Desperate race to check garment factories

REUTERS, *Dhaka*

IN the weeks since the Rana Plaza collapse killed more than 1,100 workers, at least five different Bangladesh agencies have sent teams to begin inspecting the estimated 5,600 factories that make up the nation's $20 billion garment industry.

But there's little coordination between the agencies, and senior government officials are unable to say just how many factories have been checked. Estimates vary from just 60 to 340.

While US and European retailers which buy the bulk of Bangladesh-made clothing had hoped to complete factory inspections within 9-12 months, inspectors and government officials say this will take at least 5 years.

Bangladesh has fewer than 200 qualified inspectors.

The disconnect among the various agencies conducting what are often cursory visual assessments -- Bangladesh has nowhere near enough technical equipment for sophisticated inspections -- means some garment factories have been visited several times, while others have had no checks at all.

"It's a big nuisance for us, and while we're being put through this, nobody's checking all the other factories in the vicinity that haven't had a single inspection," said Emdadul Islam, a director of Babylon Garments, which supplies Wal-Mart Stores Inc, Tesco Plc and Hennes & Mauritz AB's H&M stores. "Our managers are focusing on entertaining inspectors instead of their work because none of these teams are speaking to each other."

Babylon has passed six safety inspections this year. Islam showed Reuters certificates from Bureau Veritas, the firm Wal-Mart has hired to inspect suppliers, and Sedex Members Ethical Trade Audit (SMETA), which inspects Tesco factories. Others to have carried out checks include the Bangladesh textiles ministry and the national garment association, whose 4-person inspection crew spent 3 hours hunting for cracks that could indicate structural flaws like those at Rana Plaza -- an illegally built tower where safety warnings were ignored.

A Reuters reporter followed teams of local inspectors touring more than half a dozen factories in and around the capital Dhaka this month, and spoke to factory owners, government officials and engineers to gauge progress in attempts to assure the safety of the garment industry's buildings.

During a surprise safety check at Miami Garments, a worker unearthed a fire extinguisher from beneath a pile of shirts to show a government inspector. It was the only one in the 15,000 square foot, 4-storey factory. The building code requires one extinguisher per 550 square feet.

Inspector Abdul Latif Helaly and two colleagues from Dhaka's Capital Development Authority, responsible for urban development, noted it on a list of observations about the factory, which is in a residential building -- another building code violation. There was just a single narrow exit staircase, weak floors and structural columns insufficient to support the factory's load, the inspectors found.

"This is a relatively compliant factory and no action needs to be taken here," Helaly said after the 30-minute visual inspection, made without the use of any tools. "We have asked the owners to move their factory to a new building soon and they have agreed to do it in the next 1-2 years."

After signing the factory's clean bill of health, the inspectors were each handed two shirts by the owners.

Bangladesh pledged to boost worker rights and recruit more safety inspectors after the European Union, which gives preferential access to Bangladeshi garments, threatened punitive measures. Last month, US President Barack Obama cut off trade benefits for Bangladesh in a mostly symbolic response to conditions in the garment industry.

Bangladesh's garment exports rose 16 percent in June, showing that retailers have not turned away since the Rana Plaza tragedy.

A group of 80 mostly European retailers who signed an accord to carry out coordinated inspections in Bangladesh have started hiring and training inspectors on their own to check the around 1,000 factories that supply their brands.

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Karuna Akter Lima, a garment worker rescued from the rubble of the collapsed Rana Plaza building, sits on a bed at the National Institute of Traumatology and Orthopaedic Rehabilitation in Dhaka.

Retailers urged to take Bangladesh safety deal further

Initiative to improve conditions should be used as blueprint for tackling similar problems elsewhere, say campaigners

THE GUARDIAN

WORKERS rights groups are calling on retailers to use a legally binding deal to improve safety for clothes factory workers in Bangladesh as a blueprint for tackling similar problems elsewhere.

IndustriALL, the international union group which is backing the deal between textile workers and more than 70 retailers to tackle fire safety and building security in Bangladesh, said it had already begun work to build a similar agreement in Pakistan. It comes amid evidence that workers in Pakistan and China face greater workplace risks than those in Bangladesh.

Retailers including Primark, Marks & Spencer and H&M agreed to independent factory inspections and action to improve manufacturers' buildings in Bangladesh after the collapse of the Rana Plaza factory building in April killed more than 1,100 people.

