

Scandal-plagued SNC-Lavalin remains a major force in B.C. economy

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IT WAS ALL smiles for Rene Navarro Gonzalez and his teammates in September 2012 in Montreal as he gripped the trophy handed to him by new chief executive Robert Card in SNC-Lavalin's hometown.

They were celebrating mission accomplished for mining client Anglo American's \$2.1-billion Barro Alto nickel plant in Brazil, where Navarro Gonzalez spent four years as project manager. SNC-Lavalin deemed it the year's best-managed large project, boasting 13.2 million person-hours of work without a recordable health and safety incident.

The ceremony was a respite from controversy for one of Canada's biggest multinational corporations. SNC-Lavalin, which builds, operates, and/or maintains energy, mining, water, infrastructure, and power projects, had also recently become one of its most notorious.

The company counts British Columbia as an important market because of its involvement here in everything from rapid transit and highways to hydro plants to ferry terminals to drinking-water systems to garbage dumps. However, the engineering and construction giant, founded in Quebec in 1911 and today with 45,000 employees and offices in 50 countries, faces an uncertain future in the face of cascading headlines alleging international bribery and corruption.

SNC-Lavalin won the contract for Barro Alto in summer 2007 with Brazilian partner Minerconsult, which it bought outright before the end of the year. By late November, Anglo American had sent SNC-Lavalin a list of complaints about ineffectual management, defective services, and inadequate procurement; it even withheld some payments to SNC-Lavalin. Next summer, SNC-Lavalin's Toronto-based mining and metallurgy division hired Navarro Gonzalez away from an aluminum project in Iceland.

Navarro Gonzalez—a 63-year-old from Bolivia now living in Port Moody—and his team got the project back on track. In an April 22, 2014, affidavit supporting a wrongful-dismissal lawsuit, though, he complained about a lack of support from superiors in disputing local contractor Camargo Correa's pursuit of US\$100 million in compensation for alleged Barro Alto cost overruns.

"I wonder what would have happened if I did not manage the Camargo Correa claim properly and ethically?" Navarro Gonzalez stated. "How much money would SNC-Lavalin have been liable for?"

When he was finished at Barro Alto, Navarro Gonzalez helped Anglo American study the feasibility of another Brazilian project. He then waited for another SNC-Lavalin assignment but he was laid off on October 21, 2013. He sued in January.

“I feel that it was a bad dream and that’s it; life must continue,” Navarro Gonzalez said in an interview at a Coquitlam restaurant. “Other companies are not like that.”

“Other companies”, though, were not raided by RCMP detectives in April 2012 and suspected of paying \$160 million worth of bribes to Saadi Gadhafi, a son of deposed Libyan dictator Moammar Gadhafi. Other companies were not banned in April 2013 from bidding on World Bank development projects for a decade for alleged bribery in Bangladesh and Cambodia.

And other companies in Canada haven’t had such an eventful autumn in 2014 as has SNC-Lavalin. In October this year, its former global construction head, Riadh Ben Aissa, reached a plea bargain with Swiss authorities, was sentenced to 29 months already served, and was extradited to Canada, where he is free on \$250,000 bail. Ben Aissa, former SNC-Lavalin CEO Pierre Duhaime, and former investor-relations head Stephane Roy are facing corruption and fraud charges in Quebec, where police claim they paid \$22.5 million in kickbacks to former McGill University Health Centre CEO Arthur Porter for the contract to build a \$1.3-billion hospital in Montreal.

Duhaime’s successor, Card, a former CH2M Hill and U.S. Department of Energy executive, has endeavoured to clean up the company. He hired Michael Hershman, the former Watergate investigator who advised German giant Siemens during its bribery crisis. SNC-Lavalin took out full-page newspaper ads to claim it was turning over a new leaf, published an anticorruption manual, and held a whistle-blower amnesty. It also went to social media in an image-making effort.

In October, another milestone. Card publicly warned that 5,000 Canadian jobs are at risk if the company is charged with corruption—a not so subtle message to governments across Canada that rely on the \$8-billion-a-year giant.

“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,” Card told the *Globe and Mail*.

In early November, Card blamed a mining downturn and slowdowns in Brazil, Russia, India, and China for 4,000 layoffs (including 1,000 in Canada) to come within 18 months. Then, Public Works and Government Services Canada named Brookfield Johnson Controls Canada to succeed SNC-Lavalin with a \$9.6-billion, eight-year contract to operate and maintain 3,800 federal buildings, including Library Square and Sinclair Centre in Vancouver. When one door closed, another opened. During Prime Minister Stephen Harper’s state visit to Beijing, SNC-Lavalin’s Candu Energy announced a preliminary agreement to build nuclear-power plants at \$5.5 billion to \$7 billion each with a Chinese partner.

SNC stands for the surnames of the company’s Quebec founder, Arthur Surveyer, and his 1937 partners, Emil Nenniger and Georges Chênevert. The firm rescued the Jean-Paul Lalonde and Romeo Valois–founded Lavalin engineering firm and merged with it in 1991. That was five years after Lavalin spent \$50 million to privatize Urban Transit Development

Corporation, the Ontario government company behind SkyTrain. Bombardier bought UTDC in 1992.

