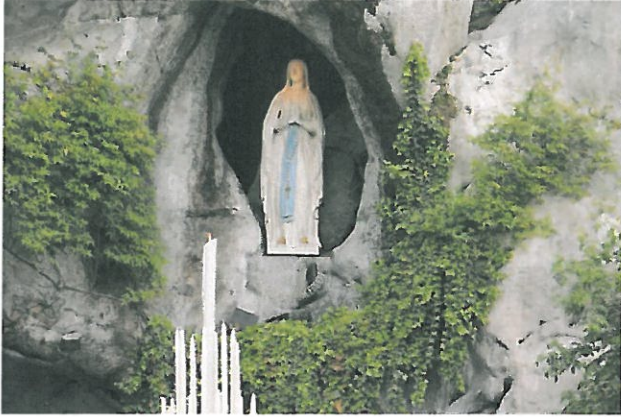


Report of the Federal Association's Lourdes Long Range Planning Task Force

June 2012



Ed Festa, Chair
Craig Jarchow, Co-Chair
Cynthia Wilkinson, Secretary

Don Joyce, MD
Rob Lively
Peter Scudner
Kathy Weedon
Tom Weiford
Dorothy Zolandz

**REPORT OF THE
LOURDES LONG RANGE PLANNING TASK FORCE
TO THE
BOARD OF DIRECTORS, FEDERAL ASSOCIATION
SOVEREIGN MILITARY ORDER OF MALTA**

June 2012

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REPORT OF THE LOURDES LONG RANGE PLANNING TASK FORCE

Background

Mission

The Lourdes Pilgrimage, the signature project of the Sovereign Military Order of Malta and the Federal Association, has grown substantially over the past ten years. With this growth come the challenges of chartering an aircraft, managing spiking fuel prices, mitigating fluctuations in the euro, and minimizing other liabilities and risks. The need to arrange accommodations and other services, including meals and transportation, present additional organizational tests. The fact that we bring *Malades* who have pronounced health care needs and the Companions who travel with them, increases the sensitivity of this annual trip. Further, as part of the regulations of the Order, all candidates for membership must go to Lourdes during their formation year or within the first three years following investiture. All of these variables compound the complex task of planning and executing our annual journey to Lourdes.

For these reasons, the Board of the Federal Association, at its June 24, 2011 meeting, approved a Task Force to review all of the strategic aspects of the trip, to identify current and potential risks, analyze the current workflow to see if we are maximizing efficiencies and solving for the best ways of moving so many of our members, our *Malades* and their Companions to and from Lourdes.

Organization of this report

The Task Force members agreed that the principal areas of concern for the Lourdes Pilgrimage were:

- Financial Risks
- Management
- Spirituality
- Financial Planning and Funding
- Pilgrimage Participation and Size

This report is organized according to these topics. For each topic, the Task Force explains its concerns, provides data used in its analysis, and presents findings and recommendations. The recommendations are summarized at the end of this report. An appendix lists Task Force members, the methods used, and an acknowledgement of those individuals who provided information that formed the work of the Task Force.

FINANCIAL RISKS

The Lourdes Pilgrimage, with its budget of over \$750,000 and participation rates approaching 300 people, is the largest undertaking of the Federal Association. Like many undertakings of this size, the Pilgrimage is fraught with risks related to revenues, costs, and liabilities. The Lourdes Task Force, as part of its fact-finding effort, has identified many of the risks associated with the Pilgrimage.

The risks identified are as follows (please also see attached summary table).

Risks Associated with the Flight

Jet Fuel

In 2012, the Federal Association spent over \$200,000 for jet fuel for travel to and from Lourdes, France. This is the second-largest expense for the Pilgrimage, after the cost of chartering the aircraft. Jet fuel is a commodity whose price fluctuates markedly. The magnitude of these fluctuations can easily cause a variance in the budget for the Pilgrimage of tens of thousands of dollars.

To mitigate the price risk associated with jet fuel, the Lourdes Committee has implemented hedges on heating oil. In 2011, these hedges provided a \$19,635 offset to a \$45,988 surcharge levied by the airline for the increase in fuel price that occurred from contract signing to the actual flight time. Likewise, in 2012, the hedges provided a \$12,671 offset to a \$25,668 increase in the price of fuel. Hedging is considered good business practice and the Federal Association should continue to use this tool. However, there is a fine line between hedging and market speculation. In a business context, hedging should only be done to lock in a budget.

The Federal Association should not attempt to predict movements in the price of jet fuel when contemplating hedging, even if such predictions are offered by well-meaning experts. Hedging is the act of achieving market neutrality, not predicting market movements. Once the Lourdes Committee sets its budget, it presumably has made an assumption regarding the price of jet fuel and it has specified its revenues to cover the cost of jet fuel as well as other costs. It is at this point that hedging should be implemented. To use hedging parlance, the Association is short jet fuel once it stipulates its budget. It should match this short position with an equivalent long position via hedging and thereby become market neutral, that is, indifferent to fluctuations in price.

A risk associated with hedging is "basis" risk. This refers to imperfections in hedges that prevent complete market neutrality from being achieved. This is a major concern for the Federal Association because it is hedging heating oil, not jet fuel. The Federal

Association hedges heating oil because it is traded on an exchange, whereas jet fuel is not. The thought is that prices for heating oil and for jet fuel are both correlated to prices for crude oil, therefore they should move in lock-step, or nearly so. The Lourdes Committee has studied the correlation in prices for heating oil and for jet fuel in the past and has demonstrated that they have indeed been correlated.

Unfortunately, there are good reasons to think that prices for heating oil and jet fuel may not move in lock-step going forward. The demand for the two products is different, as one is a transportation fuel, whereas the other is a heating fuel. Jet fuel has no viable substitute, whereas heating oil is under competitive pressure from very cheap natural gas. The market for heating oil is quite provincial, as it is largely produced and consumed in the Northeast. In contrast, jet fuel is a global commodity. The capacity for producing heating oil is under pressure as refineries in the Northeast are being closed, reconfigured, or sold.

Another source of basis risk is the quantity of jet fuel the Association is able to hedge. The airline charges the Association for 53,475 gallons of jet fuel, but the size of the hedging contract used in 2011 and 2012 was 42,000 gallons of heating oil. This size is the standard exchange-traded heating oil contract. As a result of the mismatch in gallons hedged versus gallons consumed, the Federal Association remains short 11,475 gallons of jet fuel (20 percent of the total fuel consumed).

