ACEP CAPE
Association canadienne des employés professionnels
Canadian Association of Professional Employees

August 23, 2012

Dear CAPE Members;

Early in June of 2012 CAPE initiated a vote regarding a proposed dues increase. As a result of several technical complications, for which our service provider has assumed full responsibility, the vote had to be suspended. On June 22, 2012 the National Executive Committee passed an emergency motion to reschedule the vote to the period of September 7 to September 28. Ballots will be issued to members via e-mail on September 7th.

At the outset of the initial June 2012 voting process, members asked many relevant questions and asked for a clear and precise explanation of the reasons for the recommended increase. They asked for supporting documentation in order to individually assess the Association's current and projected financial situation. Herewith you will find the answers to the questions that arose earlier this summer. We address the issues of the projected reduction in revenues, anticipated increase in costs, and we explain how the $15.00 amount was arrived at. We also examine the question of the location of the CAPE National Office and the lease. You will also find in this document links to the previous CAPE budget, and the budget for the period 2012/2013 and 2013/2014.

The information presented here explains why CAPE is asking its members to pay higher dues. We don't expect this request to be greeted with enthusiasm, but after six years of a dues freeze, we believe that the proposed increase is both reasonable and warranted. An increase is needed to ensure that CAPE has the resources to deal with the challenges that lay ahead.

CAPE has always prided itself on having the lowest union dues among federal public service bargaining agents. Even with this $15.00 increase we will still be able to say this.
The CAPE NEC is asking you to vote in support of this recommended dues increase, to ensure our financial viability well into the future.

Claude Poirier
President

Riley Brockington
Chair, Finance Committee.

100, Queen Street 4th floor, Ottawa, Ontario K1P 1J9
100 rue Queen, 4e étage, Ottawa, Ontario K1P 1J9

Why have CAPE's expenditures gone up?

All unions and other types of organizations have to deal with annual increases in expenditures, if only because of inflation, and CAPE is no exception. In fact, necessary operating expenses such as telephone and travel costs, office equipment purchases and information technology (IT) costs are tied to and rise with the prices of these goods and services. Since the last dues increase in January 2006, inflation has risen 12.4%.

The fact that CAPE must tailor its services to meet the needs of its members, however, can lead to far more rapid increases in other types of expenditures. In order to deal with a huge increase in the number of Work Force Adjustment cases, for example, CAPE has hired two additional term labour relations officers who will be with the Association at least until the end of 2012. CAPE's budget also calls for the hiring of a new administrative employee if the workload demands it. While a total of 487 labour relations files were opened in all of 2011, the number of such files opened in the first half of 2012 (as of July 1) was 638, including 358 for members affected by the Work Force Adjustment Directive (WFAD). We have also filed three policy grievances so far regarding Treasury Board's administration of the measures contained in the WFAD. Apart from wages and benefits, temporary hirings such as these generate additional IT and office equipment expenditures, more representation costs and other related expenditures. In addition, representation expenses, which are those costs related to Labour Relations Officers' travel outside of the National Capital region, are expected to increase to $70,000 from the $45,000 budgeted previously.

Other factors contributing to the rise in expenditures include:

1- **Collective bargaining.** The most notable aspect of the current round of bargaining, as far as CAPE members are concerned, is its duration. The hard line taken by Treasury Board and the Library of Parliament slowed the bargaining process down considerably and forced us to request arbitration for the EC, TR and LoP groups. This has had a financial impact as well, since we have had to set aside $150,000 for bargaining in 2012, which is $90,000 more than we had projected. Arbitration boards are expensive, since we have to pay costs for our representatives, our lawyers' fees, and a portion of the costs for the arbitration board chairperson.

2- **Training of stewards.** Because of higher demand, we increased the number of training sessions offered to CAPE stewards. This resulted in a 12% increase in wage reimbursement expenditures.

3- **Information technology**. Changes made by Public Works in the administration of our members' union dues payments forced us to make substantial programming changes to our database, leading to substantial additional costs.

4- **Pay equity.** To comply with Ontario legislation, CAPE signed an agreement with the union representing its employees to amend its classification system. A joint equity committee was formed, and the work descriptions were revised. We have set aside $112,000 in 2013 to cover the payment of pay equity arrears.

5- **Employee retirement pension plan.** CAPE and the Employee Staff Union (ESU) negotiated the establishment of a retirement pension plan, which came into effect in April 2012. Under this new plan, CAPE's contribution to its employees' RRSPs increased from 10.5% to 14.5%, where employees chose to join the plan. This extra contribution amounts to approximately 2% of CAPE's payroll expenditures, since about half of the Association's employees are enrolled in the new pension plan. In addition, all costs of managing the plan are paid by the employer.

