Minutes

Attending: Kristen Ablauf, Sarah Bookbinder, Kevin Ferrell (conference call), Mary Gallagher, Diana Parker, Rosa Peralta, Steven Ratner, Larry Root (chair), Katherine Terrell, Ada Verloren (staff to committee), Veronica Wilkerson-Johnson (conference call), President Mary Sue Coleman, Gary Krenz (Special Counsel to the President), Marvin Krislof (General Counsel).

1. Discussion with University of Michigan President Mary Sue Coleman

University of Michigan President Mary Sue Coleman welcomed the members of the committee, and thanked them for their willingness to serve on the committee. President Coleman explained that the committee’s task was to continue to review the university’s code of conduct. In addition, the committee should assess the effectiveness of monitoring organizations with which the University is affiliated, evaluate the quality of their reports, and be aware of changes in their functions. The committee also should explore other avenues to gain information in pursuit of its goals. The committee’s other charges are to address complaints about licensees; to develop and implement procedures for fact-finding; to continue to pursue ways in which research and education may assist the university’s understanding of the issues involved in globalization and labor; and to find ways for student participation. Student involvement in the different issues involved in globalization and labor can lead to a deeper understanding of the nature of the issues.

There was some discussion of freedom of association in China. The University has a variety of relationships with China. By engaging with China on issues related to production by licensees, the University can not only advance discussion of concepts such as freedom of association and academic freedom, but also push towards a broader understanding of such concepts. Committee members noted that despite the limits on labor unions, workers’ rights may be no worse in China than in Latin America.

In general, President Coleman acknowledged the expertise of different members of the committee that could help the University make logical and reasonable decisions to further its goals.

2. Announcements

SOLE will host a Walmart worker tour on Friday, November 18, at 1:00 and 5:00 p.m., featuring sweatshop workers from Mexico and Swaziland, a flower plantation worker from Colombia, and an organizing plan to stop sweatshops.

3. Review and approval of minutes

The committee approved the minutes from October 7, 2005.

4. Response from FLA regarding PT Victoria and Eddie Bauer

The committee discussed the FLA’s response to the committee’s questions regarding the situation of Perdana Garments, a supplier to Eddie Bauer, which operated the PT Victoria factory in Indonesia. Although the case does not relate directly to collegiate apparel, it raises the issue whether the FLA is an effective monitoring organization.

The committee’s questions to the FLA were the following:

a. Does Eddie Bauer continue to use Perdana Garments?

b. Does the FLA have a stance or policy for dealing with a licensee, or supplier to a licensee who has violated its code of conduct?

c. Does the FLA have a policy or stance about licensees or their suppliers that "cut-and-run" (in this case, without notice and without paying wages)?

In response to the first question, the FLA expressed its understanding that Eddie Bauer does not use factories owned by the Perdana Garments company. The committee would like the FLA to check with Eddie Bauer once again that it is not doing business with Perdana Garments or in any factories owned by Joe Pang.

The FLA noted in response to the second question, that in the FLA Charter, monitoring guidance or any other policies of the FLA, there is nothing that speaks directly to legal judgments against a supplier or company, but that any such information would be part of any consideration of a company’s membership in the FLA.

The FLA questioned the characterization of the situation in the third question as one of cutting and running. It mentioned that Eddie Bauer had production left at the factory before it closed. The FLA mentioned that it has particular guidelines that address retrenchment (this refers to downsizing, or closures based on operational requirements and occurs when an employer has bona fide economic, technological, structural or similar reasons to reduce the size of the workforce). The FLA mentioned the importance of this guidance “as it assists companies in ensuring that the right systems are in place to address changing sourcing patterns, entering and exiting factories. And, like the company obligations this addressed the need for policies and procedures to be in place for wage issues, hiring/re-hiring, training, etc.”

Several questions were raised, including the following: If Eddie Bauer still had production left at the factory when it closed, what were its obligations when the factory closed? How did the FLA ensure that Eddie Bauer honor its obligations and participation requirements? Why did the FLA only become actively involved after it received an appeal for intervention from the WRC field director? Could more proactive monitoring have uncovered the situation sooner? Has FLA ever implemented sanctions without pressure from universities? What is the timeline for sanctions?
5. **Discussion of “Designated Supplier” Proposal**
A number of questions were raised during the discussion, including the following:

1. Would participation in the designated supplier program require all universities to change their codes of conduct to incorporate a living wage requirement?
2. How do universities deal with the issue of freedom of association in China?
3. How often would licensees have to disclose factories and volume and who would be responsible for analyzing and checking the information?
4. Has there been any consultation with companies to discuss problems with implementing the program?
5. Does the WRC have the capacity to certify factories initially and to provide periodic monitoring?
6. Would other monitoring organizations be involved?
7. Since the proposal envisions production in fewer factories, how many factories would be required to produce university apparel?