Acquisition of Kilborn Engineering in 1996 and B.C. Hydro's interest in a Pakistan diesel power plant in 1997 heightened SNC-Lavalin's western Canadian profile. (Kilborn had estimated that Calgary junior mining company Bre-X found 2,200 tonnes of gold in Borneo, but the results were later deemed fraudulent.) Under NDP premier Glen Clark, SNC-Lavalin scooped up B.C. Hydro's shares in the Raiwind project for \$2.4 million after a share-sale scandal cost the utility's top two officials their jobs. Clark predecessor Mike Harcourt's administration had offered SNC-Lavalin an option in 1995 for 25 percent of SkyTrain project management and engineering. That particular option, ultimately not exercised, involved Eric Denhoff, SNC-Lavalin's B.C. development-board chair (who spent 1992 to 1994 as chair of B.C. Transit).

In 1997, the Clark government chose a Denhoff protégé, B.C. Transit corporate secretary Lecia Stewart, to oversee a rapid-transit expansion. Cabinet opted for the costlier SkyTrain technology in 1998 over light rail for the \$1.2-billion Millennium Line. Consultant Alan Greer's 1999 Review of Rapid Transit Project Claims was critical of an SNC-Lavalin study that influenced the decision.

"Lavalin has a direct interest in the technology choice, as a strategic ally to Bombardier and the preferred engineering firm for SkyTrain systems," Greer wrote. "The Lavalin assessment therefore, could best be viewed as a bid of a proponent, competitively crafted to minimize the apparent costs of the project."

Stewart was dispatched with a \$402,000 golden parachute after Gordon Campbell and the B.C. Liberals won the 2001 election, but she later found a vice-president job with Bombardier. SNC-Lavalin's Industry Canada profile boasts that its Vancouver-based transportation division had a hand in every SkyTrain phase, from design, planning, and tendering to construction, operations, and maintenance. SNC-Lavalin is the key partner in InTransitBC, which built and operates the \$2-billion Canada Line, which opened in 2009. It now leads the EGRT Construction consortium building the \$1.43-billion Evergreen Line. Mary Polak was the transportation minister when SNC-Lavalin was chosen and downplayed the company's problems after a March 2013 news conference. □ "We have had very good working relationships with SNC on other projects, haven't had any of those problems here in British Columbia," Polak said. "A very, very large company, very diverse. They have distinct and separate entities within the larger SNC-Lavalin, so we don't have any concerns."

Polak boasted that "fairness monitor" Jane Shackell observed Evergreen tendering, which also included EL Partners and Kiewit/Flatiron, and the lawyer found nothing improper. However, SNC-Lavalin's international troubles were beyond her scope.

SNC-Lavalin work for TransLink in the past four years has also included Expo Line propulsion-power-system upgrades (\$2.92 million), operations-and-maintenance-centre expansion (\$1.85 million), and \$8.5 million of contracts to support the Compass card and

fare-gate installation. It's a partner in B.C. Ferries' Terminal Asset Management and the builder/operator of Kelowna's William R. Bennett Bridge.

B.C. Hydro paid SNC-Lavalin \$50.8 million last year, up from \$37.1 million in 2012, for engineering services, facilities management, and dozens of projects. SNC-Lavalin, the prime contractor for Columbia Power's \$900-million Waneta Expansion Project near Trail, is also in charge of the \$1.1-billion John Hart Generating Station replacement project near Campbell River. B.C. Hydro boasts that Hart is its biggest project since the 1980s.

In North Vancouver, SNC-Lavalin's Pacific Liaison division has a \$21.1-million engineering, design, and construction contract on Metro Vancouver's Seymour-Capilano Filtration Plant project. Multinational firm Bilfinger Berger quit the tunnelling job over safety concerns in 2008 and the project ballooned by \$200 million, to \$823 million.

As of last summer, SNC-Lavalin held contracts worth almost \$9.5 million with B.C.'s Forests, Lands and Natural Resource Operations and Transportation and Infrastructure ministries to remediate various mines and contaminated rural sites and to plan Highway 97 expansion. After August's Mount Polley Mine tailings-pond disaster, Imperial Metals hired SNC-Lavalin's Environment & Water division to aid in the cleanup near Likely.

Vancouver city hall paid SNC-Lavalin \$2.05 million from 2010 to 2013, including \$586,000 for landfill engineering services and \$252,000 as property manager for city cultural space in the CBC building. SNC-Lavalin also held six engineering contracts ranging from \$138,000 for the Olympic Village to \$285,000 for Firehall No. 15.

SNC-Lavalin's favourable November 2013 environmental-impact assessment of the planned Surrey Fraser Docks coal terminal was panned by Vancouver Coastal Health and Fraser Health officials as well as the Mayor of Burnaby, who, coincidentally, advocated light rail over SkyTrain when he was B.C. Transit chair from 1994 to 1997.

