



Submission by

**Merit Canada**

to the

**House of Commons Standing Committee on Finance**

regarding

**Bill C-377, *An Act to amend the Income Tax Act***  
***(requirements for labour organizations)***

**Wednesday, November 7, 2012**

## **Submission to the House of Commons Standing Committee on Finance**

### **Regarding Bill C-377, An Act to Amend the Income Tax Act (requirements for labour organizations)**

#### **About Merit Canada**

Merit Canada is the national voice of Canada's eight provincial Open Shop construction associations. Open Shop companies and workers build more than 70% of the industrial, commercial/institutional, and residential construction projects coast-to-coast. As of June 2011, the Canadian construction sector employed 1.26 million Canadians with 900,000 working in the “open shop” sector. This represents almost 8.6% of Canada’s total labour force, and 33% of the goods-manufacturing sector labour force.

#### **Introduction**

We live in an era of unprecedented financial transparency. Governments and public institutions have made great strides in making themselves more open and accountable. The general public has come to expect financial transparency for all entities that benefit from the public trust, whether businesses, governments, charities, and so on.

Unions and other labour organizations in Canada benefit enormously from the public trust, whether through the mandatory contributions of workers in unionized workplaces, through tax breaks on union dues that are worth \$400 million annually, or through privileged access to public tendering in many jurisdictions.

Bill C-377 will extend the transparency requirements that fall on other entities that benefit from the public trust to labour organizations. This is not an unreasonable proposition when you consider that unions in Canada collect \$4.5 billion annually in mandatory dues, with some of that money directed to initiatives well beyond collective bargaining, such as support for political and social causes and broader attempts to influence the public agenda.

It is important to clarify that Bill C-377 does not touch the financing model of labour organizations, which will continue to rely upon the contributions that both types of unionized employees must make to keep their jobs. These two groups are unionized employees who are actual union members and those who are non-members. Nor does Bill C-377 dictate how union leaders can spend the funds collected from rank-and-file dues payers. Instead, the Bill seeks to shed a light on union finances and expenditures so unionized Canadians – both current and potential – can assess whether their leaders are operating in their best interests and whether the generous public benefits they receive are warranted.

The general public also has a right to see such information by virtue of the public trust inferred on unions, which stems from their guaranteed funding model of forced contributions from workers and privileged access to public tenders in many jurisdictions across Canada. If union

leaders want to use the funds generated from the public trust to affect social and political change – and many have very clearly stated intentions to do so – then the general public has a right to know how those funds are used. Indeed in commenting on the merger of the Communications, Energy and Paperworkers Union (CEP) and the Canadian Auto Workers and its planned political engagement, CEP president Dave Coles asked “Can you imagine what it will mean to the CEP, the CAW when we’re the first unionized party that governs a country?” With such an overtly political aim, the public has a right to know how union leaders spend the billions they collect and spend annually to influence the social and political climate.

### **Bill C-377: The Case for Transparency**

Currently, the federal government does not require labour organizations to disclose financial information. However, Canadians have been clear that they overwhelmingly support transparency and accountability. According to a recent poll, 83% of Canadians support greater transparency for labour organizations, including 86% of union members. It is ironic that labour leaders oppose what 86% of the people who pay them support. However, the strong support of union members for increased disclosure should not come as a surprise since they are no doubt very curious how their leaders are spending their union dues.

There have been numerous examples recently of questionable spending decisions by union bosses on various pet political causes that their forced funders do not necessarily support, such as the Quebec student protests or anti-oil sands and pipeline initiatives. Union members and non-members who have to pay dues are no doubt frustrated when they only find out some of the things that their dues are paying for through media reports, and then only after the fact. In some cases, such as oil sands and pipeline projects, major Canadian unions are actually opposing projects that employ their very own members.

More broadly, should tax sheltered money be used to support such initiatives? This foregone revenue leads to either higher taxes or larger deficits for the rest of Canadian taxpayers. In order for Canadians to make a judgement on whether this tax status is warranted, transparency is required.

