Fraser Valley Health Partnership

THE FRASER VALLEY HEALTH PARTNERSHIP CONSISTS OF:

- Bouygues
- Ecovert FM
- Bouygues Bâtiment Canada
- Stuart Olson Construction
- Macquarie Group

THE FRASER VALLEY HEALTH PARTNERSHIP consists of the French multinational construction firm *Bouygues* and its subsidiaries *Ecovert FM* to cover facility management, *Bouygues Batiment Canada* and *Stuart Olson Construction* to cover construction, and the *Macquarie Group* to cover financing.

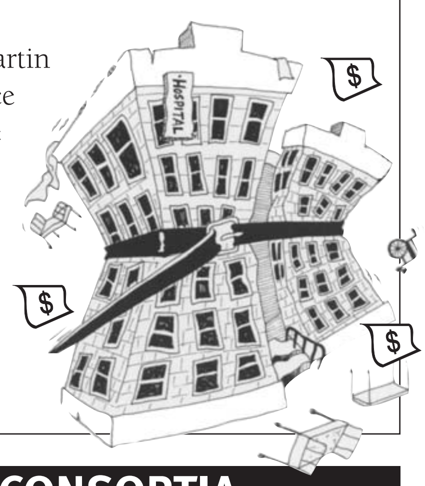
BOUYGUES IS THE FOURTH LARGEST construction group by revenue in the world, with 2002 sales of $35.6 billion. In addition to various construction subsidiaries and support service operations like Ecovert, the French multinational is heavily involved in television and telecommunications, and water privatization. They have 121,000 employees worldwide.

All in the family

The company was founded and is primarily controlled by the Bouygues family. The chair of the board and CEO of the whole group is Martin Bouygues. Other prominent directors include Jean Peyrelevade, chair of the Board of Credit Lyonnais. Martin and brother Olivier Bouygues own 15 per cent of the Bouygues Group's shares and control 22.4 per cent of voting rights. Other French stockholders own 27 per cent of shares, while foreign stockholders have 29 per cent.

According to Bouygues' 2002 annual report, CEO Martin Bouygues was paid $3.2 million in salary, performance bonus and director's fees. He has also received lucrative stock options.

Olivier Bouygues pulled down $3.1 million for the year, plus stock options. Deputy CEO Michel Derbesse was paid $3.4 million in salary, fees and performance bonus. He has also been awarded stock options.



ABBOTSFORD PRIVATE HOSPITAL CONSORTIA

… over

Business practices scrutinized

The Bouygues Group and its top officials are no strangers to controversy. Company executives have faced a variety of allegations including bribery, kickbacks, misuse of company funds, bid rigging, corruption, illicit political party fundraising, forgery and cartels. See:

- <http://www.labournet.org/1999/Feb/saur.html>

Highlights include the 1996 detainment for questioning of CEO Martin Bouygues by a French investigating magistrate looking into alleged corruption. Former vice-president Jacques Dupuydauby was eventually imprisoned in connection with an investigation for invoice forgeries and misuse of company funds.

Executives have faced a variety of allegations including bribery, kickbacks, misuse of company funds, bid rigging, and corruption

Bouygues has been fined for membership in cartels, bid rigging and price-fixing. The following quote is from an article published in 1999 by The CornerHouse entitled *"Briefing 19. Exporting Corruption: Privatization, Multinationals and Bribery"* by Susan Hawley. See:

- <http://cornerhouse.icaap.org/briefings/19.html>

"The companies (i.e. Bouygues, Suez-Lyonnaise and Vivendi) ran a cartel over building works in the Ile-de-France region around Paris between 1989 and 1996. Contracts worth about US$500 million were shared out by the three groups. The system involved systematic, almost bureaucratized, political corruption. A levy of two per cent on all contracts was paid to finance the major political parties in the region."

In one such instance, Bouygues was fined $30 million by French courts for anti-competitive cartels in relation to construction work on a high-speed rail line.

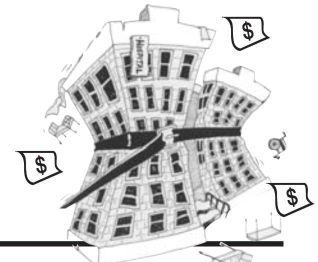
Bouygues is also under investigation in a more recent, high profile bribery scandal, the controversial Lesotho Highlands Water Project in southern Africa. Many international engineering and construction firms are alleged to have paid bribes to win contracts on the project in 1999. A consortium that includes Bouygues is accused of paying more than $1 million in bribes. It denied making such illegal payments. So far, two firms have been convicted including the Canadian company Acres International, which was fined US$2.2 million. For further details see:

- <http://www.psiru.org/reports/UNICORNPostingsMARCH03.htm>
- <http://www.odiousdebts.org/odiousdebts/index.cfm?DSP=content&ContentID=6480>
- <http://news.bbc.co.uk/1/hi/business/2369103.stm>
- <http://news.bbc.co.uk/2/hi/business/2369103.stm>

ECOVERT FM/BOUYGUES U.K. has been involved in three London-area private finance initiative (PFI) hospital deals: Phase 1B of the Barnet Hospital; the West Middlesex University Hospital; and the upcoming Brent Emergency Care and Diagnostic Centre. Barnet and West Middlesex are complete. Brent was only recently awarded.

