

# Clothing brands sidestep blame for safety lapses

THE NEW YORK TIMES

From a sleek gray distribution centre near Barcelona, the global fashion brand Mango ships 60 million garments in a year. Automated conveyor belts whirl through the building like subway lines, sorting and organising blouses, sweaters and other items to be shipped around the world. Human hands barely touch the clothes.

Five thousand miles away in Bangladesh, the Phantom Tac factory in the industrial suburb of Savar was a hive of human hands. Hundreds of men and women hunched over sewing machines to produce garments in an assembly line system unchanged for years. Speed was also essential, but that just meant people had to work faster.

Last spring, as it pushed forward with global expansion plans, Mango turned to Phantom Tac to produce a sample order of polo shirts and other items. Then, on April 24, the Rana Plaza factory complex collapsed, killing more than 1,100 people in the deadliest disaster in garment industry history, and destroying Phantom Tac and other operations in the building.

Now, eight months later, the question is what responsibility Mango and other brands should bear towards the victims of Rana Plaza, a disaster that exposed the murkiness and lack of accountability in the global supply chain for clothes. Under intense international pressure, four brands agreed last week to help finance a landmark \$40 million compensation fund for the victims.

But many other brands, including Mango, have so far refused to contribute to the fund. Mango argues that it is not responsible because it had not "formalised a commercial relationship" with Phantom Tac. Company officials say that Mango was still conducting quality inspections and factory audits of Phantom Tac, and that the factory had not started producing samples for an order of 25,000 items.

But in interviews conducted over several months, supervisors and other employees from Phantom Tac said work to make samples for Mango had already begun when Rana Plaza collapsed. Fabric was being marked and cut, and some workers say some sample shirts were already being stitched.

"There was urgency among the bosses," said Mohammed Mosharuf Hossain, 28, who worked in a cutting section. "The managers told us to finish the Mango products urgently. They said if we could finish this work quickly, we might get more orders from Mango."

For global brands and retailers, Rana Plaza

has forced a reckoning over how to reconcile the mismatched pieces in their supply chains. Technology and investment are transforming the upper end of the industry, enabling Mango and other brands to increase sales, manage global inventories with pinpoint precision and introduce new clothes faster than ever — all as consumers now expect to see new things every time they visit a store.

But these brands depend on factories in developing countries like Bangladesh, where wages are very low and the pressure to work faster and cheaper has spawned familiar problems: unsafe buildings, substandard work conditions and repeated wage and labour violations. Consumers know little about these factories, even as global brands promise that their clothes are made in safe environments.

Phantom Tac could be regarded as an unlikely attempt to prove that a Bangladeshi factory could be socially responsible and make a profit. It was partly owned by a Spaniard, David Mayor, who had won orders from several Spanish brands. He had teamed up with a Vatican missionary in rural Bangladesh to offer a training programme for female workers. And he had experimented with creating a website to allow consumers in the West to connect virtually with the workers sewing their clothes.

But the pressures on Phantom Tac to meet deadlines and make money made those social goals difficult to achieve. Employees said the factory was busy but had suffered setbacks: Inditex, the global clothing giant that owns Zara and Lefties, had cancelled orders a year earlier after the factory failed a social compliance audit. And several employees said other problems had arisen after underage workers were discovered working as helpers.

Now, Mayor has disappeared. He did not respond to email requests for interviews, and his family in Spain declined to reveal his whereabouts. His Bangladeshi business partner, Aminul Islam, is in jail in connection with the collapse.

Factories like Phantom Tac in Bangladesh and the Mango operations in Spain are part of the same supply chains, but might as well be from different worlds.

In Spain, visitors to Mango's design centre, a short drive from the distribution warehouse, are greeted in the lobby by an installation from the Spanish artist Jaume Plensa. A Picasso hangs in the office of Mango's chairman, Isak Andic. Employees eat in a light-filled cafeteria or can relax in an upstairs area filled with ferns

called "the greenhouse".

These state-of-the-art facilities are just the beginning: Mango already operates other distribution centres in China, Hong Kong and Turkey, and it has broken ground for a massive new complex in Spain. Last year, Mango produced a total of 110 million garments and accessories; within a decade, company officials say, the company hopes to produce 300 million garments and roughly quintuple annual sales to 10 billion euros, or about \$14 billion.

This growth strategy comes after Mango responded to the global recession by slashing prices, expanding offerings and opening stores in countries like China and Russia. This increased sales but has placed a premium on efficiency, cost and speed. In the past, Mango sent new items to stores every four to six weeks; now it is every 15 days. Technology has enabled Mango's distribution centre in Spain to track global sales, down to a single item in a single store, and then ship out boxes of refill orders within eight hours.

