



More on Bain/Romney and Outsourcing U.S. Jobs to China

Bain Capital, while still under the leadership of Mitt Romney, invested in a Chinese outsourcing company that profited at the expense of some 520 workers at a Sunbeam appliance factory in Coushatta, Louisiana.

The Louisiana plant – which made domestic appliances like irons and toaster ovens – was shuttered in December 1996; one month after Sunbeam CEO “Chainsaw” Al Dunlap announced a corporate restructuring plan including the “rationalization of manufacturing.”

Dunlap was an early and vocal proponent of shipping jobs overseas to low-wage countries in the interest of maximizing shareholder value.

The GAO highlighted the job losses in Coushatta as part of an August 2001 report on the impact of global trade on a handful of six American communities.¹ The GAO wrote:

The closure, effective December 31, 1996, was part of a nationwide downsizing by Sunbeam that cut more than 6,000 jobs due to increased imports. With the closure of the Sunbeam plant, a major employer in Coushatta, the unemployment rate for Red River Parish rose to 23.7 percent in 1997. A total of approximately 520 workers lost their jobs.

Just six months after the Coushatta factory was shut down, on June 27, 1997 the Chinese manufacturer Global-Tech signed a formal outsourcing agreement with Sunbeam “to be its sole outside supplier of certain models of bread makers, air cleaners, coffeemakers, irons, rotisseries, toaster ovens, food steamers, deep fryers and other products.”²

The timing of this agreement leaves little doubt that work being performed by American workers was headed to China.

The impact of this shift on Coushatta, a town of just 2,000, was devastating, particularly on women, who comprised the majority of workers at the plant.³ The plant also employed 43 mentally handicapped workers.⁴

The *Times Picayune* reported at the time that “43 clients of the Red River Association of Retarded Citizens who make parts for Sunbeam’s irons also will lose their jobs. The jobs paid the mentally handicapped work force \$166,000 yearly, association Director Betty Lou Sullivan said.”⁵

¹ <http://www.taacoalition.com/sites/default/files/gao-01-838.pdf>

² <http://www.sec.gov/Archives/edgar/data/1057708/000095010901504006/d20f.txt>

³ Washington Post, Oct. 28, 1992 page G1

⁴ Times-Picayune (New Orleans, LA) January 6, 1998 Pg. C7

⁵ Times-Picayune (New Orleans, LA) November 14, 1996 Pg. C2

"The job market here will be flooded with non-handicapped people seeking jobs, so it will be a real challenge for our clients to find work," Sullivan said.

Global-Tech first began making appliances for Sunbeam in 1996, the year that Dunlap launched his restructuring. Sunbeam accounted for 16.6% of Global-Tech revenues by year end, according to a Global-Tech prospectus filed in US federal court.

The new deal in mid-1997 caused Global-Tech's revenue from Sunbeam to balloon to 40% of its billings by March 1998. At that very moment, Bain Capital was weighing an investment in Global-Tech, and just one month earlier, Gov. Romney told a conference in Boston he had recently toured a Chinese factory making small consumer appliances.

On February 11, 1998, Mitt Romney publicly stated: "I just came back from a trip to China, and I went to a factory of 5,000 workers making bread makers and mixers and so forth. And 5,000 Chinese, all graduated from high school, 18 to 24 years old, were working, working, working, as hard as they could, at rates of roughly 50 cents an hour."

This statement was made before a live audience and broadcast on WGBH. A transcript was printed in the Boston Globe on March 1, 1998.

Global-Tech's relationship with Sunbeam was key to wooing investment dollars from Bain Capital.

Bain, through an associated fund called Brookside Capital, began buying shares of Global-Tech Appliances in early 1998.

Global-Tech sold 4.2 million shares in the US market based on a prospectus published in the US on April 8, 1998. The prospectus touts "inexpensive labor" as a key competitive advantage for the company. It also describes a factory in Dongguan, China that closely matches Romney's descriptions in three separate public statements.

According to an SEC filing by Brookside just two weeks later on April 17, 1998, Brookside made its initial purchase of 748,000 shares (6.13%) of Global-Tech in the first three months of 1998.

In short, what was bad business for the people of Coughatta was great business for Mitt Romney and his partners at Bain Capital.

