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Additionally, the board provided a rational explanation for its conclusion. The arbitration board is owed deference, in that an arbitral award involving contract interpretation may not be set aside if a fair reading of the text supports the outcome, and the reasons provided are understandable and intelligent. This deferential standard is mandated by the legislator’s decision to assign primary decision-making responsibility to the original adjudicator. There was nothing exceptional in this case to warrant departing from the usual standard. Wakeling JA would have allowed the appeal and set aside the reviewing judge’s order, restoring the arbitration board’s award.
"The importance of this case lies in the courts' analysis of the law on use of extrinsic evidence in contractual interpretation.

Both courts decided that the arbitrator improperly used extrinsic evidence (master policies of insurance and past practice) to interpret an unambiguous collective agreement. While the parol evidence rule is nothing new, two aspects of the case provide useful guidance.

First, both courts clarified the circumstances under which insurance policies may be used as interpretive aids. Much of the extrinsic evidence relied upon by the arbitrator was set out in insurance policies referred to in the collective agreement, but not actually incorporated into the agreement by reference. The appellant argued that such policies have a unique status, and are admissible even where there is no ambiguity. However, both courts held that insurance policies have no special status, and that admissibility is governed by the same rules applicable to other forms of extrinsic evidence.

More importantly, the appeal decision clarifies the limits to admissibility of evidence of the "surrounding circumstances" of a contract. In Sattva Capital Corp. v. Creston Moly Corp, 2014 SCC 53, the Court re-affirmed that such evidence is admissible without offending the parol evidence rule. However, Sattva limits the scope of admissible circumstances to "knowledge that was or reasonably ought to have been within the knowledge of the parties at or before the date of contracting".

Where a contract is not periodically renewed, this provides an easily discernible boundary for admissibility: anything the parties knew or ought to have known before the date of execution is fair game. But the situation here was more complicated. The contractual language was first negotiated in 2003, then subsequently rolled over into a series
of successive agreements (including the 2007 agreement interpreted by the arbitrator). Because the disputed evidence arose between the 2003 and 2007 agreements, the Court had to decide whether admissibility was limited to the surrounding circumstances at or before the 2003 agreement, or whether the arbitrator was also entitled to consider circumstances extending up to the 2007 agreement.

The majority determined that where successive collective agreements use essentially unchanged wording, the relevant “surrounding circumstances” are those prevailing when the language was first negotiated, not those prevailing when the language was adopted in a subsequent agreement. This conclusion is logical, since the point of considering the surrounding circumstances is to determine the intention behind the words when they were drafted.

This distinction is important for collective agreement arbitration, where contractual language is often rolled over into successive agreements, or in other situations involving a series of successive contracts. This case underlines the importance of identifying the date that the disputed language was first negotiated, and ensuring that any extrinsic evidence is focused on the timeframe at or before that date. More generally, Buffalo Trail shows that Sattva should not be interpreted too broadly, and that the concept of “surrounding circumstances” has its limits.”