Barnet Hospital lucrative for consultants

The most problematic of the three was the Barnet Hospital Phase 1B redevelopment carried out by a consortium called **Metier Healthcare** in which Bouygues subsidiaries are partners.



The Barnet project was originally tendered for $65 million, but the budget was increased to $120 million, and by the end cost $147 million ($65.5 million pounds according to the record of debate for the U.K. parliament on March 24, 1999). About $10 million was spent for PFI consultants alone, or some 8.1 per cent of value – the largest percentage of value for outside advisors of any of the hospital PFI projects. See:

- <http://www.kingsfund.org.uk/pdf/ahsb-ippr.pdf>

According to the National Audit Office (NAO), Metier will receive a "unitary charge" payment of $22.5 (10 million pounds) per year over the life of the contract, meaning the total cost (capital plus operating) will be close to $1 billion over 35 years. The capital was borrowed at the quite high cost of 13 per cent per year over 25 years. See:

- <http://www.labournet.org.uk/so/48nhs.htm>

Nursing staff have been up in arms about a "catalogue of errors" including design faults and poor staffing levels

West Middlesex Hospital figures juggled

The West Middlesex University Hospital PFI has also been controversial. It was developed by Bouygues through the **Bywest Consortium.** The PFI contract is for 35 years and various documents refer to the construction project having cost 50 million pounds, 53 million pounds and 60 million pounds. The hospital opened its doors in May 2003, after four years of development.

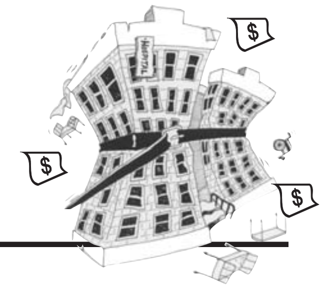
The NAO reviewed this project and found it good value for money. However, it noted that the original cost comparison process between PFI and conventional public ownership showed the private route was more expensive. So Middlesex's financial advisor KPMG reappraised public sector costs upwards by 12.5 million pounds, thereby producing a slight cost benefit for the PFI model. See:

- <http://www.nao.gov.uk/pn/02-03/020349.htm>
- <http://www.parliament.uk/parliamentary_committees/committee_of_public_accounts/pac060603_pn19.cfm>

Since the new hospital opened, nursing staff have been up in arms about a "catalogue of errors" including design faults and poor staffing levels. At least six nurses have resigned in the first two months of operation, citing low morale.

Meanwhile, at the end of March 2003, British immigration officers raided Bouygues' construction site, arresting 17 workers who were in Britain illegally. A further 22 alleged illegal workers fled after the arrests were made. See:

- <http://www.hounslowguardian.co.uk/search/display.var.394155.0.50_million_hospital_contains_a_catalogue_of_errors.php>
- <http://www.hounslowguardian.co.uk/search/display.var.394153.0.six_nurses_tender_resignation_amid_claims_of_management_issues.php>
- <http://www.hounslowguardian.co.uk/search/display.var.286551.0.hospital_raid_raises_terminal_fears.php>



Bouygues link to rival Abbotsford consortium

Bouygues also has links to a competing consortium in the Abbotsford private hospital contest. Dutch bank ABN Amro, part of the Access Health Abbotsford group, served as sole financial advisor to Bouygues in the $800 million sale of its interest in an oil and gas company in 2002. See:

- <http://www.abnamro.com/wholesale/trackrecord/cfbouygues.asp>

STUART OLSON CONSTRUCTION is a successful Western Canadian construction company that has been in business for 63 years. It is now a wholly owned subsidiary of the **Churchill Corporation.** Both companies are based in Edmonton.

Member of right-wing business group

Stuart Olson sub-contracts approximately 90 per cent of its work. The company is listed in the general contractor section of the open shop directory of the anti-union Independent Contractors and Business Association of B.C. It is also a member of the similar Merit Contractor's Association of Alberta.

The media have dubbed Macquarie the millionaires' factory because of its lavish pay and bonus schemes for top executives

Stuart Olson has been involved in the construction of numerous public facilities in Western Canada over the years. In the hospital sector, this includes the Red Deer Regional Hospital, the Alberta Hospital in Ponoka, the Peter Lougheed Centre redevelopment in Calgary and the Louis Brier Seniors' Home in Vancouver.

