

Plastic maker is the latest casualty of Disney's exit

Poor factory conditions emerge as a major setback

SOHEL PARVEZ

New orders for plastic goods from Disney are not coming Bangladesh's way after the company decided to stop sourcing from here because of poor labour and factory conditions, an official of PRAN-RFL said.

The US-based company however has kept its previously placed orders with the Bangladeshi companies in clothing and other items. The company will stop sourcing from here by March 2014, exporters said yesterday.

Disney's decision to stop sourcing from Bangladesh is going to affect both apparel and plastic makers.

"Our exports will suffer for Disney's decision. We are going to be the victim of weak labour standards in another sector," said a senior official of PRAN-RFL Group, seeking anonymity.

RFL, a leading local plastic goods maker, has been a supplier of specialised products such as children's tiffin boxes, hangers, water pots, mugs and cutlery to Disney for the last three years.

Its monthly shipments to Disney stood at nearly \$600,000, he said, adding that Disney's decision would affect 400 employees working at the PRAN-RFL plant.

"The decision from Disney came at a time when our exports to the company started growing," he said.

"We are facing intense competition after the suspension of the GSP privileges by the US and Disney's move will further affect our exports."

Early this year, Disney said it would not allow production of its brand products in 44 countries, including Bangladesh and Pakistan, in line with its decision to consolidate production in a limited number of countries.

Less than 1 percent of the factories used by Disney's contractors are in Bangladesh, reports The New York

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Times, quoting a Disney official.

The company took the decision in the face of repeated tragedies and the death of garment workers due to poor labour and factory standards.

In November last year, a fire at Tazreen Fashions killed 112 garment workers. In April this year, 1,132 workers died and hundreds were injured due to the Rana Plaza col-

lapse.

"We have no non-compliance record in our factory. But we are going to pay the price for the fault of others," the RFL official said.

"We will approach Disney to review its decision."

Faruque Hassan, a former vice president of Bangladesh Garment Manufacturers and Exporters Association, said Disney mainly sourced children's items from Bangladeshi companies.

"They (Disney) are not placing new orders now and are continuing previously placed orders. I hope they will return before the existing orders exhaust because of improvements in labour standards."

Fazlul Hoque, former president of Bangladesh Knitwear Manufacturers and Exporters Association, said the volume of Disney's purchases from Bangladesh was not significant.

"But its withdrawal will affect Bangladesh's image," he said. "We need to ensure sustainable development in factory standards. Visible and trustworthy improvements are necessary to bring buyers like Disney back."

Disney said it will continue to monitor 'working conditions'.

Countries that demonstrate meaningful improvements as reflected in the World Bank Governance Indicators or that adopt the International Labour Organisation and International Finance Corporation's Better Work programme will be considered for future inclusion on the Permitted Sourcing Countries list, it said.

DEMUTUALISED BOURSES

Independent directors must be appointed on merit

STAR BUSINESS REPORT

Relatives of existing bourse members and employees of capital market intermediaries, associated companies and market regulators are not allowed to be independent directors of the demutualised stock exchanges.

The 'fit and proper criteria' for independent directors have been stated in the demutualisation scheme, which was made public recently following regulatory approval on September 26.

Appointing the independent director is an important issue as the bourse board members would consist of a majority of members from this category after demutualisation. The 13-member board would consist of seven independent directors, five shareholder-directors, including one strategic investor, and the chief executive officer.

