
2006 BUDGET BRIEFING NOTE - Employee & Labour Relations Budget – Legal Costs

Background:

Human Resources was asked to explain the use of external legal services rather than utilizing the complement of internal legal staff. Human Resources was also requested to analyze expenditures related to both external legal and arbitration/mediation services to determine what costs were of a corporate nature and what costs were related to individual divisional issues.

In addition, Legal Services was requested to identify which of the current cases handled by outside counsel could be handled by staff in its Employment Law Section. As both matters are related, the responses have been combined into one response.

Retention of External Legal Services

There are several outstanding issues that external legal firms have carriage over. It would not be efficient to transfer the workload internally due to the amount of work already completed and the history and familiarity with the issues that these firms have established.

The Legal Services Division has a compliment of 12 Employment Law solicitors. These solicitors docketed a total of 19,413 hours in 2004. With matters such as harmonization, job evaluation and other large corporate employment issues currently requiring extensive legal review and advice, the division does not have the additional capacity to handle the full influx of demand.

Certain matters, typically those involving matters related to senior staff or staff within the Legal Services division itself are handled by external counsel to eliminate any conflicts or appearance of conflicts as these matters are dealt with.

Analysis of Expenditures

The year to date costs in Human Resources related to external legal and arbitrations/mediations at the time of this briefing note were \$751.1k: \$231.4k related to external legal counsel and \$519.7k related to arbitrations and mediations.

In analyzing the source documents, staff had categorized the matters into the following categories: Corporate Issues, Divisional Issues and Potential Conflict. The category of Potential Conflict was used to describe cases where the employee(s) involved were also staff of Legal Services, or where the case involved Senior Management and was highly sensitive in nature due to the reporting relationships that existed at that time.

A review of the invoices processed year to date shows the following split between corporate issues, divisional issues and those with a potential conflict charged to Human Resources:

Category	Legal Services		Arbitrations		Total	
Corporate Issues	\$147.8K	20%	\$239.1K	32%	\$386.9K	52%
Divisional Issues	\$61.5K	8%	\$264.9K	35%	\$326.4K	43%
Potential Conflict	\$22.1k	3%	\$15.7k	2%	\$37.8k	5%
Total	\$231.4k	31%	\$519.7k	69%	\$751.1	

It is expected that the cost of external legal counsel will be approximately \$320k at year end, while arbitrations will cost in the area of \$600k. Arbitration costs are expected to remain in the \$450k range for 2006.

Currently, the Human Resources Division has a budget of \$397k to cover the cost of arbitrations. There is not a separate budget for external counsel. These overages are covered by deferring other activities and expenditures within the division.

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