



[This is an English version of the report originally submitted in French to Montréal's City Council and Montréal's Agglomeration Council on April 24, 2017]

Report on the Towing Industry in Montréal

(s. 57.1.23 Charter of Ville de Montréal)

April 24, 2017

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SUMMARY

After receiving complaints regarding certain calls for tenders issued by Ville de Montréal for the rental of tow trucks with operators to remove vehicles during snow clearing operations, the Inspector General decided to investigate all the contracts awarded in this field to assess the existence of collusion. On a systematic basis, the witnesses interviewed during the investigation brought up other problems in the towing industry, in particular the infiltration of organized crime in activities for the towing of accident vehicles obstructing traffic.

Considering these allegations, the scope of the investigation was expanded to all towing contracts awarded by the City. The purpose of the investigation of the Office of Inspector General was to provide an overview of the towing industry in the City and to identify any issues, beyond the complaints initially received, including collusive schemes used by contractors, to ascertain organized crime's involvement and how it might affect the industry, and to examine any other aspects that might adversely affect free competition between contractors and the City's ability to obtain the best service at the best price.

As such, this report presents an overview of the situation, the findings revealed during the investigation, as well as the Inspector General's resulting recommendations concerning three (3) types of contracts: exclusive contracts for towing accident vehicles obstructing traffic, contracts for towing and impounding of offence-related vehicles, and contracts for the rental of tow trucks with operators during snow clearing operations.

The investigation conducted by the Office of Inspector General showed that a sharing agreement between contractors has been in place for more than ten (10) years for towing of accident vehicles in areas not subject to an exclusive contract with the City. The investigation revealed that the City had not awarded any exclusive contracts on its territory since February 27, 2016 and that, over time, contracts have not been awarded in a uniform manner since certain areas have never even been covered by exclusive contracts.

The Inspector General notes that the lack of exclusive contracts covering the City's whole territory for the towing of accident vehicles obstructing traffic has contributed to the territory division between contractors becoming an established system over time.

This situation is cause for concern: The City is divided into areas that are, in fact, small kingdoms where some contractors rule and have a stranglehold on the market. Contractors that tow accident vehicles obstructing traffic "respect each other" and do not tow vehicles in areas that they consider belonging to their competitors, even if the latter do not hold valid exclusive contracts with the City.

A climate of violence and retaliation prevails in the industry: To acquire or "protect" areas they consider their own, contractors use threats, intimidation and violence (assault, vandalism, burning of equipment) against their competitors. Virtually all witnesses explained that a company who would decide to challenge the division of territory established between contractors would become the target of threatening phone calls and expose itself to strong retaliation.

The investigation conducted by the Office of Inspector General also helped to uncover the presence and influence of organized crime in the industry. Almost all the areas are now controlled, in whole or in part, by at least one company connected to organized crime.

In some cases, directors of towing companies are themselves members of criminal organizations; in other cases, they have familial ties or friendly relationships with members of such organizations. Consequently, members of criminal organizations, or individuals close to influential members, operate on the City's territory. The Inspector General even learned that some areas "belong" to criminal organizations, so that a contractor wishing to tow an accident vehicle obstructing traffic in such an area must pay a fee (or "cut") to the criminal organization. Being supported by a criminal organization is a



way for towing companies to protect their territory, as well as to acquire some areas without facing retaliation from their competitors and with no regard for the fact that other contractors were previously operating in these areas. In other words, these companies are “backed” by organized crime.

The evidence gathered during the investigation clearly shows that organized crime takes control of some areas, and even coordinates distribution and territory division between contractors

The Inspector General notes that this situation has had the effect of chasing many contractors away from the industry, as they are afraid to tow accident vehicles in controlled areas, and sometimes even on the City’s territory. Competition has therefore been sharply curtailed.

Regarding the rental of tow trucks with operators during snow clearing operations, the situation is not much better: The Inspector General’s investigation shows that some contractors in this field resort to collusive bidding. It appears that contractors communicate with each other before and during the bidding period to find out each other’s bidding intentions, the number of tow trucks they plan to offer, and the price at which they are planning bid. Sometimes they even agree not to bid against each other (“pacts of non-aggression”), or to bid at a given price.

These schemes deny the City and boroughs the possibility of obtaining the best price, which represents a significant impediment to the free market and diverts the tendering process from its core mission, which is to generate the most competition. The pool of contractors bidding for the rental of tow trucks for vehicle removal during snow clearing operations has decreased considerably through the years.

The Inspector General handed down two (2) decisions on September 26, 2016 and March 23, 2017, rescinding a total of fifteen (15) contracts awarded to contractors who participated in collusive or fraudulent tactics, in violation of the City’s Contract Management Policy. The Inspector General also recommended that six (6) companies as well as their respective presidents, who were actively involved in these tactics, be excluded from all contracts with the City for five (5) years, be it contracts by mutual agreement or following a call for tenders.

During its more comprehensive investigation of the towing industry, the Office of Inspector General obtained extensive information corroborating the situations depicted in these two (2) decisions.

In this report, the Inspector General’s primary concern is to inform the City Council and the Agglomeration Council about the situations observed during his investigation concerning territory division between contractors and organized crime’s presence and influence on the industry. The Inspector General considered appropriate to make several recommendations so that certain measures be adopted quickly by the City to reduce the risks of collusion and market control by contractors, but also to rid the market of its ties to organized crime. The Inspector General deplors in particular the absence of exclusive contracts in force regarding towing of accident vehicles. The Inspector General believes that the lack of exclusive contracts and the resulting territory division by contractors put the City and boroughs at risk in that it allows towing companies with ties to organized crime to infiltrate the market with impunity and to control this economic sector.



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1. Scope of Work

1.1 *Warning*

Under section 57.1.8 of the *Charter of Ville de Montréal* (CQLR c C-11.4), the Inspector General has the mandate to oversee contracting processes and the carrying out of contracts by the City or by a related legal person.

The Inspector General does not conduct any criminal investigations. He conducts investigations of an administrative nature. In this report, wherever the term “investigation” is used, it means an investigation of an administrative nature and under no circumstances shall it be interpreted as referring to a criminal investigation.

1.2 *Applicable Standard of Proof*

The Inspector General places upon himself the obligation to deliver quality reports that are timely, objective, accurate and presented in a manner to ensure that the individuals and organizations under his jurisdiction are able to act on the information transmitted.

Consequently, in support of his opinions, reports and recommendations, the Inspector General imposes upon himself the burden of proof of the civil standard of the balance of probabilities.¹

2. Context of the Investigation

2.1 *Complaints Received and Preliminary Analysis*

The Inspector General’s investigation was initiated after receiving two (2) complaints regarding some calls for tenders for the rental of tow trucks with operators for vehicle removal during snow clearing operations.

The first complaint alleged that a contractor used the same tow trucks to bid on and obtain contracts in several boroughs of *Ville de Montréal*, and then resorted to illegal subcontracting to carry out these contracts.

A few weeks later, the Inspector General received a second complaint, this time concerning call for tenders 15-14685 launched in 2015. Only one (1) bid had been received by one (1) of the boroughs covered by the call for tenders. This observation, combined with the fact that the sole bidder was the contractor who had obtained the contract the year before and that the price bid was almost 36% higher than in 2014, raised concerns about potential market division between contractors.

¹ Evidence is sufficient if it renders the existence of a fact more probable than its non-existence (see Article 2804 of the *Civil Code of Québec*).



The Office of Inspector General conducted a preliminary analysis of call for tenders 15-14685, which revealed that only one (1) bid was received for almost all the areas covered (see table below). It was therefore clear that the situation identified by the second complaint was not an isolated case.

Boroughs/Areas covered	Bidders				
	Company A	Company B	Company C	Company D	Company E
Anjou			X		
LaSalle		X		X	
Montréal-Nord				X	
Plateau-Mont-Royal T-53				X	
Plateau-Mont-Royal T-54	X				
Plateau-Mont-Royal T-55					X
Rivière-des-Prairies					X

Although the table seems to indicate that LaSalle borough received two (2) bids, an examination of the bids showed that, in fact, companies B and D did not bid against each other. While the borough sought to rent eight (8) tow trucks, company B submitted an offer for six (6) tow trucks and company D submitted an offer for two (2). The Inspector General thus notes that the bids of the two (2) contractors met the borough's exact needs.

2.2 Purpose of the Investigation and Summary of the Inspector General's Interventions

Considering these signs pointing to collusion, the Inspector General decided to conduct an investigation regarding all contracts awarded for the rental of tow trucks with operators for vehicle removal during snow clearing operations, to assess the existence of collusion in the industry.

The investigation soon revealed that three (3) contractors had submitted collusive bids in response to several calls for tender, in violation of the City's Contract Management Policy. The Inspector General took swift action to sanction these contractors.

On September 26, 2016, at the end of his investigation, the Inspector General handed down a decision² in which he rescinded three (3) ongoing contracts and recommended that the three (3) contractors (*Remorquage Taz inc.*, *Remorquage Mobile* and *Auto Cam 2000*), their respective presidents – who were actively involved in the collusive bidding – (Jean-Marc Lelièvre, Steve Lenfesty and Réal Tourigny) and any related legal person be excluded from all calls for tenders and from the possibility of concluding contracts by mutual agreement with the City for five (5) years.

On March 23, 2017, the Inspector General handed down a second decision³ concerning these three (3) contractors. In fact, heightened monitoring of the activities of Jean-Marc Lelièvre (*Remorquage Taz inc.*), Steve Lenfesty (*Remorquage Mobile*) and Réal Tourigny (*Auto Cam 2000*) showed that they continued to obtain City contracts for the rental of tow trucks despite their exclusion in force until September 25, 2021. The investigation exposed the fraudulent agreements between these contractors and companies that had never operated in the field of towing before, for the latter to act as a front for the excluded contractors.

In light of these findings, the Inspector General rescinded twelve (12) contracts awarded to these new companies (*Excavation Anjou inc.*, 9499237 Canada inc. and *Remorquage BL*), and recommended that these companies and their respective presidents (Yvan Dubé, Raymond Lizotte and Brigitte Lévesque) – who were actively involved in the fraudulent tactics – be excluded from all calls for tenders and from the possibility of concluding contracts by mutual agreement with the City for five (5) years.

Concomitantly with these two decisions, the various witnesses interviewed by the Office of Inspector General throughout the investigation systematically raised the issue of organized crime's infiltration in the towing industry, more specifically, in the towing of accident vehicles obstructing traffic.

Concerned and preoccupied by the witnesses' numerous allegations, the Inspector General decided to conduct a broader investigation to provide an overview of the towing industry in the City and to identify any issues, beyond the complaints initially regarding the rental of tow trucks with operators for vehicle removal during snow clearing operations. Consequently, the scope of the investigation was expanded to other City towing contracts.

The main purpose of the Office of Inspector General's investigation was therefore to identify collusive schemes used by contractors, to ascertain organized crime's involvement, and to examine any other aspects that might adversely affect free competition between contractors.

² *Rescinding and Recommendations Concerning Various Contracts Awarded by Boroughs for the Rental of Tow Trucks with Operators During Snow Removal Operations*, September 26, 2016, available online: www.bigmtl.ca.

³ *Rescinding and Recommendations Concerning Various Contracts Awarded by Boroughs for the Rental of Tow Trucks with Operators During Snow Removal Operations – Monitoring Following the Decision of September 26, 2016, March 23, 2017*, available online: www.bigmtl.ca.



In total, about one hundred (100) witnesses were interviewed by the Office of Inspector General, including some twenty (20) City employees involved in the contracting process, management and supervision of towing activities, as well as over seventy (70) contractors and individuals working in the towing industry.

