GSP hinges on worker rights, safety

US Congressman George Miller urges Bangladesh to upgrade workplaces to international standards

STAR BUSINESS REPORT

BANGLADESH must take workers' rights and workplace safety to internationally-recognised benchmarks soon for retention of preferential trade access to the US market, a senior Congressman said yesterday.

George Miller, a leading advocate in the US Congress on education, labour, the economy and the environment, said now is the time to take action.

"Let's get down to what is required under GSP [generalised system of preferences] and that is the internationally-recognised benchmark of workers' rights and safe workplaces and workers' right to organise. That is not present in its full form in Bangladesh."

Miller, a senior Democrat on the House Committee on Education and Workforce, has been touring parts of Bangladesh to personally inspect the factory conditions and to meet with workers, accident victims and industry and government officials.

His trip was capped by a press briefing organised at American Centre in Dhaka to convey his findings.

On Bangladesh's chances on retaining the GSP, he said it is likely to depend on the speed at which the country establishes and meets the benchmarks of international compliance of worker rights.

"The decision on GSP is not mine. We cannot go any length of time without international compliance, and other issues that have been impediments to registration of unions being sorted."

The proposed amendments to the labour law, he says, have flaws, but he is hopeful that they would be fixed.

Although the current labour law allows the right to form union, it is not being practised by workers out of fear of getting sacked. "That is not supposed to happen under ILO conventions."

He said there has been a strong union to collectively bargain for a safer workplace, the high rate of fatalities and injuries the industry has been experiencing in recent times could have been averted.

"Bangladesh has a choice. They can go to the future and they can insist upon safe working conditions and safe factories and programmes on fire prevention. Or, they can struggle in the past and lose the value of the Bangladesh label."

Miller, who has been in politics for 40 years, says if the country opts for the latter option, it will have "severe" consequences, as the recent events have educated the public about the behind-the-scene goings-on in the garment industry.

"I don't think that's going to work for Bangladesh, for the retailers, for the buyers, and of course, then it'd be a problem for the factories."

"Our patience isn't endless."

He cited the case of a factory he visited, where the owner took off wrappings of a shirt and pointed out two brands on the label: one was the brand of the shirt and the other the brand of the country.

"Both those brands are at risk, because of the loss of lives. And we know how quickly a brand can be destroyed. I don't think people want to be associated with labels that have blood all over them."

Conversely, Miller said the "deadly" practices of the industry -- where the buyers drive the price and move elsewhere if the price is not met -- have to change as well.

"I don't think consumers in the United States, Europe, or anywhere else are going to continue to look kindly upon brands that eke out the last penny -- and for which someone loses their lives."

Miller lauded 40-plus companies that have signed on to an accord that pledges to fund factory upgrades in Bangladesh.

But he is disappointed by those brands, such as Wal-Mart and Gap that "think it is business as usual".

"The longer they resist, the more visible the brands become -- associated with that problem."

Miller, however, is hopeful that Bangladesh would do the "right thing".

George Miller

Retailers' dilemma: To axe or help fix bad factories

THE WALL STREET JOURNAL

WHEN seemingly preventable disasters strike factories in developing countries, many retailers such as Wal-Mart Stores Inc. react the same way: by pulling their orders or threatening to cut off factories that don't meet their safety standards.

By contrast, H&M -- the biggest buyer of clothing from Bangladesh's $20 billion garment industry -- has taken a highly public role in pledging to work with factories to improve their standards.

After a series of deadly factory fires in Bangladesh and last month's factory collapse, which killed more than 1,100 people, Wal-Mart has publicly blacklisted about 250 Bangladeshi suppliers found to have safety problems.

Walt Disney Co. told its licensees in March that they could no longer produce Disney-branded goods in Bangladesh after boxes of Disney sweatshirts, bound for Wal-Mart, were found at the site of a factory fire in December. Wal-Mart said it didn't know its goods were being produced at the plant, which wasn't authorised to make them.

Supporters of the stay-and-fix-it approach say it encourages retailers to play a more-active role in lifting standards, increasing the odds factories will fall in line. "The easy thing is to withdraw," says Viveka Risberg, the head of Swedwatch, a nonprofit group involved in developing countries.

But even backers of the fix-it approach admit it has its limits. Retailers can't catch everything that goes on in factories or fully track their suppliers. H&M has continued to face problems elsewhere, including in Cambodia, where the collapse of a rest area last week hurt more than 20 at a factory that was making H&M clothes without its permission.

