

Anti-corruption police raid Genivar, other engineering firms in Quebec

Financial Post

November 6, 2012

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MONTREAL - Police raided the Laval, Que. offices of U.S. Fortune-500 company Aecom Technology Corp. and TSX-traded Genivar Inc. as allegations of kickbacks and corruption that have shaken the province seep into the capital markets.

The companies were among four targeted by investigators with Quebec's anti-corruption police squad Tuesday in Laval, a city bordering Montreal to the north. Local offices of privately held engineering firms Dessau and Cima+ were also searched.

Genivar shares fell 6% Tuesday to close at \$21.07.

"The market is pricing in" what's happening with the police investigations, said one analyst, adding it's difficult to predict whether there will be any further impact. "You don't know what people did. I trust that the company is relatively honest. But it's tough to know until we get more information on this."

Provincial police are undertaking a major investigation into alleged corruption involving mayor Gilles Vaillancourt and have already raided his home, offices and safety deposit boxes. The mayor, who has been in power for 23 years, has taken sick leave and it's doubtful whether he will return to public life.

Investigators are probing municipal contracts awarded by the city of Laval, said Cima+ chief executive Kazimir Olechnowicz. None of the companies has been charged with any offense.

Shares in Aecom, a Los Angeles-based company that built a Quebec presence only four years ago when it bought hydropower expert Tecsalt, gained 1% to close at US\$22.34 in trading on the New York Stock Exchange.

In testimony Oct. 15, Lino Zambito, a former construction boss, told the province's Charbonneau inquiry probing corruption and collusion of the construction industry that entrepreneurs who won a contract with the city of Laval in the early 2000s paid fees worth 2.5% of the deal's value to Mr. Vaillancourt via an intermediary. He said that intermediary was Marc Gendron, a former senior executive with Tecsalt.

"Obviously we have to answer for anything that happened" before and after 2008, said Aecom spokesman Guy Versailles, adding Aecom has been doing its own work internally to detail the activities of Tecsalt in Quebec before it took it over and that some members of Tecsalt's previous senior management no longer work for the company. "We are offering our full cooperation to authorities."

Tuesday's police raid is at least the fourth since September in Laval and follows separate searches of Mr. Vaillancourt's home, offices and bank safety deposit boxes as well as the headquarters of a handful of smaller construction firms. The mayor has denied any wrongdoing.

Laval's city council on Monday night announced it would suspend the awarding of any new infrastructure contracts related to roadwork, water and sewage. Other contracts continue.

Quebec's new Parti Quebecois government on Nov.1 tabled a new bill forcing any contractors wanting to win public tenders to obtain an ethics certificate from the government. The Autorite des Marches Financiers, Quebec's securities regulator, is overseeing the effort.

Tuesday's raids came as a surprise, said Genivar spokesman Isabelle Adjahi.

"We found out this morning," she said. "We have policies in place in the way we do contracts and we believe that everything has been done the right way."

Only Genivar's Laval offices were targeted, not its main Montreal headquarters.

About 250 employees work for Genivar in Laval. The company, which has a market capitalization slightly more than \$1-billion, generated about half of its 2011 revenues of \$652-million from contracts located in Quebec. Barely 15% of that revenue came from municipal work, Ms. Adjahi said.

Genivar is a Montreal firm with a particular specialty in the mining, environment and power sectors. In August, it finalized its merger with British professional services company WSP Group PLC in a deal backed by pension fund manager Caisse de depot et placement du Quebec.

Another Montreal-based engineering firm, SNC-Lavalin Inc., is suspected of having made \$22-million in questionable payments to win a contract to build the McGill University Health Centre's new megahospital, Montreal's La Presse newspaper reported last month. SNC executives have declined to comment specifically on the allegations.