

Vancouver Health Care Group

VANCOUVER HEALTH CARE GROUP CONSISTS OF:

- Aramark Canada Ltd.
- Aecon Buildings, of Aecon Construction Group Inc.
- Turner Construction
- Aecon Group Inc.
- Gibralt Capital Corporation
- TD Securities

VANCOUVER HEALTH CARE GROUP consists of *Aramark Canada Ltd.*, providing facilities management; *Aecon Buildings* of *Aecon Construction Group Inc.*, as well as sister company *Turner Construction*, providing construction; and *Aecon Group Inc.* plus *Gibralt Capital Corporation*, supported by *TD Securities*, providing finance.

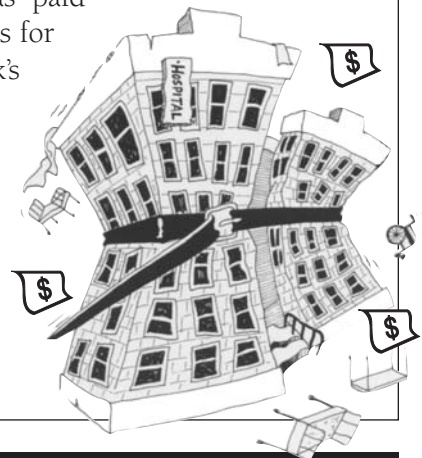
ARAMARK CANADA LTD. bills itself as “a leading provider of outsourcing solutions.”

In health care, it services 300 acute, long-term care and retirement homes across Canada, having bought up Versa Foods in the 1990s. With a limited presence in B.C. prior to the last provincial election, Aramark snapped up a cleaning contract with the Vancouver Coastal Health Authority in July 2003 in the aftermath of the provincial government’s legislation breaking collective agreements for current members. It provides “one stop” cleaning, laundry, housekeeping and plant maintenance, in addition to food service.

\$4.2 million a year versus US\$5 an hour

The company had international sales of US\$8.8 billion in 2002, up 13 per cent from 2001. Net income was \$239 million, up 35 per cent. The chair and CEO of Aramark is Joseph Neubauer. In 2002, he was paid US\$2.5 million in salary, plus \$1.7 million in stock options for a total of \$4.2 million. By comparison, workers at Aramark’s U.S. operations make as little as US\$5 an hour.

Aramark is front and centre in a much-criticized food service centralization project covering Winnipeg-area hospitals. In separate studies, Manitoba’s Auditor General and the Canadian Centre for Policy Alternatives Manitoba office have identified significant cost overruns in the private/public partnership (P3), begun by the



ABBOTSFORD PRIVATE HOSPITAL CONSORTIA

province's former conservative government in the mid-1990s. Both were critical of Aramark's role. For the review by Manitoba's Auditor General see:

- <http://www.oag.mb.ca/reports/reports_fr.htm> and select reports issued in 2000/01

For the CCPA report, go to:

- <<http://www.policyalternatives.ca/manitoba/foodpr.html>>

Quality service?

In the U.S., there are numerous published reports critical of the quality of contracted services provided by Aramark. Some of the most compelling deal with poor food service at jails in Florida, where Aramark was awarded a lucrative contract in 2002. *St. Petersburg Times* (Florida) journalist Thomas C. Tobin wrote an exposé on conditions in Florida prisons last year:

Maggots found on serving trays and kitchen floors while other reports describe cleanliness standards as “filthy” and “horrendous”

Hiring Aramark to feed prisoners has saved the state millions, but the company faces fines and fears over guard safety. Take any cross-section of Floridians and poll them about prisons. Few would care that, one day last February [2002], lunch at the Madison Correctional Institution featured a particularly soupy batch of sloppy joes. But corrections Capt. Hugh Poppell took notice right away. He saw the prison's new civilian food service staff dilute the entrée even more, adding ketchup and tomato paste to make it stretch among the 700-plus inmates still lined up to be fed. Poppell reported what he saw to warden Joe Thompson, who quickly investigated and found the workers had shorted the recipe by 70 pounds of ground beef and turkey. The warden also noted: “The other ingredients such as onions, celery and green peppers in the entree were not observed.” Far from a show of concern over the inmate palate, the

officers were heeding an age-old canon of prison administration: A hungry, discontented inmate is often a problem inmate, and a potential threat.

Tobin was also given access to official prison logs where further problems were detailed:

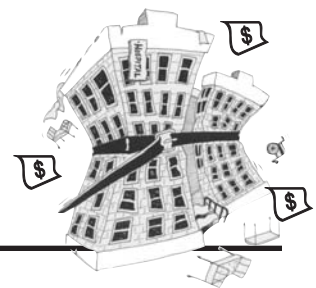
- kitchen workers ordered by Aramark to soak spoiled chicken in vinegar to take away the smell before cooking;
- maggots found on serving trays and kitchen floors while other reports describe cleanliness standards as “filthy” and “horrendous”; and
- Aramark employees were often late for work or no shows, leaving prison staff to prepare meals.

According to the *Times*, Aramark's performance is so bad that the state levied fines of US\$110,000. Aramark also donated US\$44,500 to Florida governor Jeb Bush's 2002 election campaign. See:

- <<http://pqasb.pqarchiver.com/sptimes/index.html?ts=1058387997>>

Contract cancelled

In 1999, 120 students at the Los Angeles-area Pomona College came down with salmonella symptoms, and another eight tested positive for the illness after eating meals sold by the college's food services contractor, Aramark. On July 24, 1999, the *Los Angeles Times* reported that public health officials had linked the outbreak to contaminated food. A number of students were hospitalized.



