UNIVERSITY OF BRITISH COLUMBIA AND CANADIAN UNION OF PUBLIC EMPLOYEES, LOCAL 116.

Before: P.C. Weiler, Chairman, P. Cameron and G. Leslie, Members. British Columbia, July 7, 1976. Decision No. 42/76.

Arbitration appeal — Interpretation of collective agreement — Extrinsic evidence — Rates of pay.

The union appealed to the Board from an arbitrator's finding on an arbitration grievance relating to rates of pay for tradesmen. Schedule A set out these rates of pay for each classification, but at the end of the schedule had the words: "NOTE: TRADES PAY IS 90% OF BUILDING TRADES RATES". The arithmetical rates of pay were in fact 90 per cent of the wage rates contained in the collective agreements negotiated between Construction Labour Relations Association and the construction unions belonging to the British Columbia and Yukon Building Trades Council. However, the C.L.R.A. agreement had an inflation protection clause and some considerable time after the UBC agreement had been negotiated an adjustment of one to two per cent was instituted. The union asked for 90 per cent of this increase for the UBC tradesmen.

As part of its case, the union introduced documents relating to the negotiation history. These were allowed but given little weight. The arbitrator refused to allow oral evidence of the negotiations and the union's bulletin to the membership on ratification. He found the union was only entitled to the arithmetic wage rates.

Held: The Board reviewed the principles underlying s. 108 and s. 92 of the Code and remitted the matter to the arbitrator to hear the further evidence and to consider the material in light of the principles set out in the decision.

Editor's Note: The facts of the case are set out in the headnote and have been edited from the decision.

Allan E. Black, for the employer. Morley D. Shortt, for the union.

Decision of the Board: . . .

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The new s. 108 [amended 1975 (B.C.), c. 33, s. 28] of the Labour Code confers on the Labour Relations Board the primary role in superintending the process of grievance arbitration:

108.(1) On the application of a party affected by the decision or award of an arbitration board, the board may set aside an award of the arbitration board, or remit the matters referred back to the arbitration board, or stay the proceedings before the arbitration board, or substitute the decision or award of the board for the decision or award of the arbitration board, on the ground

(a) that a party to the arbitration has been or is likely to be denied a fair hearing, or
 (b) that the decision or award of the arbitration board is inconsistent with the principles expressed or implied in this Act, or any other Act dealing with labour relations.

The limits of that role were first explored by the Board in its decision in Simon Fraser University and Association of University and College Employees, Local 2, [1976] 2 Canadian LRBR 54. In that case, we made it clear that s. 108 did not provide an open-ended appeal on the merits of an arbitration award. Instead, the statute conferred a carefully defined responsibility on the Board [at p. 60]:

As regards the substance of the arbitration decision, s. 108(1)(b) directs the Board to ensure that the arbitrator respects the principles of the statute. In particular, the Legislature had in mind the subtle mandate contained in s. 92(3). While remaining faithful to the terms of the negotiated agreement under which he was appointed, the arbitrator must approach that agreement with principles of interpretation which make

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ard, th e peti ...re: to pro Co. Lt. applica he fair rees w ken a " urse, b er, but loyees before it was ·itation : emplo Board The Board's disposition of the Simon Fraser University application respected those limits [at pp. 61-62]:

This case is an apt illustration of what it means to say that the Board is not a full-fledged avenue of appeal from the arbitrator's interpretation of the contract. This award was founded on a construction of the language of the particular contract, not on a broad principle of labour law or arbitration jurisprudence. The arbitrator did not ignore any of the relevant provisions of the agreement. The meaning he attributed to s. 25.03 is one which its language or context might reasonably bear. It was his responsibility, as the arbitrator selected by the parties themselves, to make the binding decision on the correct meaning of the words they used. Even if this Board might question whether his reading of art. 25.03 accurately reflects the expectations of the parties, that would not make his award "inconsistent with the principles" of the Labour Code...

If the University finds this arbitrator's reading of art. 25.03 to be unpalatable, its remedy is not a Board reversal of the award under the Code. Instead, it must see that the language is rewritten in the upcoming contract negotiations with the Union.

