

Minutes of  
WRC Governing Board  
May 22, 2006

Attending: Alejandra Domenzain, Marcella David, Mark Barenberg, Mark Iozzi, Jay Marano, Liana Dalton, Amy VanHeuverzwyn, Doug Shaw, Jim Wilkerson, Jill Esbenshade, Saamir Rahman, Thea Lee, and LaMarr Billups. Also attending in part were Julie Bell-Elkins (University of Connecticut), Julia Filippone (University at Albany), and Allie Robbins (USAS). WRC staff attending were Scott Nova, Anne O'Rourke, Nancy Steffan, Bethany Renner, Agatha Schmaedick and Apoorva Kaiwar. Unable to attend were Katie Quan and Emil Totonchi.

**Introductions, Agenda Review, Board Elections:** The current meeting agenda and minutes of January 20, 2006 were unanimously approved. There was also a unanimous vote to ratify one new Board member: the new University Caucus representative LaMarr Billups (University of Wisconsin-Madison). The entire Board expressed their gratitude to outgoing University Caucus representative Jim Brudney for his valuable contributions and noted that the closely contested election attested to the quality of both candidates. Officer elections were held next and all nominees were approved by unanimous vote: Katie Quan as Chair (Advisory Council); Amy VanHeuverzwyn as Secretary (USAS); and LaMarr Billups as Treasurer (University Caucus). The outgoing officers were thanked for their service.

**Special Agenda Item:** The Board expressed its sadness at the sudden passing of Rut Tufts who was a founding member of the WRC Board. Many people described their personal appreciation of Rut as a valued friend and colleague. The Board unanimously approved the following resolution which was presented by Marcella David and which will be delivered to Rut's family:

*The Governing Board of the Worker Rights Consortium is saddened to hear of the sudden passing of Rutledge Tufts on May 16, 2006. Rut Tufts was a member of the WRC Governing Board, serving from 2000-2004, while working for the University of North Carolina at Chapel Hill. As a founding member of the Governing Board, Rut worked tirelessly to lay the foundations which have made the WRC a thriving institution. He was valued as a committed member of the board, and as a gracious, funny and knowledgeable colleague.*

*The Board wishes to convey its condolences to the family, friends and colleagues of Rut Tufts.*

**Treasurer's Report, Executive Director's Report:** The report began with Jim Wilkerson, acting for WRC Treasurer Emil Totonchi who was unable to attend, stating that the audit committee had reviewed and approved the most recent financial reports. Scott indicated the additional financial reports presented in the meeting materials including a profit and loss statement, balance sheet, a comparison of FY2006 actual and approved income and expenses, and the proposed FY2007 budget. Further discussion of finances, as well as staffing and program updates, was deferred until their time later on the agenda. Scott noted the positive growth in affiliations indicating that 23 new affiliates have joined over the past year bringing the current total to 155. It was also announced that two high schools have affiliated with the WRC in this new category that the Board approved, and that this area will be monitored to see if enough high schools affiliate to enable effective enforcement action.

Scott gave a brief update on MFA phase-out explaining that the temporarily extended quotas on imports from China, which will expire by 2008, appear to have slowed the impact somewhat but there have been large job losses in Central America and Mexico and lesser job losses in Southeast

Asia. The quotas are focused on specific products but the effects generally spread to non-targeted products as well. It appears that not enough universities have taken a position to greatly impact licensees, and university communications may have little effect without any enforcement mechanism. The only direct reply noted from licensees was from adidas who pledged not to expand their production in China.

Scott also gave an update that in late 2005 the Coca-Cola Company informed the Independent Universities Commission that Coke and its bottlers will not cooperate with the proposed assessment, in the absence of an inadmissibility agreement with the plaintiffs in the litigation pending in U.S. courts. Coke is now planning an investigation to be conducted by the ILO. The WRC role appears to be suspended but Scott has discussed the methodology with the ILO. The Commission will decide if the planned investigation can be considered independent and analyze relevant issues of capacity and communication practices, whether SINALTRAINAL (the food and beverage workers union) is appropriately involved, and the implications of whether the investigation is funded by Coke.