To clear up any misinformation spread by labour leaders, it is worth reviewing the requirements of Bill C-377. Some of the main myths spread by union leaders are listed as Appendix A. In reality, the bill would simply require labour organizations to report annually:

- their financial statements;
- salaries paid to officers and employees;
- certain information about expenditures over \$5000;
- percentage of time spent on lobbying and political activities.

The provisions of Bill C-377 are hardly onerous for unions. In fact, labour leaders have testified that they already require this information to be provided to members upon request. Therefore, it should be easy to file annually and make it available to a wider audience.

Likewise, much of the information that Bill C-377 requires labour organizations to disclose is information they collect anyway. For example, surely their financial statements must be prepared annually already. The pay information for union employees is already calculated for employee tax purposes each year. And any organization with proper financial controls should also be tracking all expenditures with standard accounting practices.

Furthermore, if the union is involved in political activities not related to collective bargaining, federal, provincial and some municipal lobbying rules generally require that they should be reporting many of these activities already.

It is important to note that Canada's labour leaders have not even offered to provide some of this information. While Merit Canada is willing to consider amendments to Bill C-377 that would address some of the privacy concerns that have been raised, union leaders reject everything in the legislation.

This is an untenable position given the forced contributions from workers, the tax breaks on union dues and all union revenue, and the privileged access to public tenders in many parts of the country. Union leaders want to benefit from the public trust, but they do not want to earn the public trust by being open and transparent with their financing and their support of political and social causes.

Some call the need for this type of transparency an attack on unions. Nothing could be further from the truth. Bill C-377 seeks to protect the public trust that unions enjoy. It should assist unions in their efforts since unionized Canadians will finally learn how the leadership is spending dues. Likewise, since unions receive significant tax benefits, taxpayers will have greater confidence in labour organizations if this type of information is disclosed.

Union leaders should be embracing Bill C-377 since it ensures accountability to unionized Canadians and the general public. In opposing it so vigorously, union leaders seem like they have something to hide.

### **Support for Transparency**

Calling for transparency is hardly a novel idea and this is not the first time it has been presented. In fact, Prime Minister Trudeau's Task Force on Labour Relations recommended action as part of its proposed union members' bill of rights, modelled on U.S. legislation at the time. As John Crispo, Professor of Industrial Relations and Political Economy at the University of Toronto and a member of the Task Force said afterwards, "Few unions have anything to fear from such a bill

and those that do are doing far more harm than good to the rest of organized labor” (Toronto Star, August 22, 1986). Unfortunately, the recommendation was not acted upon.

Canadians are strong supporters of transparency and accountability. That is why we require federal, provincial and municipal governments, government agencies, boards, Crown corporations, First Nations bands, charities, foundations, political candidates and MP, Senator and MLA offices to publicly disclose spending. It is only fair and reasonable that labour unions meet the same standards.

Bill C-377 extends disclosure requirements to unions that already fall upon other organizations that benefit from the public trust. For example, political candidates have to report how they spend every penny, disclose their donors and be open and transparent with voters, posting various details on websites. Political parties have to provide annual audited reports to Elections Canada on how they are spending and raising money, which Elections Canada posts online for everyone to see – including the names of individual donors starting at \$200.

The federal government is not exempt from transparency and has recently taken steps to foster greater openness and accountability with taxpayers. Canada’s Action Plan on Open Government aspires to proactively provide Canadians with data and information and make it more accessible.

Charities, since they benefit from special tax treatment, are also required to provide information to Canadians, disclosing what they spend on various things like advertising, office expenses and political activities and providing the salary information for their highest paid employees. This information is posted online by the Canada Revenue Agency for all Canadians to examine. Such disclosure has only served to increase the confidence of Canadians who donate their time and money to important charitable causes, since they get to see how their money is being spent. Labour organizations have no such requirements (see next section).