As is intimated above, a major function of the Board under s. 108(1)(b) is to ensure fidelity by arbitrators to the new statutory mandate contained in s. 92 [amended 1975 (B.C.), c. 33, s. 23] of the Code.

92.(2) It is the intent and purpose of this Part that its provisions constitute a method and procedure for determining grievances and resolving disputes under the provisions

of a collective agreement without resort to stoppages of work.

(3) An arbitration board shall, in furtherance of the intent and purpose expressed in subsection (2), have regard to the real substance of the matters in dispute and the respective merit of the positions of the parties thereto under the terms of the collective agreement, and shall apply principles consistent with the industrial relations policy of this Act, and is not bound by a strict legal interpretation of the issue in dispute.

As the Court of Appeal made clear in its recent decision in A.I.M. Steel, this statutory provision has freed labour arbitrators from strict control by common law rules of contracts and their interpretation:

It is notable that ss. (3) of Section 92 frees arbitrators from the application of strict legal rules of interpretation in resolving disputes between parties to collective agreements. This freedom is protected by s. 106 which now provides that the Arbitration Act no longer applies to arbitrations conducted under the Code.

But for that same reason, s. 92 requires arbitrators to fashion a jurisprudence of the collective agreement which is responsive to the modern world of industrial relations. One perennial issue within that jurisprudence is whether and when it may be proper for arbitrators to go behind the formal collective agreement and consider the history of negotiations which produced that written document. That is the legal issue raised by the facts of this case.

We may begin with one major premise of the Labour Code. A collective agreement must be a written document:

1.(1) "collective agreement" means an agreement in writing between an employer, or an employers' organization authorized by the employer, and a trade-union, containing provisions as to rates of pay, hours of work, or other conditions of employment, which may include compensation to a dependent contractor for furnishing his own tools, vehicles, equipment, machinery, material, or any other thing;

[Emphasis added.]

This requirement expresses an important industrial relations policy. Collective agreements are normally negotiated by officials of the bargaining agent, often to

cover all the employers in an entire industry in the province. The contract they produce will have to be used and applied by lower echelon supervisors, and union stewards in dealing with employment problems at the shop level, perhaps many years later. It is impractical, to say the least, to have these protagonists go and ask the original negotiators whether they had reached purely verbal understandings about an issue. The law requires that the negotiators put their agreements in a written form, and in practice the official document is reprinted in a booklet which can be carried in one's pocket for easy reference. Any legal principle of interpretation of the collective agreement simply has to be responsive to these facts of industrial relations life.

The collective agreement is thus a classic example of the type of contract, fully integrated in a written document, for which the common law developed the so-called "parole evidence" rule. That rule puts drastic limitations on the permissible use of extrinsic materials in the interpretation of a contract, whether these be drawn from the original negotiations or practices which later develop under it. Certain judges in the Supreme Court of Canada, in Metropolitan Toronto Police Assoc. v. Metro. Toronto Bd. of Comm'rs of Police (1974), 45 D.L.R. (3d) 548, expressed an extreme version of that rule, as denying the labour arbitrator the power to consider any materials drawn from the bargaining process, even the written and signed memorandum of settlement [at p. 572]:

I cannot escape from the view that he could not have reached his conclusion had he not relied upon this evidence which consists of a document expressing proposals made in the course of negotiations.

It matters not whether the arbitrator was right or wrong when he found ambiguity in the collective agreement he had to construe. The use of this particular type of extrinsic evidence, if it became accepted, would render finally drafted and executed agreements perpetually renegotiable and would destroy the relative security and the use of the written form.

For those who might express some skepticism that the security of written documents would be destroyed by a look at the preceding negotiations, the House of Lords, in its decision in Prenn v. Simmonds, [1971] 3 All E.R. 237, offered this further explanation of the common law distrust of such material [at p. 240]:

By the nature of things, where negotiations are difficult, the parties' positions, with each passing letter, are changing and until the final agreement, although converging, still divergent. It is only the final document which records a consensus. If the previous documents use different expressions, how does construction of thos expressions, itself a doubtful process, help on the construction of the contractual words? If the same expressions are used, nothing is gained by looking back; indeed, something may be lost since the relevant surrounding circumstances may be different. And at this stage there is no consensus of the parties to appeal to.