Aramark lost the contract eight months later after extensive student protests. A college spokesperson said the move was made to improve both food services and conditions for food service workers. See:

- <<http://www.pomona.edu/Magazine/pcmsu00/9.shtml>>

Closer to home, an Aramark manager at St. Mary's Hospital in New Westminster was the subject of sexual harassment complaints involving internet pornography. After reviewing the concerns voiced by traumatized food service workers, the manager was removed from St. Mary's where Aramark has a contract to manage the dietary department.

AECON GROUP INC. is Canada's largest publicly traded construction company. It is the former Armbro Enterprises. Just over 48 per cent of Aecon shares are owned by German construction giant Hochtief AG (also the parent company of Turner Construction in the U.S.). Four of eight board members are drawn from Hochtief's ranks.

Aecon Sales in 2002 were Can\$798 million, up 11.5 per cent from the year before. However net income was only \$200,000, down 98 per cent from 2001. The company has 2,152 employees.

**The CD Howe
institute says
the jury is
still out on
the Highway
407 project**

The chair and CEO of Aecon is John M. Beck. In 2002, his total compensation was \$938,000.

Additional \$36 million paid on Skytrain project

Through a subsidiary, Aecon was part of the SAR Transit group that was the contractor for construction of the guideway of the Millennium Line Skytrain project.

The project ended up paying SAR Transit an additional \$36 million beyond the agreed price for the guideway construction contract after the company was successful in a mediated claim for delays caused by the Canadian Environmental Assessment process as well as delays in obtaining private railroad rights of way.

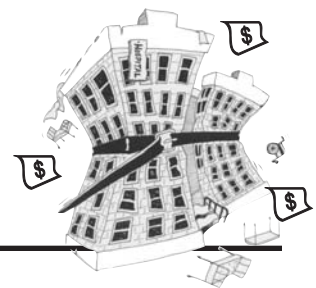
The \$36 million payment took the actual contract price up to \$272 million from an awarded contract value of \$235.5 million, an increase in the price of that particular contract of 15.2 per cent. See:

- <http://www2.news.gov.bc.ca/nrm_news_releases/2002TRAN0004-000119.htm>

With a majority stake in the Canadian Highway Infrastructure Corporation, Aecon was one of the builders of the Highway 407 toll road north of Toronto. While heralded by proponents of private/public partnerships (P3s) as a success, the highway project has earned its share of criticism.

A recent report from the CD Howe Institute says the jury is still out on whether the project provided value for money. It also raises concerns that driving safety could be impacted by cost cutting design and engineering decisions. For more see:

- <http://www.cdhowe.org/pdf/commentary_183.pdf>



Paving over farmland in Israel

Through CHIC, Aecon also holds a 22 per cent stake in the Derech Eretz Consortium, which was chosen in the late 1990s by the Israeli government to build the controversial trans-Israel toll highway. The vast majority of the land being confiscated for the project is held by Israeli Arabs. Published reports say that 6,000 Arab families in 75 communities who currently farm the land will be uprooted. See:

- <<http://www.tikkun.org/magazine/index.cfm/action/tikkun/issue/tik0005/article/000513a.html>>

Critics of the project also charge that the highway project serves broader political motives: it strengthens Israel's illegal control of the Occupied Territories that is at the heart of conflict in the region. See:

Critics charge that the highway project strengthens Israel's illegal control of the Occupied Territories

- <http://www.nowtoronto.com/issues/2002-05-30/news_story3.php>

There have been frequent violent demonstrations by Israeli Arabs and Palestinians against the project. Canada's role in the project was the focus of a 1999 protest outside our embassy in Tel Aviv. See:

- <<http://www.jpost.com/com/Archive/14.Oct.1999/LatestNews/lnews-5.html>>

The highway project is also being slammed for environmental concerns, and more recently claims by Israelis that construction is destroying and desecrating ancient Jewish gravesites. See:

- <<http://www.shemayisrael.com/chareidi/archives5763/bo/BO63agraves.htm>>

CHIC has also provided hundreds of thousands of dollars in political contributions to former Ontario Premier Mike Harris. And a key Harris insider now holds a senior executive position with the company. See:

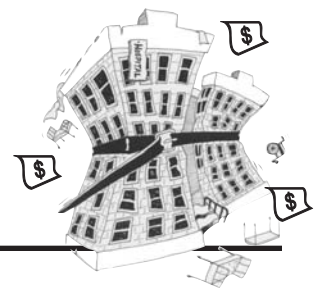
- <http://www.eyenet/eye/issue/issue_05.27.99/news/tories.html>

Largest shareholder in Lesotho bribery scandal

Aecon's largest shareholder, the German multinational **Hochtief AG**, faces criminal charges in Lesotho linked to the Lesotho Highland Water Project bribery scandal in Africa. It's alleged that Hochtief was part of a consortium of European multinationals that paid US\$733,404 in bribes to get the nod for contracts on the World Bank project. So far, two companies in that consortium have been convicted, including the Canadian firm Acres International, which was fined US\$2.2 million.

GIBRALT CAPITAL is one of the few companies based in B.C. that is part of the bidding on the Abbotsford private hospital. Gibralt is involved in relatively small equity placements in the \$5 to \$20 million range. They recently bought AMJ Campbell Inc. (movers), invested in Custom House Currency Exchange, have a stake in Bennett Environmental, and a few years ago had temporary ownership of the Keg restaurant chain. See:

- <[http://www.gamingmagazine.com/managearticle.asp?C=80\\$a=55](http://www.gamingmagazine.com/managearticle.asp?C=80$a=55)>



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