

PUBLIC RISKS, PRIVATE PROFITS

BILFINGER BERGER

Profiles of Canada's public-private
partnership industry

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A JOINT PROJECT OF THE POLARIS INSTITUTE AND THE CANADIAN UNION OF PUBLIC EMPLOYEES



INTRODUCTION

This corporate profile is part of a series on the primary private water and wastewater services providers involved in the public-private partnership (P3) market in Canada.

The companies profiled are identified by PPP Canada Inc. – the federal crown corporation created to promote P3s across the country – as likely market participants in Canadian water and wastewater P3 projects. The corporations offer a diverse set of capabilities. Some would be part of the design and build phase of a P3, others would participate in financing and operating water or wastewater infrastructure. Some of the companies are specialty water and wastewater services firms, while others are P3 financiers. The common thread is their desire to participate in and benefit from water and wastewater P3 projects in Canada.

Given the success of efforts to oppose water and wastewater P3s in communities like Abbotsford, Whistler, and Metro Vancouver, B.C., public opposition is a key concern for the P3 industry in Canada.¹ One way of protecting publicly owned and operated water and wastewater services is to educate the public about the track records of private water services companies vying for contracts to design, build, finance, operate and maintain water and wastewater infrastructure. With intimate knowledge of these companies, municipal officials, city councillors and local supporters of publicly owned and operated water and wastewater services will gain important tools to challenge P3s in their communities.

OVERVIEW

Bilfinger Berger SE is a publicly traded German multinational that specializes in industrial construction, engineering, and services. Bilfinger has five business segments: industrial, power, building and facility, construction, and concessions. The company has been operating in North America since 2003 and has offices in Toronto and Vancouver. Bilfinger is involved with six-large-scale Canadian P3s in the health care and transportation sectors in British Columbia, Alberta, and Ontario. Bilfinger Berger has approximately 74,276 employees worldwide.²

HEADQUARTERS

Bilfinger Berger SE
Carl-Reiß-Platz 1-5
Mannheim 68165, Germany
www.bilfinger.com

EXECUTIVE BOARD³

Roland Koch (Chairman)
Joachim Müller
Joachim Enenkel
Dr. Jochen Keysberg
Pieter Koolen

SUPERVISORY BOARD⁴

Dr. h.c. Bernhard Walter, Chairman – Former speaker of the Executive Board of Dresdner Bank AG, and board member of Daimler AG and Deutsche Telekom.

Stephan Brückner, Deputy Chairman – Employee of Bilfinger Maintenance Südwest GmbH.

Herbert Bodner – Former chairman of the Executive Board of Bilfinger SE.

Volker Böhme – Employee of Bilfinger Isoliertechnik Nord GmbH.

Dr. John Feldmann – Former member of the Executive Board of BASF SE.

Lone Fønss Schrøder – Non-executive member of administrative bodies at German and non-German companies.

Thomas Kern – Employee of Bilfinger HSG FM Rhein-Main GmbH.

Ingo Klötzer – Employee of the Executive Board of IG Metall, Frankfurt/Main

Rainer Knerler – Regional Manager for Berlin-Brandenburg, Industriegewerkschaft Bauen-Agrar-Umwelt (Construction, Agriculture and Environment Trade Union).

Udo Stark – Former chairman of the Executive Board of MTU Aero Engines AG.

Jens Tischendorf – Managing Director of Cevian Capital AG.

Marek Wróbel – Employee at Multiserwis Sp.z.o.o.

FINANCIAL INDICATORS⁵

Annual revenue (in CA\$)

2013 \$12.81 billion

2012 \$12.70 billion

2013 revenue by division (in CA\$)

Industrial \$6.06 billion

Power \$1.92 billion

Building and Facility \$3.56 billion

Construction \$1.41 billion

OPERATIONS⁶

Bilfinger Berger is separated into the following five business segments, which are in turn split into various subgroups:

BUSINESS SEGMENT AND SUBGROUPS, WITH ASSOCIATED 2013 REVENUE

Industrial – \$6.06 billion

**Subgroups:
Bilfinger Industrial Services; Bilfinger Industrial Technologies**

SERVICES PROVIDED

Provides services for the construction, maintenance, and modernization of industrial plants for the process industry through activities such as consulting; engineering; project management; piping and component engineering; plant assembly; mechanical engineering; electrical, instrumentation and control technology; process engineering; insulation; scaffolding; and corrosion protection. Primary process industry sectors: oil and gas, refineries and petrochemicals, chemicals and agrochemicals, pharmaceuticals, food and beverage, power generation, and steel and aluminum production.

