

An appeal

- by -

Global Safe Technologies Inc. ("Global")

- of a Determination issued by -

The Director of Employment Standards (the "Director")

pursuant to Section 112 of the Employment Standards Act R.S.B.C. 1996, C.113 (as amended)

TRIBUNAL MEMBER: Shafik Bhalloo

FILE No.: 2008A/138

DATE OF DECISION: January 12, 2009



DECISION

SUBMISSIONS

Don Dafoe on behalf of Global Safe Technologies Inc.

Stanley Schaefer on his own behalf

Tyler Siegmann on behalf of the Director

OVERVIEW

- This is an appeal pursuant to Section 112 of the *Employment Standards Act* (the "*Act*") by Global Safe Technologies Inc. ("Global") of a Determination issued on October 7, 2009 by a delegate of the Director of Employment Standards (the "Director"). The Director found that Global contravened Sections 17, 18 and 58 of the *Act* by failing to pay its former employee, Mr. Stanley M. Schaefer ("Mr. Schaefer"), wages totalling \$17,689 comprising of regular wages of \$13,750.00, annual vacation pay of \$3,075.00 and interest of \$864.41 on the aforementioned amounts pursuant to Section 88 of the *Act*.
- ^{2.} The Director also found that Global contravened Section 28 of the *Act* for failing to keep payroll records pertaining to Mr. Schaefer.
- In respect of the contraventions of Sections 17, 18 and 28 of the Act, the Determination imposed three administrative penalties on Global for \$500 each for pursuant to Section 29(1) of the *Employment Standards Regulation* (the "*Regulation*").
- In its appeal, Global argues that the Director failed to observe the principles of natural justice in making the Determination and new evidence has become available that was not available at the time the Determination was being made.
- 5. Global is seeking to have the Determination cancelled.
- 6. Section 36 of the *Administrative Tribunal's Act* which is incorporated in the *Act* (Section 103), and Rule 17 of the *Tribunal's Rules of Practice and Procedure* provide that the Tribunal may hold any combination of written, electronic and oral hearings. In my view, this appeal can be adjudicated on the basis of the Section 112(5) "record", the written submissions of the parties and the Reasons for the Determination.

ISSUES

- 7. The issues in this appeal are two-fold:
 - (a) Did the Director failed to observe the principles of natural justice in making the Determination?



(b) Has evidence has become available that was not available at the time the Determination was being made?

THE FACTS

- While I have carefully reviewed the facts in the record, the Reasons for the Determination and the submissions of the parties, I only propose to set out facts relevant to the issues in this appeal.
- Global operates a British Columbia based business that markets an anti-slip solution and all-purpose cleaner to international clientele.
- Global has three directors, namely, Donald K. Dafoe ("Mr. Dafoe"), Randell D.R. Siteman ("Mr. Siteman") and Jonathan Hack ("Mr. Hack"). Mr. Dafoe and Mr. Siteman are also officers of Global.
- On March 21, 2008, Mr. Schaefer filed a complaint under Section 74 of the *Act* alleging that Global contravened the *Act* by failing to pay him wages for the period May 1, 2007 to November 1, 2007; termination or severance pay; and reimbursement for cell phone expenses (the "Complaint").
- The record submitted in the appeal of the Determination shows that the delegate had significant contact with Global and its representatives, particularly, Mr. Dafoe, throughout the investigation. More specifically, on June 9, 2008, the delegate of the Director sent Mr. Dafoe a letter (the "June 9th Letter") advising him of the Complaint against Global specifying Mr. Schaefer's allegations against Global and the precise scope of the delegate's investigation of the Complaint. The same letter also denotes the delegate's telephone conference with Mr. Dafoe previously, on June 6, 2008, wherein Mr. Dafoe advised the delegate that Global was disputing Mr. Schaefer's allegations or claims and requests Mr. Dafoe and Global to forward any evidence that would support Global's position that Mr. Schaefer was a partner or a controlling mind of the Company. The delegate, for greater certainty, defines in the June 9th Letter what sort of evidence would be helpful in this regard when he states that Global could produce such documents as those evidencing "Mr. Schaefer's role in the company or documentation which shows that Mr. Schaefer had signing authority to bind the company to significant business decisions".
- The delegate also points out in the June 9th Letter a further issue of contention between the parties, namely, the rate of pay of Mr. Schaefer. In particular, the delegate notes Mr. Schaefer's claim that his annual pay with Global was \$60,000.00 (as delineated in a letter dated September 5, 2000 signed by Mr. Dafoe) and Global's position that Mr. Schaefer's rate of pay was renegotiated to \$2,500.00 per month (pursuant to a document entitled "Affidavit" signed by Mr. Dafoe on December 15, 2006). The delegate, in the June 9th Letter, sought corroborating evidence from Global in the form of witnesses or pay records to prove the renegotiated amount and the date the new wage rate was effective.
- The delegate also requested in the June 9th Letter any documentation in Global's possession showing what wages were paid to Mr. Schaefer during the period 2006 and 2007 together with an explanation of the purpose of each payment. The deadline the delegate imposed on Global for production of further information and evidence corroborating Global's position was June 20, 2008.
- Subsequently, the delegate, by way of a letter dated July 29, 2008 to Mr. Dafoe (the "July 28th Letter") sent documents of Mr. Schaefer that the latter supplied to the Employment Standards Branch (the "Branch") in support of his Complaint. The delegate's stated purpose for the July 28th Letter to afford Global an opportunity to respond or further respond to Mr. Schaefer's claims and supporting evidence.