The House of Lords did leave some room to consider the factual context of negotiations, if only to allow the adjudicator to draw some "objective" inferences about the genesis and commercial objects of the transaction. But it was not prepared to go beyond this and to admit any evidence of the subjective intentions of one or indeed of both of the parties to the contract:

... it may be a matter of degree, or of judgment, how far one interpretation, or another, gives effect to a common intention; the parties, indeed, may be pursuing that intention with differing emphasis, and hoping to achieve it to an extent which may differ, and in different ways. The words used may, and often do, represent a formula which means different things to each side, yet may be accepted because that is the only way to get "agreement" and in the hope that disputes will not arise. The only course then can be to

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try to ascertain the "natural" meaning. Far more, and indeed totally, dangerous is it to admit evidence of one party's objective — even if this is known to the other party. However strongly pursued this may be, the other party may only be willing to give it partial recognition, and in a world of give and take, men often have to be satisfied with less than they want.

In British Columbia labour law, arbitrators are no longer strictly bound by this common law approach, an approach which would keep out all evidence of negotiation history because of a well-founded distrust of such evidence upon occasion. In our view, whatever might be the merits of such a doctrine for commercial contracts — in which a battery of corporate lawyers may take months to fashion carefully-honed language to deal with just one business transaction — it simply makes no sense for the world of industrial relations. There are at least three reasons for that judgment. The first is the inevitable imprecision of the language of collective agreements. In the Simon Fraser University decision, the Board adverted to some of the special features of collective bargaining which must in turn shape the legal approach to interpretation of its product [at p. 59]:

What are these special features? Collective agreements deal with the entire range of employment terms and working conditions often in large, diverse bargaining units. The agreement lays down standards which will govern that industrial establishment for lengthy periods — one, two, even three years. The negotiators are often under heavy pressure to reach agreement at the eleventh hour to avoid a work stoppage, and their focus of attention is primarily on the economic content of the proposed settlement, not the precise contract language in which it will be expressed. Finally, the collective agreement, though the product of negotiations over many years, must remain a relatively concise and intelligible document to the members of the bargaining unit and the lower echelon of management whose actions are governed by it.

Any agreement which is the end product of such a bargaining process must be approached by arbitrators with a very different set of mind than a judge construing a corporate indenture developed by batteries of lawyers for two large corporations. In particular, arbitrators have to appreciate the inability of written language to speak precisely to each of the innumerable real-life disputes which might arise in the lengthy life of clauses in a collective agreement.

Secondly, it is important in industrial relations that the arbitrator decipher the actual intent of the parties lurking behind the language which they used: and not rely on the assumption that the parties intended the "natural" or "plain" meaning of their language considered from an external point of view. An employer and a trade union don't simply negotiate about an isolated transaction and then go their separate ways. They have to live together for a long time and resolve a great many problems which will arise over the course of their relationship. Suppose the parties do have a clear understanding about the bargain they have reached, but use language which poorly expresses their intended meaning: what will happen if a rule of law prevents the aggrieved party from establishing that intent? The likely result is an atmosphere of distrust between the parties and a potential for future industrial unrest, either during the contract term or at negotiations for its next renewal.

Finally, collective bargaining is a process which tends to produce a considerable body of evidence — much of it written — about the actual understandings of the parties. Earlier collective agreements and their administration form the background for negotiations; committees from each side may keep extensive notes of developments; a written memorandum of agreement sums up the items in the settlement; the negotiators often prepare explanations of

the major contract changes for their principals (especially the union membership) who must ratify the settlement. Only at the end of these several stages, and occasionally not until long after the agreement has been put into effect, may the precise wording of the new clauses be drafted and incorporated into the formal contract. Properly analyzed, this body of material is often quite illuminating of the parties' actual understanding of a provision whose meaning is