Churchill Corp. board members include men with ties to accounting firms KPMG and Arthur Anderson, and the Business Council of B.C. Besides Stuart Olson, the other subsidiaries of Churchill Corp. are **Laird Electric**, **Triton Projects**, **Fuller Austin Insulation**, **Lakehead Insulation** and **Northern Industrial Insulation.**

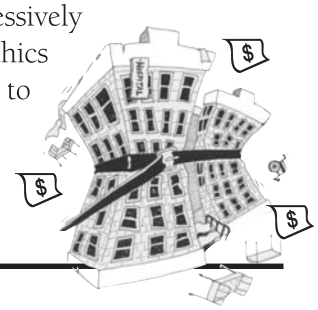
Stuart Olson donated $2,550 to the B.C. Liberals for the 2001 general election, while the ICBA donated more than $155,000.

MACQUARIE CANADA is the Canadian arm of the Macquarie Bank of Australia, also known as the Macquarie Group. It has offices in both Toronto and Vancouver. The company has a small Canadian operation, employing only 24 people who provide infrastructure advisory services. Their focus here, as elsewhere, tends to be transportation and utilities. They are part owners of the controversial Highway 407 electronic toll road in Toronto. Macquarie provided the private/public partnership (P3) advisory report for the proposed Vancouver RAV rapid transit project.

Aggressively pursuing privatization

In Australia, the Macquarie Bank is very large and prominent. The media have dubbed it the *millionaires' factory*, because of its lavish pay and bonus schemes for top executives. Macquarie and its various international subsidiaries employ 4,700 people in 18 countries. Macquarie Capital has investments worth about $2.4 billion. Worldwide, the company has aggressively pursued privatization opportunities. Its business practices and corporate ethics have generated controversy, and it's created its share of enemies, according to media coverage. See:

- <http://sunday.ninemsn.com.au/sunday/cover_stories/article_1190.asp>



In 2002/2003, CEO Allan Moss received $5.4 million in total compensation, making him one of Australia's highest paid executives. Board chair David Clarke received total pay of $2.7 million. On retirement, Mr. Moss will be paid $11.8 million, while Mr. Clarke will receive $5.5 million. Total compensation for the 10 highest paid Macquarie executives in 2002/2003 was $27 million. See:

- <http://www.heraldsun.news.com.au/printpage/0,5481,6649483,00.html>

Public outrage ensued after the executive warned that Macquarie "can put up the tolls by whatever they like"

The Brisbane project earns junk bond status

In Australia, Macquarie appears to have only limited involvement in P3 hospitals, as their privatization specialty is transportation. They are involved in a number of lucrative toll roads in Australia and elsewhere, as well as airport rail links and airports projects.

Macquarie is partners in the Brisbane Airport Rail Link, known as Airtrain Citylink. This $223 million project began operation in 2001, and will be turned over to the state government in 2006, though the company has a 35-year operating concession. The contract stipulates the state government will take the project over if it fails, which it may well do since ridership is far less than projected. In March 2003, Moody's Investor Service sharply downgraded its credit rating for the project from B2 to Caa1 – junk bond status – and rated the debt outlook as negative. See:

- <http://www.moodysinvestors.com.au/ssl/admin/docs/No_Deal_Name/Airtrain%2028.03.03.pdf>

In the U.K., its subsidiary the Macquarie Infrastructure Group says it's expanding its advisory role in PFI projects "as others retreat from the U.K. market."

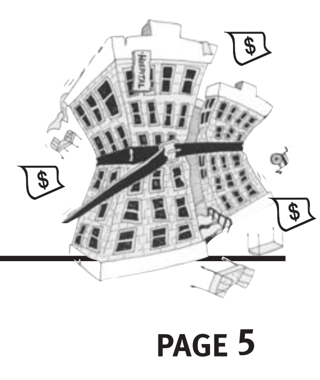
In addition to partnering with Bouygues on the Abbotsford project, Macquarie is also teamed with the French multinational in the Brent emergency care and diagnostic centre PFI in London, which has just been awarded.

Let them eat cake

Meanwhile, Macquarie is still digging itself out of a huge public relations disaster over its ownership of Britain's first private toll highway – a 45-km bypass around Birmingham that's set to open next year. In May 2003, a senior Macquarie executive boasted that the highway is a "monopoly," designed to reap big profits. Public outrage ensued after the executive warned that Macquarie "can put up the tolls by whatever we like," and "if [motorists] don't complain about it being too high, then we haven't done our job."

Likened by one mainstream British paper as a highway robber, and labeled by another as a "toll bully," the executive was fired. See:

- <http://politics.guardian.co.uk/homeaffairs/story/0,11026,951302,00.html>
- <http://www.dailytelegraph.co.uk/opinion/main.jhtml?xml=/opinion/2003/05/09/dl0903.xml&sSheet=/news/2003/05/09/ixnewstop.html>
- <http://www.crikey.com.au/business/2003/05/19/20030519tollroads.html>



Macquarie Infrastructure Group is also involved with a 20 per cent stake in a controversial $95 million waste incineration plant in Dundee, Scotland. The facility was plagued by technical problems, and numerous emission and environmental problems. See:

- <http://news.scotsman.com/archive.cfm?id=184222002>
- <http://news.scotsman.com/archive.cfm?id=238212002>

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