- The record also contains a letter dated August 20, 2008 from the delegate to Mr. Dafoe (the August 20th Letter") confirming a telephone conference between them on August 14th, 2008 wherein the delegate advised Mr. Dafoe that he was going to issue his determination and if Mr. Dafoe wanted to submit any further evidence then he should do so no later than August 27, 2008. Mr. Dafoe complied with the deadline and sent an email to the delegate on August 21, 2008 setting out Global's position on each of the issues in the Complaint. Mr. Dafoe also provided the delegate with contact information of four witnesses of Global, namely, David Gerow ("Mr. Gerow"), Ms. Nica Roma ("Ms. Roma"), Curtis Litle ("Mr. Litle") and Charlotte Spieker (Ms. Spieker"), all of whom the delegate contacted in his investigation of the Complaint. The Director, incidentally, reviews the evidence of each in the Determination.
- The record also contains an email from the delegate to Mr. Dafoe dated August 27, 2008 (the "August 27th Email") advising him that he had spoken with a witness of Mr. Schaefer by the name of Tibor Bode ("Mr. Bode"). In the same email, the delegate forwarded Mr. Dafoe the submissions of Mr. Bode, if Mr. Dafoe wished to respond to them by the deadline of August 29, 2008. Mr. Dafoe responded to the August 27th Email almost instantly by way of a reply email to the delegate containing his views pertaining to Mr. Bode's submissions.
- On October 7, 2008, the Director made the Determination finding Mr. Schaeffer to be an employee Global. The Reasons for the Determination show that the Director carefully reviewed all of the submissions of Mr. Dafoe on behalf of Global, the evidence of Global's witnesses; and all documents adduced by Global. In particular, in the Reasons for the Determination, the Director states:

There is no evidence to support that parties entered into a partnership arrangement. The Complainant is not listed on the BC Corporate Registry as a director or officer. There are no documents that show the Complainant was a partner in the company, and there is no evidence to corroborate the Employer's position that an oral partnership agreement existed between the parties. In a review of the Employer's Corporate Overview and Business Plan, the Complainant's name is noticeably absent in the listing of directors and officers of the company. The document does not refer to the Complainant as a partner; instead, it listed him as Executive Vice President as a part of the company's management team.

Typically, a partner in a business will have financial ties to that business. There is no evidence to support the conclusion that the Complainant had financial ties to the business. There is no proof that the Complainant invested personal funds into the company or shared in the company's financial hardships. In addition, the Complainant was not a signatory for the company's bank account, and there is no corroborating evidence that shows the Complainant had the ability to make key decisions on capital expenditures.

The evidence implies the Complainant and Employer had an employee/employer relationship. A letter dated September 5, 2000, confirms that Mr. Dafoe entered into an employment agreement with the Complainant. The employment relationship was confirmed again in a letter dated December 15, 2006, when Mr. Dafoe advised that Court that "... Mr. Stan Schaefer is employed by Global Safe Technologies Inc." Both letters are silent on a partnership arrangement, however both mention that the Complainant was employed. Furthermore, both letters support the conclusion that the parties entered into a wage agreement which is a common occurrence in an employer/employee relationship rather than a partnership.

