

PUBLIC RISKS, PRIVATE PROFITS

BLACK & VEATCH

**Profiles of Canada's public-private
partnership industry**

JULY 2014



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



CUPE / 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.

OVERVIEW²

Black & Veatch is a privately-owned global infrastructure company based in the United States. The company specializes in infrastructure development for numerous sectors including energy, water, environment, and telecommunications. Black & Veatch designs, builds and maintains water treatment plants. The company also provides consultant services to small- and medium-sized municipalities. One of the company's primary clients since 1916 has been the United States Armed Forces. Black & Veatch has been criticized for profiting from conflicts in both Iraq and Afghanistan.³

Black & Veatch's activities in the water and wastewater sector are primarily carried out in the United States, the United Kingdom and Asia, where the company has numerous large-scale contracts to design and build water and wastewater treatment plants. In Canada, the company has been involved in the energy sector through the construction of power plants. The company has provided consulting services to municipalities about biosolids management, and to the oil and gas industry regarding the transportation of hydrocarbons. Although Black & Veatch has yet to win a large-scale water or wastewater P3 in Canada, in 2010 it was one of three shortlisted companies vying for a consulting services contract for the City of Winnipeg's wastewater treatment facility.⁴

Black & Veatch has more than 110 offices around the world and is ranked in the top 175 of *Forbes* magazine's list of the 500 largest private companies in the United States. The company has approximately 10,000 employees worldwide, working on more than 7,000 projects in over 100 countries.⁵

HEADQUARTERS

Black & Veatch World Headquarters
11401 Lamar Avenue
Overland Park, KS 66211
United States of America
Phone: (913) 458-2000
corporateinfo@bv.com
www.bv.com

The company also has offices in Burnaby, British Columbia; Edmonton, Alberta; and Markham, Ontario.

FINANCIAL INDICATORS⁶

Annual revenue (all figures throughout in USD):

2013 – \$3.60 billion

2012 – \$3.30 billion

EXECUTIVE COMMITTEE⁷

Steven L. Edwards – Chairman, President and CEO

Karen L. Daniel – Chief Financial Officer

O.H. Oskvig – CEO Energy Business

Timothy W. Triplett – General Counsel

Martin G. Travers – President, Telecommunications

Cindy Wallis-Lage – President, Water Business

William R. Van Dyke – President, Federal Services

James R. Lewis – Chief Administrative Officer

John Chevrette – President, Management Consulting

John E. Murphy – President, Construction & Procurement

Lori Kelleher – Chief Human Resources Officer

BOARD OF DIRECTORS⁸

Steven L. Edwards – Chairman, President and CEO

Karen L. Daniel – Executive Director, Chief Financial Officer

O.H. Oskvig – Executive Director, CEO Energy Business

T.M. Buck – Independent Director, former head of Fluor Daniel construction company

W.P. Campbell – Independent Director, former president of RCA/Columbia Pictures International and Columbia TriStar Home Video

Anthony G. Fernandes – Independent Director, former chairman, president and CEO of Philips Services Corporation

Martha W. Gilliland – Independent Director, Compensation and Development Committee chair, former chancellor of the University of Missouri-Kansas City. Served on the President of the United States' Council of Advisors for Science and Technology (appointed by George W. Bush)

H.P. Goldfield – Independent Director, Governance and Nominating Committee chair, Vice Chair of Albright Stonebridge Group and former associate counsel to U.S. President Ronald Reagan, former assistant U.S. secretary of commerce for trade development, and former member of the board of directors of the U.S. Government's Overseas Private Investment Corporation

Timothy W. Triplett – Board Secretary, General Counsel

Steven H. Wunning – Independent Lead Director, group president and executive office member of Caterpillar Inc.

Martin G. Travers – Executive Director, Telecommunications President

Cindy Wallis-Lage – Executive Director, Water Business President

Randy G. Woelfel – Independent Director, Chief Executive Officer of NOVA Chemicals

OPERATIONS⁹

Black & Veatch divides its business into the following segments:

BUSINESS SEGMENT AND SUBGROUPS, WITH ASSOCIATED PERCENTAGE OF 2011 REVENUE ¹⁰	SERVICES PROVIDED
Energy – 37 per cent	Consulting, engineering, design, procurement, construction, management for the power generation, power delivery, and oil and gas industries.
Water – 28 per cent	Design, engineering, construction, management and financing of water systems around the world.
Telecommunications – 22 per cent	Consulting, site acquisition, engineering, procurement, construction and program management services for both public and private clients including large telecom corporations, private and public utilities, municipalities and government agencies.
Federal services – 9 per cent	<p>Planning, engineering, procurement, construction management and program management to U.S. government and military clients around the world.</p> <p>The Government of the United States and its military have been clients of Black & Veatch since 1916.</p>
Management consulting division – 4 per cent	Strategic management consulting, finance and market analysis, regulatory support and compliance, customer engagement, infrastructure and asset management services for the energy and water sectors

WATER/WASTEWATER CONTRACTS

Black & Veatch is well-positioned globally to undertake large-scale projects including the design, construction, operation and maintenance of water, wastewater and bio-solids facilities. While the company is not involved in any Canadian P3s, based on its attempt to gain the consulting services contract for the City of Winnipeg's wastewater treatment facility, the company will not shy away from opportunities in Canada. Despite its lack of activity in the Canadian water and wastewater sector, Black & Veatch has been identified as a likely water and wastewater P3 participant by PPP Canada Inc.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

The following is a snapshot of the company's operations in Canada and the United States in the water and wastewater sector (Black & Veatch's long list of water and wastewater projects and contracts around the world are listed on the company's website, bv.com/Projects).

