

# Rana Plaza exposes fashion's lack of accountability

BUSINESS OF FASHION

On April 24th, 2013, the Rana Plaza building in Savar, Bangladesh, became the site of the worst tragedy in the history of the fashion industry. The building, which housed several garment factories supplying high-street fashion retailers including Mango, Matalan and Benetton, collapsed. 1,134 people were killed, and over 2,500 injured.

When the story broke, brutal images of young women trapped under rubble and bloodied survivors shocked the world, and statements of remorse spilled out of spokespeople for Primark and Bonmarché, both of whom were supplied by the factory at the time of the disaster.

And yet, justice has not come. The fashion brands implicated have faced no criminal charges or punishments of any kind and efforts to compensate the victims and their families have fallen far short of their targets.

How could this have happened? In the year since Rana Plaza collapsed, fresh scandals involving the fashion industry have peppered the news. Alleged cries for help from workers found stitched into the labels of

Primark's clothing; Bangladeshi garment workers resorting to hunger strikes over outstanding salaries.

Have we forgotten the appalling incident at Rana Plaza in the face of more recent scandals? And why have the fashion brands implicated still not been held accountable?

Following the tragedy, the Rana Plaza Arrangement (RPA) set up a compensatory scheme to protect victims and their families who had lost a family member or suffered life-changing injuries in the catastrophe.

Claims for compensation received by the RPA were to be funded by the Rana Plaza Donors Trust Fund, a money pot "open to contributions from any organisation, company or individual".

This is where the problems begin. The fund was "open to" contributions - it did not demand them. The UN agency International Labour Organisation backed the fund, yet did nothing to enforce payments into it, despite having a long list of the companies who used the factories. There was no organisation, institution, or law to make sure this fund was filled. And as a result, it was not.

The RPA estimated that the fund would need to collect \$40 million to

cover the expected claims. As of 4 August 2014, the current total is just under \$17.9 million; the fund is not yet half-full.

Fashion companies' reluctance to offer compensation has been astounding. UK clothing retailer Matalan, who admitted to using the factory the month before it collapsed, paid into the fund one day before the deadline for payments. It only did so after tens of thousands of people lobbied the retailer via e-mails and calls, and Twitter users bombarded the brand with over 1,000 tweets an hour.

When Matalan finally did pay up, it was clear that the brand did not accept any responsibility.

"We wish to make it clear that we have never been ordered by any organisation to pay compensation or been found culpable for the tragedy," said Matalan's chairman, Allan Leighton.

"However, our company is happy to continue to make substantial contributions to help the people who need it most."

Other brands have been less "happy" to pay. Neither US retailer JCPenney or Italian multinational Benetton have contributed, despite clothing destined for their shop floors being found amongst the rubble of Rana Plaza.

This incident makes clear that the fashion industry has a serious problem of accountability. JCPenney and Benetton were responsible for Rana Plaza. So were Primark, Mango, Bonmarché, Monsoon Accessorize, Walmart, Joe Fresh, and all of the fashion companies who had clothing manufactured there.

Using third parties to manufacture goods is common practise in fashion, but multimillion-pound brands such as these are still responsible for properly investigating and monitoring their third party contractors.

The day before Rana Plaza collapsed, inspectors found cracks in the building and raised the alarm. Did these warnings reach Benetton and Primark?

They certainly reached the banks operating in the Rana Plaza building, which evacuated all of their workers. The garment factories, by contrast, forced employees to return to work, their managers threatening to withhold a month's pay from those who didn't.

Either the fashion companies didn't know about these dangerous working conditions; or they did, and they allowed the factories to resume business. The former is negligent and poor supply chain management. The latter

is far worse.

Fashion brands can be held accountable for their products -- customers can return items that do not perform as they should, faulty products can be recalled from the shop floor -- but regulating how goods are made is a more complex task.

What can be done to make sure powerful fashion brands manufacture their products in a responsible way, and are forced to pay -- not politely asked for contributions -- if they do not?

One solution is a quality assurance standard, comparable to the ISO 9000. ISO 9000 is a management standard in the manufacturing and service industries, which assesses not what is made but how it is made. Organisations can receive the certificate only after an extensive assessment by representatives of the International Organisation for Standardisation.

There are incentives for companies to comply to such a standard -- ISO 9000 certified companies generally report superior returns on assets and perform better in the stock market than non-certified companies.