<p>Power – \$1.92 billion</p> <p>Subgroup: Bilfinger Power Systems</p>	<p>Provides engineering, supply, assembly and maintenance services for power plants including maintenance, repair, efficiency enhancements and service-life extensions for existing power plants as well as the design, production and assembly of components for power plant construction with a focus on boilers and high-pressure piping systems. Primary sectors: energy utilities, industrial companies, plant manufacturers.</p>
<p>Building and facility – \$3.56 billion</p> <p>Subgroups: Bilfinger Facility Services; Bilfinger Hochbau; Bilfinger Government Services</p>	<p>Provides technical, commercial and infrastructure real-estate services, as well as design, construction, and building maintenance and operation services to private and public sector clients.</p>
<p>Construction – \$1.41 billion</p> <p>Subgroups: Bilfinger Construction; Bilfinger Infrastructure</p>	<p>Provides tunneling, bridge construction, road construction, hydraulic engineering, pre-stressing technology, steel construction and foundation engineering services to public and private sector clients.</p>
<p>Concessions⁷ Subgroup: Bilfinger Berger Project Investments</p>	<p>This business segment historically delivered and operated transport and social infrastructure projects (most of them P3s) in Australia, Canada, and Europe. At one time the company's Canadian P3s (listed below) were included in this business segment. In November 2013, Bilfinger Berger sold its entire concessions portfolio to Bilfinger Berger Global Infrastructure (BBGI) which is 19.8 per cent owned by Bilfinger Berger (see below).⁸</p>

Bilfinger Berger Global Infrastructure

In late 2011, Bilfinger Berger created Bilfinger Berger Global Infrastructure (BBGI), a company based in the popular tax haven of Luxembourg. Bilfinger Berger then began selling its P3 projects to BBGI, and in November 2013, it sold the remainder of its concessions portfolio to the company.⁹

Bilfinger Berger created Bilfinger Berger Global Infrastructure in 2011 to own P3 projects that had entered the operation and maintenance phase. BBGI, which is 19.8 per cent owned by Bilfinger Berger and trades on the London Stock Exchange, operates as an investment fund and runs on the operating revenue from its P3 infrastructure assets. While BBGI owns the assets, Bilfinger Berger continues to manage all the projects.¹⁰

BBGI's assets include the following Canadian P3s, all of which are in either the operate or maintain phase: Golden Ears Bridge, British Columbia; Kicking Horse Pass, British Columbia; Northwest Anthony Henday Drive, Alberta; The Kelowna & Vernon Hospitals project, British Columbia; and Northeast Stoney Trail, Alberta. More detail on each project is below.

CONTRACTS

The following highlights some of Bilfinger Berger's Canadian activities over the past decade with a particular focus on the company's involvement in Canadian public-private partnerships. While Bilfinger Berger is not directly involved in any water or wastewater P3s in Canada, it has the capability to build and finance water and wastewater infrastructure projects. The company has also been identified by PPP Canada Inc. as a likely P3 water and wastewater market participant.¹¹

P3 definition:

P3s can come in many different forms. For the purposes of this profile, a P3 will be defined as a project that fulfills two prerequisites.

First, the project must have private sector involvement in at least two of the following structural elements:

- design, where the private sector is responsible for all or almost all of the project's design activities;
- build, where the private sector is responsible for all or almost all construction activities;
- operate, where the private sector is responsible for all or almost all activities related to the operation of the project;
- maintain, where the private sector is responsible for all or almost all maintenance of the project; or
- finance, where the private sector is responsible for arranging private financing that will be used to ensure performance during the construction and/or the maintaining and operating period of the project.

