

## ***Air Canada's Component Trustee's Audit Report***

Audit period: July 1<sup>st</sup> 2007 – June 30<sup>th</sup> 2008

Dear Members,

Every year, the Component's financial books must be audited twice. One audit is done by professional auditors, who ensure accounting procedures are properly followed. The other audit is done by Component Trustees.

The role of the Component Trustees is to make sure the Component Secretary-Treasurer is complying with the rules and responsibilities set out by the Component by-laws, the Airline Division by-laws, the CUPE Constitution, and by the will of the Membership. To be specific, the most important duty of any Secretary-Treasurer is to ensure all income owed to the Component is collected and that the Component's funds are properly spent. This report is made so all members can know and understand if their dues are properly spent and if any improvements are needed.

This means ensuring that:

- The Component's money is protected against fraud and theft.
- Funds are spent according to the intentions of the members.

Everyone who is an active Air Canada CUPE Member pays union dues. There are no exceptions.

Air Canada deducts your union dues (which is 1.5% of your gross income) every month from your pay, and hands over the funds to your Component. In the year we are auditing, over \$4.2 million was collected in union dues. The Component Secretary-Treasurer along with the Component accountant, divides these funds into three parts. Each Local gets \$6 from every Member plus \$600 every month, (example: if a Local has 1000 active members in a month, that local would receive \$6600, [1000 member x \$6 + \$600]). For CUPE National, \$18.09 is deducted from every member. The rest stays at the Component.

To illustrate how this works: if \$60 is deducted in union dues from a Member, \$6 would go to their Local, \$18.09 would go to CUPE National, and the remainder, approximately \$35, would remain at the Component.

We hope the recommendations in this report are considered by the Air Canada Component.

## **UNION DUES PAID TO CUPE NATIONAL**

It is not mentioned anywhere in the Constitution, the Airline Division by-laws or the Component by-laws, the amount we owe to National every month. Under the CUPE Constitution, 0.85% of gross wages is to be paid to National every month. But we pay a flat amount of \$18.09 to National on a monthly basis. We were informed that a written agreement was made in 1989 and a special rate was set for all Members of the Airline Division. This special rate is based on a formula, which resulted in a flat rate to be paid on a monthly basis. By complying with our recommendation, the Component Secretary-Treasurer had requested and received at the Component office, a copy of the service agreement made by the Airline Division and National over two decades ago. We had also requested the service agreement to be included in this report, but National told our Component that we (Component Trustees) are not "entitled to publish any documents."

This is the formula used to determine the dues owed to National:

Per capita (dues) payable to CUPE = airline division weighted average hourly wage (\$30.81) X number of Members that month X weighted average regular monthly hours (69.1) X per capita in accordance with National Constitution (currently .85%).

This calculation is \$18.09 per Member per month

**The Component Trustees recommends the Component have this formula included in the Component by-laws and the Airline Division by-laws. This would offer clarity to its members and allow them to know how their funds are spent and where they are disbursed.**

### **Secretary-Treasurer's response:**

*The Component Trustees were given the opportunity to review the written agreement that was signed between CUPE National and the Airline Division in 1989 which outlines what the formula is for our Union dues. Members are welcome to come in to the Component office and do the same. Any amendments to the By-laws would first require approval by a motion carried by the Component Executive and then Membership ratification and approval by the CUPE National President.*

## **AIR TRANSAT TOP-UP**

The Air Canada Component's liability to top-up Air Transat's union dues remained unchanged. Fortunately, this was the first year Air Transat did not request any top-up funds. For more detail, please refer to the Side Report, at the end of this audit report.

**The Component Trustees recommend the Air Canada Component to amend this bylaw in order to remove this liability. There are other options for the Air Transat Component to receive the funding they need.**

**The Secretary-Treasurer's response on this issue will follow the side report.**

## **THE COMPONENT SECRETARY-TREASURER'S REPORT TO THE MEMBERSHIP**

Part of the Component Secretary-Treasurer's responsibilities is to present a financial report to the Membership. Even though the Component Secretary-Treasurer provides a financial report directly to the Component Executive, the Membership must be given the opportunity to examine it as well.

**The Component Trustees recommend the Component Secretary-Treasurer present a financial report to the Membership through their locals. This report could be made available at local meetings as well as having a copy available at local offices.**

### **Secretary-Treasurer's response:**

*Quarterly financial statements are presented at quarterly Component Executive meetings. The financials should be made available to the Members by their local President at their local Union office.*

## **THE COMPONENT SECRETARY-TREASURER'S ROLES & RESPONSIBILITIES**

Under the CUPE Constitution, the Recording Secretary is responsible for taking accurate and impartial recordings of all meetings, not the Secretary-Treasurer. Under the Air Canada Component by-laws, the Component Secretary-Treasurer performs the duties of a Recording Secretary.