Scott then gave an update on activities related to government entities. Tentative agreement has been reached in the contract with the City of Los Angeles on remaining issues of liability and publication authority. Generally, the WRC's legal exposure will be no more than in any other investigation and the City will not publish information that the WRC classifies as confidential to protect workers. The WRC's current insurance coverage is set at \$2 million. City attorneys are now reviewing the contract, and the operational timeline will depend on the availability of disclosure data including factory names. The City of San Francisco has not issued a Request for Proposal yet but the WRC is a likely candidate to be selected as its enforcement agent. The WRC and the public Catholic school boards of Ontario have agreed to a pilot project focused on a single combined affiliate which will start May 1 and is being funded at \$100,000 Canadian. Data collection is now underway.

**FY2007 Budget, Review and Approval:** The Board met in Executive Session and the budget for Fiscal Year 2007 was approved with no changes. Total income is projected at \$1,462,083 and total expenditures at \$1,250,134 (not counting the Turkey pass through grant income and expenditures).

**Designated Suppliers Program (DSP) Update and Discussion:** Scott advised that there would be no proposed action at this time. Nancy Steffan gave an overview on university action related to the DSP. She summarized that 28 schools have indicated that they are now ready to move forward with the DSP (University at Albany, Brandeis University, University of California-Berkeley; University of California-Davis; University of California-Irvine; University of California-Los Angeles; University of California-Merced; University of California-Riverside; University of California-San Diego; University of California-San Francisco; University of California-Santa Barbara; University of California-Santa Cruz; University of Colorado at Boulder; Columbia University; University of Connecticut; Cornell University; Duke University; Georgetown University; Grand Valley State University; Hamilton College; Indiana University; University of Iowa; University of Maine-Farmington; Santa Clara University; Skidmore College; Smith College; Syracuse University; and University of Wisconsin-Madison) and 3 have indicated that they will not be adopting the DSP at this time (University of Michigan, Purdue University, and University of North Carolina at Chapel Hill). Also presented were recent press clips and a reminder that updates will continue to be posted at [www.workersrights.org](http://www.workersrights.org).

It was summarized that an extensive DSP dialogue was continuing and has included constructive debates at the February 17, 2006 University Caucus meeting (including a panel with the FLA, the

CLC, the LRG, and two licensees), and two joint WRC/FLA forums. There appears to be broad recognition that a new system is needed to enable sustainable progress but that there is less consensus on the specific approach.

Jim described the Working Group (WG) that has been formed to create a DSP implementation plan. The WG consists of universities that have publicly supported the DSP and was created soon after the February 17 University Caucus meeting with 7 members and has now expanded to 28 universities and 2 USAS representatives. Meetings are being held monthly including one session in April for the purpose of consultation with USAS. The WG plans to release a public draft of the implementation plan by June 6 and a final plan by mid fall. Extensive feedback is being solicited from all participants and stakeholders. It is expected that the fall plan will provide valuable information for universities that are still undecided about the DSP, and that having more universities supporting the DSP is critical to its acceptance by licensees.

Scott gave a brief legal update confirming that attorney Don Baker had reviewed the draft implementation plan and that activities were underway to seek a business review letter from either the Department of Justice (DOJ) or the Federal Trade Commission (FTC). A business review letter is a statement that the program is considered to be consistent with antitrust law and that the federal government contemplates taking no action. This device can be useful in discouraging private litigation. Given the limits on FTC jurisdiction related to nonprofits, WRC is now approaching the DOJ and had a positive initial meeting. At the DOJ's request, the WRC is preparing an informal draft to seek DOJ guidance on the best approach. Don advised that the timing can be unpredictable and sometimes lengthy but is relatively hopeful that the DOJ may be able to act expeditiously and assures that DSP planning (but not implementation) can proceed simultaneously. It should also be noted that a business review letter creates a higher hurdle to clear by seeking a written expression upholding the program's legitimacy.