In this report, the Inspector General's primary concern is to inform the City Council and the Agglomeration Council about the situation observed during the investigation regarding territory division between contractors. The issue of organized crime presence and influence on the industry also merits discussion as part of the Inspector General's mandate since, as explained in this report, this issue is closely tied to the collusive schemes used. Indeed, organized crime is actively involved in contractors' market division system and significantly influences the use of market control practices by some contractors. The infiltration of organized crime in the industry also raises serious public safety concerns and must therefore be reported to municipal decision-making bodies.

Following presentation of his investigation's findings, the Inspector General presents recommendations for the City to quickly adopt measures to reduce the risks of collusion and market control by contractors, but also to ensure healthy competition by way of the tender process. This approach is consistent with the Inspector General's power to file a report of his findings or recommendations at any time, pursuant to section 57.1.23 para. 2 of the *Charter of Ville de Montréal* (hereinafter: the Charter).

2.3 Steps Taken by the Inspector General to Protect Whistleblowers' Anonymity

In this report, the identity of the contractors has been intentionally concealed, and the masculine gender is used in the description of the facts. This measure was taken in compliance with the obligations imposed upon the Inspector General by the enabling legislation regarding protection of the identity of collaborating witnesses who provide information relevant to the investigation. Indeed, if in the statement of the facts, only the names of a few contractors who cooperated with the Office of Inspector General were concealed, it would be easy to identify them. Section 57.1.14 of the Charter stipulates the following:

57.1.14 The inspector general must take all necessary measures to protect the identity of persons who have communicated with him or her. Within the scope of his mandate, the Inspector General may nonetheless communicate the identity of such persons to the city police department or to the Anti-Corruption Commissioner.

Furthermore, the investigation also exposed the climate of intimidation and violence that prevails in the City's towing industry. As discussed in the following sections of this report, a number of contractors have been victim of severe intimidation and violent acts. Given this situation, the Inspector General considered it necessary to conceal the identity of all contractors, to prevent that those who provided him with information might be identified and victim of retaliation.



Lastly, the contractors' identity must also be concealed so as not to jeopardize any criminal investigation that may be launched. In fact, following his verifications and investigation, the Inspector General believes that federal or provincial laws or bylaws may have been contravened by some contractors, in particular with regards to collusive behaviour.

In accordance with section 57.1.18 of the Charter, the Inspector General reported this situation to the Permanent Anti-Corruption Unit (UPAC):

57.1.18 If, in the opinion of the inspector general, a federal or Québec law or a bylaw or regulation made under such a law may have been contravened, and if the contravention pertains to corruption, malfeasance, collusion, fraud or influence peddling in, for example, the making or carrying out of contracts, the inspector general must, without delay, disclose the wrongdoing to the Anti-Corruption Commissioner.

UPAC referred the Inspector General to the Québec Provincial Police (*Sûreté du Québec*), of which a unit is tasked with criminal investigations of legal economy's infiltration. The Inspector General wishes to specify that he reported his findings to the Montréal Police Department (*Service de police de la Ville de Montréal*) (hereinafter: SPVM) and Québec Revenue Agency (*Revenu Québec*) as well to alert them to the issues in the industry relating to public safety and unreported income.

The Office of Inspector General recognizes, however, that the burden of proof that the Québec Provincial Police, the SPVM and Québec Revenue Agency are bound to, the tools at their disposal to conduct an investigation, as well as their respective mandates are not the same as his.

The Inspector General also wishes to point out that the Québec Ministry of Transport (*Ministère des Transports du Québec*) (hereinafter: MTQ) and the relevant City business units have been made aware of this report to allow them to take necessary corrective action.

3. The Towing Industry

To better understand the practices identified in this report, it useful to describe the industry's characteristics.

The regulations governing towing activities in Montréal date back to 2003 when the Vehicle Towing Regulations (*Règlement sur le remorquage des véhicules (03-098)*) were adopted. Created in 1986, Montréal Taxi Commission (*Bureau du taxi de Montréal*) (hereinafter: BTM) was tasked with overseeing towing operations in Montréal. This body



was part of the SPVM until it became a para-municipal organization of *Ville de Montréal* in 2014.⁴

The Vehicle Towing Regulations (*Règlement sur le remorquage des véhicules* (03-098)) stipulates, in particular, that any person operating a tow truck must hold an operating licence and any person towing a vehicle must hold a driver's licence (sections 7 and 30). The BTM is the competent authority to emit these licences. The BTM also conducts roadside and on-site inspections of companies, handles complaints, and conducts investigations to ensure compliance with regulations.

The City awards five (5) types of towing contracts:

- Exclusive contracts for towing accident vehicles obstructing traffic;
- Contracts for towing and impounding offence-related vehicles;
- Contracts for towing abandoned and illegally parked vehicles;
- Contracts for the rental of tow trucks with operators for vehicle removal during snow clearing operations; and
- Contracts for impounding vehicles seized during a Denver boot operation.

This report deals primarily with contracts for towing accident vehicles obstructing traffic and contracts for offence-related vehicles. The contracts awarded for the rental of tow trucks with operators for vehicle removal during snow clearing operations are also examined.

3.1 Characteristics of the Different Types of Contracts

3.1.1 Exclusive Contracts for Towing Accident Vehicles Obstructing Traffic

The awarding of contracts for towing accident vehicles obstructing traffic⁵ is within the jurisdiction of the Agglomeration Council; the SPVM is the requesting administrative unit.

As the denomination indicates, these contracts grant the successful bidder the exclusive right to perform the towing activity as planned. The successful bidder is the only one with authority to tow accident vehicles obstructing traffic within the territory indicated in the contract.

⁴ Information retrieved from the BTM Website:

http://ville.montreal.qc.ca/portal/page?_pageid=8177.89603648&_dad=portal&_schema=PORTAL.

⁵ Section 19, para. 12 of the *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR c E-20.001), together with the provisions of section 124 of the *Charter of Ville de Montréal* and section 158.6 of the past version of the *Act respecting the Communauté urbaine de Montréal*, grants the Agglomeration Council the power to conclude a towing contract for any vehicle obstructing traffic or that constitutes a hazard on a public road.

Some of these contracts were awarded following calls for tenders (public or by invitation) and some by mutual agreement. As stated in various decision-making summaries prepared for contracts award, municipal authorities had considered it necessary to proceed by call for tenders to counter the trend observed in the 1990s of towing companies rushing to arrive first at the scene of an accident, a practice that posed a threat to public safety:

Justification

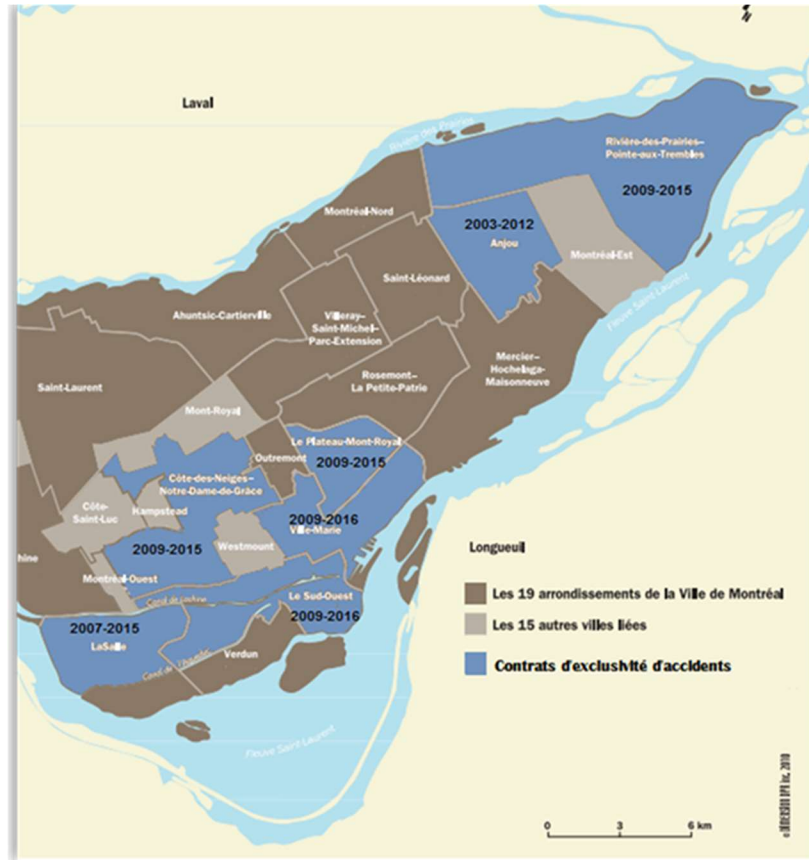
De manière générale, ce contrat vise à éliminer les courses folles de remorques en direction d'un lieu d'accident, à diminuer le transport des véhicules accidentés vers des débosseurs peu recommandables, à permettre que les entreprises et leurs employés soient enquêtés ainsi qu'à établir une tarification applicable quelle que soit l'heure du jour ou de la nuit et, enfin, à offrir un recours aux citoyens qui souhaitent porter plainte en regard du travail accompli.

[TRANSLATION] In general, this contract seeks to prevent tow trucks racing to the scene of an accident, to reduce the number of accident vehicles towed to questionable body shops, to allow background checks on companies and their employees as well as to establish rates applicable day or night, and lastly, to provide a recourse to citizens who wish to file a complaint regarding the work performed.⁶

In all, the Office of Inspector General identified about twenty (20) contracts awarded between 2003 and 2015 either by mutual agreement or following call for tenders by invitation. The City had not awarded any exclusive contracts for towing accident vehicles obstructing traffic since February 27, 2016. The Office of Inspector General met with the SPVM, which confirmed that plans were underway to award several exclusive contracts in 2017.

Furthermore, the Inspector General notes that, over the years, contracts were not awarded to cover the entire territory: some areas were subject to exclusive contracts for towing accident vehicles obstructing traffic while others were not. On the map below, the areas in which such contracts have been awarded since 2002 appear in blue with their effective period:

⁶ Decision-making summaries 1071122005, 1094837003, 1094837002, 1094837001 and 1084837002.



The tender documents stipulate that the successful bidders and the directors, officers, shareholders and employees of these companies may be subject to security screening investigations as well as criminal background checks by the SPVM.

The contracts are awarded to the compliant bidder with the best score following evaluation by a selection committee. This committee uses a list of criteria to evaluate the firm's experience, customer service/staff quality, vehicle description, and the bidder's experience in the area.⁷

No price envelope is submitted with the bid as the successful bidders must apply uniform rates based on those determined by MTQ's decree, plus a ten-dollar (\$10) fee for contract management. The towing charges are billed directly to the vehicles' owners.

Although these contracts do not incur the City any cost, they are lucrative for the successful bidders since they grant an exclusive right to tow accident vehicles obstructing traffic in the designated territory and allow them to bill the vehicles' owners.

⁷ Decision-making summaries 1071122005, 1094837003, 1094837002, 1094837001 and 1084837002.

3.1.2 Towing Contracts for Offence-Related Vehicles

The Agglomeration Council is responsible for awarding contracts for towing offence-related vehicles; the SPVM is the requesting administrative unit.⁸

For contract awarding purposes, the City is divided into four (4) sectors: North, South, East and West. The contracts grant the exclusive right to tow vehicles in the designated sector: as such, the successful bidder becomes the only one authorized to tow offence-related vehicles, i.e. stolen/recovered vehicles, vehicles abandoned following an offence or arrest for impaired driving, or vehicles that must be seized under the *Highway Safety Code* (CQLR c C-24.2) or the *Automobile Insurance Act* (CQLR c A-25). The contracts include impound service, and the successful bidder must ensure security and impoundment of the vehicles towed.