The point of ISO 9000 -- and why it is something the fashion industry could benefit from -- is to allow com-

panies to use the services of third party contractors and be confident that they are run correctly and safely.

This is not a perfect solution and would require huge investment to implement. Who would oversee such a certificate is up for debate and the scheme would have significant hurdles to overcome, not least the difficulty of gaining access to secretive production facilities in the developing world.

According to the Ethical Fashion Forum, ethical labelling initiatives like Fairtrade "only cover the cotton production process and do not provide fair trade guarantees for the garment production phase." There is no global standard covering the entire fashion supply chain.

The Rana Plaza compensation fund has not succeeded. But what is more worrying is that the tragedy was not prevented in the first place.

Fashion should be subject to regulations and scrutiny, like any other industry. It must protect the workers at every link in its supply chain and there must be serious consequences for companies who fail to do so.

As it stands, the actions of fashion brands have huge costs. And the wrong people are footing the bill.



**Md Masudur Rahman, president of the Bogra Chamber of Commerce and Industry, inaugurates a branch of NRB Bank in Bogra recently. Iqbal Ahmed, chairman of NRB Bank, was also present.**



**AQM Nurul Absar, chairman of Green Delta Insurance Company, attends the half-yearly business conference of the company at its head office in Dhaka on Monday. Farzana Chowdhury, managing director, was also present.**

## Glencore Xstrata reports switch into profit

AFP, Geneva

Mining giant Glencore Xstrata reported a sharp improvement in first-half performance on Wednesday, marking a big switch back into profit.

The group, which came into being with a mega merger last year, said it had made a net profit of \$1.72 billion during the first half of 2014, up from a \$9.39-billion loss a year earlier.

## Invite fresh bids for offshore blocks: Hasina

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Hasina said her government would take steps to strengthen Bangladesh Navy and Bangladesh Coast Guard to ensure security of the sea and its resources.

She also asked for taking a massive plantation drive to recover char areas and make the new chars liveable.

Hasina stressed the need for making sea tourism more attractive and said joint initiatives by Bangladesh, the Maldives, India and Sri Lanka should be taken to develop sea tourism in the region.

## Rana Plaza fund to roll out in two weeks

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Bonmarche, C&A Foundation, Loblaw, BRAC USA, The Children's Place, Walmart, Asda and the Walmart Foundation, Camaieu, El Corte Ingles, Gueldenfennig, H&M, Inditex, KiK, LPP SA, Mango, Mascot and Premier Clothing have already contributed to the trust fund, according to Clean Clothes Campaign, a rights group.

Brands such as N Brown Group, VF Corporation, Gap, H&M Conscious Foundation, Debenhams and Zebra Fashion have made contributions even though they did not source from any of the factories housed in Rana Plaza. Primark has made a significant contribution, of around \$7 million.

Reddy said the Rana Plaza Claims Administration has already completed the list of recipients for compensation.

Earlier in April, the victims and dependents of the deceased were given Tk 50,000 each to help them get by for now and open bank accounts, which exhausted \$2 million from the \$17.9 million fund.

Mikail Shipar, labour secretary, said: "The retailers made their commitments but now they are not following through." Meanwhile, many dependents of the deceased complained that they were not included in the compensation lists yet.

Take, for instance, Akkas Mia, who lost his daughter-in-law in the tragic event. She left behind a husband and a son, both of whom are now residing with Mia.

He said his daughter-in-law's name has not been put in the compensation list.

So far, he has received Tk 45,000 from Primark, Tk 20,000 from a nongovernmental organisation and an autorickshaw; and 21 days after the incident, the deceased's mother received Tk 1 lakh from the prime minister's relief fund.

The PM's fund released Tk 22 crore for the victims. "I have rushed to so many places to put my daughter-in-law's name on the list, but no-one is taking my concern seriously. I am bearing all expenses of my grandson after his mother's death."

A dead victim's family will receive Tk 29 lakh and a permanently disabled person Tk 42 lakh as compensation, according to an estimate of IndustriALL Global Union and ILO.

### Tata Nano launched

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Abdul Matlub Ahmed, chairman of Nitol Motors, requested the commerce minister to withdraw the 45 percent supplementary duty for imported cars below 700cc. If the supplementary duty is withdrawn, the price will be reduced by Tk 1.1 lakh each, he said.