During the questions that followed, it was confirmed that the decision to join the DSP will remain a matter for each university to decide for itself; that a consensus will ultimately be needed on standards concerning any differences between supporting the DSP in principle and supporting all program elements; and that the WRC will seek to support university licensing staff on implementation issues. There was also discussion of the DSP's applicability in China including the use of the term "representative employee bodies" partly to address the fact that independent unions are illegal in China; the hope that the DSP may encourage positive action by worker committees; and the importance that any use of "parallel means" signify a meaningful alternative to unions rather than mere semantics.

Marcella gave a brief update on the February 17, 2006 University Caucus meeting which was attended by representatives of 43 universities and colleges. The agenda focused on the DSP and included several panels with factory managers, factory workers, licensees, and representatives from the FLA, the CLC, and the LRG. In particular she noted the comments of one Swaziland factory manager who tries to provide healthcare for a workforce with an 80% rate of HIV and would be helped by the increased stability the DSP could provide. She described some perceptions that the WRC Board resolution and its characterization by some students were contrary to each school making its own decision about the DSP. She noted that it was helpful to hear from a broad range of institutions and other participants about the concerns that need to be addressed. There was also a discussion with Don Baker which made evident continuing concerns about antitrust issues among some universities which may be helped by obtaining a business review letter and considering arbitration language. During the questions that followed, it was confirmed that a public draft implementation plan should be available within 2 weeks. It was also agreed to create an accompanying 2 page executive summary that should be helpful especially for

university administrators and that will include reference to the existence of the full plan document. Suggestions on how to enable a critical mass of schools to support the DSP included holding more conference calls especially following the issuing of the public draft plan, resolving legal issues, and addressing licensee concerns. Thea Lee led the Board in thanking the WRC and the Working Group for their efforts.

**Date for Next Board Meeting:** The next Board meeting was scheduled for October 23, 2006 (Monday). Thea generously offered to host a party at her home the preceding evening of October 22 (Sunday) starting at 7:00 p.m.

**Factory and Country Reports and Discussions:** Program updates were provided by Apoorva Kaiwar (Field Director/South Asia) and Agatha Schmaedick (Field Director/Southeast Asia) on regions and countries including India, Latin America, Africa, Turkey, Southeast Asia, China, and South Asia. Following a suggestion from the previous Board meeting, a written synopsis was provided and the remaining time devoted to follow-up questions. The discussion about India included confirmation that sexual harassment is broadly prevalent and some advocacy efforts are underway to update and strengthen legal protections; that large factories with local capital are the norm; that MFA phase-out appears to be encouraging the concentration of production in large factories; and that apparel workers are mostly young, female and non-unionized but that union-alternatives such as worker cooperatives seem to be progressing and undertaking some union functions such as negotiating with factory management. Some discussion followed about Paxar (Turkey) which is a global public company based in New York and functions as a strategic partner to many brands and retailers by providing labeling and other services. The case involves illegal terminations and non-recognition of the union, and highlights the need to research industry elements beyond the traditional focus on assembly and sewing. It was again noted that these updates on factory assessments demonstrate the need for a new approach such as the DSP considering closures and loss of orders at factories that try to improve working conditions.

**Factory Closures, Severance, and Licensee Obligations Concerning Unpaid Severance:** The discussion began with Hermosa (El Salvador) which closed in May 2005 and where none of the compensation owed to workers or to the health care and pension funds has been recovered. This led to the broader issue that if a factory fails to fulfill its requirements, either the brand can assume financial responsibility or the workers suffer. Issues raised included whether brands should be held responsible when they benefit from factory malfeasance or when the factory uses fraud to conceal actual conditions; distinguishing between complicity and failure to take due care; the fact that codes require licensees to honor labor employment laws including severance requirements and whether the appropriate remedy is to discontinue the factory relationship or also to assume financial responsibility; the fact that licensees must comply with local law which may not impose joint and several liability; the fact that licensing is a voluntary arrangement where licensees are responsible for ensuring that their contractors and subcontractors adhere to the code; and the possibility of requiring all licensees to pay a percentage of fees into a fund for severance obligations. It was agreed that the DSP may help address this problem by promoting good suppliers. It was also agreed that no concrete proposal would be made at this time but as much pressure as possible would continue to be exerted on factories and brands to fulfill obligations to workers.

**Adjournment:** The meeting was adjourned with thanks to all for their participation.