A public call for tenders was launched in 2003,⁹ followed by another in 2009.¹⁰ The contracts awarded following the 2009 call for tenders were valid until November 24, 2015. A public call for tenders was posted on November 2, 2015,¹¹ several weeks prior the existing contracts were set to expire. While the deadline for submitting bids was November 18, 2015, contracts for the North, South and West sectors were only awarded on January 23, 2017. In the East sector, since the lowest bid was deemed non-compliant, the sector was temporarily divided between the North and South sectors, until such time as the City Procurement Department (*Service de l'approvisionnement de la Ville de Montréal*) can proceed with the tendering process and assign the sector to a contractor.

However, there were no valid contracts for towing offence-related vehicles between November 24, 2015 and January 23, 2017. Towing services were provided by previous successful bidders during this time although no contract, even by mutual agreement, had been officially awarded.

Since 2003, companies awarded towing contracts for offence-related vehicles as well as their directors, officers, shareholders, and employees are subject to security screening investigations as well as criminal background checks conducted by the SPVM.

Similar to exclusive contracts for towing accident vehicles obstructing traffic, no price envelope is submitted with the bid as the successful bidders must apply uniform rates based on those determined by MTQ's decree, plus a ten-dollar (\$10) fee for contract management. The towing charges are billed directly to the vehicles' owners.

The contracts are awarded to the compliant bidder with the best score following evaluation by a selection committee. This committee uses a list of criteria which allows to

⁸ This is an activity relating to public safety. These contracts are intended to cover operational needs of members of the Montréal Police Department. In this regard, this is a matter concerning all related municipalities in accordance with section 19 para. 8a) of the *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR c E-20.001).

⁹ Call for tenders 2003050.

¹⁰ Call for tenders 09-11002.

¹¹ Call for tenders 15-14809.



evaluate the firm's experience, staff quality, condition or characteristics of the pound, proposed elements for customer approach integration, and equipment description.¹²

Contracts for towing offence-related vehicles include marginal payment by the City to cover emergency towing or cancellation of vehicle owner's fees (budget of about seven hundred fifty dollars (\$750) plus taxes per year).¹³

Although these contracts incur the City minimal costs, they are lucrative for the successful bidders as they grant exclusive rights to tow offence-related vehicles in the designated territory and allow them to bill vehicle owners.

3.1.3 *Contracts for the Rental of Tow Trucks for Vehicle Removal During Snow Clearing Operations*

The awarding of contracts for the rental of tow trucks for vehicle removal during snow clearing operations is within the boroughs' jurisdiction.¹⁴ Given that each borough is in charge of the contracts on its territory, there is a great deal of variation in contract duration, number of tow trucks requested, minimum number of work hours guaranteed per tow truck, estimated number of work hours per tow truck, and specifications, in particular with respect to maximum tow truck age.

In all, the Office of Inspector General identified seventy (70) public calls for tenders and call for tenders by invitations between 2002 and 2015; during this period, one hundred forty-seven (147) contracts were awarded (excluding contracts by mutual agreement).¹⁵

Contracts are awarded to the lowest compliant bidder based on the hourly rates for each tow truck offered. Hourly rates vary significantly from one borough to the next, but also from year to year. Between 2002 and 2015, all boroughs combined, successful bidders' rates ranged from \$36.75 to \$168.75 per hour per tow truck.

3.1.4 *Other Contracts*

Towing contracts for abandoned and illegally parked vehicles are awarded by the council of the borough concerned.¹⁶ The City Procurement Department confirmed to the Office

¹² Decision-making summaries 1031760003, 1031760004 and 1105244003.

¹³ Decision-making summaries 1031760003 and 1031760004.

¹⁴ This type of towing contracts falls within borough councils' jurisdiction because it involves towing illegally parked vehicles. On local roads, this power stems from section 142 of the *Charter of Ville de Montréal*. On arterial roads, section 105 of the Charter stipulates that the City Council is the competent authority. However, the City Council has delegated to the boroughs certain powers concerning the adoption and application of bylaws for traffic and parking control, which includes towing of abandoned and illegally parked vehicles (section 2 of *Règlement numéro 08-055 du conseil de la ville sur la délégation de pouvoirs relatifs au réseau de voirie artérielle aux conseils d'arrondissement*).

¹⁵ Several contracts may be awarded following a call for tenders. In fact, a call for tenders may cover several areas and for each area, bidders sometimes have the opportunity to offer fewer tow trucks than the number required by the borough. Boroughs may therefore award contracts to several bidders to meet their needs regarding tow trucks.

of Inspector General that most of these contracts are awarded by mutual agreement, which makes them difficult to identify.

For their part, contracts for the impoundment of vehicles seized during a Denver boot operation are awarded by the City Legal Department (*Service des affaires juridiques de la Ville de Montréal*) and are under the jurisdiction of the Agglomeration Council. When an individual fails to pay parking and traffic violation tickets and a municipal court hands down a decision in this regard, the individual's vehicle is seized as a part of the judgment's execution. A Denver boot is installed on the vehicle to immobilize it and if its owner fails to appear, the vehicle is towed and impounded.

The applicable towing rate and impoundment fees are established by municipal bylaw and billed to the bailiff. The charges set out in the *Tariff of fees of court bailiffs* (CQLR c H-4.1, r 13.1) also apply. The bailiff is paid by the individual who failed to pay the tickets. At present, the bylaw concerning motor vehicle seizure fees (*Règlement sur les frais de saisie d'un véhicule automobile* (10-011)) stipulates that the towing rate is seventy-five dollars (\$75) and twenty-five dollars (\$25) per day for impoundment.

The Agglomeration Council awarded a contract in 2010 following a public call for tenders and a second contract in 2015, once again following a call for tenders. The contract awarded in 2015 is currently in effect.

3.2 Reflections Initiated Regarding the Industry

In 2014, the City initiated a reflection on towing activities in terms of contract management, governance, and monitoring.¹⁷

Since some contracts are under the Agglomeration Council's jurisdiction and others are under the borough councils' jurisdiction, the SPVM requested that a bylaw be adopted to transfer all towing-related activities to the Agglomeration Council.¹⁸ This request was made with a view to harmonizing and standardizing the contracts awarded and ensuring the quality of services offered to the public. The second step in the process initiated involves delegating vehicle towing activities during snow clearing operations to each neighbouring municipality concerned, including *Ville de Montréal*, in order to provide the public with the best services.¹⁹

In February 2016, the SPVM formed a "towing management committee," made up of representatives of the City Procurement Department, the BTM, and the City Finance Department (*Service des finances de la Ville de Montréal*).²⁰

¹⁶ See explanations provided in the footnote 14.

¹⁷ Decision-making summary 1162748003.

¹⁸ Decision-making summary 1162748003.

¹⁹ The City can then sub-delegate these activities to the boroughs. See decision-making summary 1162748003.

²⁰ Decision-making summary 1162748003.



It bears mentioning that on January 1, 2014, the City had signed a three (3) year framework agreement with the BTM for the management of accident-towing contracts and towing contracts for offence-related vehicles. As such, the BTM monitored the performance of towing companies, more specifically, their compliance with contract clauses (response time, pound capacity, opening hours, customer service). At present, the reflection process is also evaluating whether the BTM will keep this contract management mandate and considering the creation of a unit within the SPVM in charge of contract management of towing activities.²¹

4. Territory Division for Towing Accident Vehicles Obstructing Traffic

With regards to towing accident vehicles obstructing traffic, the investigation conducted by the Office of Inspector General showed that there is a sharing agreement among contractors to divide the areas that were never covered by a valid exclusive contract with the City or those for which the contracts have expired.²²

4.1 The Emergence of Territory Division

The sharing of areas for towing accident vehicles obstructing traffic goes back to the 1990s and early 2000s; during this period was occurring what is commonly referred to as the "towing war."

The witnesses interviewed by the Office of Inspector General stated that, at that time, contractors resorted to violence to gain control of the industry. They explained that tow trucks were burned, and drivers roughed up.

The "towing war" ended around 2004-2005, when contractors divided the territory among themselves so that each one would have an exclusive right to tow accident vehicles in his respective area.

The Inspector General wishes to point out that the City began awarding exclusive contracts for towing accident vehicles obstructing traffic right around the time the territory division began. In fact, it seems that the sharing agreement between contractors and the awarding of exclusive contracts by the City are inter-related and happened simultaneously.

²¹ Decision-making summary 1162748003.

²² As mentioned earlier, not all Montréal areas have been covered by exclusive contracts for towing accident vehicles and currently, there are no such contracts in the City.

4.2 Territory Division Built into a System

Consistently throughout the investigation, the contractors interviewed by the Office of Inspector General stated that there was a mutual respect between them regarding what they considered to be their territory.

In this regard, a contractor explained that as soon as the owners of the towing companies agreed on the territorial division, [TRANSLATION] "each one respected the other's turf" and [TRANSLATION] "no one else could get into Montréal's market." Two (2) other contractors said that in the industry, [TRANSLATION] "every area on the Island of Montréal belongs to a towing company" and [TRANSLATION] "everyone respects each other." A fourth contractor said that those who tow accident vehicles operate according to the following principle: [TRANSLATION] "This territory is my area, so don't come into my area." To justify this territory division, the contractor even added, [TRANSLATION] "you have to protect what's yours" referring to the towing areas.

This language is extremely telling. The Inspector General's investigation exposed the fact that the territory is divided into areas that are, in fact, small kingdoms where some contractors rule and have a stranglehold on the market.

The witnesses interviewed confirmed that a contractor cannot tow an accident vehicle if it is located in an area controlled by a competitor, even if the latter does not hold a valid exclusive contract with the City. An interesting point: As soon as an exclusive contract expires, the area becomes the target of contractors looking to make it their own, who use tactics to keep competitors away (these tactics are discussed in sections 4.3 to 4.5).

Even though they know that any person with a valid BTM permit has the right to tow accident vehicles obstructing traffic in an area not covered by an exclusive contract, many contractors stay away. The Inspector General notes that these situations have chased many contractors away because they are afraid to tow accident vehicles in controlled areas. Some contractors admitted that they no longer want to tow accident vehicles and, in some cases, no longer want to operate in Montréal.

It is especially surprising that, as the investigation revealed, some contractors will not tow an accident vehicle even if their drivers happen to be at the scene of the accident by chance. One contractor told the Office of Inspector General that, placed in such a situation, he would call the company that controls this area to tell them about the accident.

The division of the territory is so entrenched in this industry that many contractors know exactly which company controls which area and respect the controlled areas. The Inspector General therefore concludes that these illegitimate situations, which are a flagrant violation of the principle of free competition, are not isolated and have come to constitute a real system over time.

Based on the information gathered, the Inspector General estimates at the end of his investigation that almost all the City's accident-towing areas are controlled by one or more towing companies: this is the case for eighteen (18) out of the nineteen (19)



boroughs. It will be recalled that no area is currently covered by a valid exclusive contract and that the territory division has thus extended across the City.

The Office of Inspector General also examined the rates charged by towing companies with no exclusive contract with the City. The investigation showed that when such companies tow accident vehicles obstructing traffic, they charge much higher rates than those that have exclusive contracts. Successful bidders must charge the same rates as those determined by MTQ's decree, plus a ten-dollar (\$10) fee whereas the Vehicle Towing Regulations (*Règlement sur le remorquage des véhicules* (03-098)) does not impose rates to holders of tow truck operating licences.