6- **Employee training.** The new collective bargaining agreement between CAPE and its employees stipulates that employees can now obtain training once a year instead of once every two years.

The substantial increases in several of our expenditure items notwithstanding, the Finance Committee conducted an in-depth review of our budget and suggested cutbacks. For 2012-2013, the Committee identified a total of more than $550,000 in savings for the proposed budget. These include a 50% reduction in CAPE's promotional spending, postponement of spending on office accommodations to 2013-2014 (thereby deferring $375,000 in expenditures), the halving of expenditures on office furnishings, and reductions in several other budget items pertaining to meetings, training and mobilization.

All in all, CAPE's budgeted expenditures for 2012-2013 total $6,109,350, which is $75,000 less than in 2010-2011, despite inflation rates of 1.8% in 2010, 2.9% in 2011 and 1.5% so far in 2012. In comparison with 2010-2011, we have reduced our budget estimates in several areas: 40% less in communication spending, 17% less spending on employee training, 20% less in professional fees and 17% less in meeting costs. These reductions have been achieved while safeguarding services provided to members. Nevertheless, a dues increase is needed to ensure that CAPE has the resources to deal with the challenges that lie ahead.

Why an increase of $15 per month? Why not $10 or $20?

The Finance Committee and the National Executive Committee reviewed CAPE's financial needs to determine how much of a dues increase was required to ensure the Association's medium-term financial security.

The following points were considered in arriving at a proposed monthly dues increase of $15:

1. The need to offset the projected deficit caused by lower revenue and increased expenditures. Once all of the federal government's announced budget cuts have been implemented, we expect CAPE's membership to be down approximately 8%, i.e., slightly more than 1,100 less members. This will mean a drop in annual dues revenue of at least $462,000 (based on monthly dues of $35 per member). Moreover, as we have explained previously, this round of government cost-cutting can only generate increasing pressure on CAPE expenditures directly associated with member services, as a growing number of members turn to their union for help in protecting their rights.

2. Our aim is to set aside a financial reserve equal to one budget year. This was recommended to us by our auditors as a standard practice in order to ensure that CAPE has the ability to meet its obligations for a period of 12 months if its revenue stream disappears or if it becomes necessary for us to shut down the organization. At present, we have a reserve of $2.9 million, or a bit less than half of our goal of the equivalent of one year's expenditures.

The Finance Committee's proposed monthly dues increase of $15 per member is intended to offset projected revenue losses and increased expenditures, while contributing to the creation of a solid financial reserve. Should the Association discover that it is running a surplus of revenue over expenditures in the next few years, there is nothing to prevent it from proposing a monthly dues reduction or increasing the range of services based on members' priorities. The Finance Committee will be making this assessment on an annual basis.

How is it that CAPE Will Lose Revenue?

One of the principal issues that propelled the CAPE National Executive Committee to recommend a dues increase rests in the fallout of the 2012 federal budget. In the summer of 2011 CAPE rang the warning bell to members that the current government's fiscal policies would impact on the CAPE membership. Since the announcement of the 2012 budget, the government has been making good on its promises to downsize the federal public service, and to date over 3,000 CAPE members have been given notice that their employment may be in peril. Many of these members will need the support of their union.

There is a bitter irony in the fact that this attack on CAPE's membership has had an immediate and direct result in the increase in costs. Revenues are falling, while expenses are rising in order to ensure members receive the necessary services. And it would be overly optimistic to hope that the dues revenues will increase to their previous levels at any time within the next three years. The government intends to carry on with its fiscal restraint exercise for at least the next two years, and as a consequence the total monthly membership dues of the Association will continue to decline. The number of involuntary departures from the public service of EC employees has been reduced significantly through various processes including volunteers and alternates. But the bottom line in relation to dues is that the number of departures remains the same. It can be expected that the number of EC positions in the public service and the number of dues paying members will fall by approximately 8%. Thus while demand on CAPE is increasing, revenues will go down significantly for the first time in SSEA/CAPE history, and for the first time in approximately two decades of CUPTE/CAPE history.

Why did CAPE renew the Lease at 100 Queen?

An Accommodations Committee was struck comprised of several members of the National Executive Committee. Non-voting representatives of management and the union representing CAPE employees were added as advisors. Colliers International was engaged in order to examine the potential of other office sites, and to produce a market analysis, with the goal of making an informed, fact based decision regarding the location/relocation of the CAPE National Office.

The Accommodations Committee considered many alternative locations and options, including the possibility of purchasing a building to house the CAPE National Office. The Committee took current market values and rental rates into consideration before making its recommendation. It considered as well costs relating to making any new location suitable to CAPE's needs, whether purchased or rented. It also included costs relating to reverting the present office space back to the way it was before CAPE renovated the space to suit its needs as required by the old lease. After considering all these facts, the Accommodations Committee recommended to the National Executive Committee that CAPE renegotiate the lease at 100 Queen Street.