**The Component Trustees recommend the Air Canada Component by-laws be amended to reflect the CUPE Constitution, and have all meetings recorded by a Recording Secretary. This would allow for a stronger check and balance to protect the Membership.**

### **Secretary-Treasurer's response:**

*This will be slated for discussion at the next Component executive. Any decision to change the By-laws would have to be carried by a motion by the ACCEX and then ratified by the Membership and approved by the CUPE National President.*

## **AUDIT SCHEDULING AND FINANCIAL OFFICER'S TRAINING**

This audit was delayed due to the fact that the elected officers (Component Trustees,) did not receive their financial officer's training. It was not clear whether the training was mandatory or not. Compensation and flight releases for the audit remain an issue.

**The Component Trustees recommend the by-laws reflect who should organize the training as well as a time-table for this training. As we are talking about very large sums of money, we recommend the training to be mandatory.**

**The by-laws should also state a clear method of compensation for work performed by the Trustees.**

**Secretary-Treasurer's response:**

*CUPE National organizes and provides the training for new Trustees. The challenge this time was finding the applicable training for the specified period as requested by the newest Component Trustee.*

*As a result of a previous recommendation by the Component Trustees, a budget line was created in 2009-10 to cover the cost of flight releases for the Trustees. Though we are certainly open to discussion on alternative methods of compensation, it was conveyed to the Trustees that it is the Union's policy that a 2:1 ratio applies for any work performed by a Union member. This means that if a flight release is granted for 10 hrs, it is understood that the time worked on the ground will be 20 hrs. This is the policy with any Union work performed.*

**TRUSTEE'S ELECTED TERM**

As the trustees are Component officers, they change with each election. This means an entire new group of trustees could start each term without the benefit of experience.

**The Component Trustees recommend the trustees serve a three, and a two year term. The Trustee with the most votes would serve a three year term and the trustees with the least amount of votes serve a two year term. This would mirror the CUPE National Constitution as well as help the new trustees with the transition.**

**Secretary-Treasurer's response:**

*By-law changes would require ACCEX approval by virtue of a motion carried and following that, Membership ratification and the CUPE National President's approval.*

**CCAA**

At the end of December 2007, all of the unclaimed money from the CCAA agreement became the property of our union. This amounted to just over \$439,000.

**Secretary-Treasurer's response:**

*Given the concerns expressed in prior Trustee reports regarding the circumstances surrounding the previous ACCEX's approval to purchase the Belfield building, and understanding that this issue was a great source of division within the Membership, the Component Officers earmarked these monies to retire the outstanding mortgage on the Belfield building and turn the page on this issue.*

*The Component Officers were under the impression that this debt, like all other debts that the Component Secretary-Treasurer is responsible for, would fall under the authority of the Component. We also incorrectly assumed that the entire Component Executive would agree with paying off the mortgage of \$423,000, thereby freeing up the monthly mortgage payments to be used for the servicing of the Membership. This misunderstanding was addressed and resolved in September 2009. There has been no further discussion from that point forward and the mortgage remains outstanding.*

## COMPONENT BULLETINS

It was noted during the audit, while working from home, that some bulletins were not available on the Component website.

**The Component Trustees recommend that the website be updated to contain all Component bulletins released starting with the first bulletin regarding paperless communications.**

**Secretary-Treasurer's response:**

*This recommendation will be taken under advisement.*

## JETZ

The JETZ agreement was entered into, to accommodate the Company to hand pick the flight attendants that operated these flights. As a penalty for the violation of seniority, the two parties agreed to publish the pairings, allowing the Membership to bid on them and then being removed with pay protection. As these hours could vary, it was necessary to do a reconciliation of the actual hours flown on the JETZ pairings, and what was published in the bid package. The agreement was to have this done by both the Company and the Union within five days after the end of each month. Whatever flying hours flown above what was first published would be paid from the Company to the Union.

As the JETZ reconciliation is still being performed, an agreement was made with the current President and Secretary-Treasurer to report on JETZ in our next audit.

## PAY DISPUTE

As the Secretary-Treasurer at the time of this audit is involved in a pay dispute, the trustees and the both the President and the Secretary Treasurer have agreed that any issues that arise from this dispute will be reported in the next audit.