"The new facility will be faster, bigger and more efficient," said Jordi Torra Marin, a project manager.

In Bangladesh, the business environment presents a sharp contrast. Phantom Tac was on the fifth floor of Rana Plaza, which was named after the family of the building's owner, Sohel Rana. Rana, now in jail awaiting charges in the collapse, was a local political strongman, with close ties to elected officials in Savar and a reputation for criminal activities. Workers inside Rana Plaza say that when Rana needed people to stage a political march or a protest, he demanded that factory bosses release some workers from each factory to participate.

Rana also extracted profits: he controlled food services that served snacks to workers during overtime. Several workers complained about the foul taste of the food. Rana also claimed the leftover remnants of fabric produced by each factory and sold them into the lucrative local recycling market. And, workers say, he took any garments that did not meet quality standards and sold them in local markets.

"He was so powerful," said Mohammad Liton, 25, a quality controller at Phantom Tac. "He had his own gang. They used to operate businesses."

David Mayor was a buyer when he met Aminul Islam, who was operating a different factory in the centre of Dhaka, the national capital. They started Phantom Tac together, which seemed like a good fit, since Mayor had

connections with foreign brands, especially those in Spain. Soon, Mayor was bringing in orders, workers said, or leading foreign buyers on tours of the factory.

Mayor also had a social agenda. In 2007, Mayor joined with Brother Massimo Cattaneo, a Roman Catholic missionary, and financed a training programme for young girls from rural Bangladesh. He eventually hired about a dozen of the graduates into his own factory.

He also wanted to give consumers a better understanding of how their clothes were made. Ashley Wheaton, who had worked for a non-profit group in Dhaka, was hired to develop a website where consumers could type in a code taken from the sales tag of an item and then learn about the Bangladeshi women who made the garment they had bought. As an experiment, Mayor opened a shop in Dhaka where the clothes were marked with the codes.

"He had this idea about what he wanted to accomplish," Wheaton said. "He really did want to change the way things are done. But he was pragmatic. He knew it had to make money and be sustainable."

But money became a problem. Wheaton left after about seven months, as the factory began tightening expenses. Eventually, Mayor also stopped funding the training programme, which Brother Massimo has kept afloat through church money and donations.

Workers at Phantom Tac said deadline pressures were relentless. Margins were so tight that several workers say midlevel managers used two sets of accounting ledgers to hide excessive overtime or other wage violations. Workers also said a problem with child labour arose in 2012 after a buyer discovered several teenagers working as helpers, the lowest-level position in the factory.

By January 2013, Phantom Tac had corrected the child labour issue and was trying to win new business, including from Mango. Mango had sent buyers to the factory as well as inspectors to conduct an audit of working conditions, workers say.

"We all knew about Mango's audit team," said Hossain, the man from the cutting section. "There was an announcement on the loud-speaker. They told everyone to work properly. They wanted to impress them."

It worked. Labour activists searching the rubble of Rana Plaza found order forms from Mango to Phantom Tac for adult polo shirts and some children's items. By April, but before the collapse, the fabric for the Mango order had

already arrived, several employees say. Work was underway on samples to be sent to Mango for approval. One worker, Mohammed Sohel, said some sample shirts had already been sent for quality testing by Mango, only for Phantom Tac to be told of a flaw in the collar.

"David came to the factory and explained how to correct the collar," Sohel said.

Another employee, Mohammed Sumon Proddhan, who worked in quality control, said seamstresses had been making samples of green polo shirts for Mango the day before Rana Plaza collapsed.

In a recent interview at Mango's design centre in Spain, Jose Gomez, vice president of international business development, cited Mango's involvement in a major consortium of brands that have agreed to help finance safety upgrades to Bangladeshi factories as evidence of the company's commitment to improve conditions.

But on the separate issue of compensation for victims, Gomez denied that Mango had started production at Phantom Tac because, he said, the company's auditing process was not complete. Asked if he was certain no work was underway, Gomez said, "What I understand is what I told you."

Eva Kreisler, a coordinator for the anti-sweatshop group Clean Clothes Campaign in Spain, said that Mango's explanation was unconvincing and that the company had a moral obligation to help the victims of Rana Plaza.

Another Spanish retailer, El Corte Inglés, is one of four brands that have agreed to contribute to the \$40 million fund. Officials say other brands must come forward if full funding is to be achieved.

"Definitely, they should contribute to the fund," Kreisler said of Mango. "It is quite shameful that they still won't contribute to bring justice to the workers."

On the day before Rana Plaza collapsed, cracks appeared in the third floor of the building. It was temporarily closed, and an engineer, upon inspecting the cracks, said the building should remain closed. But Islam, the co-owner of Phantom Tac, called a longtime factory supervisor and implored him and others to return to work, citing pressing deadlines.