The Employer alleged that on two occasions the Complainant borrowed capital from others for the company's use. The Employer stated that this type of action is evidence that he was a partner in the company. On one occasion it was confirmed that the Complainant borrowed money from Charlotte Spieker on behalf of the company. On a separate occasion, the employer alleged that



Mr. Dafoe and the Complainant borrowed money from David Gerow for the business. However, Mr. Gerow's submission stated that he agreed in private only with Mr. Dafoe that he and his wife would invest monies into Global Safe Technologies Inc. I do not accept that the Complainant is tied to the latter loan as the evidence given by Mr. Gerow contradicts the Employer's. As a result there is a single instance where the Complainant borrowed money on behalf of the Company.

It is not a common practice for an employee to borrow money on behalf of a company. However, given the uncommonness of the Complainant borrowing capital on behalf of the company, I give this piece of evidence little weight in deciding whether the Complainant was a controlling mind of the company.

The Safe Solution Dealer Agreements are not reliable in establishing that the Complainant was a partner in the company. The documents do not identify or refer to the Complainant as a director or partner. Furthermore, the Complainant's position required him to create sales opportunities for the Employer; therefore, it would be unreasonable for me to conclude that signing these agreements automatically makes him a partner of the business. There is no evidence to support that only partners had the authority to sign the Safe Solution Dealer Agreements. Consequently, I give no weight to the Safe Solution Dealer Agreements in resolving this issue.

The Director also carefully reviewed the evidence of the witnesses of Global and concluded that the evidence he gathered from them did not corroborate Global's position that Mr. Schaefer was a partner in Global. In particular, the Director stated:

The Employer's witnesses presented mixed views on the Complainant's relationship with the Employer. Since none of these witnesses were able to corroborate their position with substantial evidence, I give no weight to the oral evidence provided by each witness in respect of the Complainant's business relationship with the Employer. Based on the above analysis, I cannot conclude on the balance of probabilities that the Complainant was a controlling mind of Global Safe Technologies Inc. There is no compelling evidence to show that the Complainant was a controlling mind of the company. On the other hand, the evidence shows that the Complainant was entirely engaged in marketing of the Employer's product. The expectation was that he would receive wages from the Employer in return for his work. I find the Complainant meets the definition of employee under the Act and further find Global Safe Technologies Inc. was his employer.

- With respect to Mr. Schaefer's claim for outstanding wages based on his contention that his annual income was \$60,000.00, the Director noted that in a court proceeding involving Mr. Schaefer, Global prepared a document entitled "Affidavit" dated December 15, 2006 confirming that Mr. Schaefer was earning a monthly salary of \$2,500.00. While Mr. Schaefer contended that he and Global had an agreement for wages to be paid retroactively to make up for the lesser monthly salary because his annual pay was still \$60,000.00, the delegate did not find any corroborating evidence to support Mr. Schaefer's position and did not accept Mr. Schaefer's argument. The delegate concluded that Mr. Schaefer's wage rate for the relevant period of the Determination was \$2,500.00 per month.
- The Director also rejected Global's contention that Mr. Schaefer received wages in the form of paid living and travel expenses. In the Director's view, the definition of "wages" in the *Act* specifically excluded personal expenses of the employee:

The legislation is clear that money paid towards an employee's personal expenses cannot represent wages. Instead this type of payment is discretionary on the employer's behalf because it is not related to hours of work, production or efficiency. Based on the definition of 'wages', I cannot



accept the Employer's argument that living and travel expenses form a part of the Complainant's wages.