The Inspector General notes that towing fees can be four (4) to eight (8) times higher when the towing service is provided by a company without an exclusive contract. In a case brought to the Inspector General's attention, the vehicle owner was billed \$488.64, taxes included, for a vehicle that was towed 4.7 kilometres. If the vehicle had been towed by a contractor with an exclusive contract, the vehicle owner would only have been charged \$105, plus taxes.²³

Not only do towing companies without exclusive contracts with the City charge higher rates, they also sometimes collect a kickback from body shops. In fact, several towing contractors admitted to the Office of Inspector General that they had agreements with certain body shops to bring damaged vehicles to them for repair in exchange for a kickback. To ensure that towed vehicles are brought to them, body shops pay towing companies between 5% and 15% of the repair cost.

4.3 Presence and Influence of Organized Crime in the Industry

The Inspector General's investigation showed that individuals with ties to criminal organizations, be it the Hells Angels, the Italian mafia or street gangs, have been – and still are – present in the towing industry and operate in Montréal.

Although the information gathered by the Office of Inspector General primarily concerns companies in the accident-towing market, some also pertains to companies that have obtained contracts with the City for towing offence-related vehicles and for the rental of tow trucks with operators for vehicle removal during snow clearing operations.

4.3.1 Infiltration of Organized Crime into Companies

The presence of organized crime in Montréal's accident-towing market is an open secret. Without being asked questions in this regard, virtually all the contractors interviewed

²³ According to the information on the BTM website, the rate applicable to vehicle towing in effect since July 2013, including transportation for the first ten (10) kilometers is \$95, plus \$10:
http://ville.montreal.qc.ca/pls/portal/docs/PAGE/BUR_TAXI_FR/MEDIA/DOCUMENTS/GRILLE%20TARIF_AIRE%20JUILLET%202013%20CONTRAT%20ACCIDENT.PDF

during the investigation volunteered information regarding ties between several towing companies and organized crime.

As already stated, the accident-towing market is controlled by one or more companies in eighteen (18) of the nineteen (19) Montréal boroughs. The investigation conducted by the Office of Inspector General revealed that in each of the eighteen (18) boroughs, at least one company that controls the area (or part of the area) has some form of tie to organized crime.

During the investigation, the Office of Inspector General also obtained information that, at the time of the "towing war" in the 1990s and 2000s, criminal biker gangs would approach towing companies for jobs.

In fact, it seems that towing is an activity that appeals to organized crime because tow trucks on the road waiting for a call to tow a vehicle are in an ideal situation to engage in sideline activities. Witnesses reported that some tow truck drivers working for companies with ties to organized crime were involved in drug trafficking, car theft, pimping, money laundering and shylocking. In fact, one contractor admitted that he and other towing company owners who were approached to hire members of criminal biker gangs turned a blind eye to the activities of these individuals because employing bikers meant they could operate worry-free on the City's territory.

This information prompted the Inspector General to focus more closely on the presence and on the infiltration of organized crime in the towing industry.

There are different ways a towing company is linked to organized crime: its officers may be members of a criminal organization or have ties to members of criminal organizations, or the company may pay a cut to a criminal organization. In all these cases, the company is then backed by organized crime.

The term "backed by organized crime" was routinely used by the contractors interviewed by the Office of Inspector General. For them, the term refers to being supported and protected by certain criminal organizations. In other words, towing companies backed by organized crime are given the assurance that they have exclusive rights to operate in a given area without fear of retaliation from their competitors.

The investigation identified certain officers as being directly affiliated with criminal organizations.

The officer of a towing company openly told the Office of Inspector General that he is a biker, [TRANSLATION] "a key influential player", [TRANSLATION] "respected and feared by all." He was described in the same manner by a number of other witnesses interviewed during the investigation. Because of this position, this officer, who is a member of a criminal group, himself admitted that his companies have never had trouble because he was there to back them. An examination of his criminal record revealed that this officer recently served time for gangsterism, i.e. having committed an offence for the benefit of a criminal organization, and for having committed drug-related offences. He is currently accused of the same offences as part of another case.



The officer of another towing company is known as the founder of a club with ties to the Hells Angels. Although he is not registered as such in the Québec Enterprise Register (*Registre des entreprises du Québec*), this individual owns several towing companies. He is currently serving time for gangsterism, for conspiracy, and for drug and firearm offences.

The Inspector General notes that several other officers of towing companies have, in the past, been convicted for crimes such as importing and trafficking drugs. Some contractors are known to the police as being affiliated with the Italian mafia or Hells Angels, and another contractor even confirmed to the Office of Inspector General that at one time he was a member of a criminal biker gang.

The investigation also showed that, while not necessarily members of criminal organizations themselves, a number of officers have had and still have ties with individual members of the Hells Angels or the Italian mafia.

One officer admitted to the Office of Inspector General that he has [TRANSLATION] "friends with the Italians, the bikers" and with other criminal groups. He explained that he is [TRANSLATION] "very respected in the industry." This officer was described by other contractors as being [TRANSLATION] "a person you don't want to associate with or annoy" and [TRANSLATION] "the most dangerous person in the towing industry."

The officer of another company admitted to having "friends" in organized crime and explained that no contractor comes to tow in his area because he is "respected."

Ties with individual members of criminal organizations can also be familial, such as with official members of the Hells Angels. This assures them protection and an important influence over their competitors, as though they themselves were members of the criminal organization.

The investigation showed that contractors who are members of criminal organizations or who have ties to influential members of organized crime do not hesitate to show their colours in the industry. They show up with patches and logos that only members of a criminal organization (also referred to as "full-patch members") can wear. Doing so is clearly intended to remind the towing contractors of the intimidation and violence associated with the criminal organization to which they belong. By these actions, these individuals exert pressure, indirect but no less clear, on their competitors to mark their territory.

During the investigation, the Inspector General also learned of attempts by organized crime to partner with existing towing contractors. When approached by organized crime, these companies had – currently or in the past – obtained exclusive contracts with the City for towing accident vehicles obstructing traffic or offence-related vehicles. Through these partnering attempts, organized crime intended to take control of certain towing companies already operating on the City's territory and to obtain public contracts.

In this regard, a witness stated that an individual with ties to the Hells Angels offered to become a partner in exchange for his backing. In another situation, the Inspector General obtained information to the effect that a contractor was approached by a

member of the Italian mafia who wanted the contractor's company to serve as a front to bid on calls for tenders for exclusive contracts because unlike his own, the contractor had a "good" name. It bears recalling here that before the City awards an exclusive contract, the successful bidders, their directors, officers, shareholders and employees can be subjected to a background and criminal record check conducted by the SPVM. The Inspector General learned that the contractor in question had refused the mafia member's proposal. However, the Inspector General notes that if the contractor had agreed to become a front for the mafia, the latter would have been able to obtain contracts with the City that he would otherwise not have been able to secure.

As mentioned earlier, another way for a towing company to have ties with organized crime is by paying a cut to and being backed by a criminal organization. This matter is discussed in the next subsection.

4.3.2 Influence of Organized Crime as a Means of Acquiring an Area

Beyond its presence within companies, organized crime wields tremendous influence in the accident and offence-related vehicle towing industry. This influence is reflected in the protection offered by criminal organizations to certain towing companies or, in the vernacular of contractors, by the fact that organized crime "backs" certain contractors.

The investigation showed that towing companies' owners see the benefits of being supported and protected by a criminal organization. The support of a criminal organization is not only a way of protecting their territory but also a way of acquiring certain areas. The fact is that organized crime decides which contractor operates in which towing sector and imposes this choice on the industry.

The owner of one towing company admitted to the Office of Inspector General that he paid between five hundred dollars (\$500) and seven hundred dollars (\$700) per week to obtain backing from another contractor who is an influential member of the Hells Angels. He explained that this is the way things are done in the industry, that everyone is backed by a criminal organization, and that he pays money to this contractor so that everyone knows he is protected by him.

Being backed by organized crime allows companies to offer towing services in and take exclusive control of certain areas without being subjected to threats or intimidation, and with no regard for the fact that other contractors were previously operating in these areas. To this effect, a contractor explained to the Office of Inspector General that when a company backed by organized crime starts offering towing services in an area, the other contractors (even those already operating in the area) leave to avoid any problems.

In a situation brought to the attention of the Inspector General and confirmed by several witnesses, individuals tied to the Hells Angels forced several contractors to agree to grant a certain company exclusive control over accident towing in a borough. One of that company's officers is an influential member of an organized crime group in Montréal with ties to the Hells Angels, and the other has "friends" in organized crime. The investigation



showed that individuals wearing Hells Angels patches and logos and described by witnesses as being “full-patch” members, paid a visit to contractors who were sharing the area to express their support for that specific company and demand that they give it the area. The clear support from individuals linked to the Hells Angels caused all the other companies to pull out and verbally promise to stop towing accident vehicles on this territory.

The influence of organized crime in the towing industry is so powerful that some areas are considered as “belonging” to criminal organizations. Contractors who wish to tow accident vehicles obstructing traffic in these areas must pay a cut to the criminal organization. In the field, contractors state that they have to “pay a cut”. This can take the form of a fixed amount for each vehicle towed or of a weekly or monthly payment. During the investigation, individuals were identified as being “cut collectors” among which were certain influential towing companies.

The areas controlled by organized crime are closely monitored to ensure that companies towing vehicles are the ones that have paid their cut to the criminal organization. For example, a contractor explained that an individual approached him after he towed an accident vehicle to find out whether he intended to continue offering towing services and to demand that he pay a cut.

During the investigation, a number of towing companies were identified as having paid or as still paying a cut to a criminal organization. Some cases were also reported where individuals described as “full-patch” members of the Hells Angels demanded that contractors pay a cut.

According to examples provided by the witnesses, the cut is about seventy-five dollars (\$75) or as high as one hundred fifty (\$150) dollars per towed vehicle. An influential contractor in the industry admitted that he had paid a cut to be allowed to tow an accident vehicle in an area and that the cut, which was initially seventy-five dollars (\$75) per towed vehicle, was capped at five hundred dollars (\$500) per month.

Besides acquiring the right to offer towing services in an area, the contractor who pays a cut is backed by organized crime, which affords him protection against intimidation, threats and violence. Of course, companies whose officers are members of or who have close ties with the criminal organization that controls the area don't have to pay a cut.

The owner of a towing company who refuses to pay a cut to the criminal organization controlling an area faces serious consequences. One contractor stated that, over the years, he received visits from bikers, suffered intimidation, was the target of threats and assault, and ultimately had to leave Montréal as it had become so dangerous to work there. Another company's officer, who admitted having “friends” in criminal organizations and whose partner is himself a member of the Hells Angels, said that, as far as he's concerned, if a new contractor decides to tow accident vehicles in Montréal without paying a cut, he [TRANSLATION] “will get a talking to” and he if fails to understand, [TRANSLATION] “he'll get roughed up.”

The evidence gathered clearly shows that organized crime takes control of towing areas and even goes as far as coordinating contractors' assignment and territory division. To do this, criminal organizations offer protection to companies linked to them, be it by the payment of a cut or by the criminal affiliations of certain officers, and ensure the exclusive right to tow accident vehicles in certain areas, using their influence and reputation to force competitors to pull out or face retaliation. In fact, territory division for accident towing is inextricably linked to organized crime and its "persuasive force."

4.4 Climate of Violence and Retaliation

The in-depth investigation conducted by the Inspector General uncovered a prevailing climate of violence and retaliation in the industry. The use of threats, intimidation and violence (misdeed, vandalism or assault) is common practice. These acts allow contractors to fiercely defend the territory they consider their own and deliver a message to their competitors; however, it is also a way for a contractor to acquire an area he wants but that "belongs" to a competitor.