As mentioned, Canadians – including unionized Canadians – support the goals of Bill C-377. An August 2011 Nanos poll found that 83% of Canadians favour greater transparency for unions. Moreover, 86% of unionized workers share this view. That survey data suggests there is a major disconnect between union leaders and unionized Canadians and should be all the evidence needed to endorse the Bill.

### **Why Labour Organizations Are Different**

Some big labour leaders have argued that the transparency requirements in Bill C-377 are greater than those for other entities that receive tax benefits, such as charities. On that issue they are exactly right. However, the privileged position of unions is dramatically different than that of charities and they currently have no public reporting requirements. The proposed disclosure requirements for unions are more detailed for three primary reasons.

First and foremost, there is the simple fact that people make donations to charities voluntarily, whereas union dues are a mandatory contribution for workers in unionized workplaces – including the 290,000 Canadians who have to pay union dues even though they are not members of a union.

Second, Canadians receive virtually no information about how labour organizations spend money, despite the significant tax benefits they receive - over \$400 million every year. It is important for Canadians to know how their tax dollars are being used to influence public policy.

Finally, many unions benefit from closed tendering, an unfortunate reality in many jurisdictions across Canada that allows only certain companies, with agreements with pre-selected unions, to get all the contracts. Non-union construction companies or companies with unionized employees of the wrong union, are not even allowed to bid. Cities like Toronto, Hamilton, London, Oshawa, Sault Ste. Marie, Thunder Bay, New Westminster, Burnaby and others have all put in place special rules of one form or another that restrict open bidding. Similarly, provincial agencies, like Ontario's Hydro One and Ontario Power Generation and even the Greater Essex County District and Toronto District School Boards have rules in place that restrict open bidding.

At this point it is important to remind Members that unions collect \$4.5 billion annually in mandatory dues from members – hardly an insignificant amount of money – yet this money essentially goes into a black hole to be used for whatever purpose union leaders decide. Forced contributions, generous tax benefits with no restrictions on political activity, and privileged access to public contracts place a duty of openness and transparency on unions – not just to their members, but to the general public as well.

The section above outlined some of the requirements for charities, but those also include significant legislative restrictions that address, among other things, the types of property a charity may own, the amount of money a charity must spend annually on charitable activities and purposes, and restrictions on political activities. The only requirement imposed on labour organizations under the *Income Tax Act* is that they must be a “labour organization or society or a benevolent or fraternal benefit society or order.”

In addition, other organizations, entities and individuals are required to keep extensive books and records, whereas the only requirement for unions is to adhere to the definition above and to collect dues to “promote the improvement of the members’ conditions of employment or work.” Individual taxpayers have more record keeping requirements than labour unions.

Finally, union leaders have complained about the need to report specific expenditures of \$5,000 or more, rather than aggregate data. In other words, some union leaders suggest they should be allowed to report \$1 million in funding for “social causes” without detailing those causes. Amending the legislation in such a manner would make it meaningless and effectively legitimize

slush funds for union leaders to support pet political or social causes without any accountability to the public.

### **International Comparisons: Canada is Falling Behind on Union Transparency**

In opposing Bill C-377, union leaders suggest that Canada is proposing some radical new terrain for union disclosure. In reality, Canada is simply catching up with the rest of the developed world.

Australia, New Zealand, Germany, France, Ireland, the United Kingdom and the United States all have some form of financial disclosure requirements that surpass what exists in Canada. In fact, legislation in the U.S. has been in place since 1959. Current U.S. legislation not only requires in-depth financial disclosure, but information on bylaws, voting practices and disciplining or suspending of union officers. Furthermore, Australia's Labour Prime Minister, Julia Gillard, has announced that country plans to go even further in strengthening its disclosure regime for unions in the wake of recent revelations of abuse and misuse of union funds.

Canada is falling further and further behind. See Appendix B for a comparison of disclosure requirements in other jurisdictions.

The record from other jurisdictions has shown the importance of such disclosure requirements for unionized workers and those forced to pay union dues. Unfortunately, money has not only been spent on questionable pet political causes that members do not support, but there have also been countless examples of misspending, corruption and fraud. A partial list of examples from other jurisdictions is attached as Appendix C.