- The Director then goes on to observe in the Determination that there was no evidence to support the conclusion that Global paid Mr. Schaefer \$4,000.00 in wages between the periods May 1, 2007 to November 1, 2007, and consequently, the Director made a finding of fact that Global paid no wages to Mr. Schaefer during the last six months of his employment. The Director also notes that there is no dispute between the parties that Mr. Schaefer worked approximately 5 ½ months during May 1, 2007 to October 14, 2007, and took two weeks off in the latter part of October. On this basis, the Director concluded that Mr. Schaefer was owed wages for 5 ½ months at the monthly wage rate of \$2,500.00 for a total of \$13,750.00.
- With respect to vacation pay, the Director noted that Mr. Schaefer submitted that he did not receive vacation pay throughout his employment and that there was no evidence from Global to show that Mr. Schaefer was paid vacation pay. While the Director could not establish with mathematical certainty the precise amount of vacation pay owing to Mr. Schaefer due to lack of evidence of the exact amount of gross wages earned by him during the relevant period for calculating vacation pay—February 3, 2006 to November 1, 2007 the Director determined Mr. Schaefer was owed \$3,075 in vacation pay based on the best available evidence (i.e. Mr. Schaefer's wage rate of \$2,500 per month for a total of \$51,250 in gross wages he would have earned during the relevant period).
- With respect to Mr. Schaeffer's claim for compensation for length of service, the Director concluded that there was not any or sufficient evidence to corroborate that Mr. Schaeffer's employment was terminated by Mr. Dafoe or Global.
- With respect to Mr. Schaefer's claim for reimbursement of cell phone charges amounting to approximately \$4,500.00, the Director found the cell phone in question was registered by Mr. Schaefer under his own name and there was no evidence to suggest that the cell phone charges were a cost of doing business for Global. Therefore, the Director concluded that there he was lacking jurisdiction under the *Act* to deal with this expense claim.
- The Director also noted that Global advised the delegate that it did not keep the relevant payroll records referred to in Section 28 of the *Act* for Mr. Schaefer and therefore, Global was in breach of Section 28.

GLOBAL'S SUBMISSIONS

Mr. Dafoe, in his written appeal submissions on behalf of Global, states:

We are providing Employment Standards Tribunal with new evidence concerning records of Stan Schaefer's income for 2006 and 2007. Unfortunately, this information was overlooked when we previously submitted evidence to the Employment Standards.

The purported new evidence of Global is the T-4 statement pertaining to Mr. Schaefer for the years 2006 and 2007. The 2006 T-4 statement shows that Mr. Schaefer earned \$11,250.00 in employment income and the 2007 T-4 statement shows that he earned \$4,999.30 in income. According to Mr. Dafoe, these T-4 statements are "evidence that Stan Schaefer accepted the amount of pay he was given because of one reason only; he was [a] "business partner" of Global.



- The explanation Mr. Dafoe provides for "overlooking" and not supplying the T4 statements in question previously during the investigation of the Complaint is that Global is "a small family business" and he himself was "recovering from major surgery and cancer this past summer" and his sister "who also helps in the business, was not well either".
- In his further submissions, Mr. Dafoe explains that the document dated December 15, 2006 entitled "Affidavit" and signed by him acknowledging that Mr. Schaefer is employed by Global and earning a monthly income of \$2,500.00 was requested by Mr. Schaefer "for his own personal reasons, to show his current status that he was employed by Global Safe Technologies Inc." Mr. Dafoe further states that the said document "clearly states that Stan Schaefer accepted being paid expenses in lieu of a full salary; just as I have, and as any other partner in a company would". Mr. Dafoe states that since the Court accepted the said document to allow Mr. Schaefer to reduce his payments on an outstanding debt, the Branch should accept it as well. He then goes on to explain that words "employed by" used in the said document in reference to Mr. Schaefer should not be construed to mean that he was an employee of Global as those words are used in a more general context synonymous with other words such as "working", "in a job", "in employment", "in work", "engaged", and "in use".
- In the balance of his initial appeal submissions, Mr. Dafoe largely reiterates his previous submissions during the investigation and simply chastises and accuses Mr. Schaefer for misleading the Branch with misinformation in the Complaint. Mr. Dafoe also repeats the names of Global's witnesses and their contact information, which he previously provided to the delegate during the investigation of the Complaint. He essentially suggests that the evidence of Global's witnesses should be preferred to Mr. Schaefer's in determining the status of Mr. Schaefer with Global.
- With respect to the documents Mr. Dafoe attaches to his submissions on behalf of Global, with the exception of the two T-4 slips which he purports to be "new evidence", the balance of the documents appear to be those submitted by him to the delegate during the investigation of the Complaint.
- In his final submissions on behalf of Global in response to the Director's submissions, Mr. Dafoe repeats his earlier submissions that Mr. Schaefer was a partner with Global and not an employee of Global and accuses Mr. Schaefer of making false claims against Global. Mr. Dafoe also repeats his earlier submissions that his poor health caused him to overlook a key piece of evidence showing "a clear pattern of Mr. Schaefer's income prior to his departure with Global Safe Technologies Inc." In particular, Mr. Dafoe is referring to the T-4 statements Global prepared for Mr. Schaefer for 2006 and 2007, which Mr. Dafoe contends, "provide overwhelming proof supporting [Global's] case against Mr. Schaefer." Mr. Dafoe states that "justice should be the only prevailing factor here" and that "this evidence [the T-4 slips], including all other evidence provided by me, should be accepted". Mr. Dafoe then goes on to list in numbered paragraphs evidence he previously provided to the delegate during the investigation of the Complaint and delineates rhetorical questions, all of which I do not propose to set out herein.

