

**Subject:** TransLink and the Campbell government: Would you recommend them to a friend?  
**From:** Elizabeth James <rimcoenterprises@yahoo.com>  
**Date:** Wed, 27 Aug 2008 19:47:14 -0700 (PDT)  
**To:** Robin Hicks <HicksR@dnv.org>  
**CC:** FONVCA <corrie@kost.ca>, Ivan Leonard <ileonard@telus.net>

27 August, 2008

Greetings:

The more you ask, the more you learn.

Among other things, I asked why taxpayers should loan SNC-Lavalin over \$50 million to bail it out of losses due to high-risk investments. And then I asked why, and how it is, that the Fraser Health Authority indulged itself in a similar \$13-million hi-risk investment in ABCPs, using taxpayer dollars as the gambling chips...instead of spending that money on health care. Following is one of the answers I received.

NB: When reading this material, I urge you to remember this: Gordon Campbell has lectured us time and again that using Public-Private-Partnerships for capital projects "transfers the risk away from taxpayers, and onto the shoulders of the private partners."

In fact, the Premier went even further - he enacted legislation that required municipalities to involve the closed-door/appointed/unelected Partnerships BC in any project over \$20 million, if they wanted the province to participate in the cost of the project. Directors and other information can be found at: <http://www.partnershipsbc.ca/files/directors.html>

After you have read the email I received, I would like to know whether you agree with our Premier. EJ. --

**Liz:**

**Below, are two articles that I found educational; but first a few comments:**

**As Fraser Health has more than \$1 million invested in the - now frozen - ABCPs, it is stuck with its paper. It will now need to convert them and try to sell them for whatever they can get in the marketplace. (The value of the U.S. assets has been declining. - EJ) I doubt whether they will make money. Time will tell.**

**It is interesting to note that Caisse de Depot (another of the partners in the Canada Line consortium - EJ) is one of the major investors in these flimsy papers.**

**For the life of me, Liz, I cannot understand how \$56 million would cause SNC-L so much trouble, given the size of the SNC-Lavalin Group of Companies. They are running the base in Kandahar, they maintain 50 navy vessels, they operate and maintain 300 federal office buildings, they operate the 407 in Toronto's P3 Hwy - and that's just a small part of their operations. Then there's the engineering division, the procurement division, and the management of construction division ... and then there is more.**

**Lavalin almost went belly-up, and that is why they had to sell SkyTrain UTDC to Bombardier. Lavalin expanded too rapidly (It just concluded the purchase of two more companies. - EJ) and took risks that left it almost bankrupt. Of course, the feds and Lavalin's other friends in the corporate fraternity bailed it out.**

**Retail investors outnumbered the big boys, and any restructuring plan required a majority of holders to vote yes. The retail investors voted down the first proposal which would have seen them lose 90% of their investments. The big boys needed an agreement, so the next proposal stipulated that retail investors owning less than \$1 million would be paid out entirely. They will receive 100%. The rest have to hope these notes have some value but, from the article below, even the judges have reservations about how well these notes are going to be received by the market.**

**Like I said, time will tell.**

**Cheers,  
P.**

**The articles:**

**Canada Line gets extra loan**

By Jeff Nagel - BC Local News

Published: August 15, 2008 4:00 PM

Updated: August 15, 2008 4:14 PM

The province and TransLink will lend Canada Line Rapid Transit Inc. extra bridging money because \$56.5 million it invested in the asset-backed commercial paper (ABCP) market remains frozen.

TransLink's board on July 31 amended its loan agreement with the Canada Line subsidiary that oversees the construction and launch of the new rapid transit line from Vancouver to Richmond and the airport.

Officials weren't able to say how much additional borrowing room they now have. ABCP investments were backed by U.S. residential mortgages but suddenly stopped trading last summer when the U.S. real estate market began to melt down and heavy mortgage defaults began.

Individual Canadians, corporations and agencies have \$33 billion tied up in ABCP that so far can't be redeemed. A restructuring plan that would allow trading of ABCP to resume – although at sharply reduced valuations – has been in the works for months but has not yet cleared all legal hurdles.