In each case the victims are dues payers and the general public, and they deserve the benefits of transparency in this country as well.

### **Conclusion**

Merit Canada and its members believe very strongly that there is a real need for this type of legislation and we urge committee members to support the principles behind Bill C-377. In fact, Canada has fallen behind other countries in providing openness and transparency for labour organizations. The U.S. has had such requirements in place for decades and other countries, such as Australia, that already have more stringent requirements than Canada are promising to go even further. We believe all members of this Committee can support the intent of this legislation in order to increase openness and transparency for union members and all Canadians. Failure to pass Bill C-377 will severely undermine the public trust unions enjoy and benefit from.

## **Appendix A: Myths vs. Facts on Bill C-377**

### ***Unions are not like other public entities.***

- MYTH: Opponents of Bill C-377 claim that unions are private organizations and should not have to disclose anything to non-members.
- FACTS: Unions are not a private clubs. They are a compulsory club that workers are forced to pay dues to as a condition of employment.
- Charities, political parties and candidates, federal, provincial and municipal governments, Crown corporations, universities and colleges, school boards and more all have to provide public disclosure in one form or another. Given the tax benefits and other privileges that governments provide to labour, why should unions not have to meet the same standard?

### ***The costs of compliance are too high.***

- MYTH: Some opponents of Bill C-377 claim that the costs of providing transparency are too high.
- FACTS: The information that would be required under Bill C-377 should already be easily available to labour organizations in annual accounting reports.
- In fact, several labour leaders have said they already produce this information and that it is available upon request to anyone who asks.
- Furthermore, when the United States government moved to increase disclosure requirements a decade ago, many labour organizations there claimed the costs of providing the information would be astronomical. Ten years later, the evidence is clear and the exaggerated claims of huge costs were completely wrong. For example, an AFL-CIO prediction that the organization would have to spend more than \$1 million to comply with the updated disclosure requirements overstated the cost by a factor of 20 ([http://www.bestthinking.com/articles/politics\\_government/legislation/public-sector-union-transparency](http://www.bestthinking.com/articles/politics_government/legislation/public-sector-union-transparency))

### ***Unions already provide the information to their members.***

- MYTH: Some opponents of Bill C-377 claim that unions are already providing the information to their members and no one else has any right to see it.
- FACTS: In many cases, union members themselves have made it clear that they have asked for the information but the union executives will not provide it.
- Also, 290,000 Canadians who are not even members of a union are still required to pay dues to the union. Don't they deserve to know how their money is being spent too?
- According to a Nanos poll, 86% of unionized workers support more transparency requirements for unions and their leaders.

***Bill C-377 will not respect privacy.***

- MYTH: Opponents of Bill C-377 claim it will violate privacy for unions to have to disclose financial information.
- FACTS: Charities, political candidates, public servants and others all face similar disclosure requirements. Even average citizens, such as anyone who donates more than \$200 to a political party or candidate in a year, can have their name and partial mailing address posted on the Elections Canada website. Why would the same standard of disclosure not work for labour organizations?
- In addition, Merit Canada strongly supports the privacy rights of Canadians and if amendments are required to strengthen appropriate privacy related measures in Bill C-377, we would certainly support them.

## **Appendix B - International Comparisons**

### **United States**

Annual Financial Reports - Unions must file one of three types of annual financial reports based on the total annual receipts of the union. The annual financial reports vary in the level of detail which must be reported and must be filed within 90 days after the end of the labor organization's fiscal year.

- **Form LM-2** is the most detailed report. Unions with total annual receipts of \$250,000 or more and subordinate labor organizations held in trusteeship file this report, which discloses certain information items and financial activities in separate line items under assets, liabilities, receipts, and disbursements. Supporting schedules detail loans, investments, payments to officers and employees, and other items. Form LM-2 reports submitted by large labor organizations often contain numerous attachments and may be very lengthy.
- **Form LM-3**, a less-detailed report, may be filed by unions with total annual receipts of less than \$250,000 (if not in trusteeship). It requires the reporting of certain information items, has fewer financial items than the Form LM-2, and has no supporting schedules.
- **Form LM-4**, an abbreviated two-page report, may be filed by unions with annual financial receipts of less than \$10,000 (if not in trusteeship). It requires the reporting of a limited number of information items and only five financial details.