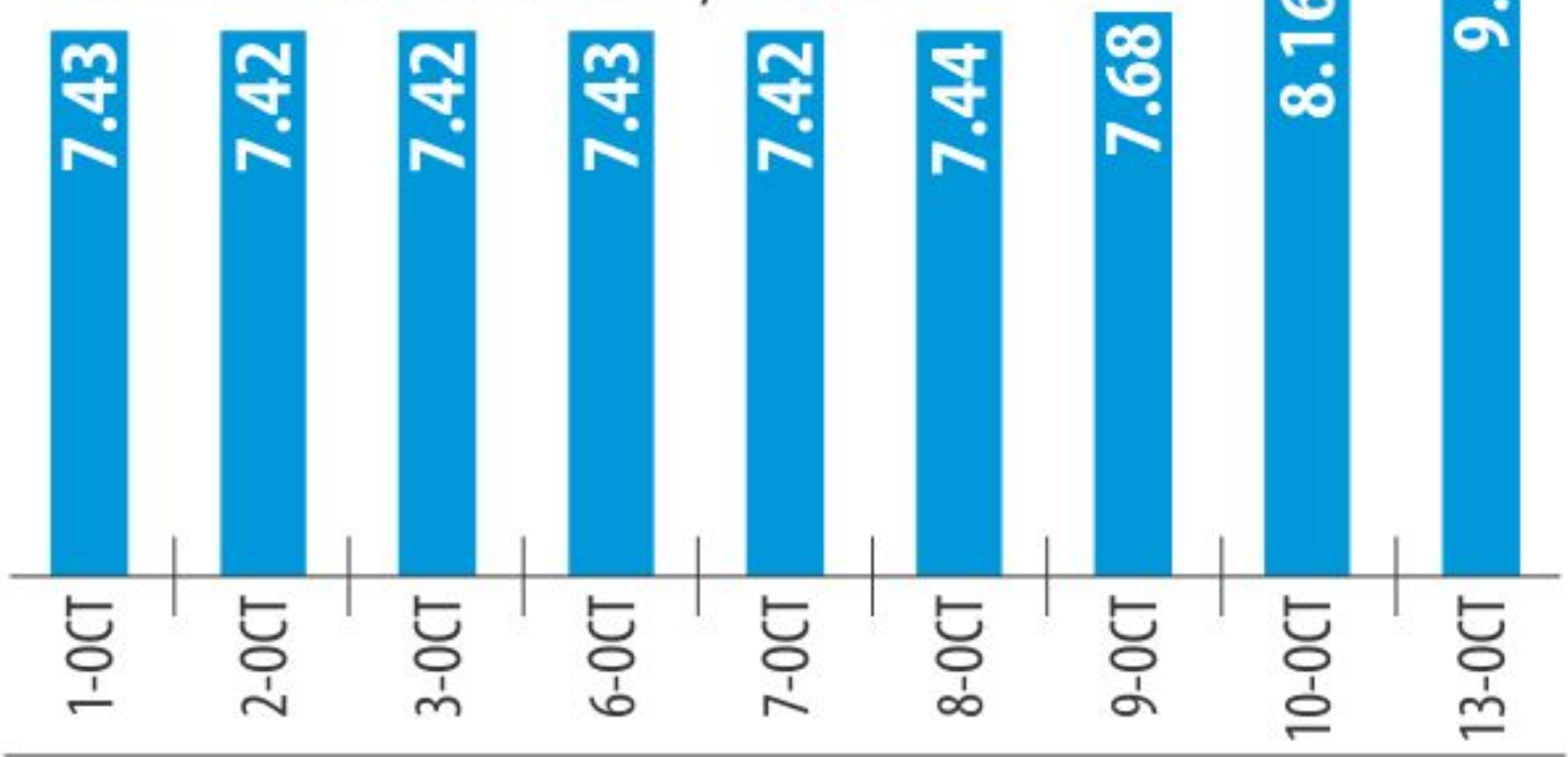
Demutualisation is a way of separating management of the bourses from ownership. It transforms a stock exchange into a profit oriented company owned by shareholders and ensures alternative business models and operational efficiency.

According to the scheme, a family member or connected person of any of the elected directors, trading right entitlement certificate (TREC) holders or shareholders of any stock exchange will not be eligible to be an independent director, tenure of whom will be three years.

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No big rush in call-money market

CALL MONEY RATE WEIGHTED AVERAGE, IN %



STAR BUSINESS REPORT

The inter-bank call money market saw a slight rise yesterday, the last working day before the Eid-ul-Azha holidays, but it stayed within single digit due to excess liquidity at banks.

The highest rate of interest for banks in the call money market yesterday was 9 percent, up from 8 percent on Thursday, according to Bangladesh Bank. As for non-bank financial institutions, it was 10 percent against 9 percent the previous day. The total transacted amount was more than Tk 8,363 crore.

"As the banks have excess liquidity, the rate of interest did not go up much in the call money market this time," said an official of NCC Bank.

At the end of July, the banks had excess liquidity of Tk 82,344 crore, which was Tk 79,441 crore the previous month. For more than one year now, the banks' excess liquidity has been on the rise almost every month due to low investment demand.

A central bank official said the pressure to draw money from BB on the eve of Eid was low in comparison to last year. BB estimated that about Tk 22,000 crore would be withdrawn by banks before the Eid shutdown, but the actual withdrawal was Tk 15,500 crore.

Last year, banks withdrew Tk 17,000 crore from the individual accounts they maintain with the central bank.