Basis risk may seem unimportant, but it can cause price movements of several tens of percent and thereby it has the capacity to materially impact the budget for the Lourdes Pilgrimage. Therefore, the Federal Association should seek to hedge jet fuel, not heating oil, if at all possible. This may be possible by joining forces with the American and Western Associations and hedging over the counter as opposed to an exchange. If this is not possible, it should acknowledge that there is a speculative component to its hedging, that being basis risk.

Credit Risk

In early February 2012, Global Aviation Holdings, the parent company of the airline that provides the charter aircraft for the Federal Association's Lourdes Pilgrimage, declared Chapter 11 Bankruptcy. Fortunately, Global Aviation Holdings quickly obtained debtor-in-possession financing and thereby was able to fulfill its contract with the Federal Association.

The Federal Association makes a 10 percent security deposit upon signing of the contract with the charter airline. The contract for the 2012 Pilgrimage was signed on October 7, 2011, and the deposit was \$30,723. This deposit is placed in an account that is described as an "escrow" account in the contract.

In addition to the security deposit, the Association incurs a non-cash liability related to cancellation of the charter for reasons not allowed in the contract. Chapter 11 Bankruptcy is not a valid reason for cancellation under the contract for the 2012 Pilgrimage. In the contract, the cancellation charges escalate as follows:

Date of Cancellation (days prior to departure)	Cancellation Charge
Greater than 180 days	0%
Between 121 and 180 days	20% (\$61,447)
Between 91 and 120 days	30% (\$92,170)
Between 61 and 90 days	40% (\$122,893)
Between 31 and 60 days	50% (\$153,617)
Between 16 and 30 days	60% (\$184,340)
Between 0 and 15 days	100% (\$307,233)

Global Aviation Holdings declared bankruptcy approximately 90 days prior to the departure date for the Lourdes Pilgrimage. Cancellation would have cost the Federal Association \$122,893 at that point. Therefore, as a practical matter, cancellation was not an option.

Clearly, the Federal Association is exposed to credit risk related to its charter airline. If Global Aviation Holdings ceased operations due to its bankruptcy, it is likely that the Pilgrimage would have been cancelled or that alternate means of air transportation would have been materially more expensive. The Association's ten percent security deposit presumably would have been returned, but it would have been tied up in the bankruptcy process.

Vacant Seats on the Charter

In 2012, the average cost for each of the 245 seats on the charter aircraft was \$2,141.77. It is important that these seats be filled with members paying the full cost of the Pilgrimage. This risk was mitigated in 2012 by the requirement that no Lourdes Only pilgrims would be allowed until after the charter was filled.

Cancellation of the Charter

As noted above, the Federal Association incurs a charge if it cancels the charter for a reason that is not allowed under the contract. There are many reasons why the Federal Association may want to cancel the charter:

- Financial distress on the part of the airline.
- Financial distress on the part of the Association (e.g., blown budget).
- Insufficient number of pilgrims.
- Insufficient hotel rooms in Lourdes.
- Closure of the Domaine in Lourdes (e.g., due to flooding or wind damage).

- Outbreak of a communicable illness such as SARS.
- Terrorism.
- Material delay in departure time (the airline only has to use “commercially reasonable” efforts to address a mechanical failure that delays a departure).

Not all of the above are valid reasons for cancelling the charter according to the contract.

In 2012, the Federal Association partly addressed the cancellation risk by purchasing an insurance policy. However, this policy covers some of the risks identified above (e.g., terrorism) but not all.

Emergency Diversion of the Charter

Many of the *Malades* participating in the Lourdes Pilgrimage are medically fragile, as are some of the Knights and Dames. As a consequence, there is a material chance of a medical emergency onboard the charter flight. Such an emergency could force the aircraft to divert to an alternate airport. Such a diversion would result in an increased consumption of jet fuel and could require an overnight stay.

The contract with the airline is silent on diversions for medical emergencies.

It is noteworthy that a *Malade* traveling on a commercial flight with the Western Association in 2012 was denied boarding by the captain. Clearly, the commercial airline did not want to own the diversion risk in this case. It is interesting that flight crews are monitoring this risk.

Risks Associated with Accommodations

Unfilled Or Too Few Hotel Rooms

Although the Federal Association has a long-standing and productive relationship with the management of the Saint Sauveur and Panorama Hotels, all agreements are verbal. There is no written contract governing the business relationship.

In the past few years, the Association has had to scramble to secure enough hotel rooms to accommodate the entire Pilgrimage. This is unacceptable.

The American Association recently implemented a ten-year contract with its new hotel in Lourdes. The Federal Association was told by its hotel vendor during the 2012 Lourdes Pilgrimage that the vendor does not use contracts. This should be treated as an opening salvo in a negotiation. The Federal Association should continue to push hard for a contract.

The Federal Association's negotiating position may be strengthened by aligning with one of the prominent travel agents in Lourdes. According to the hotel director of the Saint Sauveur, these travel agents send considerable business to the hotels and therefore wield considerable influence. It is not clear whether the travel agents the Federal Association has used in Lourdes are among the more powerful. Our experience suggests not.

Cancellation of the Hotel Rooms

The Federal Association is exposed to the risk that the hotels cancel or simply do not perform. Without a contract, the hotels can cancel for any reason.

On the one hand the Association is incurring substantial liability related to cancellation fees for the charter flight (as noted above), yet it has no guarantee of hotel rooms. This is unacceptable.

The insurance policy for cancellation covers some of the possible reasons why the hotels might cancel, but by no means all of them.

Changes in Hotel Rates

The Federal Association and hotel management agree on a rate well in advance (typically a year in advance). However, this agreement is verbal and thereby the Association is exposed to the risk that these rates may change.

Risks Associated with Health and Safety

Accidental Injury

The Federal Association is not currently insured against the risk of a pilgrim or pilgrims sustaining an accidental injury, for example, the liability associated with an overturned voiture, however, each pilgrim is required to have medical coverage for injuries or illness while on the Pilgrimage.

Medical Liability

At first glance, the medical personnel for the Federal Association's Lourdes Pilgrimage do not appear to have any liability, as they are not licensed to practice medicine in France. However, medical staff does make medical decisions in Lourdes. Moreover, the medical staff decides who among the *Malade* applicants is fit to travel to Lourdes and who is not. Hence, it would seem that liability is incurred.