(<http://www.dol.gov/olms/regs/compliance/rrlo/pubdiscl.htm>)

U.S. legislation not only requires in-depth financial disclosure, but information on bylaws, voting practices and disciplining or suspending of union officers.

### **Australia**

Annual financial reports: The *Fair Work (Registered Organisations) Act 2009* (RO Act) requires reporting units of organisations to prepare financial reports. The financial reports are to be audited, provided to members, presented to a meeting and lodged with FWA within certain time-lines. ([http://www.fwa.gov.au/documents/organisations/factsheets/RO\\_factsheet\\_8.pdf](http://www.fwa.gov.au/documents/organisations/factsheets/RO_factsheet_8.pdf))

Prime Minister Gillard has also committed to expanding the Australian disclosure system even further (<http://www.theaustralian.com.au/national-affairs/industrial-relations/gillard-disgusted-with-hsu-scandal/story-fn59noo3-1226356730796>, May 16, 2012)

## **United Kingdom**

Annual financial reports reports: In the United Kingdom, labour unions have to compile annual returns – Form AR21 – which are logged on the Certification Officer website:

[www.certoffice.org](http://www.certoffice.org)

The Trade Union Reform and Employment Rights Act 1993 requires trade unions to provide their members with an Annual Statement containing financial information summarised from the Annual Return (AR21) to the Certification Officer for Trade Unions

(<http://www.voicetheunion.org.uk/index.cfm?cid=163>)

## **France**

All unions are required to provide public financial statements:

Modifié par Ordonnance n°2009-79 du 22 janvier 2009 - art. 6 (V)

Les syndicats professionnels de salariés ou d'employeurs, leurs unions et les associations de salariés ou d'employeurs mentionnés à l'article L. 2135-1 tenus d'établir des comptes assurent la publicité de leurs comptes dans des conditions déterminées par décret pris après avis de l'Autorité des normes comptables.

Le premier alinéa est applicable au syndicat ou à l'association qui combine les comptes des organisations mentionnées à l'article L. 2135-3. Ces organisations sont alors dispensées de l'obligation de publicité.

(<http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000019347122>)

## **New Zealand**

Annual returns:

(1) A general statement of the receipts, funds, effects, and expenditure of every trade union registered under this Act shall be transmitted to the Registrar before the 1st day of June in every year, and shall show fully the assets and liabilities at the date, and the receipts and expenditure of the trade union during the year preceding the date, to which it is made out.

(2) Such statement shall show separately the expenditure in respect of the several objects of the trade union, and shall be prepared and made out up to such date, in such form, and shall comprise such particulars as the Registrar from time to time requires.

(<http://www.legislation.govt.nz/act/public/1908/0196/latest/DLM175754.html>)

## **Appendix C: Results of Union Disclosure Rules in Other Jurisdictions**

### **Australia**

- A Fair Work Australia report revealed that MP Craig Thomson had spent \$500,000 of Health Services Union members' money, including on prostitutes, cash withdrawals and his election to parliament. (<http://www.theaustralian.com.au/national-affairs/industrial-relations/gillard-disgusted-with-hsu-scandal/story-fn59noo3-1226356730796>, May 16, 2012)
- New South Wales police are stepping up investigations into the disgraced Health Services Union (HSU) after being handed a damning report on its East branch. The report, prepared by Ian Temby QC and accountant Dennis Robertson, found more than \$20 million of questionable payments were made to suppliers without any form of tendering or contract. The report, which was leaked last week, also shed further light on extravagant salaries, excessive credit card claims, nepotism and poor governance (<http://www.businessspectator.com.au/bs.nsf/Article/NSW-police-step-up-HSU-investigation-WRVLM?opendocument&src=rss>, August 2, 2012). The report disclosed that Michael Williamson, who had run the HSU for 15 years, was on a salary of almost \$400,000 while his family and friends were among the highest paid officials of the union. Millions of dollars from union funds were also paid to Mr Williamson's personal architect. (Sydney Morning Herald, July 24, 2012, <http://www.smh.com.au/opinion/political-news/dirty-business-health-workers-furious-at-union-bosses-creaming-off-cash-20120724-22mn2.html#ixzz21als24qw>)