Second, at least one of the two structural elements must include operate, maintain or finance.¹²

Bilfinger Berger's Canadian P3s

PROJECT NAME	TYPE	DESCRIPTION
Northeast Stoney Trail (Alberta)	30-year design, build, finance, operate and maintain P3 between the Government of Alberta and the Stoney Trail Group (100 per cent owned by Bilfinger Berger Global Infrastructure). ¹³	Construction of 21 km of four- and six-lane highway surrounding Calgary, known as Northeast Stoney Trail. Completed in 2009. Cost: \$650 million. ¹⁴
Northwest Anthony Henday Drive (Alberta)	33-year design, build, finance and operate P3 between the Government of Alberta and Northwest General Partnership (50 per cent owned by Bilfinger Berger Global Infrastructure).	Construction of approximately 21 km of new four- and six-lane divided road. Awarded in 2008, completed in 2011. Cost: \$995 million. ¹⁵
Golden Ears Bridge (British Columbia)	35-year design, build, finance, operate and maintain P3 between the Government of British Columbia and Golden Crossing General Partnership (50/50 joint venture between Bilfinger Berger Global Infrastructure and CH2M Hill) ¹⁶	Construction of a six-lane toll bridge across the Fraser River, connecting the communities of Pitt Meadows and Maple Ridge to Langley, Surrey and beyond. Awarded in 2006. Cost: \$808 million. ¹⁷
Kicking Horse Canyon Phase 2 (British Columbia)	25-year design, build, finance, operate and maintain P3 between the Government of British Columbia and the Trans-Park Highway Group (50 per cent owned by Bilfinger Berger Global Infrastructure). ¹⁸	Upgrade of approximately 25 km of the Trans-Canada Highway, including bridge replacements. Cost: \$788 million. ¹⁹
Kelowna and Vernon Hospitals Project (British Columbia)	30-year design, build, finance and maintain P3 between the Government of British Columbia and Infusion Health (50/50 joint venture between Bilfinger Berger Global Infrastructure and John Laing plc). ²⁰	Construction of two hospitals in British Columbia, one in Vernon and one in Kelowna. Awarded in 2008, completed in 2012. Cost: \$432.9 million. ²¹
Women's College Hospital (Toronto, Ontario)	30-year design, build, finance and maintain P3 between the Government of Ontario and the Women's College Partnership (100 per cent owned by Bilfinger Berger). ²²	Demolition of old hospital and construction of new 630,000 sq ft health centre. The hospital is expected to be completed by 2016. Cost: \$460 million. ²³

CONTROVERSIES

2012 – German and foreign authorities raided Bilfinger Berger’s offices in Germany, Austria, Hungary and Slovakia to investigate allegations of fraud. According to a report in an Austrian newspaper, compliance rules were not met in the process of awarding contracts in Hungary and Slovakia in 2006, 2007 and 2008.²⁴

2011 – In November, Bilfinger Berger created an investment fund company known as Bilfinger Berger Global Infrastructure (BBGI). As of November 2013, BBGI owns all of Bilfinger Berger’s former P3 projects in Alberta and British Columbia. The company, 19.8 per cent owned by Bilfinger Berger, is incorporated and headquartered in Luxembourg and trades its shares on the London Stock Exchange. Luxembourg is a popular tax haven for businesses seeking to avoid paying taxes in their home countries. In this case, by selling its P3s to BBGI, Bilfinger Berger is avoiding paying taxes on its operations in Alberta and British Columbia. The impact of the lost tax revenue is not yet known, but it is clear that Bilfinger Berger might not have won its British Columbia contracts if it had been located in a tax haven when it was bidding, as the provincial government takes into account the potential tax revenue from corporate P3 partners when it is deciding between a P3 and a conventional model.²⁵

2008 – In September, 80 Serbian workers who were in British Columbia working for a subcontractor on Bilfinger Berger’s Golden Ears Bridge project were suddenly laid off without being paid. The layoffs occurred when Bilfinger cancelled its contract with subcontractor Baulex Projects, who had brought the workers from Serbia through the Government of Canada’s Temporary Foreign Worker Program. According to a Bilfinger spokesperson, the company terminated the contract because of substandard work.²⁶ Another contributing factor for the layoffs and subsequent cancellation of the contract could be that Baulex Projects’ bank accounts had been seized by Revenue Canada. The company had neglected to submit income tax or Canada Pension Plan deductions collected from the workers to the federal government.²⁷

2008 – Bilfinger filed a lawsuit against Metro Vancouver for cancelling its contract for construction of twin tunnels for the Seymour-Capilano water filtration project. The contract was cancelled amid concerns about safety for underground workers. The company filed the suit in the BC Supreme Court, arguing that Metro Vancouver improperly cancelled the contract. There were a series of overstress failures of the rock tunnels between late 2007 and January 2008.²⁸ The case is ongoing. As a result of the lawsuit, approximately 30 temporary foreign workers from the Philippines who Bilfinger hired to work on the project were left for months without any income.²⁹ As of May 2014, the case has not been settled.³⁰

ENDNOTES

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