LOCATION AND DATE	TYPE	DESCRIPTION ¹³
CANADA		
Various municipalities, ongoing	Biosolids consultant	Black & Veatch has received contracts in Canada to provide consulting services for municipalities about biosolids management. Some of the Canadian municipalities that have used Black & Veatch biosolids consulting services include: Toronto, ¹⁴ Hamilton, ¹⁵ the Region of Peel, ¹⁶ and the Town of Innisfil. ¹⁷
Greater Vancouver, 2004	Design contract	Black & Veatch was part of the consortium that was selected to design the Seymour-Capilano filtration plant that supplies water to the Greater Vancouver area. Stantec and Amec were the other consortium members. ¹⁸ The plant, which remains under public control, opened in 2010. ¹⁹
UNITED STATES		
Phoenix, Arizona, 2003 Lake Pleasant Water Treatment Plant	Design, build, operate P3	As part of a consortium including American Water Enterprises, Inc., and McCarthy Building Companies, Black & Veatch designed the Lake Pleasant Water Treatment Plant.
Washington D.C., 2008 Bi-County Water Tunnel	Design services	Created designs for a major water supply system in the suburbs of Washington D.C.
New York City, 2008 Manhattan Portion of Tunnel No. 3, Stage 2	Construction management services	Provided construction management services with its joint venture partners Greeley & Hansen and HAKS, for tunnels as part of the New York City Water Tunnel No. 3 project.
UNITED KINGDOM²⁰		
Scotland 2008 Glencorse Water Treatment plant	Design, build contract	Black & Veatch was chosen by state-owned Scottish Water to design and build the \$205 million Glencorse Water Treatment plant that supplies water to half a million people in and around Edinburgh. ²¹

LOBBYING

There is no official record of Black & Veatch lobbying at any level of government in Canada. However, since 2009, the company has spent \$1,076,091 lobbying the United States government.

During the 2012 American elections, the company donated \$56,723 to political candidates; \$44,000 of this total went to Republican candidates, \$10,000 of which was donated to the campaign of Republican presidential hopeful Mitt Romney.²²

CONTROVERSIES

Tarakhil Power plant, Afghanistan – In 2007, Black & Veatch and its joint venture partner the Louis Berger Group were awarded a \$257.8 million contract by the United States Agency for International Development (USAID) to construct a power plant near the Afghan capital Kabul.²³ The project was plagued with delays, mismanagement and rising costs which peaked at over \$300 million.²⁴ According to a U.S. government audit, the project went over budget and was delayed for one year because of missteps by Black & Veatch, Louis Berger and the U.S. government.²⁵ In order to end a United States Justice Department investigation into the project, the joint venture partners agreed to pay back approximately \$65 million they had overcharged the U.S. government.²⁶

Another federal audit, published in December 2012, determined that Black & Veatch had failed to provide an installation plan for millions of dollars in equipment that sat unused for months in a warehouse near the city of Kandahar. The audit recommended that USAID hold the company accountable by seeking reimbursement from Black & Veatch.²⁷ Despite the controversy surrounding the power plant, USAID awarded Black & Veatch a \$266 million sole-source contract to refurbish the Kajaki dam in Southern Afghanistan.²⁸

Antioch, California – The City of Antioch sued Black & Veatch in early 2013 over a wastewater treatment system the city says is underperforming. The company was hired in 2004 to design a wastewater treatment plant expansion. The city claims that Black & Veatch underestimated the amount of dry solids that would be generated by the plant. Antioch is seeking damages for the purchase of the system, the construction of infrastructure, the costs of finding a solution, as well as legal costs.²⁹

Pinellas County, Florida – In 2009, Black & Veatch was ordered to pay \$22.9 million to Progress Energy after the company lost a breach of contract lawsuit brought against it by Progress. The lawsuit stemmed from Black & Veatch's refusal to honour a fixed-priced contract with Florida Power Corp (now Progress Energy) for the construction of a gas-fired power plant.³⁰

Milford, Connecticut – The family of Kevin Winslow sued Black & Veatch in 2002 after he was killed while working for the company on a power plant construction project. A United States Occupational Safety and Health Administration (OSHA) investigation found that a support brace had been removed too soon leading to the incident. Black & Veatch was fined \$7,000 by OSHA,³¹ but the lawsuit was dismissed after a judge ruled that the person who had removed the support brace was not connected with the company.³²