4.4.1 Use of Violence as a Means of Protecting One's Territory

Virtually all the witnesses said that if a company challenged the territory division established between contractors, it would receive threatening phone calls and expose itself to retaliation. In fact, a contractor said that he received this type of phone call when one of his drivers mistakenly towed an accident vehicle in an area controlled by a competitor. Another contractor told the Office of Inspector General that if he were to decide to start towing accident vehicles in Montréal, he could [TRANSLATION] "see his place burn down."

Some towing companies were identified by contractors as being "very territorial" and on the lookout for any towing carried out by drivers other than their own in areas they control. According to these companies, competitors [TRANSLATION] "have no business on the accidents" in their areas. Contractors even refer to some areas as the "Wild Wild West."

The threats take the form of verbal warnings such as [TRANSLATION] "be careful", but contractors are also warned not to tow in certain areas or [TRANSLATION] "it's not going to go well" and they would risk [TRANSLATION] "having big problems."

The officer of one towing company, identified earlier in this report as freely admitting he is a criminal biker, and who served time for gangsterism, told the Office of Inspector General that messages are sent when someone does not respect a contractor's exclusive territory. He admitted that if a new contractor started towing accident vehicles in Montréal, he would go to see him [TRANSLATION] "to tell him to find another business" and to [TRANSLATION] "take off."



Questioned on what he would do if a driver operated on his territory, another contractor was quick to respond, [TRANSLATION] "I'd go after him with a baseball bat." A third contractor confirmed that in the industry, problems are settled with a baseball bat and burning of trucks.

One witness also told the Office of Inspector General that after towing a vehicle, he was told by a competitor to whom the area "belonged: [TRANSLATION] " you don't want to understand, we're going to make you understand." This competitor is an influential individual in the industry who, according to witnesses, has strong ties with the Hells Angels. These words were followed by acts of vandalism (fire) on one of the witness' tow trucks that very same night. As a form of revenge, the competitor also started towing accident vehicles in the witness' area.

An intimidation tactic described by several witnesses involves three (3) to five (5) tow trucks circling a tow truck in which a competitor's driver is sitting. In other cases brought to the Inspector General's attention, tow truck drivers were followed in their personal vehicles. Witnesses said that this is a way of [TRANSLATION] "marking one's territory."

Vandalizing the equipment of a competitor who tows accident vehicles in an area already controlled by someone else is another way used by companies to mark their territory. Witnesses reported cases where garages and tow trucks were set on fire.

4.4.2 Using Violence as a Means of Acquiring an Area

During the investigation, information was gathered concerning taking control of certain towing areas (or attempts to take control) through threats, intimidation or violence in a number of Montréal boroughs, in particular Ahuntsic-Cartierville, Anjou, Lachine, LaSalle, Sud-Ouest, Mercier-Hochelaga-Maisonneuve, Montréal-Nord, Pierrefonds-Roxboro, Rivière-des-Prairies–Pointe-aux-Trembles, Verdun, Ville-Marie and Villeray–Saint-Michel–Parc-Extension.

When an area is coveted by a contractor, it is common practice for him to park on the street and wait to hear of an accident, so he can be the first to arrive on the scene and tow the vehicle. In the industry, a contractor who resorts to this tactic is called an [TRANSLATION] "accident chaser" and the tow truck driver is referred to as a [TRANSLATION] "shark." It is in this context that conflicts between contractors can erupt to take control of a territory.

The investigation showed that some contractors filed a complaint with the SPVM and reported aggressive altercations between drivers at the scene of an accident. One contractor told the Office of Inspector General that he witnessed the owners of two (2) towing companies [TRANSLATION] "punch each other in the face" and [TRANSLATION] "beat each other with chains." Another said that his employees received anonymous threats and intimidating phone calls.

The intimidation tactic that involves three (3) to five (5) tow trucks circling a tow truck was also repeatedly cited by witnesses as a method used when a competitor wanted to acquire a territory and "squeeze" out the other contractors.

One company backed by organized crime was, on numerous occasions, described by witnesses as an influential company that imposes respect and takes control of areas by frequently using such tactics as intimidation, threats, vandalism, and assault. In the industry, this company is known to exert a lot of pressure on the other contractors. A number of contractors have complained to the SPVM about incidents involving this company's officers and employees. One of the company managers is known as an individual who [TRANSLATION] "twists arms" and [TRANSLATION] "pushes people around" to [TRANSLATION] "squeeze" other contractors out. The Inspector General also learned that some of the company's drivers carried firearms in their tow trucks.

Another company whose officers are individuals affiliated with the Hells Angels use similar tactics to acquire territories.

Sometimes, the intimidation and violence used to take control of a territory are commissioned by companies backed by organized crime and target companies with exclusive contracts with the City.

According to some of the witnesses interviewed, a towing company – identified as having ties with the Hells Angels – does not hesitate to show these ties and establish a continuous presence in some areas, despite the fact that these areas are covered by exclusive contracts.

In analyzing the documents to which he had access, the Inspector General found that, in the framework agreement between the City and the BTM for the management of towing contracts, one towing company was identified as handling the towing of accident vehicles obstructing traffic in an area. However, this company was not the company that had obtained the exclusive contract with the City for this area.

During the investigation, several witnesses told the Office of Inspector General that shortly after obtaining the contract from the City, the successful bidder was intimidated and forced to stop towing in the area. After initially refusing to get "squeezed out," he was roughed up and one (1) of his tow trucks was burned down. He ultimately decided to back out of the contract.

The investigation showed that violence was commissioned by a third-party company backed by organized crime. It bears mentioning that the company identified in the framework agreement as offering towing services in the area was not the perpetrator of the violent acts.

In another situation brought to the Inspector General's attention, a contractor explained that he and his drivers were victims of vandalism, intimidation, and threats for three (3) years after they obtained an exclusive contract for towing accident vehicles obstructing traffic.



Another contractor said that he was vandalized in the weeks before he bid on an exclusive contract to tow accident vehicles obstructing traffic. The situation, which continued for almost three (3) months after he was awarded the contract, involved theft and misdeed, and the company's drivers being repeatedly subjected to threats and intimidation. In particular, they were told: [TRANSLATION] "It's hard to eat steak when you don't have any teeth" and [TRANSLATION] "don't pass in front of my tow truck, I'll hit you." One driver was even ambushed and beaten up after receiving a hoax call in the middle of the night to tow a vehicle in an alleyway. When confronted with these facts, the competitor identified as having organized the ambush told the Office of Inspector General that he wasn't aware of the story, but confirmed that "it's possible" that it took place.

4.4.3 *Surge in Violence*

The Inspector General's investigation showed that since fall 2015, the number of cases of intimidation, vandalism, and violence has increased dramatically. This surge in violence primarily involves companies with contracts for towing offence-related vehicles.

In fact, this increased violence likely stems from certain technological changes the SPVM has made to the radio equipment in its patrol vehicles. In 2015, analog radio was gradually replaced with digital equipment. The [TRANSLATION] "accident chasers" had analog decoders that allowed them to find out when an accident occurred at the same time as the police. The towing companies were thus able to get quickly to the scene of an accident to tow the vehicle.

With the arrival of new digital equipment at the SPVM, the [TRANSLATION] "sharks" were no longer able to decode the patrolman's radio waves to learn about accidents. When the SPVM saw no towing company at the scene, they started calling other towing companies. Their reflex was to call companies that had contracts with the City. Although some exclusive contracts for towing accident vehicles obstructing traffic were still in effect at the time, the investigation showed that the police officers often called companies that had contracts for towing offence-related vehicles.

These companies, which never used to tow accident vehicles obstructing traffic, started responding to police calls, which incurred the wrath of several [TRANSLATION] "accident chasers" who were very territorial and, in many cases, tied to organized crime.

The tension translated into acts of vandalism and violence to protect their territory. Between September 20 and 22, 2015, three (3) of the four (4) companies with contracts with the City for towing offence-related vehicles were victims of fire.

A contractor involved in towing offence-related vehicles told the Office of Inspector General that a contractor towing accident vehicles (who had previously obtained exclusive contracts for towing accident vehicles obstructing traffic) had threatened his family. He added that a third party told him that this same contractor said that he would not go after him as long as he did not bid on an "accident contract" in Montréal.

Moreover, the surge in violence in fall 2015 coincided with the expiration of exclusive contracts for towing accident vehicles obstructing traffic. The [TRANSLATION] “accident chasers” with ties to organized crime started coveting and going after certain areas that were becoming “available,” which also explains the increase in tensions between contractors. There have been no exclusive contracts with the City for towing accident vehicles obstructing traffic since February 27, 2016, such that the areas that were covered by contracts are now under the control of certain companies even though the City has not awarded any contracts in this regard.

4.4.4 *Consequences of Violence*

The climate of violence and fear that has prevailed in the industry over the past few years has prompted some contractors to pull out of accident towing, and in some cases, to stop towing in Montréal altogether. Competition has therefore been sharply curtailed.

As mentioned earlier, eighteen (18) of the nineteen (19) Montréal boroughs are currently controlled by at least one (1) towing company, such that if calls for tenders were launched with a view to awarding exclusive contracts for towing accident vehicles obstructing traffic, it can be expected that fewer and fewer companies will submit a bid for fear of retaliation. It is useful to recall that some contractors stated to have been victims of violence after submitting a bid or securing an exclusive contract.

The Inspector General also wishes to point out another consequence of violence in the industry: exclusive contracts are not respected.

Four (4) towing contractors whose companies had contracts with the City for towing accident vehicles obstructing traffic told the Office of Inspector General that their exclusive right to the area was never honoured by the other contractors. They added that SPVM patrolmen contacted any company to tow accident vehicles. The statements of three (3) of these contractors were corroborated by the BTM, which received complaints from them about the situation.

It seems, therefore, that some companies with exclusive contracts are “squeezed out” of their areas by “sharks” and that some SPVM patrolmen still don’t know which company to call when an accident obstructing traffic occurs in an area covered by an exclusive contract.

The investigation also showed that Montréal Fire Department (*Service d’incendie de la Ville de Montréal*) (hereinafter: SIM) only calls one towing company, described by witnesses as being backed by organized crime, whereas this company has never had exclusive contracts with the City for towing accident vehicles obstructing traffic. It even seems that this company has SIM stickers on its tow trucks to show that it has exclusive towing rights with the SIM. A partner of the company confirmed receiving calls from the SIM and having an exclusive verbal agreement in this regard. He added that the SIM authorized the company to display the SIM logo on its tow trucks.



Lastly, the acts of violence have prompted some companies to pull out of the exclusive contracts they obtained from the City. In this regard, the Inspector General wishes to point out that some of these contractors told agents at the City Procurement Department that they had been the victim of assault and threats and, because of this, they were pulling out of the contracts they had been awarded. Two (2) cases were reported where agents at the City Procurement Department were told about violent acts committed against successful bidders. The SPVM has also received reports from contractors concerning acts of vandalism involving successful bidders' equipment.

4.5 Other Schemes to Acquire Areas

4.5.1 Negotiation with a Competitor

Some contractors initiate talks with competitors who control an area to arrive at a sharing agreement. It should be noted that contractors who negotiate usually have some influence and power in the industry and are backed by organized crime, otherwise the company approached would have no reason to agree to sharing an area it "owns."

During the investigation, two (2) situations were brought to the attention of the Inspector General, and both were initiated by the same towing company.

In the first case, the holder of an exclusive contract which was about to expire was approached by a company known in the industry to be backed by organized crime to divide the area so as to [TRANSLATION] "avoid any incident" after the contract expired. The two (2) companies then defined the boundaries within which each could tow accident vehicles.

In the second case, the same company known to be backed by organized crime proposed to a competitor to redefine the territory it was given under a previous sharing agreement between the two (2) companies. Under the proposal, each company would tow one (1) vehicle when there was an accident involving two (2) vehicles, even though a few months earlier the company backed by organized crime had agreed to give the competitor sole control of the territory in question.

