

President's letter to students

Dear Students of UNB and St. Thomas University:

Now that the operations of the Student Union Building have been somewhat stabilized, I feel the time has come to explain the circumstances leading up to and reasons for the establishment of the SUB Board of Trustees on September 28. I apologize for the length of this letter, but the issues involved are complex and cannot easily be summarized.

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Before I speak to the present situation, I would like to look first at the past relationship between the University administration and students in financing and operating the SUB. As early as 1962, students began to recognize the need for an expanded facility to house student activities and government. In 1964, students at UNB, St. Thomas University and the N.B. Teachers College passed a referendum which increased student fees by \$10. This levy, increased to \$15 in 1968 and imposed for 15 years, was implemented to pay one half the construction and furnishing costs of the proposed SUB. When the students' mortgage was retired in 1981, students--most of them now alumni--had paid \$1 million, plus interest.

The University paid the other half of construction and furnishing costs and since the SUB's opening in 1969 the University has maintained, heated and lighted the building, expenses which for 1983-84 alone totalled over \$270,000, or about \$35 for each UNB and STU student. The University has obtained funds from the Maritime Provinces Higher Education Commission to renovate the SUB. In addition, Beaver Foods pays a percentage on its cash sales in various locations, including the SUB cafeteria and SUB vending machines, and the University in turn has rebated this money to the SUB Board of Directors for building operations. In 1983-84, this rebate amounted to just over \$29,000. Beaver Foods has also contributed \$140,000 toward the extensive improvements made to the SUB cafeteria in 1982, with an additional \$35,000 invested there this summer. Rents from the other commercial tenants go directly to the SUB Board for operations.

This unique and exemplary co-operation between students and administration has fostered, I believe, a healthy and reciprocal respect for and between both parties. Evidence of this respect can be seen in the effective manner in which, until very recently, the building has been managed.

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Because of its responsibility to maintain the building, the UNB Board of Governors retained title to the building. But even before the building opened, the Governors acknowledged the desirability of enabling students to have a major role in the operation of the building where, it was expected, so many of them would spend so much time.

An arrangement was worked out between the Board of Governors and the student government of the time to establish a SUB Board of Directors, composed of nine students and two Board of Governors representatives. The Board of Governors delegated authority to the SUB Board of Directors to operate the building on a day-to-day basis and empowered it to bring matters of policy and finance to the Board of Governors for final approval.

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As you are no doubt aware, I work very closely with the Board of Governors and its committees. Therefore, last March, when the SUB Board of Directors seemed to be having difficulty in preparing to renegotiate leases with commercial tenants, I felt it necessary to bring matters to the attention of the Board of Governors. At that time, they shared my concern about two things: first, the overlapping membership of the boards of the SUB, SUB Holdings Inc. and Campus Services Ltd.; and second, the potential conflict of interest posed by CSL's interest in operating a convenience store. The Board of Governors felt it was inappropriate for members of the SUB Board of Directors to be evaluating the leases of commercial tenants and their competitor, CSL, while at the same time also being directors of CSL.

The University values its role in the community as an educator, employer and business partner. The Board of Governors felt at that time that the University's relationship with the commercial tenants in the SUB--who depend on their establishments for their livelihood--and the University's reputation as an equitable and fair-minded business practitioner were at stake.

As a result, on March 22, the Board of Governors moved to require that all decisions pertaining to SUB commercial leases would have to be approved by its Finance Committee before implementation. They extended the commercial leases which were to expire on July 31, 1984 to July 31, 1985. And they moved to undertake a review of the operation of the SUB and the composition of the Board of Directors of the SUB and SUB Holdings.

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In the meantime, the SUB Board of Directors, then under the chairmanship of St. Thomas University student Joel Leger, hired Appraisals (Fredericton) Ltd. to assess the rents being charged commercial tenants in the building. Substantial rent increases were recommended, which caused some concern to the tenants. John Bosnitch, president of the Student Union, wrote to the University Secretary stating that should any tenant vacate because of the rental increase, "the UNB Student Union will submit a formal bid to take over the vacated space at the rental rates as assessed by the official appraiser."