Meanwhile, an official of Al Arafah Bank's Old Dhaka branch told The Daily Star that customers were waiting in front of the branch even before the banking hours started, while many queued way past the 4pm shutdown time.

Normally, the branch's daily transactions hovered around Tk 2 crore, but it hit Tk 3.5 crore yesterday.

Of the amount, withdrawals alone accounted for Tk 3 crore, the majority of which were by corporate clients to pay salaries and allowances to their staff.

Work on 3 fuel storage tanks at Shahjalal airport stuttering

SHARIFUL ISLAM

The construction firm appointed by Bangladesh Petroleum Corporation (BPC) to build three fuel storage tanks at Shahjalal International Airport is yet to complete half of the project despite the deadline being just a couple of months away.

The government took up the project worth Tk 10.86 crore in July 2011 to enhance the main airport's fuel storage capacity to international standards. It was scheduled for completion in December 2012, but seeing the slow progress, the deadline was extended to December this year. As things stand, that too looks unlikely to be met.

The construction firm—a joint venture between S&H and Next Generation Graphics Limited (NGGL)—has so far completed less than 50 percent of the work, according to Abu Bakar Chowdhury, the project's supervisor.

Until July 15, the firm had finished only 15 percent of the work, which prompted the BPC to force it to design a definitive work plan. The project

was supposed to be complete by August 31 under the plan, but the firm managed only 18-19 percent of the work in that timeframe, Chowdhury said.

The delay in implementation compelled the BPC to consider serving notice on the construction firm, but it ultimately decided not to as the firm sped up its work.

BPC Chairman Eunusur Rahman said: "I wonder how such a company got the job." Rahman was not in office when the firm was awarded the contract.

Kayum Khan Razu, assistant manager of administration at NGGL, however, asserted that 50 percent of the work has already been done and the remaining 50 percent would be concluded before the December deadline expires.

All equipment have already been imported and are waiting to be released from the Chittagong port, he said.

Asked why their pace of work was slow, he blamed it on the monsoon as "the majority of the work involved piling and it took time to check

whether the piling had the capacity to take the load".

Shahjalal International Airport has just one storage tank of a capacity of 2,700 tonnes, deemed to be insufficient for an airport of its stature. A prolonged strike by river transport workers or countrywide shutdown leaves the airport in danger of running out of fuel.

"With the political situation getting worse, we always remain in apprehension that any non-stop strike or blockade might hamper the fuel supply, and thus obstruct the operation of aircraft," said an official of Padma Oil, the aviation fuel supplier.

"All airlines operating from Dhaka more or less refill their aircraft here. If the reserves of aviation fuel are not sufficient, the airlines may be exposed to hazards," the country manager of a foreign carrier said, preferring not to be named.

Under the project, three fuel storage tanks, each having 2,500 tonnes of fuel storage capacity, will be constructed.

School banking wins hearts of students

STAR BUSINESS REPORT

School banking has been gaining momentum across the country as the opening of accounts has increased by over 234 percent in the last one year, Bangladesh Bank data show.

The number of accounts opened by school goers rose to 224,719 at the end of June 2013, up from 67,220 in June last year. Their deposited amount also marked significant growth—from Tk 53 crore in June last year to Tk 128 crore this year.

The average size of deposit per account stands at Tk 5,716, according to BB statistics.

"BB is pursuing us to open accounts for school children so that they can build the habit of saving and become familiar with the financial issues," said

Helal Ahmed Chowdhury, managing director of Pubali Bank.

In a notice in November 2010, the central bank asked all commercial organisations to introduce school banking in a bid to bring children into financial inclusion. Now 46 commercial banks out of 56 have opened such banking schemes.

BB data show that private commercial banks are leading and championing this new concept of school banking services amongst students.

Out of 224,719 accounts till June 30 this year, private commercial banks opened 215,597 accounts and the rest were opened by foreign and state-owned banks.

"Many banks should not go after a single school. It can be distributive, meaning that an available branch of a

bank close to a school will open accounts for the students of that school," said Chowdhury of Pubali Bank that has over 400 branches across Bangladesh.

The banking industry has been passing a transitional period—from conventional banking to technology-driven services—for the past decade. The central bank introduced automated cheque processing and electronic fund transfer systems to render faster services to clients.

Banks have introduced automated teller machines, with which people can withdraw and deposit money within moments.

As part of financial inclusion, the central bank has forced state-owned banks to open Tk 10 accounts for nearly one crore farmers in the country.

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