded ... and the shareholders, which are largely pension funds,” he said.

Mr. Card acknowledged that SNC needs to be held accountable for the activity that took place in the company. “There needs to be some signal sent. I don’t know what it is. ... [It] would be meaningful, but would not change the strategic direction of the company.”

Mr. Card, the first American to run SNC, is a former official of the U.S. Department of Energy, and before joining the Canadian company he was a senior executive at Colorado-based engineering services firm CH2M Hill Co. Ltd. Within months of joining SNC, Mr. Card overhauled the firm’s oversight procedures, putting in place a “chief compliance officer” to make sure it didn’t break any laws as it looks for contracts in Canada and other countries.

He has also altered the company’s strategy. This spring, SNC pulled the trigger on two significant deals as part of its shift away from infrastructure holdings, and toward construction and engineering – particularly in the oil and gas business.

In May, it signed a deal to sell its Alberta electricity transmission company AltaLink for $3.2-billion. Then in June it agreed to the $2.1-billion purchase of London-based oil and gas services company Kentz Corp., a firm that has 15,500 employees and operates in three dozen countries. The Kentz deal has closed, while the AltaLink sale is still waiting for approval from Alberta regulators.