Other critics say H&M parent Hennes & Mauritz AB had no choice but to double down on Bangladesh because the garment volume it requires from there is so big. Earlier this month, H&M was the first major label to sign a new industry pact, updated after last month's catastrophe, to tighten safety standards in Bangladesh.

H&M is "better than other buyers but still needs to do more if it wants to be effective," says Rashadul Alam, joint secretary of the Bangladesh Independent Garment-Workers Union Federation. More pressure on factory owners by buyers is the only effective means of prompting change in the industry, he said, since the government is loath to take on wealthy and politically connected factory owners.

A key test of H&M's approach is under way at a Dhaka-area factory owned by Garib & Garib Co., a sweater supplier for H&M that was the site of a 2010 fire that killed 21 people. H&M has been the company's biggest client since soon after its five-story factory was inaugurated more than a decade ago, its owner said, but H&M's earlier efforts to prevent workplace accidents there failed.

In the fall of 2009, H&M's auditors dropped in on Garib and found fire extinguishers had been covered, a safety violation that the retailer says was fixed on the spot. Nazmul Haque Bhuiyan, the owner, says the fire extinguishers weren't covered.

But such safety controls didn't prevent a fire from breaking out in February 2010. A short circuit on the first floor set the building on fire—an accident that H&M said couldn't have been detected by an audit. Twenty women and a male supervisor died of inhaling noxious fumes from burning acrylic yarn, according to Bhuiyan.

Garib & Garib closed for six months. Bhuiyan says he borrowed $900,000 to make repairs and change all the wiring, and still has $2 million of debt from costs related to the fire. He said H&M contributed compensation for the victims of the fire, something the company confirmed. H&M declined to comment on Bhuiyan's account that he had to pay for all the repairs.

Several buyers left Garib or declined to take delivery of orders after the fire, Bhuiyan says, without naming the retailers. But H&M stuck with the company, stepping up oversight while maintaining the same volume of orders as before the accident, accounting for 70 percent of Garib & Garib's business.

After the factory opened again, H&M began making two unannounced visits a month, up from one a month before the fire, with the most recent last week, Bhuiyan said. He said he also got an email from H&M recently informing him his factory would undergo a fresh fire inspection as part of fire-safety checks H&M is conducting on all its factories in the country, and that the company would split the cost.

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Wal-Mart fined $110m over hazardous waste

AFP, *Washington*

WAL-MART was hit with $110 million in US federal and state fines Tuesday after pleading guilty to criminal charges of mishandling hazardous waste and pesticides at its retail stores.

The world's largest retailer was fined for dumping hazardous chemicals in city trash bins and sewer systems in cases filed by the Los Angeles and San Francisco municipalities.

In addition, the US Justice Department said Wal-Mart Stores had mishandled pesticides it had sent as damaged products to a Missouri recycling facility that resulted in them being mixed together and put on sale again in a process that violated federal laws regulating pesticide processing.

Wal-Mart pleaded guilty to six misdemeanor counts of violating the Clean Water Act in the California cases, and, in the Missouri case, one charge of violating the Federal Insecticide, Fungicide and Rodenticide Act.

Prosecutors in San Francisco said that through January 2006, the company did not have any program or training in place to show employees how to properly handle hazardous waste.

"By improperly handling hazardous waste, pesticides and other materials in violation of federal laws, Wal-Mart put the public and the environment at risk," said Ignacia Moreno, assistant attorney general for the Environment and Natural Resources Division, in a statement.

"Truckloads of hazardous products, including more than two million pounds of pesticides, were improperly handled under Wal-Mart's contract," said Tammy Dickinson, US attorney for the Western District of Missouri.

"Today's criminal fine should send a message to companies of all sizes that they will be held accountable to follow federal environmental laws."

Malaysia Airlines back in red in first quarter

AFP, *Kuala Lumpur*

STRUGGLING flag carrier Malaysia Airlines said Thursday it slipped back into the red in the first quarter due to a foreign exchange loss after two quarters of profits.

The airline said in a filing to the stock exchange that it posted a net loss of 278.6 million ringgit ($91.8 million) for the three months ending March 31, compared to a net loss of 171.3 million ringgit in the same quarter last year.

It said in a statement that the quarter's loss was mainly due to "an unrealised forex loss of 21 million ringgit", compared to a forex gain of 200 million ringgit in the previous year.

Higher financing costs for its fleet renewal programme also impacted the bottom line, it said, with deliveries of new fuel-efficient aircraft.