The Western Association purchased a liability policy for its medical personnel. The Federal Association should seriously consider doing the same.

Medical Expenses

An individual medical insurance policy may or may not cover treatment in France. If a *Malade* or other pilgrim were to have a medical crisis requiring intervention by the French medical system, the costs incurred could be substantial.

Furthermore, if a medical crisis were to extend beyond the time allotted for the Pilgrimage, there could be a need to pay for the food and lodging of any Companions of the afflicted. It should be noted that many of the *Malades* and Companions are of modest financial means and may not be able to cover the expenses associated with an extended stay.

Similarly, if a medical evacuation were needed, the costs incurred would be substantial. The Federal Association should carry insurance for all of these medical liabilities.

Crime

The pilgrims attending the Lourdes Pilgrimage may be the victims of a crime or may perpetrate a crime (the latter happened to the North American Volunteers). The Federal Association should carry insurance for this liability.

Directors and Officers Personal Liability

The Association members face potential liability for decisions made and for actions taken. An examination of the Association's Directors liability insurance should be taken to determine if it extends to Committee members and a separate review should be made to determine if volunteers need personal liability coverage in regards to caring for *Malades*.

Other Financial Risks

Exchange Rates

A large proportion of the expenses for the Federal Association's Lourdes Pilgrimage are payable in euros as opposed to dollars. These expenses include the hotels (\$168,687 in 2011), ground transportation (\$16,020 in 2011), the countryside tour (\$6,625 in 2011), etc. In past years, the Association has hedged its exposure to the euro-dollar exchange rate. This practice should continue, subject to the same caveat as jet fuel hedging, in that it is used only to achieve market neutrality once the Lourdes budget is final.

Recommendations Regarding Financial Risks

- The Board of Directors of the Federal Association should appoint its Finance Subcommittee to confirm the above assessment and for each risk identified, affirmatively elect to either: (a) self-insure or (b) mitigate the risk.
- The Federal Association should continue to hedge against changes in the price of jet fuel and changes in the euro-dollar exchange rate.
 - Such hedging should be done to achieve market neutrality, not to speculate on some market view.
 - Particular attention should be paid to basis risk.
 - The three Associations in the United States should join forces to achieve more effective hedges.
- The creditworthiness of the charter airline should be monitored (e.g., by monitoring how its bonds trade).
 - The contract with the airline should be modified so that bankruptcy is a valid reason for cancelling.
 - The terms of the escrow account for the deposit with the airline should be clarified.
- Existing efforts to fill the charter aircraft should be continued.
- More complete mitigation of the risks of cancellation of the charter should be implemented. This can be done either through modification of the contract or through a more complete insurance policy.
- Liabilities associated with the emergency diversion of the charter aircraft should be clarified and this risk should be mitigated with insurance.
- A contract should be implemented with the hotels we use in Lourdes.
- The Federal Association should consider aligning with one of the prominent travel agents in Lourdes to secure rooms as our negotiating position for hotel rooms may be strengthened.
- Adequate insurance for accidental injury, medical liability, crime, extended medical stays, and medical evacuation should be obtained.

MANAGEMENT

The Task Force believes that the current Lourdes Pilgrimage is well run by dedicated volunteers and professional staff. The Task Force has observed that the process for making decisions and reporting information related to the Pilgrimage is not as clear as it should be. We believe that establishing clear roles and responsibilities, improving the communications and reporting, and enhancing the use of technology, will improve on this organization, increase the overall professionalism of the effort, help with the management of the risks identified in this report, and enhance the quality of the Pilgrimage. Our remarks below focus on three topics: Roles and Responsibilities, Transparency and Reporting, and Information Technology.

Roles and Responsibilities

The Task Force observed that there is no fixed delineation of duties among the Lourdes Committee, the Federal Association office staff, and the Board of Directors and President regarding who is specifically responsible for various aspects of the Pilgrimage. This can lead to duplications, misunderstandings, and lapses.

The Federal Association bylaws direct the Board to establish committees as needed. The bylaws further state that the President and Vice President are *ex-officio* members of all committees and that the President is the Chief Executive Officer of the Association. The bylaws are silent on the role of the Executive Director and of the committee chairs.

A clear definition of roles and responsibilities would make the following questions clear: What tasks need to be accomplished and when? Who is responsible for what tasks? What resources (including information) does each person need to accomplish her/her assigned tasks and when should those resources be forthcoming? Who has the authority to decide what and in what context (during the year, on the charter, in Lourdes)?

Transparency and Reporting

The Task Force heard from several sources that reporting of fiscal and logistical information for the Pilgrimage could be more timely and transparent. For example, this past year there was confusion and lack of up-to-date information for those planning the Pilgrimage, and how much, and the source of, the money that had been raised to cover the cost of *Malades*. At present, different copies of spreadsheets are sent back and forth among the Federal Association staff and members of the Lourdes Committee, which results in information getting out of sync (e.g., who has cancelled and who has cleared the waiting list). Earlier transfer of information to medical personnel is desirable, and in a form that is more readily used by the medical team. There is also concern about HIPPA compliance for information stored in the Federal Association office.

Information Technology

In general, the Federal Association is in need of computer and software modernization to enhance the flow of information. The Task Force understands that the Federal Association is taking steps to make improvements. The Lourdes Task Force strongly recommends that particular attention be paid to the Lourdes Pilgrimage as part of this effort to review and upgrade computer and software technology with the goal to enhance efficiency and accuracy of all information collection and dissemination.

Recommendations Regarding Management

- The Board should develop a charter for the Lourdes Committee that outlines its purpose and the roles and responsibilities of the committee members. The Board should be aided in this effort by all present and past Lourdes Committee Chairs, who should prepare a specific set of job descriptions for the committee members and outline a recommended chain of command for actions on the ground in Lourdes. This document should be specific in addressing the role of the committee members, staff and Board members. The Board should approve an annual Lourdes plan, budget, role and responsibilities, and chain-of-command so that the Committee has direction to execute the plan.
- The Board should consider the appointment of a Board member to the Lourdes Committee to act as a working member as well as the Board liaison.
- Association staff, in consultation with the Lourdes Committee, should develop an electronic web version of the Pilgrimage application (but not the *Malade* application). These electronic applications should provide quality control while entering data (e.g., passport numbers) and store the information directly to a database. Unnecessary keying of information from hardcopy applications into spreadsheets is inefficient and error-prone.
- There should be a single copy of the database from which all necessary reports are generated. Authorized members of the Lourdes Committee should be able to access data and generate reports directly to get the information they need.
- Standards for storage (electronic and physical) and transmission of medical records should be reviewed and revised to protect *Malade* privacy and to avoid violating federal laws and regulations.
- Better financial tracking of the Pilgrimage is needed, particularly of payments and donations by and for *Malades* and Companions. The Task Force believes the Association would benefit from the addition of a bookkeeper.
- A secure way of transmitting medical information needs to be identified and implemented. For example, a program called "Heath Vault" has been mentioned in this regard.

