

Judge rules SNC-Lavalin to stand trial on fraud, bribery charges

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MONTREAL

PUBLISHED MAY 29, 2019

UPDATED 14 HOURS AGO

A Quebec judge has ruled that SNC-Lavalin Group Inc. can stand trial on bribery and fraud charges, prolonging the Canadian engineering giant's legal pain and keeping the case in the public eye in the run-up to this fall's federal election.

Justice Claude Leblond of the Quebec Court ruled Wednesday that there is enough evidence to move ahead with a trial.

The SNC case has sparked a prolonged political controversy for the federal Liberal government, which has come under fire over accusations Prime Minister Justin Trudeau's staff applied inappropriate pressure to have then attorney-general Jody Wilson-Raybould overturn a decision by prosecutors not to reach a settlement – called a deferred prosecution agreement (DPA) – with the company.

Ms. Wilson-Raybould was eventually demoted, and then resigned from cabinet altogether. Her successor, David Lametti, told reporters Wednesday that a DPA was still “a legal possibility,” while declining to comment on the case.

Mr. Trudeau has denied applying inappropriate pressure for a settlement, and has said his only concern was with preserving thousands of jobs at risk if the company is found guilty.

“One of the things that is very clear is that we respect the independence of our judiciary and we're not going to comment on an ongoing court case,” Mr. Trudeau told reporters in Ottawa on Wednesday. “But as I've said many times, we're always going to try and fight for Canadian jobs in ways that uphold the rules.”

Legal experts, as well as the company itself, had predicted this outcome because the threshold required to move past a preliminary inquiry in Canada's justice system is low. While the judge has sole authority over whether to order a trial or dismiss a case after the evidence is heard at this stage, the prosecution has discretion over whether to continue with a case or drop it.

SNC-Lavalin chief executive officer Neil Bruce has been trying to reverse the company's slide after disappointing financial results. The development touched off another sell-off in SNC shares. The stock has fallen in seven of the past 10 trading sessions and closed Wednesday at \$24.17 a share, roughly half the price it was in October.

As with all of the evidence in the case, the reasons for the judgment are subject to a publication ban.

SNC-Lavalin said in a regulatory filing this month that it might seek a judicial review of the decision by a higher court. A trial could start later this year or next year, the company has said.

"SNC-Lavalin is a completely transformed company," Mr. Bruce said in a statement Wednesday, adding the firm will plead not guilty. "These charges relate to alleged wrongdoings that took place seven to 20 years ago by certain former employees who left the company long ago. And we are pursuing those who committed the wrongdoings."

The RCMP laid bribery and fraud charges against SNC-Lavalin in February, 2015. Police and prosecutors allege the company paid at least \$47.7-million in bribes to public officials in Libya between 2001 and 2011 to secure contracts from the regime of the late dictator Moammar Gadhafi while participating in a \$130-million fraud.

The company took out advertisements in newspapers last October in which it apologized for its "shortcomings" before 2012. It noted it has since overhauled its senior leadership and put in place what it says are world-leading ethics and compliance programs. It has mandated a special committee of directors to weigh strategic options and develop a reshaping of the company if needed to protect shareholder value.

SNC-Lavalin could be banned from doing work for the federal government for five to 10 years if it is convicted. In that situation, the company says it would almost certainly be forced to lay off workers or even pull out of Canada. A conviction would also undermine its ability to win contracts internationally.

The Montreal-based company has pushed to negotiate a DPA with federal prosecutors. The system, which is widely used in other countries such as the United States, seeks to punish corporations accused of wrongdoing with fines and other penalties while sparing its innocent stakeholders. Since it announced in October that the effort failed, SNC-Lavalin has lost some \$2.2-billion in market value.

Mr. Lametti said Wednesday a DPA remains "a legal possibility" for SNC-Lavalin, but declined to say whether he would act on it. The minister has the power to issue a directive to Canada's director of public prosecutions to order a DPA negotiation. The director can also invite SNC into DPA talks at any point during the legal proceedings.

But Michel Nadeau, executive director of the Institute for Governance of Private and Public Organizations in Montreal, says the Prime Minister is unlikely to risk striking a deal unless he wins another mandate. "I think it's dead," he told Radio-Canada on Wednesday.

The fallout of the government's handling of the SNC file led to the resignations of the country's top bureaucrat and Mr. Trudeau's principal secretary, and saw Ms. Wilson-Raybould and former cabinet minister Jane Philpott ousted from the Liberal caucus.

"The SNC-Lavalin affair has been the most destructive incident to the Trudeau government in his mandate," said Shachi Kurl, executive director of the Angus Reid Institute, a non-partisan public-opinion research foundation. "SNC Lavalin busted Trudeau's brand."

Conviction is not a certainty, according to anti-corruption specialists. When a Swiss court in 2014 accepted a plea agreement for Riadh Ben Aissa, a former SNC-Lavalin vice-president whose actions are at the centre of the Canadian bribery allegations, the company was formally acknowledged as an "injured party." In 2015, the SNC filed a lawsuit seeking to recover roughly \$125-million it says was embezzled by former senior executives Riadh Ben Aissa and Sami Bebawi and their associates. Both men have since left the company.

"I fundamentally believe that you're innocent until you're proven guilty and SNC-Lavalin does have that as the base upon which they stand," Lisa Raitt, Conservative Party deputy leader, told reporters. "No one is to assume that they're guilty."

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