



November 6, 2014

## SNC-Lavalin cuts come as company faces possible charges, prospect of millions in fines

Engineering giant SNC-Lavalin's announcement Thursday that it is slashing 4,000 jobs worldwide to "streamline" and save \$200 million comes as the company faces potential criminal charges and the prospect of hundreds of millions of dollars in penalties over foreign bribery allegations.

CBC News has learned from multiple sources that the RCMP and Crown prosecutors are currently in talks with the Montreal-based company about charges stemming from a string of scandals involving allegations that executives paid, or offered, millions in bribes to win projects in Libya, Bangladesh and Canada.

This may explain the company's urgent announcement today of cost-cutting and cuts to 10 per cent of its 45,000-member global workforce in 50 countries, including 1,000 jobs being eliminated in Canada.

This afternoon during a conference call with investors and reporters, Bob Card, president and CEO of SNC-Lavalin, was asked about any settlement negotiations the company might be in with the RCMP or authorities related to any bribery or fraud charges.

"We continue to enjoy constructive relationships with all of our counterparties but I am not able to go into any detail about what we might be discussing," he said.

CBC News has attempted to get answers from SNC on what it intends to do in response to the proposed charges, but so far there's been no reply.

### **3 major bribery scandals**

SNC-Lavalin's former executive vice-president of construction Riadh BenAissa [was convicted in Switzerland last month](#) of arranging approximately \$130 million in illicit payments to help the company win billions of dollars' worth of construction megaprojects in Libya.

Meanwhile, he and former CEO Pierre Duhaime stand charged of signing off on alleged bribes to hospital executives in Montreal in what police say was a plot to help SNC-Lavalin win the [\\$1.3-billion McGill University hospital expansion project](#).

“Based on what’s in the public domain, I’m not surprised to hear that the company and its counsel are in discussion with the RCMP and the Crown,” said Toronto lawyer Milos Barutciski, a director of the watchdog group Transparency International Canada, which has been following SNC-Lavalin’s troubles closely.

He made the comment after being informed by CBC News that sources familiar with the SNC case have confirmed criminal charges are being proposed.

“The liability of [any] company under Canadian criminal law flows from the actions, and knowledge, and intent, or wilful blindness as the case may be, of its executives,” Barutciski said.

However, the RCMP is refusing any comment.

“The investigation is still ongoing. Like you have seen, over the last year at different intervals, we’ve charged individuals, which demonstrates an ongoing investigation,” RCMP Assistant Commissioner Gilles Michaud told CBC News in a recent interview.

Michaud heads the RCMP’s National Division, which handles all investigations involving allegations of foreign corruption by Canadian companies and executives. He told CBC News he can’t discuss any specifics about the SNC case.

“I can’t comment on that. Because, you understand, any comments on my part, at this time, the impact that it may have, on the company, the shares, or whatnot, would be irresponsible for me to answer that.”

### **Penalty could exceed \$100 million, expert says**

SNC-Lavalin’s cost-cutting efforts to save \$200 million come just as the company could be facing a record-setting corporate corruption penalty in Canada.

While SNC-Lavalin has not yet been formally charged, other companies such as Griffith’s Energy paid penalties in excess of five times the amount of the bribe they admitted to paying to foreign officials.

But the penalty could be much, much higher if SNC-Lavalin is found guilty.

A Swiss court identified \$130 million in illicit payments tied to projects in Libya, while Canadian courts are still considering charges involving millions more that police allege were paid or offered in both Montreal and Bangladesh. A number of executives and employees from SNC-Lavalin International’s office in Oakville, Ont. await trial accused of offering bribes to officials in Bangladesh in a failed bid to win a billion dollar contract to build the Padma bridge.

“Something below 100 million, something above, would hardly be surprising in this context,” Barutciski told CBC News.

“[That amount makes sense] given comparable fines in the anti-trust context, in Canadian anti-competition law, or similar corruption penalties in other jurisdictions” he said, explaining that the Crown

and RCMP will likely consider the size of the alleged bribes paid, balanced against the need to send a deterrent message to other companies while ensuring the company can still survive.

**Anthony Scilipoti** of Toronto-based **Veritas Investment Research** said a bigger problem for SNC-Lavalin is whether the current situation will result in the company being barred from doing business with the Canadian government.

“I think the biggest concern, beyond the penalty, is whether they get found guilty. If they are found guilty, it could make them unable to bid on contracts with the Canadian government, and that would shut them out to a significant portion of their business,” **Scilipoti** said.