SPIRITUALITY

The Task Force commends the Lourdes Committee and its clerical leadership for its devotion to enhancing the spiritual experience and development of all participants in the annual Lourdes Pilgrimage. The planning, selection and coordination of the many diverse aspects of our journey have contributed to the Pilgrimage's sterling reputation as a signature work of our Order.

We believe the graces received in Lourdes are part of a larger and longer spiritual journey. It does not begin or end there, but should begin before and continue long after. Specifically, we wish to propose a standard of spiritual care that unites *Malades*,

Companions, and first-time pilgrims with “*Lourdes regulars*” to begin preparation for the journey before reaching BWI. Following our return, that spiritual standard of care should continue with opportunities to become part of regular, on-going activities with local Members of the Order. Several examples of “best practices” within regional Hospitaller areas such as Memphis, Houston, and others should become actively proposed for adoption by Hospitallers of all regions. Additionally, we wish to draw attention to the exceptional resource we have available for preparing every new pilgrim: *Lourdes Diary: Seven Days in the Grotto of Massabielle* by Father James Martin, S.J. It is essential for each new pilgrim to receive his or her own copy in advance of departure.

The Pilgrimage is blessed with the presence of several dedicated priests who regularly attend the Pilgrimage and understand their role and responsibility to the pilgrims, especially to the *Malades* and Companions. Priests who join the Pilgrimage for the first time, however, have not all shown the same understanding and dedication to the mission of the Pilgrimage. Clergy members should be fully briefed on their duties before they agree to come on Pilgrimage. Consideration should be given to selecting priests who can minister effectively to the *Malades*, give good spiritual talks, etc. Also, a more private location needs to be arranged on site for providing confessions and spiritual reflection for the *Malades*.

The presence of Cardinal Donald Wuerl added greatly to the experience of the first several days of the Pilgrimage. Regularly assuring that he or another cardinal attend the Pilgrimage would enhance the experience for the *Malades* and their Companions, as they experience the concern of the universal church through the person of the cardinal.

The spiritual benefits of the Lourdes Pilgrimage are many but we should not limit it to only those physically traveling there. “Pilgrims in Spirit” already exist in important, but often unrecognized ways, which we should embrace and encourage. The Lourdes prayer petition program has grown in the dozen years of its existence to reach literally thousands of souls every year. Adoption of social media tools through the Internet including limitless numbers of family, friends, and others at home in our daily activities in Lourdes is another important leap in sharing the Blessed Mother’s message.

Innovation and constant improvement are important characteristics of any enterprise and can be applied appropriately as well to the spiritual aspects of our Pilgrimage. We congratulate the Lourdes Committee for its on-going examination of the spiritual practices of the other two U.S. Associations and its listening and learning. We believe the Committee will evaluate new proposals appropriately and maintain its careful balance of activities to the abilities of our beloved *Malades*.

Recommendations Regarding Spirituality

- Those Members of the Order who do not participate in the Pilgrimage should have the opportunity and be encouraged to be involved in some special event during the course of the week, such as a Mass or recitation of the rosary to be offered on behalf of the *Malades* and pilgrims. Organization of this event could be a duty of the regional Lourdes chair. A novena is published by *Malta Moment*, which should be circulated by Hospitallers to all Members of the Order so that those at home can be praying in union with the pilgrims in Lourdes.
- Regional Lourdes committees should be encouraged to establish a *Malade* support team at home for the purpose of providing assistance to each *Malade* before and after the Pilgrimage, including financial and logistical support. The support team could help the *Malade* prepare for the trip before departure, and be on hand to greet them upon their return.
- Cardinal Wuerl, as conventual chaplain of the Order, should be invited to attend the Pilgrimage yearly and asked to identify another cardinal who could travel in his stead if he were unable to attend.
- A job description for the clergy should be written, just as job descriptions for all the members of the Lourdes Committee are currently being developed. Monsignor Edward Dillon would be the resource for the clergy job description. The priest's sponsor should be the one to inform him of his mission on the Pilgrimage to ensure that he is well aware of his pastoral duties while on the Pilgrimage.

FUNDING OF THE PILGRIMAGE

Given the prominence and importance of the Lourdes Pilgrimage in fulfilling our centuries-old tradition of caring for the poor and the sick, the base of support for its mission should include every Knight and Dame. Access and affordability for *Malades* and Companions are also important strategic considerations for future Pilgrimages. Barriers – whether subtle or not – related to financial ability to pay are an acute issue within the *Malade* and Companion category of the Pilgrimage.

By way of comparison, the Western Association covers all basic costs for the *Malades* (air, hotel and meals in the hotel, but not extra charges). The Association does not cover Companions' costs, but does have limited funds for this purpose. Each year, \$200,000 is allocated in the annual budget for the Lourdes Pilgrimage, but the actual cost is more than that. They count on a certain amount coming in from the annual appeal. No additional fundraising is done.

The American Association pays for *Malades* and Companions' expenses, except incidentals. Each year, the Chairmen send out numerous fundraising appeals to their membership. That effort usually yields approximately \$250,000 in contributions. They do not have a specific line item in their budget for the Pilgrimage.

It is the unanimous opinion of the members of the Lourdes Long Range Planning Task Force that three major changes in the funding of the annual Pilgrimage to Lourdes be adopted by the Federal Association. (See chart on page 25 showing current subsidy by class.) Those are:

- Funding of the Pilgrimage by the entire membership of the Federal Association and not just by the pilgrims of a given year.
- Within two years, the Association should fund costs for all *Malades* and Companions.
- Beginning with the 2013 Pilgrimage, no *Malade* or Companion should be contacted by anyone other than their sponsor regarding current year funding.