Jyrki Raina, general secretary of IndustriALL, said many of those retailers also produced goods in Pakistan and could sign up to a second deal. "The strategy of working through the global supply chain does work and should be a blueprint for countries beyond Bangladesh," he said.

Raina believes the Bangladeshi deal, on which talks had started two years before the Rana Plaza collapse put it in the spotlight, was likely to be effective because retailers had promised funds for factory inspections, changes and rebuilding, and faced legal repercussions if they did not co-operate.

Bangladesh, however, is ranked only the 17th-worst country on a labour rights and protection index put together by global risk consultancy Maplecroft and referred to by major retailers around the world. The index takes into account factors including working conditions, the prevalence of forced or child labour and the freedom to form unions.

Pakistan and China are ranked respectively third- and fourth-worst places to work on the index, behind the Democratic Republic of Congo and Burma.

More than half of clothing factories inspected in Bangladesh and Pakistan failed to meet fire safety standards, according to Sedex, a not for profit group that compiles ethical audit data for companies to monitor their supply chain.

In both countries safety issues such as blocked fire exits or a lack of alarms were the biggest single problem identified by inspectors, ahead of long working hours, low wages and the use of child labour.

Other countries did not fare much better. More than 40 percent of clothing factories in China, India and Turkey, all major producers of clothing for shops in the UK and elsewhere, failed fire safety inspections.

While a third of clothing factories in Bangladesh did not meet building and site maintenance standards, more than a quarter of factories in India, Pakistan and Turkey were in the same position, said Sedex.

Sam Maher, a worker rights campaigner at pressure group Labour Behind the Label, said Sedex only inspected a limited number of factories and its findings were likely to be the tip of the iceberg.

"These issues are completely systemic and relate to the way the industry operates," she said..

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An employee counts Indian rupee notes at a money exchange office in New Delhi.

India to manage liquidity as rupee stability trumps growth

REUTERS, *Mumbai*

THE Reserve Bank of India, which has taken a series of measures to support the battered rupee, said on Monday it will continue to manage money market liquidity in order to balance financial stability, growth and inflation.

The central bank's policy focus has shifted from reviving economic growth to defending a rupee that hit a record low of 61.21 to the dollar on July 8, when it was down more than 9 percent since the start of the year.

"Global currency market movements in June-July 2013 have prompted a re-calibration of monetary policy," the central bank said in its a macroeconomic report, a day before it is expected to leave interest rates unchanged at its monetary policy review.

"The priority for monetary policy now is to restore stability in the currency market so that macro-financial conditions remain supportive of growth," it said.

The RBI has squeezed liquidity from the money market and pushed up short-term interest rates in order to deter capital outflows, allowing the rupee to make a slight recovery, and by late Monday it was trading around 59.40 to the dollar.

"The Reserve Bank will endeavour to actively manage liquidity to reinforce monetary transmission that is consistent with the growth-inflation balance and macro-financial stability," it said.

The RBI last cut its policy repo rate by 25 basis points to 7.25 percent in May and it left the rate on hold at its last review, in June.

The RBI reiterated its call for the government to implement measures to attract stable capital flows, saying that recent central bank steps to stem volatility in the rupee "provide at best some breathing time."

In Monday's report, the RBI's survey of professional forecasters lowered its growth forecast for the fiscal year that started in April to 5.7 percent from 6.0 percent in its previous survey.

The survey also foresaw a current account deficit of 4.4 percent of gross domestic product for the current fiscal year, compared with a deficit of around $88 billion, or a record 4.8 percent of GDP, in the last fiscal year.

The survey projected wholesale price index inflation at 5.3 percent during the current fiscal year, lower than the 6.5 percent forecast in its last survey.

The headline wholesale price inflation picked up for the first time in four months in June to 4.86 percent annually, while the consumer price index also remained elevated at 9.87 percent, a key worry for the RBI.

US drugmaker Perrigo buys Irish Elan for $8.6b

AFP, *Dublin*

US drugs company Perrigo is buying Irish biotech firm Elan for $8.6 billion (6.5 billion euros) in cash and shares, the firms said on Monday.

The deal is aimed at creating a global group with the strength to pursue expansion, and a new holding company will be based in Ireland.

