

17 July 2014

**WITHOUT PREJUDICE**

**International Secretariat**  
**Clean Clothes Campaign**  
Postbus 11584  
1001 GN Amsterdam  
the Netherlands

Dear Sir,

**PALLA & COMPANY (PVT) LTD**

*We understand that your Organization is appearing against Human Rights violations to safeguard the interests of the working class. We appreciate your work. We encourage Organizations who are supporting to win and safe guard the rights of the workers.*

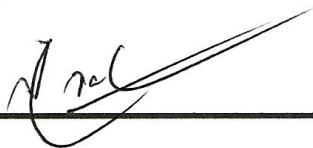
*You have published an article about our Company in your Website.*

*In this particular incident, you have been misled by certain parties who are having wasted interest. They have submitted wrong and malicious information against our Company.*

*The purpose of this letter is to give the our side of the story and to explain what exactly has happened at Palla & Co [Pvt] Ltd.*

*Please go through the following explanations carefully without being bias:*

1. *Palla is a producer of Ladies Fashion Footwear mainly to the European market. The Company faced an adverse situation mainly due to the recession in Europe.*
2. *The Company was financially in a bad situation, then Shareholders wanted to move out some years back and the present Management (Ceylon Leather Products PLC) invested approximately LKR 454 Mn. (US\$ 3.5M approximately) in the year 2011 bailing out the company ensuring the continuity.*
3. *It had been the habit of the workers to go on strike and Demand Company to increase their salaries and company has lost many customers due to un-acceptable activities by certain employees. i.e. BZ Moda, San Marina, Franco Ballin, Canel Grande, etc.*
4. *Due to strikes and illegal work stoppages carried out by some workers the company suffered on air freights, delayed deliveries and price reductions etc. Even though the financial situation in the Company as indicated above is extremely poor, the Management has notwithstanding granted salary increases to the employees over the years as follows:*




	<i>Increments given by the Company</i>	<i>Increment recommended by Manufacturers Association</i>
<i>Year 2010</i>	<i>Rs.1500/-</i>	
<i>Year 2011</i>	<i>Rs.1000/-</i>	
<i>Year 2012</i>	<i>Rs.1250/-</i>	
<i>Year 2013</i>	<i>Rs.1000/-</i>	
<i>Year 2014</i>	<i>Rs.1,150/-</i>	

*This increment has been other than to the increment of Rs.300/- paid to all employees annually.*

*BOI recommendation is not compulsory and there are many companies in the Zone that have not given increment due to bad financial situation. For your information the salary increase recommended by Board of Investment of Sri Lanka only Rs.1,000/-.*

- 5. The employees resorted to a strike action in July 2013. The Free Trade Zones and General Services Employees' Union informed that a majority of the employees had obtained membership. As acknowledged in the letter, the union was recognized as a bargaining agent and a settlement was entered into before the Commissioner of Labour resolving the strike action. The Management clearly informed that there is no possibility of giving any further salary increase for the year 2013 since a substantial salary increase as indicated above had already been granted with effect from January 2013. The economic situation and the order situation in the Company were also clearly explained.*
- 6. There is a Country minimum wage for each trade govern by the Wages Board ordinance and the Company is paying it's employees above the Wages Board recommendations. For your easy reference, we attach a copy of the minimum Wages declared by the Labour Department as Annexure I.*
- 7. In addition to the annual salary increase , company provided many facilities i.e. free lunch, free breakfast attendance Incentive of Rs.1,500/-, payment of un-utilized-annual leave, Key work allowance of Rs.300, Rs.250/, Rs.200/-, Rs.100/- & Rs.75 per day based on the operations. Annual Bonus and if an employee continuously gets Rs.1,500/- attendance incentive for 04 month's he/she will be entitled to get Rs.3,000/-.*
- 8. Apart from that they are enjoying Company Trip, Annual get together, other welfare activities organized by the company as annual events.*
- 9. There were virtually very few orders up to September 2013 and on many occasions there was no work to offer the employees, but the Management however continued with the payment of salaries nevertheless.*



10. *There were some orders from October 2013 due to the advent of the season and it was at this time that the union started demanding a wage increase. Several discussions took place before the Department of Labour and the Management even though the economic situation was desperate, as a final settlement offered Rs.1,150/- salary increase for 2014 but Union refused and demanded Rs.2,000/-.*
11. *It was at this time that a go slow in production was observed and the Management complained to the Department of Labour by letter dated 20<sup>th</sup> November 2013, copying same to the union requesting the Department of Labour to intervene since this would have a detrimental effect to the Company.*
12. *However, in spite of discussions before the Department of Labour the go slow continued and resulted in a foreign customer cancelling the order and requested that the raw materials be shipped to China to be produced there. The go slow resulted in the Company not being able to give the remaining orders i.e. BATA on time and orders having to be air freighted with discount and some of the quantities (6,132 pairs) got cancelled by BATA incurring an additional expense and thereby not generating any monetary gain.*
13. *Despite the intervention of the Department of Labour and the Board of Investment the go slow continued. Go slow is serious misconduct as determined by superior courts in Sri Lanka as well as in other countries. Go slow is interpreted as a deliberate slowing down of production by employees to undermine and destabilize the business of the employer.*
14. *Fifteen Employees have been identified as those instigating and forcing employees to refrain from carrying out normal production and these employees have been suspended from service and a disciplinary procedure has been initiated. There are union and non-unionized employees within this group.*
15. *A certain section of the work force continued with the go slow and the Management had no alternative but to terminate their employment due to the serious misconduct committed by them. There have also been very serious instances of aggressive behavior and threatening of the Management by certain employees. The employees terminated have refused to give letters informing that they would work normally and carry out the required production. This is an act of insubordination and serious misconduct. There are unionized as well as non-unionized employees within this Group.*
16. *We have suspended 15 employees and carried out disciplinary procedures. Out of that 12 employees services have been terminated since they were found guilty at the inquiry held by an outside disciplinary inquirer and the other 03 were re-instated. . As at now there are 307 permanent employees including staff and executives working in the factory having peaceful environment.*
17. *Company has lost Canal Grande 50,000 pairs and customer requested us to send the material back to China from our cost. BATA has informed us to send their shipments*

by Air and the Air freight cost was Euro 21,500.00. In addition to that BATA requested discount of Euro 3,241.00 due to shipment delayed and 6,132 pairs got cancelled and lose Euro 75,037.00.

18. In the above circumstances it is clear that the Management has only initiated disciplinary measures within the law of Sri Lanka and there is no violation of any human rights or violation of any international conventions.
19. We like to inform you that we respect the law of the country and the rights of all employees. We do not violate any Labour Law or practices.

We have been paying over and above the minimum wages and provide additional facilities to all level of employees and as a Management we have to safeguard the interests of all Stakeholders.

Sincerely hope that you have got the true situation of the company and the position is cleared to you. Please do not hesitate to contact us if you need any further clarification.

Yours faithfully,  
**PALL & COMPANY (PVT) LTD.,**

  
**Freddie C Daniel**  
**GENERAL MANAGER**