When its proposal was refused, the company backed by organized crime offered to buy the area. This offer was also turned down. With its significant influence and power in the sector, the company backed by organized crime, dismissed its competitor's refusal and one of its representatives said, [TRANSLATION] "So that's how you want to play it? Watch what happens now." It ultimately did what it wanted and controlled the area by repeated intimidation, threats, and aggression.

4.5.2 Purchasing a Towing Area or Company

Another way for a contractor to acquire the right to tow accident vehicles in an area is to buy the area from the controlling competitor in cases where it is not covered by an



exclusive contract with the City. If the area is covered by an exclusive contract with the City, the contractor who wants to operate in the area then buys the company from the contract holder.

One contractor told the Office of Inspector General that buying a towing area can easily cost fifty thousand dollars (\$50,000). The Office of Inspector General was also informed of a meeting between three (3) contractors that was held during the investigation, during which there was talk that one (1) contractor would take back control of an area and buy the tow trucks from the contractor who controlled it.

For areas covered by an exclusive contract with the City, the Office of Inspector General learned that situations existed where attempts were made to buy the successful bidder's company. In the Inspector General's opinion, it is clear that, in each case, the goal was to acquire the towing area.

In the first case, a contractor who wanted to tow accident vehicles in Montréal had to buy the company of a third party at a cost of one hundred twenty thousand dollars (\$120,000).

The Inspector General was informed of another case where a contractor paid eighty thousand dollars (\$80,000) to buy a company that had been awarded an exclusive contract for towing accident vehicles obstructing traffic. However, the new officers of the successful bidder's company did not pass the SPVM's background check because of their ties with organized crime. The City therefore rescinded the exclusive contract.

Lastly, the Office of Inspector General learned that a contractor, identified in the towing industry as being backed by organized crime, tried to acquire a competitor who was in financial difficulty and who held exclusive contracts with the City.

Purchasing a company that has exclusive contracts as a way of gaining control of a towing area is a practice found not only in accident towing. In fact, a contractor in the field of towing offence-related vehicles has already purchased a towing company that had a contract with the City, for a total of three hundred seventy-five thousand dollars (\$375,000). During a period of three (3) months, the buyer was therefore the sole provider of towing services in the area identified in the contract, until the SPVM conducted a security screening investigation and found that the new officers of the company did not meet the security criteria stipulated in the contract. The City Executive Committee therefore rescinded the towing contract.

The Inspector General observed that acquiring a company is a way for contractors who do not qualify for public contracts to obtain a contract that has already been awarded. The examples illustrate that this is one way for contractors with ties to organized crime to control the market despite the presence of a contracting process. A means of territorial control, the practice of purchasing companies entails numerous risks for the City.

The situations depicted demonstrate the importance of conducting background checks on the officers and shareholders of companies that are awarded a contract during the whole period of the carrying out of the contract. Conducting such background checks while the contract is in progress allows the City to rescind contracts and prevent



contractors who do not meet the contract award criteria from taking control of an area by purchasing a successful bidder's company.

5. Collusion in Contracts for the Rental of Tow Trucks for Vehicle Removal During Snow Clearing Operations

Unlike the towing of accident vehicles obstructing traffic and the towing of offence-related vehicles, the City systematically awards contracts for the rental of tow trucks with operators for vehicle removal during snow clearing operations.

However, the investigation conducted by the Inspector General showed that some contractors in this field resorted to collusive bidding to obtain contracts. The investigation also showed that certain elements under the boroughs' control (the boroughs are the clients in this regard) restrict competition when a call for tenders is launched.

It is important to point out that the Office of Inspector General did not obtain any information suggesting the systematic infiltration of organized crime into this segment of the towing industry. However, as will be discussed, some "accident chasers" with ties to organized crime have already bid on and obtained contracts for the rental of tow trucks for vehicle removal during snow clearing operations.

5.1 Recap of the Decision of September 26, 2016

The Inspector General has already intervened on two (2) separate occasions concerning contracts for the rental of tow trucks for vehicle removal during snow clearing operations.

In the first decision handed down on September 26, 2016, the Inspector General found that in the past few years, three (3) contractors (Jean-Marc Lelièvre, president of *Remorquage Taz inc.*, Steve Lenfesty, president of *Remorquage Mobile* and Réal Tourigny, president of *Auto Cam 2000*) had used various collusive schemes in several calls for tenders and had submitted collusive bids in violation of the City's Contract Management Policy.²⁴

These contractors had admitted sharing certain contracts for the rental of tow trucks with operators during snow clearing operations. Jean-Marc Lelièvre, Réal Tourigny and Steve Lenfesty had confirmed they talked before and during the publication period to share information about the price and number of tow trucks they planned to offer in their bids, but also to find out on which contracts the others were going to bid.

The investigation had shown that there was "mutual respect" between the three (3) contractors and that they agreed to not bid against each other on contracts that they felt [TRANSLATION] "belonged" to one of them.

²⁴ *Rescinding and Recommendations Concerning Various Contracts Awarded by Boroughs for the Rental of Tow Trucks with Operators During Snow Removal Operations*, September 26, 2016, available online: www.bigmtl.ca.

At the end of the investigation, the Inspector General was able to conclude that in call for tenders 15-14685, the three (3) contractors had agreed to share the three (3) sectors of the Plateau–Mont-Royal borough and promised not to bid against each other to ensure that each of them would obtain one (1) contract.

In calls for tenders 15-14616, 14-13814 and 13-13147 issued by the Verdun borough, the investigation showed that since 2013, Steve Lenfesty of *Remorquage Mobile* and Réal Tourigny of *Auto Cam 2000* had agreed to submit the same hourly rate per unit, thus circumventing the rules and allowing them to obtain contracts at a higher price than they would have obtained under conditions of free competition.

Lastly, as part of calls for tenders 15-14538 issued by the Villeray – Saint-Michel – Parc-Extension borough and 14-14050 issued by the Ville-Marie borough, Jean-Marc Lelièvre (*Remorquage Taz inc.*) had confirmed that he had called his competitors to find out on which contracts they intended to bid, how much they intended to bid, and how many tow trucks they intended to offer.

Considering these facts, on September 26, 2016, the Inspector General decided, on his initiative and pursuant to section 57.1.10 of the Charter, to rescind the contracts, which were still ongoing. The schemes used by the contractors constituted genuine fraudulent tactics that allowed them to circumvent the public tender process, unduly reduce the number of bidders, and prevent the City and the boroughs from obtaining the best service at the best price.

As a result, the following contracts were rescinded:

- The contract awarded by the Rivière-des-Prairies–Pointe-aux-Trembles borough following call for tenders 15-14685;
- The contract awarded by the Villeray–Saint-Michel–Parc-Extension borough following call for tenders 15-14538; and
- The contract awarded by the Ville-Marie borough following call for tenders 1414050, in the event the contract is renewed.

Furthermore, in accordance with the City's Contract Management Policy, the Inspector General recommended that the companies (*Remorquage Taz inc.*, *Remorquage Mobile* and *Auto Cam 2000*) and their respective presidents (Jean-Marc Lelièvre, Steve Lenfesty and Réal Tourigny), who participated actively in the collusive schemes, be excluded from all calls for tenders and from the possibility of concluding contracts by mutual agreement with the City for five (5) years.

Applying this recommendation, on November 21, 2016, the City Council added the three (3) companies and their presidents to the *Register of Persons Excluded Pursuant to the Contract Management Policy* (*Registre des personnes écartées en vertu de la politique de gestion contractuelle*) until September 25, 2021.



5.2 Recap of the Decision of March 23, 2017

The Inspector General continued to closely monitor the three (3) contractors who admitted having participated in collusive bidding on calls for tenders aimed at awarding contracts for the rental of tow trucks for vehicle removal during snow clearing operations.

This monitoring led the Office of Inspector General to look into a series of contracts awarded by various boroughs since publication of the September 26, 2016 decision to the following companies, which had never before worked in the vehicle towing business: *Excavation Anjou inc.*, 9499237 Canada inc. and *Remorquage BL* (9335-5139 Québec inc.).

The investigation showed that various fraudulent tactics within the meaning of the City's Contract Management Policy were used in calls for tenders 16-15650 and 16-15716 to enable Jean-Marc Lelièvre (*Remorquage Taz inc.*), Steve Lenfesty (*Remorquage Mobile*) and Réal Tourigny (*Auto Cam 2000*) to continue obtaining contracts from the City, despite their exclusion from the City contractual processes.

The facts gathered revealed that Réal Tourigny (*Auto Cam 2000*) had arranged with his common-law wife, Brigitte Lévesque, to buy the tow trucks belonging to *Auto Cam 2000* through *Remorquage BL* (9335-5139 Québec inc.), a company initially created and headed by Réal Tourigny but inactive at the time of the purchase. The investigation showed that Brigitte Lévesque acquired the company free of charge. Réal Tourigny was carefully removed from the list of officers and shareholders. The company then purchased the tow trucks and was entirely financed by *Auto Cam 2000* to carry out the towing contracts obtained from the City.

The investigation also showed that *Excavation Anjou inc.* was used as a front for the benefit of Jean-Marc Lelièvre and *Remorquage Taz inc.* and that in fact, the company's towing contracts were being carried out by Jean-Marc Lelièvre, thanks to an agreement to this effect with Yvan Dubé, the president and majority shareholder of *Excavation Anjou inc.*

Lastly, the Inspector General's investigation showed that 9499237 Canada inc. was used as a front for the benefit of Steve Lenfesty and *Remorquage Mobile*. In addition, the purpose of the agreement between Steve Lenfesty and Raymond Lizotte, president of 9499237 Canada inc., was for 9499237 Canada inc. to rent the tow trucks used for contracts obtained from the City from *Remorquage Mobile*, a company which, because it was listed in the *Register of Persons Excluded Pursuant to the Contract Management Policy*, could not be used as a subcontractor for City contracts. Lastly, the investigation showed that 9499237 Canada inc. provided the City with false information and documents with forged signatures to hide the fact that, in reality, *Remorquage Mobile* was a subcontractor of 9499237 Canada inc, in violation of the City's Contract Management Policy.

In the Inspector General's view, the arrangements constituted genuine fraudulent tactics aimed at concealing the real identity of the individuals carrying out the City contracts and circumventing the fact that Jean-Marc Lelièvre of *Remorquage Taz inc.*, Steve Lenfesty

of *Remorquage Mobile* and Réal Tourigny of *Auto Cam 2000* were excluded from bidding on calls for tenders of the City until September 25, 2021.

These fraudulent tactics were used not only to allow the contractors listed in the *Register of Persons Excluded Pursuant to the Contract Management Policy* to continue obtaining contracts from the City through the new companies, but worse yet, the tactics allowed them to get back the towing sectors in which they had been awarded contracts that were rescinded following the Inspector General's decision of September 26, 2016.

Since these actions were not only an affront to the Inspector General's decisions, but also to the measures implemented by the City, the Inspector General decided, on his own initiative and pursuant to section 57.1.10 of the Charter, to rescind the twelve (12) contracts awarded to *Excavation Anjou inc.*, 9499237 Canada inc. and *Remorquage BL* (9335-5139 Québec inc.). This decision was handed down on March 23, 2017.²⁵

In addition, the Inspector General recommended that these companies and their respective presidents, Yvan Dubé, Raymond Lizotte and Brigitte Lévesque, all of whom were actively involved in the fraudulent tactics, as well as all the companies with which these individuals are associated, be excluded from all calls for tenders and from the possibility of concluding contracts by mutual agreement with the City for five (5) years.