Canada Line spokesman Alan Devers expects much of the money will be recovered – and the loan repaid – once ABCP trading does restart. "We still have the asset-backed securities and when that process finally concludes we'll go to market and we'll recover what we're going to recover," he said.

Canada Line Rapid Transit has estimated the fair market value of its ABCP holdings at \$49.3 million – suggesting a loss of \$7.2 million or 12.7 per cent is likely.

ICBC also holds \$45 million in frozen ABCP, while the Fraser Health Authority has \$13 million.

Devers said the \$2-billion Canada Line remains **on budget (How can he get away with saying that!???)** and on track to open by November of 2009.

"We're still slightly ahead of schedule," he said.

Traffic chaos along the Cambie Street corridor in Vancouver, where the cut-and-cover construction has proceeded for the past three years, is expected to end this fall.

## **Court backs ABCP accord Investors closer to getting their money back**

John Greenwood and Jim Middlemiss

Canwest News Service, Reuters

Tuesday, August 19, 2008

The Ontario Court of Appeal has given a green light to the \$32-billion restructuring of Canada's frozen third-party asset-backed commercial paper (ABCP) market.

In a 3-0 decision, Justice Robert Blair agreed with a lower court ruling and found the proposed plan of arrangement "is fair and reasonable in all the circumstances."

That paves the way for converting the stalled ABCP -- it hasn't traded since last August -- into long-term notes for which there would be a ready market. It also brings retail investors "a step closer" to getting their money back, said Henry Juroviesky, a lawyer for about 1,800 individual note-holders.

Purdy Crawford, the head of an investor committee overseeing the restructuring, welcomed the decision.

"Absent any further appeals, we expect to complete the restructuring plan and note-holders can look forward to the issuance of new notes and the establishment of a liquid market for them," Crawford said in a statement.

He said the process might be completed by the end of September.

The ABCP market collapsed 12 months ago after investors were spooked by the subprime mortgaged crisis, and banks that had agreed to provide emergency liquidity declined to step up. A group of financial institutions led by Caisse de depot et placement du Quebec launched a plan to rescue the stalled paper by restructuring it into long-term notes.

But even the appeal court judges acknowledged it's unclear if a market for the new notes will develop.

In their decision, the three judges agreed with an earlier ruling by Judge Colin Campbell that linked the restructuring to "the need to restore confidence in the financial system in Canada."

The major opponents of the workout is a group of companies, including drugstore chain Jean Coutu, with holdings of about \$1 billion of ABCP.

With Monday's decision, proponents of the workout are expected to move forward to the next stages of issuing the new notes and

paying out individual retail investors who hold less than \$1 million in ABCP.

However, the mostly corporate investors who still oppose the restructuring and who are prevented from suing for their losses unless they can prove outright fraud, can still ask the Supreme Court of Canada for leave to appeal the case. If at all, that likely wouldn't take place until the fall, though they could seek an expedited hearing.

As part of the plan, a group of investment dealers has agreed to buy back notes held by retail investors, thereby securing their support. But the restructuring is bitterly opposed by numerous corporate investors who are angry they're not getting the same deal.

Still, three Alberta oil companies abandoned their opposition to the workout Sunday after reaching agreements with ABCP dealers.

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#### The commercial-paper restructuring plan

Here are some key points of a plan to fix Canada's stalled domestic market for certain issues of asset-backed commercial paper, worth \$32 billion before the market collapsed a year ago.

The restructuring plan was upheld on Monday by the Ontario Court of Appeal. It has been described as the most complex restructuring attempt ever in Canada:

- Covers short-term notes that were issued by 20 non-bank-sponsored trusts, some with snappy names like Comet Trust, Gemini Trust, Planet Trust and Symphony Trust;
- Affects a wide variety of investors, from the giant pension fund manager Caisse de depot et placement du Quebec to various government agencies, dozens of companies, and an estimated 2,000 retail investors;
- Will provide existing noteholders with new, longer-term, floating rate notes that mature in up to nine years;
- Provides new notes better matched to the maturities of underlying assets, which range from simple assets to complex leveraged transactions.

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