ENDNOTES

1. "Water/Wastewater Sector Study: PPP Canada," Deloitte, October 4, 2011, Obtained under the Government of Canada's *Access to Information Act*.
2. *Forbes Magazine*. http://www.forbes.com/lists/2011/21/private-companies-11_Black-Veatch_YFKJ.html
3. "The Corporate Invasion of Iraq," U.S. Labor Against the War (USLAW), <http://www.uslaboragainstar.org/downloads/CorpInvasionofIraq.complete.pdf>, p. 19.
4. Black & Veatch 2011 Annual Review, http://brstage.bv.com/docs/reports-studies/black-veatch_2011annualreview.pdf
5. "About Black & Veatch," <http://bv.com/docs/corporate-brochures/about-black-veatch.pdf>
6. Black & Veatch 2011 Annual Review, http://brstage.bv.com/docs/reports-studies/black-veatch_2011annualreview.pdf
7. Executive committee information taken from Black & Veatch website, <http://bv.com/home/company/people/Executive-Committee>
8. Board information taken from Black & Veatch website, <http://bv.com/home/company/people/Board-of-Directors>
9. All information on the company's operations is from Black & Veatch 2011 Annual Review, http://brstage.bv.com/docs/reports-studies/black-veatch_2011annualreview.pdf
10. Black & Veatch 2011 Annual Review, http://brstage.bv.com/docs/reports-studies/black-veatch_2011annualreview.pdf
11. "Water/Wastewater Sector Study: PPP Canada," Deloitte, October 4, 2011, Obtained under the Government of Canada's *Access to Information Act*.
12. This definition is based on PPP Canada Inc.'s definition of a public-private partnership, <http://www.p3canada.ca/p3-canada-fund-is-project-p3.php>
13. Unless otherwise noted contract information can be found here: <http://bv.com/Projects>
14. City of Toronto, <http://www.toronto.ca/legdocs/mmis/2007/pw/bgrd/backgroundfile-5593.pdf>
15. City of Hamilton, http://www.hamilton.ca/NR/rdonlyres/EBDF2263-BD1A-4039-93E0-73A912894C69/0/Apr19EDRMS_n86764_v1_7_4_PW07047c.pdf
16. Region of Peel, <http://www.peelregion.ca/council/agendas/pdf/gc-20100325/report-pw-c2.pdf>
17. Town of Innisfil, [http://www.innisfil.ca/sites/all/files/uploads/Engineering/3.%20Lakeshore%20WPCP%20EA%20-%20Phosphorus%20Removal%20Pilot%20Study%20\(Dec%2020%202009\)_0.pdf](http://www.innisfil.ca/sites/all/files/uploads/Engineering/3.%20Lakeshore%20WPCP%20EA%20-%20Phosphorus%20Removal%20Pilot%20Study%20(Dec%2020%202009)_0.pdf)
18. Water Mark, British Columbia Water & Waste Association, Summer 2010, <https://bcwwa.org/resourcelibrary/1296441101-Watermark%20Magazine,%20Vol%2019%20No%202,%20Summer%202010.pdf>
19. "Seymour-Capilano Filtration Plant opens," Canadian Union of Public Employees press release, May 10, 2010, <http://archive.cupe.ca/privatization-watch-may-2010/seymour-capilano-filtration-plant>
20. For information on other UK and international contracts visit <http://bv.com/Projects>
21. Black & Veatch press release, "Black & Veatch completes Glencorse on time and under budget," March 7, 2012, <http://bv.com/home/news/news-releases/black-veatch-completes-glencorse-on-time-and-under-budget>
22. Centre for Responsive Politics, <http://www.opensecrets.org/>
23. Pratap Chatterjee, "Black & Veatch's Tarakhil Power Plant: White Elephant in Kabul," CorpWatch, November 19, 2009, <http://www.corpwatch.org/article.php?id=15472>
24. Marisa Taylor, "Cost of Afghanistan project soars, benefits exaggerated," McClatchy Newspapers, October 25, 2009.
25. Marisa Taylor, "Report slams U.S. for building power plant Afghans can't run," McClatchy Newspapers, January 21, 2010.
26. Warren P. Strobel, Marisa Taylor, "Contractor Louis Berger settles in Afghan overbilling probe," McClatchy Newspapers, November 4th, 2010
27. Lindsay Wise, "Kansas' Black & Veatch, with history of problems in Afghanistan, now has another," McClatchy Newspapers, January 19, 2013.
28. Lindsay Wise, "Audit criticizes USAID on power project in Afghanistan," McClatchy Newspapers, April 18, 2013.
29. Paul Burgarino, "Antioch sues contractors over wastewater upgrades," Contra Costa Times, February 15, 2013.
30. Lynn Doan, "Progress Energy awarded nearly \$23M in lawsuit against Black & Veatch," SNL Power Week Southeast, September 29, 2009.
31. "Family of worker killed in construction accident sues builder," Associated Press, January 9, 2002.
32. Deborah S. Winslow, Executrix et al. v. Milford Power Co. et al., Superior Court of Connecticut, Judicial District of Tolland.