5.3 Additional Elements Regarding Collusion

5.3.1 Collusive Elements

During its broader investigation of the towing industry, the Office of Inspector General obtained extensive information corroborating the situations depicted in the Inspector General's two (2) decisions.

It seems that "non-aggression pacts" whereby a contractor agrees not to bid on a contract in which his competitor is interested are common practice in the industry.

Witnesses confirmed that *Remorquage Taz inc.*, *Remorquage Mobile* and *Auto Cam 2000* agreed not to [TRANSLATION] "undermine each other" and to share the various contracts awarded by the City. One contractor said that he was approached by a representative of each of these companies who wished to know his intentions regarding certain contracts subject to a call for tenders. This same contractor admitted that he had once agreed with one of these contractors not to lower their prices [TRANSLATION] "so that everyone can get some work."

During its investigation, the Office of Inspector General conducted an analysis of the contractual data, which showed that between 2002 and 2015, *Remorquage Taz inc.*, *Remorquage Mobile* and *Auto Cam 2000* were the three (3) companies that obtained the

²⁵ *Rescinding and Recommendations Concerning Various Contracts Awarded by Boroughs for the Rental of Tow Trucks with Operators During Snow Removal Operations – Monitoring Following the Decision of September 26, 2016, March 23, 2017*, available online: www.bigmtl.ca.



most contracts from the City, in terms of number and monetary value, for the rental of tow trucks for vehicle removal during snow clearing operations.

The contractual data analysis also showed that in 2015, the number of sectors for which a call for tenders was issued and for which only one (1) bid was received increased substantially.

Year	Number of times contracts were awarded for different sectors (excluding contracts by mutual agreement)	Number of times there was only one (1) bidder	Percentage of the number of times there was only one (1) bidder
2002	2	0	0%
2003	1	0	0%
2004	2	0	0%
2005	4	0	0%
2006	3	0	0%
2007	5	1	20%
2008	4	0	0%
2009	4	2	50%
2010	7	0	0%
2011	10	2	20%
2012	10	4	40%
2013	9	2	22,22%
2014	7	1	14,29%
2015	13	6	46,15%
Total	81	18	22,22%

In addition, the Office of Inspector General notes that between 2002 and 2015, there were twenty-three (23) cases where at least two (2) contractors bid the same price for the same contract, i.e. proposed the same hourly rate for their tow trucks.

In this regard, one contractor told the Office of Inspector General that a competitor once called him the very evening he was supposed to submit his bid to tell him to change his bid price or refrain from bidding. This competitor has been identified in the field of accident towing as having family ties with an influential member of the Hells Angels.



Another contractor told the Office of Inspector General that a competitor once asked him to increase his prices.

A third contractor confirmed the existence of this scheme in the industry. He confided to the Office of Inspector General that he no longer bid on contracts for the rental of tow trucks for vehicle removal during snow clearing operations because he was [TRANSLATION] "fed up" of being told what his bid price should be. This same contractor added that sometimes companies agree to bid higher prices to give the impression of an open and competitive market.

5.3.2 Contractual Elements Restricting Competition

During his investigation, the Inspector General also sought to determine whether certain elements associated with the contracting process or tender documents could affect competition.

The fact is that contracts for the rental of tow trucks for vehicle removal during snow clearing operations seem to hold little appeal for contractors. For example, the average number of bidders responding to calls for tenders since 2002 has ranged from 2 to 3.25.



Year	Number of cases where contracts were awarded for different sectors (excluding contracts by mutual agreement)	Number of cases where the number of bidders is known	Average number of bidders
2002	2	2	2,5
2003	1	0	n/a
2004	2	1	2
2005	4	4	3,25
2006	3	3	4
2007	5	5	3,2
2008	4	4	3,25
2009	4	4	2,5
2010	7	7	3,14
2011	10	10	3,4
2012	10	10	2,80
2013	9	9	2,22
2014	7	7	3,14
2015	13	13	2

The most commonly cited reason by contractors to explain this low appeal is that the boroughs require the tow trucks to be a very recent model year. In fact, many boroughs require that the equipment used be manufactured after a specific year. The contractors explained that many of them do not have the means to purchase the late model tow trucks stipulated in the tender documents.

In the Inspector General's view, it is important to find a balance between encouraging as much competition as possible following publication of a call for tenders and guaranteeing a level of quality by imposing a maximum age on tow trucks so as to avoid breakdowns. It is essential that those involved in designing calls for tenders be aware that such a requirement affects bid prices and could also reduce the number of potential bidders.

In this regard, the Inspector General wishes to point out that effective monitoring of the equipment at various points in the contracting process could guarantee the requested service quality without requiring that tow trucks be a late model.

Once the contract is awarded, the successful bidder's equipment should be inspected to ensure it is in good operating condition. Then, in the Inspector General's view, once the

contract is being carried out, the towing services should be supervised to ensure they are satisfactory and that the equipment used is the same as that inspected after the contract award. If the contract awarded is valid for several years, the tow trucks should also be inspected at the beginning of each winter season to ensure they are in good operating condition.

A second reason raised by the witnesses interviewed by the Office of Inspector General to explain the low appeal of contracts for the rental of tow trucks for vehicle removal during snow clearing operations is that contractors are not familiar with the public tender process.

In fact, an agent in the City Procurement Department responsible for launching calls for tenders explained that in the past, invitations to tender rather than public calls for tenders were issued for these contracts. The contractors were thus contacted by the City and invited to bid on a call for tenders. When contracts for the rental of tow trucks for vehicle removal during snow clearing operations started to go to public calls for tenders, the contractors were still waiting for the City Procurement Department to call and invite them to bid; they did not know that they had to consult the Québec Government's Electronic Tendering System (*Système électronique d'appel d'offres du gouvernement du Québec*) (SÉAO)) to find out on which contracts they could bid.

This misunderstanding of the bid submission process combined with the complexity of the tender documents evoked by some of the contractors interviewed, as well as collusive schemes, have led to the situation where few bidders have responded to calls for tenders in recent years.

During his investigation, the Inspector General also found that calls for tenders were published late in the year. One contractor told the Office of Inspector General that this late publication dissuaded small contractors from bidding because they did not have enough time to prepare and adjust before the start of the winter season, and that many of these contractors had already reached capacity.

6. Conclusions and Recommendations

For conclusion and recommendation purposes, the different towing segments are addressed separately. As discussed in this report, the schemes used in the towing of accident vehicles or offence-related vehicles are different from those used by contractors involved in the rental of tow trucks for operations during snow clearing operations.

The Inspector General first discusses towing operations involving accident vehicles obstructing traffic and offence-related vehicles. Then, the Inspector General discusses his conclusions and recommendations for contracts for the rental of tow trucks for vehicle removal during snow clearing operations.



6.1 *Towing of Accident Vehicles and Offence-Related Vehicles*

The Inspector General's in-depth investigation was conducted over several months. More than seventy (70) towing contractors were interviewed. Almost all these witnesses expressed in thinly veiled terms that the accident towing industry is controlled by some companies that are protected by criminal organizations. The investigation also revealed that the City's territory is shared by contractors and that the use of threats, intimidation, and violence is commonplace.

The initial sharing agreement between contractors was developed at the same time as the first exclusive contracts were awarded. The Inspector General notes that the lack of exclusive contracts for all the City's sectors resulted, over time, in the creation of a territory division system between contractors. Even though it is a serious violation of the principle of free competition, mutual respect developed among contractors who controlled and had a stronghold on territories they considered their own. The Inspector General concludes that the industry is corrupted, and that public safety is therefore severely compromised.

There is a prevailing climate of violence in the industry. Contractors demand respect from their competitors and exert their influence on the competition through intimidation, threats, vandalism, and assault to mark their territory. These acts of violence affect not only companies that share areas between them, but also those that win exclusive contracts from the City, who are forced to back out of their contracts and "open the field" in the area.

The Inspector General believes that this open culture of violence, which has worsened over the years, is undermining competition. In fact, due to the lack of contracts in effect for the whole City's territory, the system of market sharing has persisted for many years: more than ten (10) years have gone by since the meetings for dividing the territory were held in 2004-2005. The industry has slowly seen its contractor base erode. After suffering acts of violence, several stopped towing accident vehicles, others even stopped bidding in Montréal, and one contractor went so far as to back out of the exclusive contracts he had obtained from the City. This has led to a reduction in the number of potential bidders.

In addition, the presence and influence of organized crime groups such as the Hells Angels and the Italian mafia in virtually all the accident-towing areas is inextricably tied to agreements for territory division. In fact, organized crime has allowed this system to endure by offering companies the assurance they can operate peacefully and exclusively in their areas and by offering them protection when they want to acquire new ones.

Furthermore, criminal organizations have benefited – and continue to do so – from the lack of exclusive contracts to acquire towing areas and demand a cut from anyone who wants to offer towing services in these territories. Organized crime therefore controls contractors' assignment and invests in certain towing companies. Consequently, individuals who are members of criminal organizations or who are close to influential members, are operating on the territory.

The Inspector General notes that the towing industry has evolved under the guise of being a regulated activity. Practices for market control and territory division were thus able to develop into [TRANSLATION] "normality" to have now become common practice legitimated by the contractors themselves. The schemes, often initiated by criminal organizations, were therefore able to take root in the industry.

The Inspector General wishes to point out that exclusive contracts have not consistently been awarded over time in the different sectors: most of the Montréal territory has never been covered by (exclusive) contracts, and those who have been have not been covered by exclusive contracts on a consistent basis.

The Inspector General laments the lack of exclusive contracts in effect. In the Inspector General's view, the lack of exclusive contracts and the resulting territory division by contractors place the City and boroughs at risk in that they allow towing companies with ties to organized crime to infiltrate the market with impunity and control this economic sector.

Awarding exclusive contracts covering the whole City would be a way of combatting the sharing agreements between contractors and the presence of organized crime in the industry. This would allow towing contractors who do not have ties with organized crime to re-enter the market, since most of them have been "squeezed out" in the last few years.

The Inspector General considers it appropriate for the City to take back control of the situation and wipe the slate clean.

The Inspector General has taken note of the recent reflections aimed at transferring all towing-related activities to the Agglomeration Council and simplifying the contracting process. The City recently requested that the Agglomeration Council adopt a bylaw amending the appendix of the Decree concerning the urban agglomeration of Montréal for towing activities to be added to the list of activities of collective interest. This bylaw was unanimously adopted by the Agglomeration Council on February 23, 2017 (CG17 0060).

In accordance with section 39 of the *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR c E-20.001), this bylaw must now be approved by the Minister of Municipal Affairs, Regions and Land Occupancy. The Municipal Administration has taken the necessary steps to obtain the Minister's approval.

In January 2016, the City also requested that responsibility for towing services be transferred to the SPVM. The decision-making summary presented to the authorities as part of the discussions suggests awarding exclusive contracts for all towing activities and reducing the number of City stakeholders. Such measures would make it possible to optimally monitor contractual obligations, standardize the rates charged to the public, and have all successful bidders undergo security screening investigations.²⁶

²⁶ Decision-making summary 1162748003.



In the Inspector General's view, these measures are a step in the right direction, but must not stop there.

Considering the facts revealed during the investigation, the Inspector General favours the public tender process even though the City incurs minor expenses in connection with contracts for towing accident vehicles obstructing traffic and offence-related vehicles. Public tenders would be a way of attracting more contractors.

By awarding contracts, the City would be able to impose on bidders the provisions of the City's Contract Management Policy, which form an integral part of the contracts concluded by the City and include measures against collusion, fraud, and fraudulent tactics. In many cases, applying this policy would allow the City to reject certain bids, rescind contracts already awarded, and list some contractors in the *Register of Persons Excluded Pursuant to the Contract Management Policy*.