Specific Funding Solutions

As noted above, our goal should be that *Malades* and Companions are selected for participation in the Pilgrimage solely on the criteria of medical or spiritual necessity and physical ability to make the trip. All *Malades* and Companions should be deemed to be guests of the Association with no requirement to pay for their Pilgrimage. To accomplish that goal, the overall funding of the annual Pilgrimage should be a combination of:

- a. Budget line item for the Federal Association
- b. Grant allocation from the Grants Committee
- c. Drawdown of partial return from the Lourdes Endowment Fund
- d. "Check-off" of a portion of the member's Annual Appeal contribution
- e. Payments made directly by participants or other members

The source of funding for *Malades* and Companions, when items a-d above are not sufficient, should be the sponsoring Knight or Dame, the local Region, and the Association, in that order.

Only after the Pilgrimage is complete should a discussion take place between the Regional Hospitaller, *Malade* sponsor and representatives of the Lourdes Committee regarding the financial ability of a particular *Malade* and Companion to contribute. When that is deemed feasible, it should be approached on the basis of suggesting that they "pay forward" by providing dollars to fund a *Malade* or Companion for the next or future Pilgrimages.

Recommendations Regarding Funding of the Pilgrimage

- Within two years, the Association should fully fund the costs for all *Malades* and Companions.
- The Task Force recommends that the Board undertake a three-year Lourdes Endowment Fund Capital Campaign, chaired by a Member of the Board, beginning in 2013 designed to increase the corpus of the Fund to be of sufficient size to permit funding all *Malades* and Companions.

- *Malades* should be approached to contribute to Pilgrimage funding only when their sponsor determines that is a feasible request, only after they have completed their Pilgrimage, and then as a donation towards making the experience possible for future *Malades*.

PILGRIMAGE PARTICIPATION AND SIZE

Considerations Concerning Participation

As a signature work of the Order for over fifty years, the Task Force believes an effort should be undertaken to broaden and enhance our outreach to the entire membership of the Federal Association. The recently revised requirement for newly invested members to attend a Pilgrimage within their first three years may increase the size of the Pilgrimage. Despite this, a concerted effort also should be made to recruit veteran Knights and Dames who have not participated previously in the Lourdes Pilgrimage.

The Task Force recognizes the importance of right-sizing critical capabilities within the teams as well as the importance of team size in carrying out the mission. The Task Force heard from several sources that it is the number of able-bodied pilgrims (i.e., pushers and pullers) rather than number of medical staff or clergy that limits the number of *Malades* that can be accommodated. The Lourdes Committee is fully competent to institute processes to recruit a balanced group of people for Pilgrimage with those capabilities needed to fully support the needs of *Malades*. Streamlining the application process through greater use of Internet-based tools and beginning recruitment earlier can facilitate this process.

Outreach for identification of Our Lords the Sick – the *Malades* – should stretch beyond our families and immediate communities. Chaplains, regional Hospitallers, regional Lourdes chairs, and every member should be asked to seek out those in need of our care and this grace. Attention to low-income communities and areas spiritually underserved due to shortages of clergy can benefit greatly from the transformational benefits of one of their neighbors returning to share the story of their own experiences in Lourdes. Similarly, we should reach out to priests, women religious and young people still growing in their spirituality to share this experience so they may bring this light home for others to see.

Considerations Concerning Size

Participation in the Federal Association's annual Pilgrimage to Lourdes has grown in recent years, reaching 280 pilgrims in May 2012. The Task Force believes, however, that the Pilgrimage has room to grow. The successful Jubilee Year Pilgrimage in 2008 with 334 participants supported by eight fully functioning teams proves this concept. Below is ten-year data on the size and composition of the Pilgrimage with notes on

"exceptional" years. Excluding these exceptions, the Pilgrimage has grown about ten percent.

Over the past ten years, our Pilgrimage has grown organically from an average of 257 pilgrims in years 2001, 2004 and 2005, (excluding 9/11 and Iraq War) to the last three year's average of 282, a ten percent increase.

	2001	2002*	2003**	2004	2005	2006	2007	2008	2009	2010	2011
Total Attendance	261	204	186	250	260	296	290	334	289	288	278
Charter	205	159	155	216	227	242	237	257	236	238	222
Lourdes Only	56	45	31	34	33	54	53	76	53	50	56
Malades	36	30	31	35	36	35	38	46	34	36	36
Companions	37	36	29	44	39	40	46	54	43	45	36
Knights and Dames	94	76	63	93	104	110	108	123	109	134	138
Candidates	14	5	5	7	9	27	25	25	23	21	17
Volunteers	68	38	43	47	48	54	46	50	38	17	13
Clergy	7	11	7	12	10	7	9	19	12	18	16
Auxiliary	5	8	8	12	14	23	18	17	30	15	22

The other U.S. Associations have considerably larger Pilgrimages. By way of comparison, the American Association travels on a charter flight out of Newark that carries 350 pilgrims. They have 50 *Malades* and 40 Companions. The American Association has had as many as 400 pilgrims and this year they limited the Pilgrimage to 350 pilgrims, including 50 *Malades* and 40 caregivers. They travelled on a charter flight. This year, the Western Association had 330 pilgrims flying out of Los Angeles, San Francisco, and Phoenix to Zurich. The Western Association limits its Pilgrimage to 330 people, including 235 members, volunteers, and clergy; and 50 *Malades* and 45 Companions. They limit the number of pilgrims because of room and dining room capacity.

The size of the Pilgrimage has clear implications for its operation, transportation and accommodations. The two areas of primary concern are air transport and hotel accommodations.

Air Transportation

The Task Force supports the continued use of the air charter as the primary means of transportation for the Pilgrimage. The bonding among pilgrims and the sense of unity and camaraderie that results cannot be equaled any other way.

To address risks due to our exposure to the financial stability of charter air carriers, we urge the Lourdes Committee to explore a number of alternative options and develop contingency plans for the future. These should include collaborating with the American Association in the selection of carriers, exploring potential benefits of alternative departure points other than BWI, as well as developing contingency plans such as the

Western Association's approach of multiple departure points to a common rendezvous for final transit to Tarbes.

While incentivizing the choice of the charter as much as possible, we must accommodate the potential for growth, recognizing that more people will fly commercially and plan accordingly.

A Tri-Association Committee has been formed to review air transportation solutions on behalf of all the Associations.

Hotel

Securing advance agreements for accommodations is critical and the Lourdes Committee is to be congratulated for its success to date. Obtaining reasonably-priced hotel rooms meeting reasonable standards of comfort and accessibility, in facilities with appropriate meeting rooms and storage areas, which can provide quality meal services and security, all with proximity to the Domaine are hallmarks of that success. If we are to grow we will need additional rooms.