The NEC received the Accommodations Committee recommendations, and then considered a number of possibilities, to determine whether these recommendations were in the best interest of the Association. In part, their reasoning is as follows:

It's a good deal

In examining the new lease it becomes apparent that a great deal of effort went into negotiating its terms. CAPE was able to achieve a number of considerable concessions from the landlord. Over the 10 year life of the lease, CAPE will be paying less, each year, than we are currently paying. Space has been reassigned and to a lesser extent redesigned. The electronic delivery of information, the optimization of secondary space use, as well as many other changes in the manner in which CAPE's National Office operates has allowed the organization to avoid renting more space. Plans have been made to ensure that CAPE is able to function efficiently in its current space with no extension regardless of greater demand from the members in the next 10 years.

Why Downtown?

Travel costs Members are often reluctant to meet with their Labour Relations Officer at their place of work, preferring the confidentiality of off-site meeting locations. Meetings often occur over a lunch period, before going to the office in the morning or after work; and members have limited time. Getting to the National Office quickly and without hassle is important to members. The central location of CAPE's National Office is immediately accessible to approximately 80% of the NCR membership with a commute time of less than 15 minutes for most. It is in walking distance of members working at several departments. The central location of the National Office in the downtown core of Ottawa naturally adds value to the rental property. However, it also reduces costs, in terms of travel. CAPE staff, in particular Labour Relations Officers, Negotiators, and the CAPE President, travel to sites in and around the downtown core on an almost daily basis. Moving outside of the downtown core would add considerable costs to the Association both in terms of travel time, and in the cost of travel. It was also estimated that the additional time travelling would require hiring more staff in order to simply maintain the level of availability of officers in the National Office for members.

Accessibility The CAPE National Office is physically accessible to all members in the National Capital Region. CAPE relies heavily on the contributions of its many many volunteering members. These members spend many hours, both inside and outside of normal working hours, at the CAPE National Office. The central location allows them easy access to public transportation, or taxis. CAPE depends on its volunteers and took this into consideration when making its decision regarding location. If it becomes increasingly difficult for volunteers to attend committee meetings it will become increasingly difficult to recruit volunteers. Moreover, it

was important to ensure that the location of the National Office was safe. Many committee meetings occur after hours. CAPE is responsible for the safety of members who work on committees.

In Solidarity Another interesting aspect of the location of the CAPE National Office is the fact that the building itself is owned by a publicly owned management company that is mandated to provide investment management services to British Columbian public-sector pension plans and other public-sector clients. CAPE is proud to say that its promotional products are union made, and we are likewise proud to say that our rental dues have the added value of supporting sister unions.

What happens if we vote against the increase?

Of course, CAPE's membership is entitled to reject our arguments and vote down the proposed dues increase. Many people have asked us what would be the short- and long-term consequences of such an eventuality. Here are some of the foreseeable scenarios:

1. CAPE will have to cash in its short-term investments to offset the projected deficit. These short-term investments totalled $2,940,712 as at December 31, 2011. The loss of these investments will put CAPE in a very vulnerable position, however, because they provide a hedge against contingencies.

2. We will go back to the drawing board and propose a new dues increase within the year. Every mathematical formula we can imagine arrives at one inevitable result: we will need more revenue from membership dues if we are to continue providing the services that members want.

3. If that is not enough in the short term, we will have to reduce member services. Since 55% of CAPE's expenditures are salary-related, a reduction in services will mean a reduction in staff. Other budget items will have to be scaled back, which will also have a negative impact on the services available to members. WFA related representation will possibly be diminished, and the Association will have to consider how to proceed with any action to defend the pension plan and the sick leave provisions of the collective agreements – two anticipated battles for the next few years.

4. Lastly, if CAPE's financial situation cannot be resolved, the members may be asked to decide whether they would be willing to have CAPE absorbed by another union. It should be remembered that the dues paid by CAPE members are among the lowest in the federal public service – even with the proposed increase to a monthly rate of $50 per member – and that such a merger would raise dues to the amount paid by the members of the union we would be joining. Moreover, this does not take into account the fact that CAPE's EC, TR and LoP members, after belonging to other unions over the years, chose CAPE because they wanted a separate structure to represent them, where they can best defend the specific interests of their respective bargaining units.

A Dues Comparison

There are 17 different bargaining agents that have Treasury Board as the employer of their members. Each of these bargaining agents establishes its own dues. CAPE has always been proud of the fact that it provides service second to none while managing funds responsibly, with the result that our members pay among the lowest union dues among all federal public service employees. If the membership approves the recommended dues increase, this would still be the case.