### **United States**

Between 2001 and 2008 there were 900 convictions following the exposure of fraud and abuse of union funds by union officials and court orders of restitution of more than \$91.5 million (Office of Labor-Management Standards Press Release, October 21, 2008, <http://www.dol.gov/opa/media/press/esa/archive/esa20081483.htm>)

- The former leader of a union representing Border Patrol agents was indicted by a federal grand jury Thursday on charges of diverting hundreds of thousands of dollars in union funds for personal use. Terence J. Bonner, president of the National Border Patrol Council for 22 years until his retirement last year, is accused of submitting expense vouchers for meals, car rentals, luggage, books and other union-related activities when he was traveling for personal reasons. The false claims cover periods when he was visiting his mistress in Chicago, his family, hockey games and other sporting events unrelated to the union, the indictment says. He allegedly sought wages for time when he was downloading pornography at home on hard drives paid for by the union. (Associated Press, August 17, 2012)

- Tyrone Freeman of the Service Employees International Union was indicted on federal charges of stealing from workers to enrich himself — even billing the union for costs from his Hawaiian wedding. The 15-count indictment, which also contains allegations that he violated tax laws and gave false information to a mortgage lender, carries combined maximum prison sentences of more than 200 years. The charges resulted from a nearly four-year investigation by the U.S. Department of Labor, FBI and Internal Revenue Service that grew out of a series of Times reports on Freeman's financial dealings as president of SEIU Local 6434. The ensuing scandal cost Freeman his job and spread through the SEIU, leading to the ouster of several other California officials as well as the president of the union's biggest Michigan local. Citing records and interviews, The Times reported that Freeman funneled hundreds of thousands of dollars of his union members' hard-earned dues, and money from a related charity, to his relatives. He also spent lavish sums on a Four Seasons Resort golf tournament, expensive restaurants and a Beverly Hills cigar club. Still pending in state court is a civil lawsuit the union filed against Freeman and Planells over more than \$1.1 million they allegedly pilfered. The suit contends that the money financed Freeman's lifestyle of \$175 glasses of cognac, \$250 bottles of wine and a \$3,400 trip to the NFL Pro Bowl. (Los Angeles Times, August 1, 2012, <http://www.latimes.com/news/local/la-me-seiu-indictment-20120801,0,2937780,print.story>)
- Former Broward Teachers Union president Pat Santeramo is accused of stealing about \$300,000 of union funds through kickbacks from a contractor, sick and vacation pay obtained through a forged document, and personal use of BTU credit cards. In more than 30 instances from 2006 to 2011, a contractor supplied inflated invoices to the union to change light bulbs, kill ants, dye Santeramo's office carpet, fix toilets and other maintenance work at BTU's headquarters, according to court documents. When the union paid the bills, he gave Santeramo cash in amounts of \$1,000 to \$20,000, for a total of \$165,500, an affidavit states. (Fort Lauderdale Sun-Sentinel, July 10, 2012, <http://www.sun-sentinel.com/news/broward/fort-lauderdale/fl-pat-santeramo-corruption-charges-20120710,0,2468045.story>)
- Bill Adrian, business manager and secretary treasurer for Plumbers and Pipefitters Local 101, was sentenced to a year in federal prison and ordered to pay \$102,572 in restitution for using a union- issued credit card for personal expenses. (Belleville News-Democrat, September 10, 2012)
- On March 30, 2009, in the United States District Court for the Northern District of West Virginia, Steven Snyder, former Financial Secretary of Steelworkers Local 5724 (located in Clarington, Ohio), was sentenced to five months incarceration after pleading guilty to embezzling \$78,893.47 in union strike fund benefits. Also, Snyder was sentenced to an additional five months home confinement with electronic monitoring as part of three years supervised release. The sentencing follows a joint investigation by the OLMS Cleveland District Office and the FBI. ([http://www.dol.gov/olms/regs/compliance/enforce\\_2009.htm](http://www.dol.gov/olms/regs/compliance/enforce_2009.htm))
- On November 20, 2002, in United States District Court for the Southern District of Iowa, Joleen Coughlon, former secretary, and Clyde Starkey, former member, were indicted for their roles in a conspiracy to embezzle the funds of Laborers Local 177 in Des Moines, Iowa. The indictment details separate activities whereby the two participated in embezzlement schemes with the previously indicted local president, Fred Risius. Starkey