While the Board of Governors accepted the Board of Directors' decision to have rents appraised and to propose bringing rents in line with other commercial properties in the city, the Board of Governors remained concerned about the conflict of interest problem in the SUB administration, deteriorating relationships with tenants who were uncertain about their futures in the building, and the Student Union's anticipation that commercial premises in the SUB would be vacated because of rent increases.

His detailed report concluded, among other things, that I should advise the SUB Board of Directors that its management was considered to be in disarray.

Robert Shaw, distinguished businessman and long-time member of the UNB Board of Governors, conducted a review of the operations of the SUB Board which was presented to the Board of Governors on August 10. His detailed report concluded, among

other things, that I should advise the SUB Board of Directors that its management was considered to be in disarray.

The Board of Governors approved Dr. Shaw's report and also agreed that the University's legal counsel should be asked to recommend action as required to protect the University from any legal actions which might be taken as a result of improper actions of the SUB Board or any of its members. Of particular concern was the sale of food items at the CSL Exchange, which contravenes Beaver Foods' current contract with the University.

The Finance Committee of Board of Governors had considered and approved the recommended rental increases which were presented by the SUB Board, urging the SUB Board to negotiate leases for longer terms than the proposed one-year period. The Governors recognized the difficulty that businesses have planning inventories and sales patterns for only one year and was optimistic the SUB Board would rethink its dealings with tenants. But, as was later demonstrated, the Directors did not.

At the August 10 meeting, the Board of Governors also approved the nominations of Mark Slipp as Acting Director of the SUB and Andre Faust as Acting Assistant Director until suitable candidates could be found for regular appointment. These nominations came directly from the SUB Board of Directors, by this time chaired by John Bosnitch. The Governors authorized me to monitor the performance of these appointees and to withdraw the University's approval if it became necessary.

The action was taken because of complaints about service standards, and a breakdown in the staffing organization required to meet bar service requirements.

Unfortunately, it became necessary, on September 18, for me to do just that. I withdrew the University's approval of Andre Faust's appointment to the position of Interim Bar Service Manager and terminated its contract with the SUB Board for the operation of liquor services on the Fredericton campus. The action was taken because of complaints about service standards, and a breakdown in the staffing organization required to meet bar service requirements. For example, it seemed doubtful at the time that a sufficient number of licensed servers would be available for the state luncheon at McConnell Hall in honor of Her Majesty Queen Elizabeth II on September 25.

Affairs with the SUB Board and its executive worsened throughout the month of September.

As a result of various incidents extending over several months, including obstruction of the University's Director of Housing and Food Services in the execution of his duties on behalf of the University, I was required on September 21 to write similar letters of warning to Mr. John Bosnitch and Mr. Clayton Burns, both of whom held positions on the SUB Board of Directors.

Since June 18, the SUB Board of Directors had continued to ignore the Vice-President (Finance and Administration)'s request to terminate the sale of snack food items by Campus Services Limited. As mentioned earlier, these sales involved a violation of the University's contract with Beaver Foods Ltd. which the Board of Governors had approved at its meeting on May 23.

On September 5, Mr. W.A. Robertson, Senior Vice-President - Operations, of Beaver Foods, wrote to Mr. J.F. O'Sullivan, Vice-President (Finance and Administration), advising formally that Beaver Foods considered these food sales to be a breach of their contract with the University and requesting "immediate attention to this matter."

On September 10, I wrote to the Chairman of the SUB Board, Mr. Bosnitch, demanding that these unauthorized food sales be terminated immediately and indicating that the University would withhold the SUB Board's share of food service commission payments made by Beaver Foods until this matter could be satisfactorily resolved.

This demand was ignored, and as far as we know, these unauthorized food sales are continuing.

Despite the approval of terms for a one-year renewal of various commercial leases in the SUB given by the Board of Governors, no such renewals were executed by the SUB Board of Directors. In addition, the SUB Board failed to consider seriously the request of the Board of Governors Finance Committee that thought be given to extending these leases for a two-year period.

And so, on September 28, I took action to appoint trustees to take over and exercise the powers and responsibilities formerly assigned to the Board of Directors of the Student Union Building and its subsidiary, SUB Holdings, Inc.