Islam even went to the building himself and made his ritual evening prayers. "He called me," said Mohammad Minhaj Uddin Nannu, the longtime supervisor. "He said, 'Why are you all scared? You shouldn't be. I'm here.'"

The next morning, Rana Plaza collapsed,



Kosuke Miimi, chief executive of YKK Bangladesh, distributes warm clothes among the winter-affected poor in different parts of the city on Monday.

## Economy cast in gloom

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As a result, the government might either have to cut its expenditure or borrow. "If the government borrows from the internal banking system then it will crowd out the private sector."

However, the private sector investment is going downhill. "Investors are saying that there is no point for going for investment when there is no security for investment."

Islam added that the country is going backward at a time when it is supposed to march forward in terms of raising GDP growth and accelerating investment and exports as part of its long-term vision of becoming a middle-income country by 2021.

Zahid Hussain, lead economist of World Bank, said both the disruption in production and supply chain and disruption in trade and commerce have created a peculiar situation for the country: the

prices will not go down even if there is good production, as the produces will not reach the markets.

"Production will also suffer if we cannot take fertiliser and diesel to rural farmers on time, which will ultimately have a negative impact on boro plantation," he said, adding that it might lead to food security problems sometime in June.

Unlike Rahman, Hussain has great faith in the resilience of the country.

"If we are able to somehow quickly come out of the current scenario with an amicable and acceptable solution to all important parties, the economy will take eight to 10 months to get out of it."

However, if it drags on for the next eight to 10 months then it might lead to a longer-term crisis.

"We are not still at the point of no return, but we are getting there fast. So, we need a quick end

## In political gloom, some garment makers may delay new worker wage

FROM PAGE B1  
"We are also worried over the current political situation as many garment owners have informed us that they might not be able to implement the new salary structure timely," said Sirajul Islam Rony, the workers' representative in the immediate past wage board.

"But owners should pay workers in time even in bad times as they made profits before," Rony told The Daily Star by phone.

If owners think they will face problems in implementing the new

scale, they should discuss it with the workers earlier, so as to avoid any kind of unrest in the sector.

Nazma Akter, president of Sannilito Garment Sramik Federation, a garment workers' platform, said the real picture in the sector can be seen after January 5, when most factories will pay their salaries.

"But many factory owners have already expressed that they might not be able to implement the structure timely for a reduction in work orders."

## Unrest weighs on banks' profit

FROM PAGE B1  
In early December, the central bank published a quarterly report portraying the dull business scenario in 2013.

The report said a number of proxy indicators such as trade financing and bank advance to transport and communication sector reflect slower services sector growth during the first quarter of the current fiscal year.

Data on bank advance shows that the growth of credit to the trade sector declined to 12.93 percent in the first quarter of the current fiscal year, from 24.68 percent in the same period last year.

The BB report said bank credit to the transport and communication sector registered a negative growth of -43.54 percent as against a positive growth of 85.68 percent in the same period of the previous fiscal year.

Retail and wholesale trade, hotel and restaurant business and tourism are facing a sluggish demand due to frequent shutdowns.

## 2013: growth year for cash dividends

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Among the foreign investors, a transparent cash dividend payout policy is also an indicator of good corporate governance, he said.

Dividend in cash is an indicator of the financial strength of a company. It is a strong fundamental indicator of the operating performance of a company. It also indicates financial flexibility. A healthy cash dividend payout also indicates the management's willingness to share profits with the investors, Pasha said.

"When a company pays out cash dividends, investors get a

portion of the company's earnings and hence, they benefit from the growth of the company."

Cash dividends can act as a source of steady income for investors if the investor invests in a company that has a steady record in paying out cash dividends, he added.

Three companies declared more than 50 to 100 percent dividends in 2013, against four companies in 2012. An aggregate of 16 companies declared more than 30-50 percent dividends in 2013, against 12 in 2012.

## Applicants for share credit to get one more month

FROM PAGE B1  
Scrutinising the applications, ICB, the scheme manager, sanctioned Tk 66.68 crore for 2,131 retail investors.

The state-run investment company got the fund at 5 percent interest from Bangladesh Bank and lent it to merchant banks and stockbrokers at 7 percent.

The merchant banks and the stockbrokers then disbursed the funds to retail investors at 9 percent.

The borrowers will have

to repay the loans every three months.

On August 25 last year, the central bank released the first instalment of Tk 300 crore in favour of ICB.

The remaining Tk 600 crore will be released in two equal instalments later.

In March 2012, the government announced a compensation package that also included an interest waiver on margin loans for the investors who suffered losses during the price debacle in 2011.