THE DIRECTOR'S SUBMISSIONS

The Director, with respect to Global's natural justice ground of appeal, states that Global "has failed to produce any evidence to support an argument that the principles of natural justice have been breached" and furthermore "the record of this investigation demonstrates that [Global] was given sufficient opportunity to become familiar with complaint allegations and respond to those allegations". Therefore, in the Director's view, this ground of appeal should be dismissed.



- With respect to the new evidence ground of appeal, the Director submits that Mr. Schaefer's T-4 summaries for 2006 and 2007 "are not new evidence and should not be considered" because they "were available during the investigation" as they are dated 2006 and 2007 and Global admits they were "overlooked". The Director further submits that Global was afforded several opportunities to submit the purported "new evidence" and points to the August 20 Letter where he requested Mr. Dafoe to send any further information. Therefore, the Director submits that this ground of appeal should fail as well.
- The Director also submits that Global is disagreeing with the finding of fact made by the director regarding the status of Mr. Schaefer as an employee of Global and "inappropriately using the appeal process to reargue its case".
- Lastly, the Director submits that the Determination on wages to be awarded to Mr. Schaefer was based on the best available evidence and that there was no evidence provided to the delegate during the investigation of the Complaint that demonstrated that Mr. Schaefer was paid wages for work during the operative period covered by the award in the Determination. According to the Director, Global's request of this Tribunal to make a different finding of fact on the wages owed on the basis of the 2006 and 2007 T-4 summaries now produced is not a proper ground of appeal.

MR. SCHAEFER'S SUBMISSIONS

- Mr. Schaefer submits that the T-4 slips now adduced as new evidence should have been readily available to Global during the investigation. Notwithstanding, Mr. Schaefer indicates that the T-4 statements indicate that he was "not paid monies owed as concluded for the period in question".
- With respect to the reason why Global overlooked the T-4 slips during the investigation of the Complaint, Mr. Schaefer states that Mr. Dafoe's explanation that he was recovering from major surgery and cancer is an excuse as is his sister's health as she has been unwell for many years according to Mr. Schaefer.

ANALYSIS

Global's appeal is based on the "natural justice" and "new evidence" grounds of appeal set out in subsections 112(1)(b) and (c). I will deal with each ground of appeal separately and under descriptive headings below.

(i) NATURAL JUSTICE GROUND OF APPEAL

As indicated by the Tribunal in *Re:* 607730 B.C. Ltd. (c.o.b. English Inn and Resort), [2005] B.C. E.S.T.D. no. 55 (Q.L.), principles of natural justice are, in essence, procedural rights ensuring that parties have an opportunity to learn the case against them, the right to present their evidence and the right to be heard by an independent decision-maker. In this case, the appellant, Global, has not provided any evidence in support of its allegation that the Director breached the principles of natural justice in making the Determination. To the contrary, there is ample evidence in the record of the proceedings which I have delineated under heading "Facts" above, evidencing continuous contact between the delegate and Mr. Dafoe, whether by telephone or correspondence in the form of letters and emails, informing Global of the case against it and allowing Global an opportunity to fully respond to the Complaint.