murky on the face of its language. For these reasons — the inherent vagueness of contract language, the need in industrial relations to remain faithful to the real-life expectations of the parties, and the availability of useful material in the bargaining process — labour law has gradually moved away from the strict rule of exclusion. Arbitrators have been held entitled to utilize such extrinsic evidence on certain occasions as an aid to the interpretation of collective agreements whose wording is sufficiently "ambiguous". But there remains a vigorous debate among arbitrators and judges about when and how this may be done. Most of the debate - and the disagreement between the arbitrators and the judges - has concerned the precise degree of ambiguity which will legally justify a reference to such extrinsic evidence. But some arbitrators have also suggested that only special kinds of "ambiguity" in the written document will permit the use of negotiation history, something qualitatively different from a serious disagreement about the construction of the provisions of the collective agreement (International Nickel of Canada (1974), 5 L.A.C. (2d) 331). Certain arbitrators have felt compelled to adjourn the hearing to attempt to interpret the language of the agreement as it is written, and only if this is impossible, to reconvene the hearing to admit into evidence material drawn from the negotiations (see Industrial Fasteners Ltd. (1973), 4 L.A.C. (2d) 410). Whether or not these somewhat extreme corollaries are required by the conventional doctrine, there is no doubt of its central thrust. An arbitrator is required to make a once-and-for-all judgment about whether the collective agreement in ambiguous in the legal meaning of that term before he may even consider any extrinsic evidence of the actual intention of the parties, no matter how powerful that evidence may be. In our view, the time is ripe to formulate a simpler approach to this issue of the law of the collective agreement, and an approach which is sensitive to the principles of the Labour Code.

The proper use by an arbitrator of extrinsic evidence such as negotiation history should depend on the purpose for which that material is advanced. As we stated at the outset, a collective agreement is a bargain which must legally be contained within a written document. If the parties wish to change or add to the existing terms, they must express any such arrangements in writing as well. Accordingly, arbitrators should not take account of evidence which is designed to prove that the parties have agreed orally to a variation in their collective agreement. This is the kernel of truth expressed in the traditional exclusionary doctrine: the arbitrator simply has no jurisdiction to enforce obligations which are separate and independent from the written collective agreement reached by the parties. (We would add that these comments are not intended to address the special legal doctrine of promissory estoppel.)

But quite a different appraisal should be made of extrinsic evidence which is presented to persuade the arbitrator of the proper interpretation of the written contract. Section 92(3) of the Code directs the arbitrator to have regard to the "real substance" of the issues and the "respective merit . . . under the terms of the

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What is the point of this formulation of the doctrine? First of all, a party which wishes to present evidence of what transpired at negotiations must understand that such evidence will have to be tied in to a written provision contained on the face of the collective agreement and must be prepared to persuade the arbitrator that such extrinsic material discloses the actual meaning intended for this written provision. But if this is the objective, the party does not have to clear a preliminary barrier before that evidence can be utilized, of securing an initial ruling from the arbitrator that the agreement is legally ambiguous on its face. Instead, the arbitrator, when he begins the task of interpretation, will be able to do so with a full appreciation of the relevant exchanges which eventually culminated in the formal document. With that material before him, the arbitrator can decide whether he entertains any doubt about the meaning intended for the provision in question and, if so, whether the negotiation history is helpful in resolving that doubt.

And we close this general discussion with one final observation, drawn from that last sentence. We have been articulating the principles upon which arbitrators may properly use evidence of negotiation history. That should not be taken to imply that arbitrators are bound to base their decisions on such evidence simply whenever the wording of the agreement is somewhat equivocal. The arbitrator is trying to decipher the proper meaning which the parties may reasonably be said to have intended for their contract language. In that quest, the arbitrator may draw inferences from other provisions of the agreement, feel constrained to follow the consensus in arbitration precedents, or be concerned about the industrial relations sense of alternative interpretations. In any particular case, he may find a consideration of these factors more persuasive than the often vague intimations contained in the discussions which preceded the signing of the agreement. (These last points are developed in greater detail in a judgment just released by the Board in Board of School Trustees, School District No. 57 (Prince George), No. 41/76.)