## EBL managing director to lead bankers' panel

STAR BUSINESS DESK

Ali Reza Iftekhar, managing director and chief executive of Eastern Bank Ltd, has been elected chairman of Association of Bankers, Bangladesh (ABB) for 2014-15, it said in a statement yesterday.

He is one of the members of the Core Risk Management Group of Bangladesh Bank.

Iftekhar, with 26 years of experience in banking, has served both foreign and local private banks.



**বাংলাদেশ কারিগরি শিক্ষা বোর্ড**  
আগারগাঁও, শেরেবাংলা নগর, ঢাকা।  
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স্মারক নং বাকাশিবো(প-২)/৬৬৭(পার্ট-৫)/৮৭৭ তারিখঃ ৩০/১২/২০১৩

**পরীক্ষা ও ক্লাশ অনুষ্ঠানের বিজ্ঞপ্তি**

বাংলাদেশ কারিগরি শিক্ষা বোর্ডের অধীনে ডিপ্লোমা-ইন-ইঞ্জিনিয়ারিং ও ডিপ্লোমা-ইন-টেক্সটাইল ইঞ্জিনিয়ারিং শিক্ষাক্রমের ২য়, ৪র্থ, ৬ষ্ঠ ও ৮ম পর্ব নিয়মিত ও অনিয়মিত পরীক্ষা-২০১৩-এর স্থগিত ও বাতিলকৃত পরীক্ষাসমূহ পরিবর্তিত সময়সূচী অনুযায়ী ১৩ জানুয়ারি-২০১৪ সোমবার থেকে পূর্বনির্ধারিত কেন্দ্রে অনুষ্ঠিত হবে।

উল্লেখ্য যে, ২০১৩-১৪ শিক্ষা বর্ষের প্রথম পর্বে ভর্তিকৃত ডিপ্লোমা-ইন-ইঞ্জিনিয়ারিং ও ডিপ্লোমা-ইন-টেক্সটাইল ইঞ্জিনিয়ারিং শিক্ষাক্রমের ক্লাশ ০৭ জানুয়ারি-২০১৪ মঙ্গলবার থেকে শুরু হবে। শিক্ষার্থীদের নির্ধারিত তারিখে স্ব-স্ব প্রতিষ্ঠানের সংশ্লিষ্ট কেন্দ্রে ক্লাশ/পরীক্ষায় অংশগ্রহণ করার জন্য নির্দেশ দেয়া হ'ল।

স্বাক্ষরিত  
(প্রফেসর মোঃ আবুল কাশেম)  
চেয়ারম্যান

## Economy: slogging through political turmoil

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As for GDP growth, the most important indicator of the vigour of the economy, it was expected to hover at 6 percent this calendar year, but the International Monetary Fund (IMF) revised down this growth forecast to 5.5 percent given the disrupting political turmoil.

Looking ahead, the disruptions and uncertainty surrounding the forthcoming elections stand to seriously take off the wheels from the economy.

Export growth is expected to moderate, reflecting the supply disruptions brought about by the political unrest and some modest decline in external demand for the flagship garment products following the recent industrial disasters.

Remittances are expected to decline given the restrictions in some Gulf countries and the political unrest which is delaying the migration process. Private capital outflows are likely to increase with the escalating political turbulence.

Inflation, too, is expected to increase as a result of the non-stop blockades and shutdowns, which are cutting off the urban centres' supply chain.

**VACANCY NOTICE**

Strengthening Capacity for Aid Effectiveness Project in Bangladesh of Economic Relations Division (ERD), Ministry of Finance announces vacancy for one **Driver cum Messenger** position on temporary basis under daily basis.

**Duties and Responsibilities:** The incumbent will work under the guidance and overall supervision of the National Project Manager, Ensures provision of reliable and secure driving services, day-to-day maintenance of the vehicle and proper use of vehicle, maintain a log book, arrange repairs where necessary, collect/deliver mail or documents when required.

**Experiences:** The incumbent should have at least class VIII passed with at least five years of driving experience. The incumbent must have a valid driving license with minimum 6 months validity. Good knowledge of road network in Dhaka and surrounding areas and adequate knowledge and skills in vehicle maintenance and minor repair area essential. She/he must have working knowledge of communicative English. Experience of UN, International organizations or government organizations would be an asset.

**Submission of Application:** Application should be marked 'Confidential' and the position applied for i.e. **Driver cum Messenger-Aid Effectiveness Project** should be clearly written on the A4 Size envelope. Application including curriculum vitae and a recent passport size photograph should be sent to the National Project Director (Joint Secretary), Block-8, Room-31, Economic Relations Division, Sher-e-Bangla Nagar, Dhaka-1207 no later than **Sunday, 12 January 2014**.

Only short-listed candidates will be contacted.