"SNC-Lavalin has done more to bring Canadian engineering into disrepute than any company has ever had the misfortune to do in the history of Canada," Mayor Derek Corrigan said at a January 13, 2014, city council meeting. "This is one of the few Canadian companies who could attain the high goal of being banned for 10 years by the World Bank for corruption. This is a company that is up to its earlobes in corruption in Montreal."

Surrey's Brent and Rebecca Gray are among unhappy shareholders in an Ontario-filed class-action lawsuit seeking \$1 billion from SNC-Lavalin. They sued in 2012 after SNC-Lavalin share prices fell when it was revealed that US\$56 million in payments to commercial agents had been made under Duhaime. The lawsuit's statement of claim alleges: "Although SNC purports not to know the purpose of such payments, their purpose was, in fact, to bribe foreign government officials and/or persons in Canada for the procurement of business by SNC," thus violating company policy and exposing it to prosecution. No allegations have been proven in court.

SNC-Lavalin has denied liability and is contesting the claim; examination for discovery is expected in 2015. Its 2013 annual report warned investors: “Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class action lawsuits or other litigation.”

In February 2014, Radio-Canada’s Enquête show found Michel Fournier, the retired former head of the Federal Bridge Corporation, living in Victoria. Enquête revealed how Fournier opened a Swiss bank account, nicknamed Zorro, in 2000, three weeks after FBC awarded SNC-Lavalin a \$127-million contract to refurbish Montreal’s Jacques Cartier Bridge. Bank records showed 11 payments worth \$1.45 million to the account from Promotag SARL, a Paris-based SNC-Lavalin–associated “commercial agent”, between 2002 and 2004. Fournier denied receiving payments from SNC-Lavalin or being involved in a kickback scheme and told Radio-Canada that he opened the account as a favour to a sister-in-law in Europe.

North Saanich resident Gwyn Morgan is the founding CEO of Encana Corporation who retired from SNC-Lavalin’s chairmanship in May 2013. His “Lessons I learned from SNC-Lavalin’s woes” commentary in July 2013 for the *Globe and Mail* denied fault for the company’s troubles.

“Non-executive directors are not involved in day-to-day operations of the company. They must rely on information received from people within the company,” Morgan wrote. “When a small number of people deliberately set out to falsify documents, commit bribery and cover up theft, it can be exceedingly difficult to detect, even with good controls in place. This has proven to be true at corporations around the world.”

Nonsense, argued Garfield Emerson, a director of CAE and Canadian Tire who chaired Rogers Communications for 13 years and publishes *GovernanceCanada.com*. “Mr. Morgan is directly on point when he cites the most important ‘lesson’ he learned: corporate culture has to be built upon a bedrock of strong ethical values that penetrate every level of the company,” Emerson wrote in a letter to the editor. “What Mr. Morgan did not learn was that the chairman of the board and the board, as the leadership of the company, are responsible for assuring that the company they direct and supervise has established the right corporate culture and management they appoint practices strong ethical values.”

Elections B.C. shows only \$27,647 in SNC-Lavalin donations to the B.C. Liberals since 2007 and it is not listed in B.C.’s lobbyist registry. Morgan was a prominent member of Premier Christy Clark’s transition team after she won the B.C. Liberal leadership in 2011. Last spring, she made Morgan the chair of the Industry Training Authority, the Crown corporation implementing her jobs-for-liquefied-natural-gas plan. A government news release trumpeted his Encana credentials but it omitted his six years atop SNC-Lavalin during a crucial period.

Clark promised a transit-funding referendum in her 2013 campaign platform, originally to coincide with 2014’s civic elections. Metro Vancouver mayors lobbied for postponement to 2015. Before the delay, TransLink hired a name from the past on a no-bid “government relations, planning and stakeholder engagement” contract. The Stewart Group, under former

Millennium Line executive Lecia Stewart, received \$79,042.47 to help formulate the regional transportation strategy and long-term funding plan. Stewart's website lists associates that include ex-VANOC vice-president Taleeb Noormohamed and Compass project consultant Ian Wardley.

Stewart is also the spokesperson for Rideau Transit Group, an SNC-Lavalin-involved consortium building Ottawa's \$2.1-billion Confederation Line rapid-transit system, and had a \$351,000 contract with the City of Edmonton to gain public support for an LRT expansion in the Alberta capital. SNC-Lavalin (with junior partners Kiewit and Alstom) was among three groups shortlisted last summer for the \$1.8-billion Valley Line project.

Under Christy Clark, SNC-Lavalin has benefited from the Evergreen Line and John Hart Generating Station contracts at a troubling time in its history. If the B.C. Liberals green-light the \$8-billion Site C Dam and voters agree to build the \$3-billion Broadway subway, SNC-Lavalin would be a logical bidder on both projects.

Unless, of course, Robert Card's warning of the firm's dismemberment, disappearance, or sale comes true.

SNC-Lavalin public relations manager Lilly Nguyen said the company does not disclose the number of layoffs in each province and did not have readily available figures for the number of people the company employs in B.C. Ex-BC Transit chair and ex-SNC-Lavalin B.C. board chair Eric Denhoff said via email: "I just don't really spend much time thinking about 20 years ago!" Lecia Stewart did not respond to queries.