

Message from the President of CAEAL

Russ Calow, B.Sc., CChem

October 28, 2003

Hello again from CAEAL. I would like to bring you up-to-date with some issues arising from CAEAL's October Board Meeting held in Halifax October 24th.

At the Annual General Meeting held in Ottawa in May the membership approved CAEAL's 2004/2004 budget that forecast an operational deficit of -\$76,000. I am very pleased to say that the CAEAL staff have worked very hard to whittle this deficit down to an estimated -\$38,000. In fact CAEAL would have been in a position to show a modest surplus except for three exceptional items.

The last four months have been very trying financially. CAEAL's training programs scheduled for the summer months were under-subscribed forcing many cancellations. Our training programs have been profitable in 2003/2004, but the cancellations "cost" CAEAL \$40,000 in margin. In addition, CAEAL's preparation for the implementation of Ontario's Safe Drinking Water Act (SDWA) added an extra, unbudgeted \$29,000 in operational costs. The unbudgeted costs came from; legal support required during the drafting of the CAEAL/SCC Ontario MOE agreement (\$14,000); increased insurance premiums required to increase coverage as dictated by the SDWA (\$5,000); as well as approximately \$10,000 in extra staff, travel and operational costs relating to the direct implementation of the SDWA. Finally, CAEAL was negatively impacted by the PASC's filing for bankruptcy protection under Chapter 11 in the USA. The PASC Chapter 11 filing has put in jeopardy a total of \$20,000 in CAEAL revenue.

Faced with the continued prospects of ending 2003/2004 in a deficit position the Board approved a financial recovery plan that when implemented will reduce the forecast deficit to near breakeven.

Central to this plan is continued efforts to collect on the \$20,000 debt owed by PASC. Ms. Louise Morin, CAEAL's CFO continues to work with PASC to try and recoup this bad debt. Unfortunately, recent communications with PASC and their lawyers would suggest that CAEAL would not be able to collect these monies owed. As a direct result of this unfortunate experience the Board has unanimously approved a change to CAEAL's method of invoicing for services delivered. Effective April 1st, 2004 CAEAL will not deliver any services until all

fees have been paid. This 100% pre-payment policy will affect all programs, i.e., PT, site assessment, training programs, etc.

The Board also approved a 2003 surcharge that will be levied on all member laboratories licensed to test drinking water in the Province of Ontario. This surcharge will be billed in November and will raise approximately \$29,000 in additional revenue. Recent forecasting would suggest that once the SDWA program gets fully running annual costs to CAEAL would be in the \$35,000 to \$45,000 range. The Board has approved an annual SDWA surcharge to be invoiced in November of each year to recoup these costs.

The CAEAL Board has also approved a number of minor fee changes that correct gaps in the fee structure. These fee changes will be announced shortly.

Factoring in all of the changes except for the PASC bad debt collection, CAEAL is now forecasting a deficit of -\$3,000 for 2003/2004. CAEAL staff is working diligently to try and find more cost savings and new revenue in order to end the year in a slight positive financial position.

Ms. Louise Morin and the CAEAL staff have also completed the first round of budget forecasting for 2004/2005. Unfortunately, early indications are that CAEAL is in danger of running a very large, totally unacceptable, deficit in 2004/2005. This deficit would come on the back of a poor financial year in 2003/2004 and would further erode CAEAL's financial surplus. For those of you who question the need for a financial surplus I would like to remind you that CAEAL Board policy dictates that CAEAL must maintain enough funds on-hand to wrap up the organization in an orderly fashion in the event that the membership votes to dissolve. Board policy states that a six-month operational reserve should be the target. Members would be obligated to fund any shortfall in the event of a windup. As a result it is imperative that the shortage in the financial surplus be addressed over the next three years.

Once again the Board has asked the staff to review all programs for cost savings and new sources of revenue. However, I do not believe that CAEAL will be able to solve this problem without a general fee increase. I will provide more information about this financial issue in November.

Another issue that has troubled many members this year has been CAEAL's policy to automatically revoke accreditation for a parameter if a lab fails the first live PT round after completion of a successful Pilot study. I am very pleased to state that the CAEAL Board has voted to modify this policy and instead cause the Program Manager to convene an expert panel to review the affected laboratory's PT performance in the last Pilot Study as well as the first live PT round. Should the panel rule in favor the lab would be issued with a notice of "Possible Suspension" instead of losing accreditation for the affected parameter. This policy change comes into effect immediately.

Finally I am very pleased to say that CAEAL staff will be publishing on a regular basis statistics that compare the PT performance of 17025 accredited and non-accredited PT participants. The first such study from the June and March 2003 PT rounds will be published shortly. I would like to share with you in advance some stunning findings from this study. In the June 2003 PT round for Groups C17 and C18 (soil/sediment) accredited labs significantly out performed non-accredited labs. For C17, accredited labs participated with a failure rate of 8%, while non-accredited labs participated with a failure rate of 19%. Similarly, for C18, accredited labs participated with a failure rate of 7%, while non-accredited labs participated with a failure rate of 41%. The superior performance from 17025 accredited labs on these "real life" matrices clearly demonstrates the importance of accreditation for environmental data quality and protection of the public.

I hope that this information does not go unnoticed by Canada's environmental regulators. I am confident that soon all jurisdictions within Canada will require environmental samples to be analyzed by accredited laboratories.

Finally I would like to announce that Mr. Murray Hartwell has resigned from the position of Vice President effective immediately, due to time pressure as a result of his MBA studies. The Board elected Mr. Chris Pharo as his replacement.

I would once again encourage you to contact Rick Wilson, or myself with any questions and concerns. Rick's and my contact details are listed below:

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Thank you and I look forward to hearing from all of you in the future.

Russ Calow
President CAEAL