

From: dawndalley@nalcenergy.com
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Subject: Re: SNC Briefing Note
Date: Thursday, November 29, 2012 11:44:03 AM
Attachments: [.png](#)
[SNC Lavalin Information Note final.docx](#)

Good with me too. I'll send it along as is and if they want any additional info, I'll let you know.

Many thanks.

Dawn

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Brian Crawley---11/29/2012 11:37:00 AM---One minor change. Gilbert is fine with it. Brian

From: Brian Crawley/NLHydro
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Date: 11/29/2012 11:37 AM
Subject: SNC Briefing Note

One minor change. Gilbert is fine with it.

Brian



SNC Lavalin Information Note final.docx

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Information Note:**Issue:**

It has been alleged that improper payments were made by SNC Lavalin Group Inc. in order to secure construction contracts. Yesterday two former senior officials from the company were charged with fraud relating to a construction contract in Quebec. SNC Lavalin is the Engineering, Procurement and Construction Management Consultant for the Lower Churchill Project.

Background Information:

- It has been alleged that SNC Lavalin has made improper payments in order to help secure construction contracts around the world.
- A number of senior officials have recently left SNC as a result of these allegations, including the company's Chief Executive Officer, Mr. Pierre Duhaime.
- Police in Quebec initiated an investigation into concerns related to SNC's involvement in a \$2.3 billion contract to redevelop the McGill University Health Centre in Montreal. On November 28, 2012, according to media reports, Mr. Duhaime was charged with fraud, conspiracy to commit fraud, and use of false documents.
- A former SNC Vice President faces related charges. This individual is being held in prison in Switzerland as a result of allegations of money laundering and corruption related to SNC's operations in North Africa.
- SNC Lavalin have advised Nalcor of these matters and stated that they are cooperating fully with the police investigation.
- SNC Lavalin is one of the largest engineering companies in the world and has been active in major construction projects in Newfoundland and Labrador. They were awarded contracts on the Hibernia project and at the Voisey's Bay site in Labrador.

SNC Lavalin's involvement in the Lower Churchill Project:

- SNC Lavalin is the Engineering, Procurement and Construction Management (EPCM) Consultant to Nalcor for Phase 1 of the Lower Churchill Project. This includes all generation and transmission components, with the exception of the Strait of Belle Isle cable crossing. At the end of October 2012 they had 244 people working in St. John's.
- Nalcor issued a public Expression of Interest for potential EPCM consultants. From this list three companies were issued Requests for Proposals. These companies were SNC Lavalin, Hatch and Black and Veatch. All are recognized as global leaders in hydroelectric construction projects. SNC Lavalin was awarded the contract in February 2011.
- The proposals went through a comprehensive evaluation process by Nalcor's Lower Churchill Project team. An additional due diligence review was conducted by Nalcor Corporate. The exact value of the contract is confidential. However it is in the range of several hundred million dollars.
- Among other duties, SNC Lavalin is responsible for providing procurement services in administering the Lower Churchill Project's day to day procurement process. With Nalcor's review and approval, they issue Expressions of Interest and Request for Proposals and participate in the evaluation process. The decision making authority for awarding contracts remains with Nalcor and there is no delegation of Nalcor's decision making or financial authority (including payment of invoices to Contractors) to SNC or any other contractor. Nalcor is the formal contact point for all correspondence to and from suppliers and contractors. All contracts also undergo a due diligence review by Nalcor Corporate.

- All awarded contracts are compliant with Nalcor's corporate standards and Lower Churchill Project Terms and Conditions.

Key Messages:

- SNC Lavalin was awarded the Engineering, Procurement and Construction Management (EPCM) Services contract through the Lower Churchill Project's contracting process. This process is standard in the large scale construction industry and mirrors the policies and procedures used by multi-national oil and gas companies operating offshore Newfoundland and Labrador.
- Additional due diligence on this contract was completed by Nalcor's Corporate Team and was subject to numerous check and balances.
- Nalcor retains full oversight, decision making and financial authority over all contract awards. Nalcor also makes all invoice payments for all contracts. This authority is not delegated to SNC Lavalin or any other contractor.
- SNC has kept Nalcor fully apprised of all developments concerning these allegations and continues to demonstrate the highest ethical standards in its dealings with the project team. Government and Nalcor continue to monitor the situation closely.

Questions:**Aren't these allegations further reason why the Auditor General should have greater oversight of Nalcor?**

The Auditor General retains unrestricted access to Nalcor and its subsidiaries. Should the AG discover an improper retention or misappropriation of funds, the legislation provides clear direction on how those matters should be handled. The people of the Province should take confidence in this additional oversight.

Given the large number of contracts that will be awarded in the Lower Churchill Project, wouldn't it be prudent to subject the project to the Public Tender Act?

The nature, magnitude and volume of contracts that will be associated with the Lower Churchill Project make the Public Tender Act unsuitable for its procurement activity, particularly as it relates to lowest cost vs best value.