We currently use four or five hotels, including the Saint Sauveur, Panorama, D'Angleterre, and Moderne. In years past, we have also occupied the Parc Chappell and the Solitude annex. The Saint Sauveur, the Panorama, the Parc Chappell, and the Solitude are part of the Vinuales Hotel Group. In 2012, the Pilgrimage required 169 rooms at the Saint Sauveur, Panorama, D'Angleterre, and Moderne. This year, D'Angleterre offered us 19 rooms (13 doubles and six singles), of which we used 14.

Securing enough suitable rooms for the Pilgrimage was challenging in 2012, with negotiations continuing up until the week of the Pilgrimage. The Lourdes Committee works primarily with the Director of the Saint Sauveur, who has committed to giving us 107 rooms at the Saint Sauveur and 53 rooms at Panorama for a total of 160 in 2013. The Panorama has a total capacity of 106 rooms. In discussions with the Saint Sauveur hotel director, we requested additional rooms at the Panorama since the feedback from our group was so positive. Although the Committee requested more rooms, the Director would only agree to provide 53 rooms for the 2013 Pilgrimage. We will also require additional meeting space next year for: teams leaders, orientations, emeritus, Catholic Café, *Malades* and Companions, and for confessions. The problem of using multiple dining rooms for the group does not have a ready solution and we will continue to require multiple dining rooms going forward.

Members of the Task Force and the Lourdes Committee, the Lourdes Committee Chair, and Executive Director of the Association met with the Director of the Saint Sauveur this year to discuss the possibility of a long term contract (five years, e.g.) between the Federal Association and the Vinuales Hotel Group. The Director said that long-term contracts were not a normal business practice and the owner would not agree to enter

into a contract. We learned from him that travel agents and tour operators have the greatest leverage in negotiations with hotel groups given their influence in driving business over 51 weeks – not just one week as we do. In the absence of leverage with a long-term contract, the Lourdes Committee could request proposals from dominant, leading travel agents who could negotiate on our behalf. The goal of using a travel agent would be to obtain greater certainty of supply and quality while meeting the cost requirements of our potentially growing Pilgrimage.

Recommendations Regarding Pilgrimage Participation and Size

- The pilgrimage should be allowed to grow to accommodate 325 people, subject to further review of feasibility for further expansion.
- This growth should include increasing the number of *Malades* served, and expanding our outreach to all Members of the Order to ensure their participation in the Pilgrimage.
- Participants applying for the Pilgrimage should be accepted after consideration of the needs in each category of traveler (“pusher/puller”, emeritus, clergy, auxiliary, medical, page, etc) to provide enough leeway capacity to ensure smooth functioning of the Pilgrimage in Lourdes and adequate support of our *Malades* as well as of unexpected *Malades* among the Companions, Knights, and Dames.
- The Association should continue to travel on a charter plane but commercial travel should also be allowed, while providing incentives to use the charter to assure all its seats are filled. The Lourdes Committee should consider other charter companies and joint charter agreements with the other U.S. Associations as ways to mitigate the risks of our current charter arrangements.
- Expanding our use of hotels other than the Vinuales Hotel Group to ensure we have enough room capacity, and to foster competition, which would help to keep hotel costs down.

RECAP OF RECOMMENDATIONS

Financial Risks

- The Board of Directors of the Federal Association should appoint its Finance Subcommittee to confirm the above assessment and for each risk identified, affirmatively elect to either: (a) self-insure or (b) mitigate the risk.
- The Federal Association should continue to hedge against changes in the price of jet fuel and changes in the euro-dollar exchange rate.
 - Such hedging should be done to achieve market neutrality, not to speculate on some market view.
 - Particular attention should be paid to basis risk.
 - The three Associations in the United States should join forces to achieve more effective hedges.
- The creditworthiness of the charter airline should be monitored (e.g., by monitoring how its bonds trade).
 - The contract with the airline should be modified so that bankruptcy is a valid reason for cancelling.
 - The terms of the escrow account for the deposit with the airline should be clarified.
- Existing efforts to fill the charter aircraft should be continued.
- More complete mitigation of the risks of cancellation of the charter should be implemented. This can be done either through modification of the contract or through a more complete insurance policy.
- Liabilities associated with the emergency diversion of the charter aircraft should be clarified and this risk should be mitigated with insurance.
- A contract should be implemented with the hotels in Lourdes.
- The Federal Association should consider aligning with one of the prominent travel agents in Lourdes to secure rooms as our negotiating position for hotel rooms may be strengthened.
- Adequate insurance for accidental injury, medical liability, crime, extended medical stays, and medical evacuation should be obtained.

Management

- The Board should develop a charter for the Lourdes Committee that outlines its purpose and the roles and responsibilities of the committee members. The Board should be aided in this effort by all present and past Lourdes Committee Chairs, who should prepare a specific set of job descriptions for the committee members and outline a recommended chain of command for actions on the ground in Lourdes.

This document should be specific in addressing the role of the committee members, Federal Association staff and Board members. The Board should approve an annual Lourdes plan, budget, roles and responsibilities, and chain-of-command so that the committee has direction to execute the plan.

- The Board should consider the appointment of a Board member to the Lourdes Committee to act as a working member as well as the Board liaison.
- Association staff, in consultation with the Lourdes Committee, should develop an electronic web version of the Pilgrimage application (but not the *Malade* application). These electronic applications should provide quality control while entering data (e.g., passport numbers) and store the information directly to a database. Unnecessary keying of information from hardcopy applications into spreadsheets is inefficient and error-prone.
- There should be a single copy of the database from which all necessary reports are generated. Authorized members of the Lourdes Committee should be able to access data and generate reports directly to get the information they need.
- Standards for storage (electronic and physical) and transmission of medical records should be reviewed and revised to protect *Malade* privacy and to avoid violating federal laws and regulations.
- Better financial tracking of the Pilgrimage is needed, particularly of payments and donations by and for *Malades* and Companions. The Task Force believes the Association would benefit from the addition of a bookkeeper.
- A secure way of transmitting medical information needs to be identified and implemented. For example, a program called "Heath Vault" has been mentioned in this regard.