Bain's investment also helped underpin the very kind of intellectual property theft Gov. Romney now decries so ardently on the campaign trail: Global-Tech and Sunbeam became enmeshed in litigation in the United States, sued by a French company for intellectual property theft. That led to a landmark Supreme Court case in 2006. Global-Tech lost the case: the French manufacturer successfully showed that Global Tech had stolen its deep-fryer design. The design was used by Global-Tech to make deep fryers for Sunbeam.⁶

⁶ <http://www.supremecourt.gov/opinions/10pdf/10-6.pdf>

Bain liquidated its investment in Global-Tech in August 2000.

Gov. Romney continues to evade questions regarding his role as a pioneer investor in Chinese outsourcing. He has never explained why he toured a Chinese factory making American consumer appliances while serving as CEO of Bain Capital in late 1997 or early 1998.

Throughout the 2012 campaign, Gov. Romney has insisted he had no involvement in outsourcing investments while running Bain. He reiterated these denials before five national networks on July 13. “The President keeps on trying to find something about Bain which is simply not true,” Gov. Romney told Jan Crawford of CBS.

After Bain’s investment in Global-Tech, Sunbeam reported to the SEC it had no use for some of its domestic inventory “due to outsourcing the production of irons, bread makers, toasters and certain other appliances.”⁷ The company also reported “the elimination of approximately 2,800 other positions, some of which were outsourced.”⁸

In his May 2012 remarks to a fundraiser in Boca Raton, Romney stated: “When I was back in my private equity days, we went to China to buy a factory there...they made various small appliances... [The workers] were almost all young women...” He noted “the pittance they earned...And around this factory was a fence, a huge fence with barbed wire and guard towers.”

In his 2010 book *No Apology*, Gov. Romney also recalled his trip to China: “Several years ago, I toured a factory in southeast China that manufactures small appliances like hand mixers, bread makers, and toasters...A tall barbed wire fence surrounded the facility and guard towers anchored each corner...The women worked ten-hour shifts, six days a week...”

Key Dates & Quotes

1996. Global-Tech begins making appliances for Sunbeam, accounting for 16.6% of Global-Tech revenues by year-end. (Global Tech prospectus)

November 1996. Sunbeam announces restructuring plan including “rationalization of manufacturing.”

December 1996. Sunbeam announces closure of small appliance factory in Coushatta, La. The plant made irons, toasters, and other small appliances.⁹

http://www.supremecourt.gov/oral_arguments/argument_transcripts/10-6.pdf

⁷ SUNBEAM CORP/FL/, 10-K, May 11, 1999

⁸ Ibid.

⁹ <http://www.gpo.gov/fdsys/pkg/FR-1996-12-18/html/96-32098.htm>

“The closure, effective December 31, 1996, was part of a nationwide downsizing by Sunbeam that cut more than 6,000 jobs due to increased imports. With the closure of the Sunbeam plant, a major employer in Coushatta, the unemployment rate for Red River Parish rose to 23.7 percent in 1997. A total of approximately 520 workers lost their jobs.”
-- -- GAO 2001 report.

June 27, 1997. Global-Tech signs formal outsourcing agreement with Sunbeam “to be its sole outside supplier of certain models of bread makers, air cleaners, coffeemakers, irons, rotisseries, toaster ovens, food steamers, deep fryers and other products.”¹⁰

Jan 28, 1998. Sunbeam CEO Dunlap issues press release saying he closed 18 factories in 1997 and will expand outsourcing in 1998.

The Company plans to increase the amount of out-sourcing in 1998 to help support its sales growth objectives for the Asia/Pacific region and to allow for added capacity without adding bricks and mortar to its existing 8 factories. "Currently our make/buy composition is around 70/30 and I have set a goal for the Company to source around 50% of its products and components by the end of 1998," said Mr. Dunlap. (Sunbeam 10-K405, 3/6/98)

The company also reports:

Currently, most Sunbeam products sold to U.S. retailers are manufactured at the Company's own facilities in North America. However, **one of the Company's goals for 1998 is to "source" approximately fifty percent (50%) of parts and/or products from others, including suppliers in Asia**, in order to reduce capital investment in plants while growing sales volume and to improve operating margins. (Sunbeam 10-K405, 3/6/98)

March 1998. Global-Tech reports that revenues from Sunbeam have jumped to 39.7 percent of net sales. (Global Tech prospectus)

Global-Tech Chronology

October 1990: Bain & Company reorganizes. (“The View from the Top” The Boston Globe 3/31/92)

January 30, 1991: Romney replaced Bill Bain as Chief Executive Bain & Company. (“Bain agrees to reshape ownership” The Boston Globe 1/30/91)

October 1993: Romney leaves Bain & Company.