**Secretary-Treasurer's response:**

*A satisfactory resolution has been reached.*

## CUPE COMPONENT EXPENSE POLICIES

**The Component Trustees recommend changes in the expense policies. It should be specified that alcohol expenses are non-reimbursable. (1)**

**Secretary-Treasurer's response:**

*There were two alcohol expenses during this period. The first was a \$45.55 bottle of champagne which was a gesture of appreciation to a longstanding Union member who had been a valuable resource for many years and who was retiring. The second alcohol expense was for a bottle of wine for a retirement party which cost \$34. While we do not believe there was anything untoward with these expenditures, we are happy to forward the Trustees' recommendation to the Component Executive for review.*

**The Component Trustees also recommend that if meals are provided at meetings, no top-ups should be paid out.**

**Secretary-Treasurer's response:**

*Top-ups are only provided if the cost of a meal is less than the entitled meal allowance which is in accordance with the By-laws.*

- (1) The day after our meeting with the President and Secretary Treasurer, the President contacted one of the Trustees at home in regard to this item in our report. This practice should never happen again as it could be construed as interference with an audit.

**Secretary-Treasurer's comment:**

*The Component Officers met with the Trustees to answer questions. When asked about the alcohol expenses the Trustees were advised that a Component Officer would have to look into what those expenses were and get back to them. Once the Component President had an answer, she responded to the Trustee who had asked the question. Since the Trustees do not have offices outside their place of residence, it was only reasonable that she called her at home. Given the concerns expressed, no Trustees will be called at their place of residence in the future.*

**MOTIONS**

When auditing, expenses authorized by the ACCEX, which are not covered in the budget, are difficult to re-trace the motion of the minutes.

**The Component Trustees recommend a date and motion number be marked on the expense claims.**

**Secretary-Treasurer's response:**

*Motions have since been made the priority in the minutes and should be easily recognizable.*

In concluding this report, we would like to thank the Component in assisting us in this audit. We hope every member will take the time to read this report. We are all available to answer any of your questions or concerns directly.

Your humble servants,

Evelyn Bell-Bedard, Gabrielle Sciarra and Marc Roumy

## **SIDE REPORT by Marc Roumy: AIR TRANSAT TOP-UP**

To further clarify to the Membership, and as I was personally involved, I am including this side report to shed some insight on the attempt to remove the Air Canada Component's liability to top up the Air Transat Component's union dues during this audit period.

I attended the Airline Division ("AD") conference in October 2007 as a delegate. This was the first time I participated at an AD conference. There were approximately 20 Air Canada delegates in attendance. I made an attempt to stop having the Air Canada Component ("ACC") top-up the Air Transat Component's ("ATC") union dues. The ATC has to collect \$565,000 in union dues every year. If they cannot reach that amount, the ACC would top them up. In the previous year, the ACC gave over \$60,000 to the ATC.

At the conference, we all learned the flight attendants at Air Transat were getting a pay increase. And, I knew they were much larger since I worked for them in 1997. We were also informed by the Air Transat Component Secretary-Treasurer, that the ATC would not need a top-up from the ACC in the foreseeable future.

I submitted an Emergency Resolution in order to remove the liability from the ACC. The President of Air Transat chaired the conference. I was told by the chair, that amendments to resolutions must be submitted at least 45 days before the conference. I had just learned about this top-up only four days earlier after being informed by a Component Trustee.

Due to by-law rules, I was unable to remove the ACC's liability to the ATC. I would have to wait until the next AD conference in October 2009.

### ***Secretary-Treasurer's response:***

*During the Airline Division Conference that took place in 2009, a resolution that Air Transat no longer receive supplementary funding from the Air Canada Component was brought to the floor by Local 4092 (Marc Roumy). This motion would be defeated, so an amendment to the motion was moved that Air Transat receive the supplementary funding from the Defense Fund, as is the case with the other Components that are entitled to supplementary funding under the by-laws.*

*This amended resolution received a vote of concurrence by a majority of the Airline Division delegates; including delegates from the Air Transat Component. According to the Airline By-laws, all resolutions agreed to by the delegates of the Airline Division Conference must then go through the formality of being accepted by each member of the Council of Component Presidents within thirty days. We use the term formality because it would be a rare occurrence for any member of the council to ignore the will of the delegates.*

*When this accepted resolution was brought to the Council of Components for approval, the Air Transat Component President voted against it. According to the Airline Division Bylaws, if this happens a vote of the entire membership of each Component must be completed within sixty days. Despite the best efforts of the Air Canada Component, this did not happen.*

*We brought this issue up again at a meeting of the Council of Component Presidents on September 24<sup>th</sup>, 2010 which was attended by CUPE National President, Paul Moist. After significant discussion, and our insistence that a vote of each Component's Membership take place, a revote of the resolution was scheduled with the Air Transat Component President committing to providing a "new" position by Friday October 1<sup>st</sup>, 2010. Despite our follow up on October 1<sup>st</sup>, Air Transat has yet to supply their position on this revote. While we were hoping to have a final resolution to this situation prior to responding to the Trustees report, recent events have made it imperative for the Membership to see that the fiscal affairs of the Component are in order.*