"We are confident that the combination of a perfect product with best-in-the country service and parts back-up will firmly establish the Nano's footprint in Bangladesh."

Mashiur Rahman, advisers to the prime minister; Kazi Akram Uddin Ahmed, president of the Federation of Bangladesh Chambers of Commerce and Industry; and Abdul Musabbir Ahmed, managing director of Nitol Motors, also spoke at the launching ceremony.

Launched in 2009 as the world's cheapest car, Tata Nano has received a tepid reception from Indian consumers.

Rather than embracing the Nano for its cheap tag, the status-conscious consumers shunned it in favour of its slightly pricier rivals or second-hand vehicles costing the same for the higher social cachet.

## AirAsia profit jumps despite 'challenging' climate

AFP, Kuala Lumpur

Malaysia-based AirAsia on Wednesday announced a sixfold increase in second-quarter net profit as Asia's budget travel leader increased revenue despite what it called a "challenging" aviation environment.

Net profit was 367.2 million ringgit (\$115 million), up from 58.3 million ringgit in the same quarter of 2013.

AirAsia said the jump was mainly due to foreign exchange gains on borrowings.

But it said revenue also grew five percent to 1.31 billion ringgit as passenger numbers increased slightly.

AirAsia is led by flamboyant boss Tony Fernandes, a former record industry executive who acquired the then-failing airline in 2001. It has seen spectacular success and aggressive growth under his low-cost, low-overhead model.

While its rival Malaysia Airlines faces potential collapse after two disasters this

year, AirAsia last month signed an agreement to buy 50 long-haul A330-900neo passenger planes from Europe's Airbus.

The deal is worth \$13.75 billion at catalogue prices.

AirAsia CEO Aireen Omar attributed the second-quarter performance in part to moves to cut down on less profitable flights.

She said the airline also held firm on pricing in the face of "irrational" price competition from rivals.

"AirAsia continues to be disciplined in an industry where irrational competition exists," she said in a statement.

AirAsia's success has inspired a host of regional imitators.

Fernandes said in a statement the outlook should improve in the second half of the year, predicting that competitors would move to more "realistic" pricing.

AirAsia said overall results in the quarter would have been better if not for losses suffered by its Thai, Indonesian, and Philippine subsidiary airlines.

### Novartis licences drugs to non-profit TB group

AFP, Geneva

Swiss-based pharmaceuticals giant Novartis said Wednesday that it had signed a licensing deal with an international organisation that fights tuberculosis.

In a statement, the group said that the exclusive worldwide licensing agreement with the Global Alliance for TB Drug Development covered compounds discovered at the Novartis Institutes for Tropical Diseases.

All told, TB claimed 1.3 million lives worldwide last year, making it the deadli-

est disease after AIDS to be caused by a single infectious agent, according to the World Health Organization.

WHO figures show that there are 8.6 million cases of TB every year, and that drug-resistant forms are a huge emerging threat.

The disease is global, but its hotspots include China, India and the former communist countries of eastern Europe and central Asia.

The WHO last month called for a massive new international effort to try to wipe out TB by 2050.



**Saugata Gupta, chief executive of Marico Ltd, presides over the 14th annual general meeting of Marico Bangladesh at Radisson Blu Hotel in Dhaka on Tuesday. Total cash dividend of 900 percent was approved for the year that ended on March 31, 2014. Aditya Shome, managing director of Marico Bangladesh, was also present.**



**Fazlul Sobhan, managing director (current charge) of BASIC Bank, poses with participants of a credit management course organised by the bank at its training institute in Dhaka recently. M Kamran Hamid, deputy general manager, was also present.**

### SWIFT plans to go big

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Besides banks, corporate customers would also benefit directly from SWIFT's platform.

In May 1973, 239 banks from 15 countries created the SWIFT cooperative to build a common messaging system to fulfil the need of process financial transactions efficiently.

Its presence was extended to the US in 1979 and to Asia in 1980. Today, it handles more than 4 billion messages a year between financial institutions, market infrastructure and corporation.

The network was introduced in Bangladesh in 1994 by AB Bank and a few other ambitious commercial banks.

In 2002, the central bank started using SWIFT for their day-to-day payment and settlement activities.

All 56 commercial banks of the country have now become the members of SWIFT.

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