is charged with receiving and cashing \$28,905 in union checks to which he had no legitimate claim and returning a portion of the proceeds to Risius. The indictment alleges that Coughlon accepted gifts paid for by the union by issuing fictitious payee checks to Risius from the local strike fund. Coughlon is also charged with the unauthorized receipt of strike fund checks and the falsification of related records. The charges were brought following an investigation by the OLMS St. Louis District Office.

([http://www.dol.gov/olms/regs/compliance/criminal\\_enforce/criminal\\_actions\\_2002.htm](http://www.dol.gov/olms/regs/compliance/criminal_enforce/criminal_actions_2002.htm))

- On January 19, 2012, Ronald Witt, former business manager of International Union of Operating Engineers Local 450, pleaded guilty in U.S. District Court for the Southern District of Texas to one count of conspiracy from the Houston-based local. Witt and his wife, Anita, had been arrested last July on charges of embezzling more than \$150,000 from the local's general and job training funds, and forging financial records to conceal the thefts. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=4>)
- On February 21, 2012, Neil Cardoso, former president of American Postal Workers Union Local 1241, was indicted in New York State Court, New York County, with grand larceny for using a union ATM card to make unauthorized withdrawals totaling about \$75,000. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=1>)
- On February 29, 2012, Paul Morales, former treasurer of United Transportation Union Local 1477, was charged in U.S. District Court for the Eastern District of Michigan with one count of willfully failing to properly maintain union records in relation to unauthorized cash withdrawals totaling \$22,829.39. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update>)
- On February 14, 2012, Guy Masocco, former president of United Steelworkers of America Local 897, was sentenced in U.S. District Court for the Western District of New York to 10 months of home confinement and three years of probation for embezzling from the Cheektowaga, N.Y. (near Buffalo) union, which represents workers at ITT Heat Transfer Inc. He also was ordered to pay \$31,701 in restitution. Prosecutors had charged Masocco during December 2004-November 2009 used his union credit card to pay for unauthorized personal expenses. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=2>)
- On February 17, 2012, Robert Carr, former financial secretary-treasurer-business manager of United Association of Plumbers and Pipefitters Local 228, along with his wife, Theresa Ann Carr, pleaded guilty in U.S. District Court for the Eastern District of California to embezzling funds from the Yuba City, Calif. union. They agreed to pay a combined \$120,000 and asked the court for respective sentences of 30 months and three months. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=2>)
- On February 15, 2012, John McNamee, Jr., formerly president and secretary-treasurer of Stage and Picture Operators Local 829, an affiliate of the International Alliance of

Theatrical Stage Employees (IATSE), [was indicted in Manhattan federal court](#) on charges of embezzling nearly a quarter-million dollars from the New York City union and filing false financial reports. The following day, on February 16, he was arrested and arraigned. The union is also on the hot seat in a much more expensive way. On March 14, the U.S. Department of Labor (DOL) filed suit against the trustees of the local pension plan, alleging they had conducted more than \$3 million worth of illegal transactions since 2006 and had failed to perform due diligence in managing another \$11 million in assets. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=20>)