¹⁰ <http://www.sec.gov/Archives/edgar/data/1057708/000095010901504006/d20f.txt>

December 1, 1993: Bain & Company begins to advise the Chinese Government on how to privatize state-owned entities. (“Bain Unit to Advise State Firms” South China Morning Post 12/1/93)

February 1, 1998: Romney describes a Chinese factory he toured on a recent trip to China at a University of Massachusetts Panel called “The Future of Our Cities: What Should Be Done to Improve Them, by Whom, and How” at the Federal Reserve Bank in Boston. Then US secretary of Housing and Urban Development, Andrew Cuomo, also sat on the panel. (“For City Problems, Future Solutions” The Boston Globe 3/1/98)

April 8, 1998: Global Tech sold 4.2 million shares in the US market—based on a company prospectus.

April 17, 1998: Brookside Capital Partners Fund LP beneficially owns 748,000 shares of Global-Tech common stock or **6.13%** of the company.

Romney is disclosed as **“the sole shareholder, sole director, President and Chief Executive Officer of Brookside Inc. and thus is the controlling person of Brookside Inc.”**, which is the sole general partner of Brookside Capital Investors LP, which is the sole general partner of Brookside Capital Partners Fund LP. (SC 13G, 04/17/1998)

August 28, 1998: Brookside Capital Partners Fund LP beneficially owns 1,318,200 shares of Global-Tech common stock or **10.3%** of the company.

Romney is disclosed as **“the sole shareholder, sole director, President and Chief Executive Officer of Brookside Inc. and thus is the controlling person of Brookside Inc.”**, which is the sole general partner of Brookside Capital Investors LP, which is the sole general partner of Brookside Capital Partners Fund LP. (SC 13G/A, 08/28/1998)

December 22, 1998: Brookside Capital Partners Fund LP beneficially owns 529,500 shares of Global-Tech common stock or 4.23% of the company.

Sankaty High Yield Asset Partners LP beneficially owns 50,000 shares of Global-Tech common stock or 0.40% of the company.

Brookside Capital Partners Fund LP and Sankaty High Yield Asset Partners LP together own a **4.63%** stake in Global-Tech.

Romney is disclosed as **“the sole shareholder, sole director, President and Chief Executive Officer of Brookside Inc. and thus is the controlling person of Brookside Inc.”**, which is the sole general partner of Brookside Capital Investors LP, which is the sole general partner of Brookside Capital Partners Fund LP.

Romney is also disclosed as **“the sole shareholder, a director, and President of Sankaty Ltd. and thus is the controlling person of Sankaty Ltd.”**, which is the managing member of Sankaty High Yield Asset Investors LLC, which is the sole general partner of Sankaty High Yield Asset Partners LP. (SC 13G/A, 12/22/1998)

March 29, 1999: Brookside Capital Partners Fund LP beneficially owns 1,053,000 shares of Global-Tech common stock or 8.71% of the company.

Sankaty High Yield Asset Partners LP beneficially owns 48,000 shares of Global-Tech common stock or 0.40% of the company.

Brookside Capital Partners Fund LP and Sankaty High Yield Asset Partners LP together own a **9.11%** stake in Global-Tech.

Romney is disclosed as **“the sole shareholder, sole director, President and Chief Executive Officer of Brookside Inc. and thus is the controlling person of Brookside Inc.”**, which is the sole general partner of Brookside Capital Investors LP, which is the sole general partner of Brookside Capital Partners Fund LP.

Romney is also disclosed as **“the sole shareholder, a director, and President of Sankaty Ltd. and thus is the controlling person of Sankaty Ltd.”**, which is the managing member of Sankaty High Yield Asset Investors LLC, which is the sole general partner of Sankaty High Yield Asset Partners LP. (SC 13G/A, 03/29/1999)

August 14, 2000: Brookside Capital Partners Fund LP beneficially owns 0 shares of Global-Tech common stock or 0% of the company.

Sankaty High Yield Asset Partners LP beneficially owns 0 shares of Global-Tech common stock or 0% of the company.

Brookside Capital Partners Fund LP and Sankaty High Yield Asset Partners LP together own a 0% stake in Global-Tech.

According to the filing, the ownership structure of both Brookside Capital Partners Fund LP and Sankaty High Yield Asset Partners LP remained the same, yet **Romney’s name has disappeared from the filing.** (SC 13G/A, 08/14/2000)

May 2012: Romney describes a factory in China while in his “private equity days.” There are similarities to the factory described in the February 1, 1998 panel. (<http://www.motherjones.com/politics/2012/09/full-transcript-mitt-romney-secret-video>)