6. **Adjournment**
The meeting was adjourned at 11:00 a.m. The next committee meeting will be held 9:00-11:00 a.m. on Friday, December 2 at SSW.
Appendix

Based on the information that the committee received from the FLA, the following timeline shows events with regard to the closing of the PT Victoria.

1999 Hong Kong company (owner Joe Pang) bought out bankrupt PT Kushendy and founded PT Victoria

Dec 2003 Factory closed down, leaving 875 workers without jobs. PT Victoria did not declare bankruptcy and never cancelled its lease on the factory premises.

Union took up the demands of the workers for severance pay and other benefits. Management offered to pay one month severance pay as required by law in installments, but union rejected the offer.

Union took matter to Indonesia Manpower and Transmigration Department and to Central Labor Dispute Settlement Committee, which handed down a decision ordering the company to pay some $1.1 million in compensation.

August 2004 FLA learned about the case after Urban Community Mission sent out e-mails to Eddie Bauer and other labor rights groups indicating that workers had not received severance pay and other benefits; the e-mails mentioned that the previous owner of Eddie Bauer had agreed to investigate the matter.

October 2004 FLA learned that case was still unresolved and contacted Eddie Bauer

December 2004 FLA received a direct appeal for intervention from Agatha Schmaedick (WRC Field Director, Southeast Asia).

In December 2004, following management’s offer to transfer its remaining assets in Indonesia to the union in part settlement of the amount owed to the workers, with the assistance of Eddie Bauer, a power of attorney was signed. Motor vehicles, machinery, materials and stock were turned over to the union. Union estimated that these assets would amount to no more than 10% of the compensation ordered by the Central Labor Dispute Settlement Committee. However, the union has not been able to dispose of the assets because Government creditors have blocked the sale.

In early May 2005, FLA Southeast Asia Regional Coordinator Tanida Disyabut traveled to Indonesia to establish the extent of PT Victoria’s debts. FLA staff also met with PTV management in Hong Kong and consulted with Eddie Bauer staff to complete its profile of PT Victoria. FLA discovered that owner of PT Victoria Joe Pang had lost most of its customers, and had initiated bankruptcy proceedings in Hong Kong.

August 12, 2005 A meeting took place in Chicago.

August 20, 2005 A second meeting took place in Hong Kong with FLA President and CEO Auret van Heerden, two representatives from Eddie Bauer, four union members, former PT Victoria owner Joe Pang. WRC field director Agatha Schmaedick served as translator while two FLA representatives served as facilitator and recorder. Pang indicated that because Perdana Garments had been placed under the control of a receiver, he had no financial control of the company and could not provide any assistance to workers. Eddie Bauer explained that it had no monetary obligation to the workers. Also, after its emergence from two and a half years in bankruptcy, it could not provide any financial contribution to the settlement. Eddie Bauer offered to provide assistance such as retraining or re-employment for workers who were still without jobs.

On May 12, 2005, after a three-year initial implementation period, the FLA accredited the compliance program of Eddie Bauer, signifying that Eddie Bauer was in substantial compliance with FLA requirements to implement a rigorous workplace code of conduct in factories making the company’s products.

QUESTIONS:

1. We had understood from our previous communications that there were "retrenchment guidelines" (or something like that) on the web site. We weren't able to locate these. Can you provide us with these guidelines or direct us to where they can be found?

2. Was Eddie Bauer the primary customer of the factory; in other words, did Eddie Bauer purchase more than 50% of the items produced in the factory?

3. In your email, you mentioned that it was your understanding that Eddie Bauer is no longer using Perdana or another company owned by Joe Pang. Can you confirm that this is the case?

4. It seemed that the FLA only learned about the problems at PT Victoria after a 3rd party contacted it. Does the FLA have any procedure for a licensee to contact the FLA and to inform it of a problem in a factory? In a letter to UAC members, dated July 11, 2005, FLA described its role as follows: “Normally our role in this would be to ensure that Eddie Bauer honors its obligations and participation requirements . . . .”
What were Eddie Bauer's "obligations and participation requirements" when the factory closed?

5. Can you clarify what actions were taken by the FLA between the time it first heard of the problems at PT Victoria in August 2004 and December 2004, when it received an appeal for intervention from the WRC field director?