Spirituality

- Those Members of the Order who do not participate in the Pilgrimage should have the opportunity and be encouraged to be involved in some special event during the course of the week, such as a Mass or recitation of the rosary to be offered on behalf of the *Malades* and pilgrims. Organization of this event could be a duty of the regional Lourdes chair. A novena is published by *Malta Moment*, which should be circulated by Hospitallers to all Members of the Order so that those at home can be praying in union with the pilgrims in Lourdes.
- Regional Lourdes committees should be encouraged to establish a *Malade* support team at home for the purpose of providing assistance to each *Malade* before and after the Pilgrimage, much like their team in Lourdes. The support team members could help the *Malade* prepare for the trip before departure, and be on hand to greet them upon their return.
- Cardinal Wuerl, as conventional chaplain of the Order, should be invited to attend the Pilgrimage yearly and asked to identify another cardinal who could travel in his stead if he were unable to attend.
- Better screening and preparation of clergy attending the Pilgrimage is required. Regional Lourdes chairs should be responsible for identifying and nominating clergy

who will serve the Pilgrimage well, rather than using it solely as an opportunity for their personal retreat.

Funding of the Pilgrimage

- Within two years, the Association should fully fund the cost of *Malades* and Companions.
- The Task Force recommends that the Board undertake a three-year Lourdes Endowment Fund Capital Campaign, chaired by a Member of the Board, beginning in 2013 designed to increase the corpus of the Fund to be of sufficient size to permit funding all *Malades* and Companions.
- *Malades* should be approached to contribute to Pilgrimage funding only when their sponsor determines that is a feasible request, only after they have completed their Pilgrimage, and then as a donation towards making the experience possible for future *Malades*.

Pilgrimage Participation and Size

- The Task Force recommends expanding the Lourdes Pilgrimage to 325 pilgrims, subject to further review of feasibility for further expansion.
- This growth should include increasing the number of *Malades* served, and expanding our outreach to all Members of the Order to ensure their participation in the Pilgrimage.
- Participants applying for the Pilgrimage should be accepted after consideration of the needs in each category of traveler ("pusher/puller", emeritus, clergy, auxiliary, medical, page, etc.) to provide enough leeway capacity to ensure smooth functioning of the Pilgrimage in Lourdes and adequate support of our *Malades* as well as of unexpected *Malades* among the Companions, Knights, and Dames.
- The Association should continue to travel on a charter plane but commercial travel should also be allowed, while providing incentives to use the charter to assure all its seats are filled. The Lourdes Committee should consider other charter companies and joint charter agreements with the other U.S. Associations as ways to mitigate the risks of our current charter arrangements.
- Expanding our use of hotels other than the Vinuales Hotel Group to ensure we have enough room capacity, and to foster competition, which would help to keep hotel costs down.

Task Group Members and Methodology

Task Force Members

This Task Force is comprised of nine members who have been regular Lourdes pilgrims in the past, including Board members, members of the Lourdes Committee, and other Knights and Dames. The membership of the Task Force is as follows:

Ed Festa, Chair
 Craig Jarchow, Co-Chair
 Cynthia Wilkinson, Secretary
 Don Joyce, MD
 Rob Lively
 Peter Scudner
 Kathy Weedon
 Tom Weiford
 Dorothy Zolandz

Task Force Methodology

At its first face-to-face meeting in October 2011, the Task Force members quickly identified the principal areas of concern for further consideration. They are:

- Financial Risks
- Management
- Spirituality
- Funding of the Pilgrimage
- Pilgrimage Participation and Size

The Task Force members were assigned to gather data on these topics and propose findings and recommendations to the larger group as follows:

Financial Risks- Craig Jarchow, Tom Weiford, Peter Scudner

Management- Cynthia Wilkinson, Craig Jarchow, Peter Scudner

Spirituality- Rob Lively, Don Joyce, Dorothy Zolandz, Kathy Weedon

Funding of the Pilgrimage - Tom Weiford, Don Joyce, Peter Scudner

Pilgrimage Participation and Size - Cynthia Wilkinson, Rob Lively

After its initial meeting, the Task Force members continued their work via email and teleconference. Data gathering meetings were also held in Lourdes by those members of the Task Force who participated in the 2012 Pilgrimage. A final face-to-face meeting in Atlanta on June 2, 2012, allowed the group to deliberate on its findings and recommendations. This report reflects the consensus reached in the course of this process.

Individuals Providing Input to the Task Force

Over the course of its work, the members of the Task Force interviewed many individuals with valuable knowledge of the Federal Association Pilgrimage, the Pilgrimages of the Western and American Associations, and other groups running similar Pilgrimages or group travel. Those individuals were:

Lindsay Gallagher, Chair, Lourdes Committee
 Reverend Monsignor Edward J. Dillon, Pilgrimage Chaplain, Lourdes Committee Member
 Dr. Harry Johnson, Medical Director, Lourdes Committee Member
 Jeff Ludwig, Pilgrimage Hospitaller, Lourdes Committee Member
 John Hoy, former Pilgrimage Hospitaller, Lourdes Committee Member
 C. Clair McCormick, Lourdes Committee Member
 John Miller, former Lourdes Committee Chairman
 Loretto Kane
 Wayne Ruth, Lourdes Committee Member
 Joe Dempsey, Staff, Executive Director
 Jill Ortiz, Pilgrimage Director, Western Association
 Michael Castine, Co-President, Lourdes Pilgrimage, American Association
 Michelle Malloy, head of Pilgrimages, Southwestern Lieutenancy for the Equestrian Order of the Holy Sepulchre of Jerusalem
 Stacey McMahon, North American Lourdes Volunteers
 Patrick Saffores, Director, Hotel Saint Sauveur
 Mike McGarry, immediate past Chair, Lourdes Committee
 Jack Pohrer, President of the American Association
 Joe Contadino, President of the Western Association
 Sherrie Ober, Missionary Support Team Coach, Eastern Mennonite Missions

Order of Malta, Federal Association
 Lourdes Task Force
 Assessment of Risks Associated with the Lourdes Pilgrimage