The facts of this case aptly illustrate the foregoing analysis. First of all, it would be simply impossible to appreciate what the dispute-was all about without an awareness of some of the external background. A pure reading of schedule A on its face would suggest that tradesmen are to be paid the specified arithmetical amounts of monthly salary. The arbitrator had to be apprised of these further facts in order to understand the true issue of interpretation: (i) the note to the schedule was intended to refer to the existing C.L.R.A. collective agreements; (ii) the arithmetical figures in schedule A reflected a computation of monthly tradesmen

salaries from the 90 per cent hourly wage figures already contained in those C.L.R.A. agreements; (iii) and those same C.L.R.A. agreements also contained inflation protection clauses, by which there was a possible (later, an actual) cost-of-living adjustment to these C.L.R.A. tradesmen rates after the UBC agreement was prepared but before it expired. Once these facts are brought out, one can appreciate the *prima facie* force of the Union's claim to 90 per cent of the C.L.R.A. inflation adjustment in the UBC rates.

Reading schedule A on its face again, but with the addition of that background, two plausible arguments emerge. The University contends that the parties agreed to the arithmetical monthly salaries, which they took the trouble to work out and insert in the schedule. The note simply explains the basis on which the rates were arrived at and creates no additional legal right to increases at UBC depending on what might happen with C.L.R.A. The Union's position was that the parties' essential agreement was to the 90 per cent ratio between UBC and C.L.R.A. tradesmen rates and that the rates which happened to exist at the time were secondary. While the parties did prepare a schedule of the rates as they were then known, this was purely for informational purposes. The note was deliberately inserted in the schedule as the independent legal trigger which would adjust the UBC rates as and when C.L.R.A. rates might change. Of course, the main potential source of such adjustments was the C.L.R.A. inflation protection clause, a prominent part of the same agreements from which the existing tradesmen rates were located, and a procedure which was to be put in motion shortly after the UBC agreement was signed.

When one appraises these two alternative interpretations in light of the language on the surface of the collective agreement, neither is logically compelling. Each is a reasonably plausible construction of schedule A, and thus the arbitrator must be left with some bona fide doubt about the mutual expectations of the parties respecting this issue. (Although, interestingly enough, the arbitrator found no "ambiguity" in schedule A within the technical meaning of that term under the "parole evidence" rule.) In the absence of any other assistance, the arbitrator would have to exercise his informed judgment about their likely intentions, drawing on a close reading of the language of this and other schedules in the agreement, analysis of the implications of such a "tradesmen formula", and so on. But if, in fact, there is cogent evidence in the 1975 UBC negotiations about the precise bargain actually struck by the negotiators with respect to the problem, then it is only sensible for the arbitrator to be able to consider that evidence so as to ensure that his judgment is as accurate as possible. Otherwise, one can be very sure that in future negotiations, the arbitration award will return to haunt the parties.

The Union's position before the Board is that they were prepared to marshall a considerable body of evidence about the negotiations to establish their interpretation of schedule A, but were prevented from doing so by the rulings of the arbitrator. In particular, it was prepared to examine the negotiators from both sides about their recollections of exchanges during bargaining sessions as confirmed by the handwritten notes kept by each committee. Through this material, the Union proposed to show that the entire focus of negotiations regarding UBC tradesmen rates was on the appropriate ratio with C.L.R.A. tradesmen, that the ratio they agreed to was intended to be maintained during the life of the UBC agreement even if adjustments were made to the C.L.R.A. rates, and in that regard it was common knowledge that C.L.R.A. had an inflation

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The primary issue raised by this application concerns the legal principle under which evidence of negotiations is to be considered by an arbitrator hearing a grievance under a collective agreement. We have formulated this principle of labour law as requiring the arbitrator to admit such evidence if it is offered for purposes of interpretation, as contrasted with variation, of the agreement. In light of that requirement of the Labour Code, this award must be set aside and the matter remitted to the arbitrator to receive and consider the further material offered by the Union. However, there are additional complications in the details of this case which will bring into play certain corollaries of our basic principle. We do not want to comment explicitly on the particulars of this agreement for fear of compromising the arbitrator in the judgment he will have to make about the merits of the grievance. But we do offer these further general observations about the manner in which negotiating history should be used and appraised by an