- In my view, the delegate made concerted effort to make certain that Global knew the allegations in the Complaint and Mr. Schaefer's evidence in support thereof and Global had many opportunities to and did respond to all the allegations.
- The delegate also communicated with all witnesses of Global and considered their evidence before making his reasoned Determination. Therefore, I am not satisfied that Global has discharged the burden placed upon it to show, on the balance of probabilities, that the Determination ought to be cancelled because of breach of natural justice on the part of the Director.
- It is clear to me that Global is taking issue with the findings of facts made by the Director in the Determination, particularly with respect to the status of Mr. Schaefer as an employee. The entire award for wages, vacation pay as well as the finding of contravention of Section 28 of the *Act* on the part of Global for failure to keep payroll records pertaining to Mr. Schaefer, is premised on the Director's finding that Mr. Schaefer was an employee and not a partner of Global. If, as I believe it to be the case, the Director's finding of fact that Mr. Schaefer is an employee and not a partner of Global is being challenged by Global then Global has the burden, on a balance of probabilities, to show either that the decision of the Director in this regard was manifestly unfair or that there was no rational basis upon which the conclusions of fact relevant to the decision could be made. I am unconvinced that Global has discharged this burden. In am also unconvinced, based on my careful review of the Reasons for the Determination, that the Director's determination that Mr. Schaefer is an employee and not a partner of Global was either manifestly unfair or that it did not have a rational basis in the evidence adduced by the parties and their witnesses.

(ii) NEW EVIDENCE

- Global, in its appeal, has adduced the T-4 statements for 2006 and 2007 pertaining to Mr. Schaefer as new evidence. Before I can consider these T-4 statements, there is a preliminary issue of whether or not the said documents constitute "new evidence" within the meaning of Section 112(1)(c) of the *Act*.
- In *Re: Merilus Technologies Inc.*, B.C. E.S.T.D. # D171/03, the Tribunal set out four conjunctive requirements that must be met before new evidence will be considered. The appellant must establish that:
 - the evidence could not, with the exercise of due diligence, have been discovered and presented to the Director during the investigation or adjudication of the complaint and prior to the Determination being made;
 - the evidence must be relevant to a material issue arising from the complaint;
 - the evidence must be credible in the sense that it is reasonably capable of belief; and
 - the evidence must have high potential probative value in the sense that, if believed, it could on its
 own or when considered with other evidence, have led the Director to a different conclusion on the
 material issue.
- In this case, Mr. Dafoe, on behalf of Global, admits that Global "overlooked" the T-4statements during the investigation of the Complaint and failed to submit them with all other evidence Global submitted. He states that he was recovering from major surgery and cancer and that his sister, who was involved in Global's business, was unwell as well as reasons for failing to submit the T-4 statements during the



investigation of the Complaint and before the Determination was made. However, my review of the record shows that Mr. Dafoe, on behalf of Global, was very much involved in the investigation of the Complaint during his health challenges and in contact by correspondence and telephone with the delegate. It also appears that Mr. Dafoe was instrumental in getting Global's witnesses in order. Therefore, I am not persuaded (as much as I sympathize with Mr. Dafoe's health during the period of the investigation of the Complaint) that Global could not have, with the exercise of due diligence, discovered and presented to the delegate during the investigation or adjudication of the Complaint, or at least prior to the Determination being made the T4 statements.

In my view, as Global fails with respect to the first of the conjunctive requirements in *Re: Merilus*, I am not required to consider the balance of the requirements in *Re: Merilus*. In my view, the T-4 statements do not constitute new evidence. If I am wrong in this conclusion, I note that the T-4 statements, taking into consideration all the other evidence that the delegate had before him during the investigation, do not prove that Mr. Schaefer was a partner of Global or that he had only agreed to receive wages in the form of paid living and travel expenses. Furthermore, with respect to the T-4 statement for 2007, it shows that Mr. Schaefer received \$4,999.30 in income, and I am not able to determine if any of that amount duplicates any part of the wage award of \$13,750.00 awarded in the Determination to Mr. Schaefer for the period May 1, 2007 to October 14, 2007. If Global had kept payroll records pertaining to Mr. Schaefer for the said period in accordance with Section 28 of the *Act* and produced them during the investigation of the Complaint then there would have been the requisite certainty in the matter. However, without this information, the utility of the T-4 statements and particularly the 2007 T-4 statement is uncertain and at best negligible. In the circumstances, I reject Global's appeal on the new evidence ground of appeal.

ORDER

I order, pursuant to Section 115 of the *Act*, that the Determination ER #154-508 dated October 7, 2008, be confirmed.

Shafik Bhalloo Member Employment Standards Tribunal