The SUB Board accepted the resignation of the Director of the SUB May 29 and dismissed the Acting Director, Mr. Mark Slipp, effective September 28. No action was taken by the SUB Board to nominate a replacement for Mr. Slipp for approval by the Board of Governors, or an acting appointment for my approval, as required by a Board of Governors' resolution of August 10.

Mr. Bosnitch took no action to confirm in writing his acceptance of Beaver Foods' conditions for renovations that the SUB Board proposed to make in the SUB cafeteria space, which Beaver Foods operates under its contract with the University. Mr. Bosnitch had discussed and promised to do this at a meeting with representatives of Beaver Foods and the Director of Housing and Food Services on August 14.

On September 26, five members of the SUB Board of Directors wrote to me, stating their feeling that the "Board is no longer functional" and asking the University "to take whatever steps it may deem necessary and prudent to protect the existing facilities, operations, and services of the Student Union Building for its users, employees, and tenants."

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I am satisfied, as is the Board of Governors, that the Board of Trustees is doing a good job. The Board of Trustees consists of the former Board of Governors representatives to the SUB Board, John Webster and Jim Born; and four students: Suzanne Currie, Larry Fox and Gordon Loane of UNB; and Joel Leger of St. Thomas University.

Much has been made of the fact this Board of Trustees was appointed by me rather than elected by the students. But the students body should consider several factors before judging this point.

First, the Board of Trustees is an interim body not intended to administer the SUB for an extended period of time. In fact, much of their work has already been completed.

Second, the Board of Trustees, like the SUB Board of Directors, has a majority of student representation on it. And those students serving as Trustees have proven records of involvement in student activities.

Finally, it is necessary to bear in mind that, at the end of September, we were facing a critical situation in the SUB. Business was not being transacted as it should have been and immediate action was required.

In its four weeks of operation, the Board of Trustees, chaired by John Webster, has accomplished a significant amount. Mr. Webster's report to the Board of Governors on October 18 included the following list of activities:

- inventorying and securing loose cash found in the director's office;
- working with the auditors Touche Ross & Co. to determine the financial position for SUB operations from June 30 to Sept. 28, 1984;
- drawing up a job description for the building director;
- appointing Kim Norris interim director of the SUB;
- recruiting, interviewing, training and scheduling a building staff;
- authorizing urgent maintenance requests;
- directing Mr. Norris to prepare a report on building security room keys, building hours and use of Campus Police;
- inventorying and evaluating the assets of SUB Holdings Ltd.

The details of the auditor's report, made public last week, confirmed the Governors' judgment that the management of the SUB was in disarray. Of particular concern to them was some \$4,000 cash lying unsecured in the directors' office, approximately \$7,000-worth of unprepared billings for bar services rendered, unapproved loans of \$6,000 made to the N.B. Federation of Youth, an escalating deficit on operations and bookkeeping procedures which demonstrated an ignorance of accounting practices.

And, sharing the Trustees' belief that a student-run store is a desirable enterprise, the Board of Governors authorized the Trustees to try to negotiate, by November 16, acceptable terms for the continued operation of the CSL Exchange.

After hearing Mr. Webster's report and the report of Touche Ross & Co. on the SUB's financial status, the Board of Governors confirmed the decision which authorized the Board of Trustees to take over the financial matters of the SUB Board of Directors and SUB Holdings. The Governors authorized the Trustees to negotiate new leases with commercial tenants. And, sharing the Trustees' belief that a student-run store is a desirable enterprise, the Board of Governors authorized the Trustees to try to negotiate, by November 16, acceptable terms for the continued operation of the CSL Exchange.

The Trustees have a number of other responsibilities. They are currently recruiting a permanent Director for the SUB, whom they expect to appoint by December 1. They are developing an annual operating budget for the building, which has not been done for some time.

And, most important, the University will very soon be calling for submissions from student organizations on the future administration of the Student Union Building.

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I commend to you the actions of the Trustees, who are working on your behalf. I urge you to participate when submissions are called. And I thank you for your continued patience, forbearance and support as we seek to ensure the effective operation of the Student Union Building.

Yours sincerely,

James Downey
President