Risk	Financial		Ways to Mitigate	Cost to Mitigate	Current Approach	Notes
	Probability	Impact				
Price Risk:						
Jet Fuel Prices	High	High	1. Buy swaps on jet fuel. 2. Buy swaps on another petroleum product.	Low	Buy swaps on heating oil.	Heating oil is a different product than jet fuel. It is used for heating, whereas jet fuel is used for transportation. The demand for jet fuel remains strong, whereas switching from heating oil to natural gas is prevalent.
Basis Risk	Medium	Medium	1. Buy swaps on jet fuel.	High	None	See note above. Basis risk is an issue.
Euro-Dollar Exchange Rate	High	High	1. Buy swaps on the Euro-Dollar exchange rate.	Low	Buy swaps on the Euro-Dollar exchange rate.	Current approach is working well.
Charter						
Creditworthiness of airline	Medium	Medium	1. Use creditworthiness as a metric when evaluating charter airlines. 2. Monitor creditworthiness of airlines. 3. Institute bankruptcy as valid reason for canceling contract.	Low	None	Global Aviation Holdings, the parent of our charter company, declared Chapter 11 bankruptcy about 90 days before departure. They were able to maintain operations, however.
Unfilled Seats	Medium	Medium	1. Require that the charter be filled before accepting Lourdes-only pilgrims. 2. Require that new pilgrims fly on the charter.	Low	Require that the charter be filled before accepting Lourdes-only pilgrims.	Current approach was implemented for the first time in 2012 and worked well.

Risk	Financial		Ways to Mitigate	Cost to Mitigate	Current Approach		Notes
Charter (continued):	Probability	Impact					
Cancellation:							
Prior to Departure:							
By Airline	Medium	High	1. Structure contract so that airline owns as much of this risk as is practicable. 2. Buy an insurance policy for this risk.	Medium	Partly contract with airline, partly cancellation policy.	Airline's liability is limited to unearned payments to them. They have a "commercially reasonable" out, including for mechanical problems. Also have a Force Majeur clause. Cancellation charge is 20% six months prior to departure and ramps up to 100% two weeks prior to departure.	
By SMOM	Low	High	1. Buy insurance policy for this risk.	Medium	Buy insurance policy for this risk.	A cancellation policy was purchased for the first time in 2012. Good idea.	
By Act of God	Low	High	1. Buy insurance policy for this risk.	TBD	None	Acts of God are generally excluded from current cancellation policy¹.	
In Lourdes:							
By Airline	Medium	High	1. Structure contract so that airline owns as much of this risk as is practicable. 2. Buy an insurance policy for this risk.	Medium	Partly contract with airline, not clear if cancellation policy applies in this case.	Airline's liability is limited to unearned payments to them. They have a "commercially reasonable" out, including for mechanical problems. Also have a Force Majeur clause. Cancellation charge is 20% six months prior to departure and ramps up to 100% two weeks prior to departure.	
By Act of God	Low	High	1. Buy insurance policy for this risk.	TBD	None		
Diversion for Medical Reasons	Medium	High	1. Buy insurance policy for this risk.	TBD	None	This is a vulnerability.	

Risk	Probability	Financial Impact	Ways to Mitigate	Cost to Mitigate	Current Approach	Notes
Hotel:						
Unfilled Rooms/Too Few Rooms	High	Medium	1. Negotiate some flexibility on number of rooms with hotel. 2. Use other hotels as a buffer. 3. Have a minimum number of rooms specified by contract.	Low	1. Negotiate some flexibility on number of rooms with hotel. 2. Use other hotels as a buffer.	Too few rooms has been the primary issue lately.
Cancellation:						
Prior to Departure:						
By Hotel	Low	High	1. Implement a contract with the hotel, as does the American Association. 2. Buy an insurance policy for this risk.	Medium	Buy an insurance policy for this risk.	Current cancellation policy would cover, unless due to work done on hotel known beforehand, financial troubles known beforehand, and failure to find other hotel rooms.
By SMOM	Low	High	1. Buy insurance policy for this risk.	Medium	Buy insurance policy for this risk.	See exclusions.
By Act of God	Low	High	1. Buy insurance policy for this risk.	TBD	None	Acts of God are generally excluded from current cancellation policy ¹ .
In Lourdes:						
By Hotel	Low	High	1. Buy an insurance policy for this risk.	Low	TBD	Not clear whether current cancellation policy applies here.
By SMOM	Low	High	1. Buy an insurance policy for this risk.	Low	TBD	Not clear whether current cancellation policy applies here.
By Act of God	Low	High	1. Buy an insurance policy for this risk.	Low	None	Acts of God are generally excluded from current cancellation policy ¹ .
Change in Prices	Medium	Medium	1. Institute a contract with the hotel.	Low	None	

Risk	Probability	Financial Impact	Ways to Mitigate	Cost to Mitigate	Current Approach	Notes
Liability:						
Accidental Injury	Low	High	1. Buy insurance policy for this risk.	Low	TBD	Is the Association already covered by existing policy?
Medical Liability	Low	High	1. Buy insurance policy for this risk, as does the Western Association.	TBD	None	This is a vulnerability.
Crime:						
Pilgrim is Victim	Low	High	TBD	TBD	TBD	Is the Association already covered by existing policy?
Pilgrim is Perpetrator	Low	High	TBD	TBD	TBD	This happened to the North American Volunteers.
Medical:						
Medical Treatment	Medium	Medium	1. Buy insurance policy for this risk.	Low	None	Personal medical policies may not fully cover medical treatment in France.
Medical Evacuation	Medium	High	1. Buy insurance policy for this risk.	Low	None	This is a vulnerability.
Extended Medical Stay	Medium	High	1. Buy insurance policy for this risk.	Low	None	This is a vulnerability.

¹ Exclusions in current cancellation policy include: Non-appearance of any person or group of persons, adverse weather, any work that renders a venue unusable, war and civil strife, lack of permission to enter country, nuclear event, pollution, biological or chemical threat, communicable disease (a SARS outbreak would not be covered), terrorism, financial issues on the part of the Order, and failure to respond to financial issues on the part of a supplier.

	Lourdes Pilgrimage					
	Contribution by Pilgrim Type					
	Category	Fee	less Air	less Hotel		
	Full tour - Member	3200	1962	679	559	
	Full tour - Non Member	3700	1962	679	1059	
	Lourdes Only - Member	2125	0	679	1446	
	Lourdes Only - Non Mem	2700	0	679	2021	
	Auxiliary	2100	1962	679	-541	
	Malade/Companion	1800	1962	679	-841	
	Clergy	2200	1962	679	-441	
	Staff	0	1962	679	-2641	

	Data is from 2012 Lourdes budget. Contribution is defined as portion of \$ fee available per participant					
	to cover general overhead. Does not consider non participant revenue or single room supplement					