

# With death of megaprojects in Canada, SNC looks



GAZETTE, PIERRE OBENDRAUF

Guy Saint-Pierre at yesterday's shareholders meeting.

The Canadian engineer was once a hardy species, flourishing in a domestic climate that included a steady flow of large construction projects.

But the days of the Canadian megaproject are now, history.

With a weak economy and a colossal national debt, we can't afford things like hydro-electric dams, pipelines and aluminum smelters, even if we needed them. ...

And for Canada's largest engineering company, Montreal-based SNC-Lavalin-Group Inc., that means wrenching changes.

The company can no longer rely on a buoyant Canadian market for engineering services, president and chief executive officer Guy Saint Pierre said at yesterday's annual meeting of shareholders.

It must increasingly scrounge for business abroad; where competition is fierce and contracts aren't always big.

After the meeting, Saint-Pierre was unable to offer much in the way of guarantees to SNC-Lavalin's workforce of 5,840.

Staff has already been reduced by 900 since last year and many of those still employed are working on Canadian projects that are winding down. What they'll be doing next year is anybody's guess.

Not that SNC has fared poorly abroad. It had a record year in foreign markets in 1992 with 74 new projects in 37 countries, including nuclear-power plants in Korea, a subway project in Turkey and an aluminum smelter in South Africa.

The portion of its engineering revenue coming from



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International work reached 40 per cent and should hit 50 per cent this year.

But jobs for Canadian engineers aren't always part of the package. The problem, says Saint-Pierre, is the changing nature of engineering services in the 1990s, caused by new technologies and improved skills in developing countries.

"In the 1980s, when we carried out a project in India or Algeria, we had to send a team of about 100 to the site. Today things are different.

"In South Africa, where we are starting work on the largest aluminum smelter ever built at one time, we have barely 20 people on the team - but they are the leaders."

Nor is it enough for SNC to export services and manpower from Montreal to handle an overseas job. "More and, more often, instead of exporting our services, we must establish ourselves in countries where we wish to work", Saint-Pierre added.



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## for work abroad

Welcome to the demands of the global economy. Here at home, SNC has been through quite a bit, in the last couple of years. Yesterday, it legally changed its name to SNC-Lavalin Group Inc., formally reflecting the 1991 takeover of Lavalin's engineering units.

The marriage of two corporate cultures hasn't always been smooth but, seems to be working well enough. Lavalin's ex-boss Bernard Lamarre is paid four days a week as a consultant: to Saint-Pierre to coordinate domestic marketing of engineering services.

Uppermost in Saint-Pierre's mind now is profits. Last year's net income of \$9.3 million on revenue of \$747 million represented only a 6-per-cent return on shareholder's equity - not bad by comparison to some Canadian corporations but clearly not enough.

First-quarter profit of \$2.4 million vs. 92,000 a year earlier is a sign of improvement but more remains to be done.

Undoubtedly; the four new outside directors elected to the board yesterday will be looking for better profit performance: They are led by William Turner, former chairman of Consolidated-Bathurst Inc., who takes over as chairman from the outgoing Jean -Paul Gourdeau.

The company, controlled by its employees, needs the check and balance of a strong independent board, Saint-Pierre emphasized.

But down the road, SNC may have to examine the possibility of hooking up with a large international partner as one way to increase its revenues in foreign markets.