arbitrator. First - and most important - the arbitrator is looking for the mutual agreement of both parties, not the unilateral intentions of the one side. Without some reciprocal assent from the other side, the fact that one party had an intention may indicate no more than what it wished to achieve and it is questionbegging to conclude from this evidence alone that its wish has been fulfilled. For that reason, arbitrators should be very cautious in using the private documents or communications of either side. Otherwise, as counsel for the University put it, there would be an open invitation to fraud. But again, it is a mistake to erect a total, artificial barrier to the admission of any such evidence. Written material, prepared at the time, and especially if available to the other side, can be cogent items in a total body of circumstantial evidence. Sometimes it may be decisive. For example, bulletins which explain the memorandum of agreement to the principals for ratification are private documents and could easily be self-serving. But suppose the bulletins prepared at the time by both parties explain in precise and similar terms a contract term which is ambiguously worded in the formal agreement. If a dispute about the proper interpretation arises later on (perhaps because one of the personalities has been replaced), it makes no sense at all to have a rule which absolutely excludes any such "private" documents, and leaves the arbitrator guessing at the proper meaning of the provision in question.

Finally, we do not want to convey an impression at the opposite extreme from the old common law: that labour arbitrators should forget the actual language of the collective agreement in their concentration on a mass of extrinsic material. Indeed, the selection of the wording in the formal agreement may be the most revealing element of the negotiation history itself. Many times the parties are vague about the particular implications of a provision they are bargaining about because of their natural focus on the larger principle posed by the issue. The settlement of that issue is initially contained in a sketchily-worded memorandum

SME SME of agreement, which may have been put together late at night when a considerable number of outstanding items fell into place. If the parties meet at their leisure some time later and draft more precise wording for their formal agreement, an arbitrator may legitimately rely more strongly on that language in dealing with the fine points which emerge in the later administration of the new

provisions. But before making that assumption, the arbitrator should be aware of the circumstances in which the formal document was actually prepared. It is not unheard of for the parties to concentrate their attention simply on the memorandum of agreement which contains the gist of the settlement of their negotiations. Someone is delegated the task of taking the new contract terms, incorporating them in the larger collective agreement, and having a large number of copies prepared for formal signature. That assignment may not be completed for some time. In the interim, a new collective agreement is in full force and effect, consisting of the old contract language as modified by the new memorandum of agreement (see International Brotherhood of Electrical Workers, Local 213 and John Inglis Co. Ltd., [1974] 1 Canadian LRBR 481). When the new formal document is finally presented for signature, it may receive a somewhat cursory inspection by those who actually negotiated the agreement. If, in fact, this was the procedure, it is quite unrealistic for an arbitrator to place great reliance on the particular words or syntax of the new provision — phrasing which may have been selected by accident — to reach an interpretation which is entirely at odds with the essential principle of that provision as agreed to by the negotiators and conveyed to their principals when they ratified the actual agreement.

VERNON FRUIT UNION AND B.C. INTERIOR FRUIT & VEGETABLE WORKERS UNION, LOCAL 1572 AND OKANAGAN FEDERATED SHIPPERS ASSOCIATION.

Before: P.C. Weiler, Chairman. British Columbia, September 15, 1976. Decision No. 55/76.

Arbitration — Rectification of collective agreement.

The union applied under s. 96 of the Code to have the employer pay the rate as stated in the collective agreement for a certain job classification. The employer said the rate inserted in the agreement was inserted in error and did not reflect the agreement of the parties and asked for rectification of the agreement.

The Board decided that it had jurisdiction to order rectification of a collective agreement, but that the instant case was not appropriate for this remedy. Section 98 and part VI give an arbitration board all the authority necessary to provide a final and conclusive settlement and the Board has concomitant power under s. 96(1)(f). The Board rejected the argument that rectification should only be exercised by the courts because of supposed difficulties arbitrators would have with the doctrine of rectification.

Rectification was held not to be appropriate in this case because the remedy does not permit an arbitrator to vary the actual agreement between the parties, even in order to bring the agreement into line with the mutual intentions and expectations of the negotiators. Instead, it simply allows for the correction of the document in which the agreement is expressed, so as to ensure that the document accurately reflects the precise agreement which in fact was reached by the negotiators and ratified by their principals. The Board

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