Awarding contracts would allow the Inspector General to intervene by using the powers conferred by the legislator in section 57.1.10 of the Charter (decision to cancel a contracting process, or rescind or suspend contracts) rather than intervene, as in this case, by making recommendations to the City councils concerned (section 57.1.23 of the Charter).

Lastly, awarding contracts in the towing industry would put an end to abusive pricing as prices would be regulated and standardized for towing companies contracting with the City.

In the Inspector General's view, when awarding exclusive contracts, the City should have as an objective to reach out to as many bidders as possible for each contract category (towing accident vehicles obstructing traffic / towing offence-related vehicles). As such, the City should pay special attention to the requirements imposed to ensure they have the effect of opening up the market, which over the years, has been gradually closing, undermined by collusion and intimidation.

The Inspector General recommends

- **that contracts covering the entire City be awarded for towing accident vehicles and offence-related vehicles by way of public tender process, by imposing a standard rate on bidders, and by ensuring the number of potential bidders is not restricted.**
- **that the City continue with the process currently underway to transfer the responsibilities for towing activities to the Agglomeration Council.**

To effectively combat organized crime, the awarding of contracts must be dependent on security screening investigations performed by the SPVM. These security screening investigations must be systematically conducted in order to prevent companies with ties

to organized crime from obtaining public contracts. Companies, their directors, officers, shareholders and employees alike must also undergo checks.

In addition, it is important to put a stop to attempts by individuals with ties to organized crime to acquire a company that has contracts with the City. In this regard, it would be appropriate to require successful bidders to notify the SPVM of any change in their directors, officers, shareholders, and employees while a City contract is in progress.

The Inspector General recommends

- **that security screening investigations be systematically conducted regarding successful bidders, their directors, officers, shareholders, and employees before each contract is awarded for towing offence-related vehicles and accident vehicles obstructing traffic.**
- **that successful bidders be required to notify the SPVM of any change concerning their directors, officers, shareholders, and employees.**
- **that the SPVM conduct a security screening investigation each time there is a change in the directors, officers, shareholders, and employees of a successful bidder.**

The Inspector General's investigation also revealed that, through a lack of awareness, some SPVM patrolmen on the scene of an accident would not call companies that hold exclusive contracts and allowed other contractors to tow the vehicles. Also, the officer of a towing company backed by organized crime claimed to have a verbal exclusive agreement with the SIM.

In this regard, the Inspector General wishes to point out that section 62 of the Vehicle Towing Regulations (*Règlement sur le remorquage des véhicules* (03-098)) stipulates a fine for violating exclusive contracts awarded by the City. The ticket can be issued by BTM inspectors or SPVM police officers (Section 3 of the the Vehicle Towing Regulations).

Contract awards must therefore also be accompanied by increased monitoring of companies that tow accident and offence-related vehicles to ensure that exclusive contracts in each area are respected.

After the contract award, the City must also ensure the contract clauses are respected.



The Inspector General recommends

- **increased monitoring to ensure that exclusive contracts and their clauses are respected.**
- **informing first responders (SPVM) of the successful bidders for each contract type and sector to ensure they do not allow companies without exclusive contracts to tow vehicles.**

Cleaning up the towing industry must become a priority for all the stakeholders.

The investigation showed that successful bidders were being "squeezed out" by other contractors, were victims of intimidation, threats, and violence, and went so far as to back out of the contracts they had been awarded.

The Inspector General wishes to bring to the attention of the municipal authorities that the exclusive contracts, in their current form, cover accident vehicles **obstructing traffic**. However, during the investigation, the Office of Inspector General learned that some companies with ties to organized crime and engaging in acts of violence would tow accident vehicles that were not obstructing traffic.

City stakeholders involved in the industry in one way or another must work together to find solutions to the problems raised in this report. The towing industry requires immediate action.

The Inspector General wishes to point out that cleaning up practices must not hinge on the costs involved. The Inspector General understands the costs associated with implementing new measures, but believes that the issues here are of paramount importance as they concern public safety and the infiltration of organized crime in the legal economy.

Moreover, it is worth to recall that the Inspector General has met with all the main stakeholders to make them aware of the findings of the investigation.

- **The Inspector General encourages City stakeholders involved in the towing industry to work together to adopt measures aimed at cleaning up practices and ridding the industry of organized crime.**

6.2 Rental of Tow Trucks with Operators for Vehicle Removal During Snow Clearing Operations

As stated earlier, the field of tow truck rental for vehicle removal during snow clearing operations requires separate recommendations as the schemes identified during the investigation differ from the findings concerning the towing of accident and offence-related vehicles.

This can be partially explained by the fact that, unlike the towing of accident vehicles obstructing traffic or offence-related vehicles, eighteen (18) of the nineteen (19) Montréal boroughs systematically award contracts for the rental of tow trucks for snow clearing operations. Another difference is that these contracts are awarded to the lowest compliant bidder based on hourly rates per tow truck offered, whereas a price envelope is not submitted by bidders for contracts for towing of accident vehicles obstructing traffic and offence-related vehicles.

The schemes used by contractors in the rental of tow trucks for vehicle removal during snow clearing operations involve collusive tactics, non-aggression pacts, and agreements not to bid against each other or to bid the same price.

These agreements and discussions during the bid period are clearly intended to allow contractors to win certain contracts. Their tactics prevent the City and boroughs from obtaining the best price, which constitutes a major obstacle to a free market, and diverts the call for tenders' process from its primary objective, which is to encourage the most competition.

The actions taken by contractors constitute a flagrant violation of provisions of the City's Contract Management Policy, which in its current version adopted on August 23, 2016 by the City Council and on August 25, 2016 by the Agglomeration Council states that:

17. [TRANSLATION] No one may, directly or indirectly, when preparing or presenting a bid or a contract by mutual agreement, participate or attempt to participate in collusion, corruption, a fraudulent tactic or other similar illegal act that could undermine the integrity of the call for tenders' process, the choice of a contracting party by mutual agreement or the management of the resulting contract. In submitting a bid or agreeing to a contract by mutual agreement with the City, the signatory solemnly declares that the bidder or the party to a contract by mutual agreement did not violate, directly or indirectly, the first paragraph.

The number of contractors bidding on contracts for the rental of tow trucks during snow clearing operations has decreased considerably over the years. The Inspector General noted that *Remorquage Taz inc.*, *Remorquage Mobile* and *Auto Cam 2000*, through their collusive schemes, were gradually able to take control of the market. They obtained the most contracts from the City both in terms of number and monetary value.

These contractors are now listed in the *Register of Persons Excluded Pursuant to the Contract Management Policy* until September 26, 2021 following a recommendation in this regard by the Inspector General in his decision of September 26, 2016. It is now important to once again tap the market to make sure that contractors who do not resort to collusive schemes re-enter the market.

The current strategy used for launching calls for tenders for the rental of tow trucks for snow clearing operations facilitates the development of collusive schemes by contractors. The fact that calls for tenders are launched at different times by the boroughs makes it easier for contractors to evaluate the number of competitors likely to bid on a given sector and adjust their prices based on the expected competition.



To put a stop to all collusive bidding, it would be useful to group all the contracts that expire in a given year into one (1) call for tenders and avoid grouping all the calls for tenders in the same year. Every year, one (1) call for tenders for several contracts should be launched such that a contractor who fails to obtain a contract can try again the following year, whereas in the opposite case, the measure would prevent some contractors from maintaining their towing activities over the years.

To this end, the City should also explore any measure that would make it more difficult for contractors to control the market. For example, it may be useful to group the boroughs into large sectors (North, South, East and West) and to deploy the successful bidders within these sectors once the bids are received, based on the City's financial interests. Tow trucks with lower proposed unit prices could thus be assigned to locations with the greatest number of anticipated hours.

The Inspector General recommends

- **grouping contracts expiring in the same year into one call for tenders, and exploring any measure that would make it more difficult for contractors to control the market.**

To encourage as much competition as possible in these calls for tenders and reach the greatest number of bidders, calls for tenders should be published far enough in advance, at the very least in the spring prior to the start of the winter season covered by the contracts to be awarded.

Also, in light of the contractors' poor understanding of the contracting process and of the SÉAO, the City Procurement Department should notify towing contractors once a call for tenders is launched so that they can decide whether they wish to submit a bid.

In the same vein, the tender documents' requirements (in particular equipment age) should be reviewed to ensure the number of potential bidders is not unnecessarily restricted. The City should then ensure that an inspection of the successful bidders' equipment is systematically conducted both when the contract is awarded and at the start of the winter season.

The Inspector General recommends

- **that calls for tenders for contracts for the rental of tow trucks for vehicle removal during snow clearing operations be published in the spring prior to the start of the winter season covered by the contracts.**
- **informing towing contractors once a call for tenders is posted on the SÉAO.**

- **revising the technical requirements and specifications for equipment to avoid unduly restricting competition.**
- **ensuring that an inspection of the successful bidders' equipment is systematically conducted both when the contract is awarded and at the start of the winter season, to ensure that the tow trucks are in good working condition.**

FOR THESE REASONS,

The Inspector General

RECOMMENDS that the City continue with the process currently underway to transfer responsibilities for towing activities to the Agglomeration Council.

RECOMMENDS that contracts covering the entire City be awarded for towing accident vehicles and offence-related vehicles by way of public tender process, by imposing a standard rate on bidders, and by ensuring the number of potential bidders is not restricted.

RECOMMENDS that security screening investigations be systematically conducted of successful bidders, their directors, officers, shareholders, and employees before each contract is awarded for towing offence-related vehicles and accident vehicles obstructing traffic.

RECOMMENDS that companies awarded contracts for towing accident vehicles and offence-related vehicles be required to inform the SPVM of any change in their directors, officers, shareholders, and employees.

RECOMMENDS that the SPVM conduct a security screening investigation each time there is a change in the directors, officers, shareholders, and employees of a company awarded contracts for towing accident and offence-related vehicles.

RECOMMENDS increased monitoring of companies that tow accident and offence-related vehicles to ensure that the exclusive contracts and their clauses are respected.

RECOMMENDS informing first responders (SPVM) of the successful bidders of contracts for towing accident and offence-related vehicles in each sector to ensure they do not allow companies without exclusive contracts to tow vehicles.

ENCOURAGES the City's stakeholders involved in the towing industry to work together to adopt measures aimed at cleaning up practices and



removing organized crime from the industry of towing accident and offence-related vehicles.

RECOMMENDS grouping the contracts for the rental of tow trucks for vehicle removal during snow clearing operations expiring in the same year into one same call for tenders, and exploring any measure that would make it more difficult for contractors to control the market.

RECOMMENDS that calls for tenders for the rental of tow trucks for vehicle removal during snow clearing operations be published in the spring prior to the winter season covered by the contracts.

RECOMMENDS that the City Procurement Department inform towing contractors when a call for tenders for the rental of tow trucks for vehicle removal during snow clearing operations is posted on the SÉAO.

RECOMMENDS revising the technical requirements and specifications for the equipment in calls for tenders for contracts for the rental of tow trucks for vehicle removal during snow clearing operations to avoid unduly restricting competition.

RECOMMENDS ensuring that an inspection of successful bidders' equipment is systematically conducted both when contracts are awarded for the rental of tow trucks for vehicle removal during snow clearing operations and at the start of the winter season to ensure that the tow trucks are in good working condition.

TRANSMITS, in accordance with section 57.1.23 of the Charter, a copy of this decision to **the mayor of the City** and to the **City clerk**, to be sent by the latter to the councils concerned, in this instance, **the City Council and Agglomeration Council**.

The Inspector General

Denis Gallant, Ad. E.

ORIGINAL SIGNED