The terms represent a 10.5-percent premium on Elan's closing stock price on Friday.

Elan had put itself up for sale in June, when it rejected a takeover from US intellectual property investor Royalty Pharma worth as much up to $8.0 billion.

After completion of the deal, Perrigo shareholders will own 71 percent of the combined company, while Elan investors will own about 29 percent.

"Perrigo Company ... and Elan Corporation today announced that ... Perrigo and Elan have entered into a definitive agreement under which Elan will be acquired by a new holding company incorporated in Ireland (New Perrigo)," the firms said in a statement.

"The cash and stock transaction, which is valued at approximately US$8.6 billion ... will create a global healthcare company with an industry-leading growth profile and the geographic scale and scope to continue building a truly differentiated business."

Elan shareholders will receive $6.25 in cash and 0.07636 shares of New Perrigo for each Elan share, in a deal which values each Elan share at $16.50.

In leaving, Siemens CEO seeks to take down chairman

REUTERS, *Frankfurt*

SIEMENS CEO Peter Loescher, whose departure was announced after he issued profit warnings that wrecked the share price of one of Germany's largest industrial conglomerates, may drag the man who hired him down with him, a newspaper reported on Monday.

In what is quickly shaping up to be one of the most dramatic corporate battles in Germany in years, German daily Sueddeutsche Zeitung cited company sources as saying Loescher was willing to resign only if supervisory board chairman Gerhard Cromme also leaves.

A spokesman for Siemens denied Loescher wants Cromme to go down with him. Loescher did not comment on the report.

Cromme, who hired the smooth-talking Austrian Loescher six years ago, lost his job as chairman at steelmaker ThyssenKrupp earlier this year.

Siemens said in a tersely worded statement on Saturday that Loescher would be leaving the company four years before his contract expires. Two people familiar with the matter told Reuters the majority of the 20-member supervisory board favoured finance chief Joe Kaeser as a replacement for Loescher, who has failed to deliver on his promises of growth and profitability.

The turmoil at the helm of Siemens, Germany's No. 2 company by market value and a bastion of its manufacturing sector, erupted after the company issued its second profit warning this year, sending its shares plunging 8 percent.

Shares in Siemens rose as much as 2.3 percent in early trade on Monday but were flat at 1200 GMT. The share price is still up 24 percent on a year ago.

Some investors believe Siemens veteran Kaeser, if named, could turn the company around.

"Kaeser's experience and detailed knowledge of the company make him suitable to succeed Loescher, and we appreciate the breadth of his qualification and experiences," Commerzbank analyst Ingo-Martin Schachel said.

Peter Loescher

Others said they expected that Kaeser would quickly tighten the reins on costs at Siemens - whose products range from gas turbines to fast trains and ultrasound machines - and sell more non-core businesses such as those that make rail technology or healthcare software.

Loescher and Kaeser have repeatedly said they worked well together, though Kaeser has been taking the lead at investor conferences, laying out details of Siemens' business while his CEO relied more heavily on broad comments.

When asked in 2012 about rumours of friction at the top, Kaeser said they complemented each other like "light and dark".

Loescher has in the past promised the company would grow faster than rivals such as ABB, General Electric and Philips.

But bungled acquisitions, charges for project delays and a focus on top-line growth have caused Siemens to fall behind. Loescher announced a plan last year to cut 6 billion euros ($8 billion) in costs over two years and lift core operating profit margin to at least 12 percent from 9.5 percent by 2014.

Last week Siemens rattled shareholders by abruptly abandoning its margin target in a brief statement that left investors clamouring in vain for more information. Two days later, Siemens said its supervisory board would decide at a meeting on Wednesday on CEO Loescher's early departure.

Ingo Speich, a fund manager at Union Investment, criticised Siemens for announcing that Loescher would be leaving before the supervisory board had even taken its vote.

"Infighting just unnecessarily worsens the problems at Siemens. This is not good corporate governance," he said.

On Thursday, Siemens is expected to report a 23 percent drop in quarterly core profit.

The company's failure to keep up with rivals has caused investors to favour companies that were faster to slash their cost base and focus on profitable business rather than on increasing revenue.

Siemens trades at 11.6 times estimated 12-month forward earnings, at a discount to ABB and General Electric, which trade at multiples of 13.8 and 14.1, according to StarMine data.