

SNC Lavalin and the Demise of CANDU competence

Background:

SNC-Lavalin, the company that bought the CANDU division of Atomic Energy of Canada Limited (AECL) for a mere \$15 million last fall, is now rocked with scandal -- and accused by its own nuclear engineers of "destroying" the CANDU industry by its unsupportive policies.

Already hundreds of the best-qualified professionals in the CANDU field have fled the company, seriously compromising its capability to design and build new reactors, as well as undermining the competence needed to service and refurbish old reactors.

Yesterday (May 9) we learned that SNC-Lavalin is being sued (in a class action suit by investors) for \$1.5 billion in losses due to plummeting stock prices triggered by improper activities on the part of the company's directors.

SNC headquarters in Montreal were raided by the RCMP on April 13 in connection with \$56 million in untraceable and unaccounted-for payments, presumed to be bribes. The payments were authorized, against company rules, by CEO Pierre Duhaime, who was then allowed to resign in March -- not fired, not prosecuted, but given a "golden handshake" of more than \$5 million. An internal SNC investigation revealed that at least eight senior executives probably had knowledge of the payments, but their names have not been given out nor have they agreed to share what they know.

Shares are down by 26 percent since the beginning of this year, and by 52 percent since June of last year.

An ex-VP of SNC, Riadh Ben Aïssa (fired in February) has been in a Swiss jail since mid-April charged with fraud, money-laundering, and corruption of officials in connection with SNC contract procurements in North Africa: Tunisia, Algeria and Libya.

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Ben Aïssa had very close ties with the Gadhafi family and especially two of the sons, who were instrumental in securing multi-billion dollar contracts for SNC-Lavalin for various projects including a controversial prison in Libya.

Cynthia Vanier, a Canadian consultant hired last year by Ben Aïssa's SNC controller Stéphane Roy (also fired in February), has been in a Mexican jail since November on charges of consorting with organized crime, falsifying documents, and human trafficking.

When first hired, she went to Libya and wrote a well-received report praising the Gadhafi family and criticizing NATO operations in Libya.

She is the alleged mastermind behind an illegal scheme to extricate one of Moammar Gadhafi's sons, Saadi Gadhafi, from Libya to Mexico -- a scheme that was put together not once, but twice, while she was in Mexico on SNC business.

This is the company that the Canadian Government trusts to sell nuclear reactors to other countries around the world, knowing full well that the only hope of preventing nuclear proliferation is based on ethical behaviour and the honourable observance of agreed-upon rules related to the proper accounting of strategic nuclear materials such as plutonium. Unaccounted-for losses are entirely unacceptable, not just for Canada, but for our collective global security.

Gordon Edwards.

CANDU engineers enlisting customers in union battle with SNC-Lavalin

By: Ross Marowits, *The Canadian Press*, May 7 2012

<http://tinyurl.com/89x58lj>

MONTREAL - The union representing *CANDU Energy* engineers is trying to enlist the help of the company's customers to put pressure on the *SNC-Lavalin* subsidiary to avoid a crippling labour disruption.

The Society of Professional Engineers and Associates said it's meeting with clients, stakeholders and *SNC-Lavalin* shareholders who fear projects could be delayed by a strike or lockout.

"We have to be very strategic about how we proceed," Peter White, president of the 870-member union, said Monday.

The union won a mandate last week to launch a strike as early as Sunday, but has not served 72-hours notice as required by the Canada Labour Code.

It fears **the potential loss of expertise at CANDU** as a result of a contract it says includes concessions. The union hopes the customers will then express their own concerns about the threats of a loss of expertise to *CANDU Energy* and *SNC-Lavalin*.

Proposed changes include a shift to a defined contribution pension plan, wage increases below the industry average and reduced travel compensation when overseeing reactor work.

"If we roll over and accept all the concessions **we'll be finished in two years anyway because all the good people will leave** because there's places for them to go," union vice-president Michael Ivanco added in an interview.

"Since *SNC* took over **all we're doing is losing good people and no one's coming here from anywhere else.**"

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Candu said it's in continuous contact with all of its clients about contingency plans to minimize the impact of a labour disruption.

It said it's ready to bargain at the union's "convenience."

"We hope that the new labour agreements will reflect conditions similar to those of our competition as well as current economic realities," stated spokeswoman Katherine Ward.

The union said **a strike could threaten the timing of projects, including the Point Lepreau, N.B., power plant. It just finished loading fuel and is putting in heavy water ahead of commissioning efforts that will start the beginning of June.**

Kathleen Duguay, a spokeswoman for New Brunswick Power, said it hopes a settlement can be reached to avoid a disruption among staff working on the project.

"It's premature to speculate on anything until the talks between these two parties are concluded," she said in an email.

Once restarted, the plant will produce more than one-third of New Brunswick's energy requirements for the next 25 to 30 years.

The union said other projects that could be hurt by a strike are Ontario's Darlington refurbishment, as well as servicing contracts of Candu reactors around the world.

"If I was a CANDU operator like Ontario Power Generation, Bruce Power or Hydro-Quebec, the Korean utility or the Chinese, I would not want to run plants of a product that is orphaned, with no design team anymore," added Ivanco.

The union said the hiring of recent graduates and use of SNC-Lavalin (TSX:SNC) engineers can't replace engineers with nuclear expertise.

No talks are currently scheduled.

On the Toronto Stock Exchange, SNC share closed down three cents at \$36.70 in Monday trading.