"The continued high jet fuel prices, added capacity in the market and increased competition, put pressure on our yields," group chief executive officer Ahmad Jauhari Yahya said.

"The business environment is tough, but Malaysia Airlines is now able to respond faster to changes in the market."

Revenue for the quarter increased 14 percent to 3.55 billion ringgit from 3.11 billion ringgit year-on-year. The airline said it saw a 17 percent increase in passenger traffic.

Last year, the carrier admitted it was in "crisis", forcing it to implement a cost-cutting campaign centred on slashing routes and other measures, which saw it record two consecutive quarters of net profit for the last six months of 2012.

This left it with a 433 million ringgit net loss for the 2012 financial year, a marked improvement from a record 2.5 billion loss the previous year.

Analysts have blamed a combination of stiff competition, poor management, change-resistant unions, government interference and other factors for the carrier's poor performance.

Its domestic rival, Asia's largest low-cost carrier AirAsia, said last week that its first-quarter net profit fell 39 percent year-on-year due to a foreign exchange loss on borrowings to 104.79 million ringgit.

Apple CEO hints at wearable devices

REUTERS, *San Francisco*

APPLE Inc Chief Executive Tim Cook defended the company's record of innovation under his stewardship, saying he expected it would release "several more game changers" and hinting that wearable computers could be among them.

"It's an area where it's ripe for exploration," Cook said on Tuesday at the All Things Digital conference, an annual gathering of technology and media executives in the California coastal resort town of Rancho Palos Verdes.

"It's ripe for us all getting excited about. I think there will be tons of companies playing in this."

His remarks come at a time when worries are mounting that the company which created the smartphone and tablet markets is ceding ground to competitors such as Samsung Electronics Co Ltd and Google Inc, with a slowdown in earnings growth hitting its share price.

Cook stopped short of clarifying if Apple was working on wearable products amid speculation that it is developing a smartwatch, saying only that wearable computers had to be compelling.

He added that Google's Glass -- a cross between a mobile computer and eyeglasses that can both record video and access the Internet -- is likely to have only limited appeal.

"There's nothing that's going to convince a kid who has never worn glasses or a band or a watch to wear one, or at least I haven't seen it," he said in the near one-and-a-half-hour question and answer session.

"So I think there's lots of things to solve in this space."

Cook also said he has a "grand vision" for television that goes beyond an existing $99 Apple TV streaming device, but did not go into details. The company has maintained for years that it harbours an interest in doing more in the TV arena.

Apple is not averse to doing a large acquisition if the acquired company could help Apple develop an important product, he said, noting it has done nine acquisitions in the current fiscal year, versus the company's historical average of about six deals a year.

Cook also hinted at updates to the company's iOS mobile software, saying the future of iOS would be evident when it holds its annual developer conference next month, and said the company was investing heavily in online services such as its mapping application.

Its Apple maps service that replaced a Google Maps app last September contained embarrassing errors, drawing fierce criticism from consumers and reviewers and forcing Cook to offer a public apology.

When asked if Apple has lost its cool, Cook said "absolutely not" and went on to list statistics of device sales and usage. He, however, acknowledged that he was frustrated with the sudden downturn in the firm's stock price.

Since hitting a record close of $702.10 last September, the world's largest technology company has shed 44 percent, losing more than $280 billion of market value - or more than the entire market capitalization of Google.

In April, Apple reported its first quarterly profit decline in over a decade and was also shunned by some well-known fund managers in the first quarter, with John Griffin's Blue Ridge Capital selling off its shares and Chase Coleman's Tiger Global Management sharply cutting their position.

Cook has tried to reset heightened expectations around the company and he has stressed that the company's position remains strong, noting it has opened up more of its treasure trove to investors, doubling its cash return program to $100 billion by the end of 2015.

Cook, who said that Apple's large size means it gets more scrutiny from governments and regulators, announced that the company has hired Lisa Jackson, who served as the Administrator of the U.S. Environmental Protection Agency from 2009 to 2013.

Jackson will be reporting directly to Cook and overseeing Apple's environmental issues, he said.

The sense that Apple has lost some of its luster was evidenced when one member of the audience criticized the company for its apparent lack of exciting new technologies and compared Cook to Gil Amelio, a former Apple CEO who presided over a low point in Apple's history during the mid-1990s.

"We believe very much in the element of surprise," Cook responded. "We think customers love surprises."

REUTERS

Apple CEO Tim Cook laughs during a Senate homeland security and governmental affairs investigations subcommittee hearing on offshore profit shifting and the US tax code, on Capitol Hill in Washington, on May 21.