- On February 23, 2012, Jose Caraballo-Figueroa, formerly president of Sindicato Obreros Unidos del Sur, or SOUS, was sentenced in U.S. District Court for the District of Puerto Rico to 21 months in prison and one year of supervised release for embezzling an estimated \$450,000 in funds from the Salinas, P.R. union. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update>)
- Laura Dixon, formerly office secretary for the Ohio and Vicinity Regional Council of Carpenters, was charged in U.S. District Court for the Northern District of Ohio on February 23 with embezzling anywhere from \$70,000 to around \$170,000 from the Toledo, Ohio-based labor organization. Her lawyer claimed her thefts were motivated by concern for union members. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=3>)
- On January 23, 2012, Tracy Ford, former secretary-treasurer of International Association of Machinists Lodge 1528, was sentenced in U.S. District Court for the Eastern District of California to five years of probation, including 10 months of home detention, for embezzling nearly \$175,000 in funds from the Modesto-based union. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=4>)
- On January 13, 2012, Jennine Prince, former bookkeeper/office secretary for International Association of Iron Workers Local 3, was sentenced in U.S. District Court for the Western District of Pennsylvania to two years of imprisonment, followed by three years of supervised release, for embezzling \$418,070.96 from the Pittsburgh-based union. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=5>)
- On January 10, 2012, Natasha Bever, former treasurer of Communications Workers of America Local 4202, was indicted in U.S. District Court for the Central District of Illinois on one count of issuing unauthorized payroll checks to herself in the amount of \$117,378. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=6>)
- On December 14, 2011, Rodney Richerson, former financial secretary of Glass, Molders, Pottery, Plastics and Allied Workers International Workers Local 238, pleaded guilty in U.S. District Court for the Southern District of Indiana to embezzling \$100,195 from the

Kokomo union. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=7>)

- Graven Townsend, formerly secretary-treasurer of United Steelworkers of America Local 462, pleaded guilty on December 21, 2011 in U.S. District Court for the Middle District of Alabama to embezzling nearly \$100,000 in funds from the Prattville, Ala. (near Montgomery) union. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=8>)
- Kenneth Aurecchia, who among other things, had been a regional vice president for the United Association of Plumbers and Pipefitters, **pleaded guilty** in U.S. District Court for the District of Rhode Island to acts of wire fraud and tax evasion totaling about \$125,000 over a four-year period. He had been charged last December 1. Most of the take came from fraudulent claims for travel and other costs related to union business. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=8>)
- Kevin Clor, formerly general counsel for New York State Thruway Employees Local 72, **was indicted in Manhattan state court** on January 25, 2012 on charges of embezzling more than \$211,000 from the Teamsters-affiliated union, which represents some 2,500 toll collectors and other Thruway employees. Working out of his Buffalo home office, the defendant allegedly used his position to generate phony receipts enabling him to receive funds from two separate union accounts. (<http://nlpc.org/union-corruption-update?q=category/project-name/union-corruption-update&page=10>)

## **France:**

- The national and regional leadership of the moderate French trade union federation, the CFDT, took the unusual step of repudiating its SeaFrance branch, the CFDT Maritime Nord. The union federation published a letter in which it threatened to exclude local leaders if "the suspicions of obscure and fraudulent practices" were true. These "obscure practices" are said to have included the assumption of hiring rights at SeaFrance by local union leaders who gave preference to family and friends. Unqualified members of a local amateur football team, AS Marck, are reported to have been employed aboard the ferries. The president and coach of the team were senior officials of CFDT Maritime Nord. A criminal investigation was launched last year into suspected systematic fraud aboard SeaFrance ships, including the theft of up to €5m a year in alcohol, perfume and cigarettes. There have been anonymous threats of violence to dissident union members, leaders of other unions and local journalists. (<http://www.independent.co.uk/news/world/europe/french-ferry-firm-floundering-amid-allegations-of-fraud-and-political-meddling-6287017.html>, January 9, 2012)