

# Apparel makers should go for a new pricing model

Chief executive of Norway-based Sustainable Trade says it will benefit all in the supply chain

REFAYET ULLAH MIRDHA

**T**HE apparel sector should think of an alternative to traditional social auditing system as it is time-consuming and expensive, said Gunelie Winum, chief executive and founder of Sustainable Trade, a Norway-based rights group.

In place of social audit, which is a formal review of a company's endeavours in social responsibility, she called for a new model -- decent work accounting (DWA).

The new model, Winum said, will reduce industrial disasters, costs of production and ensure fair wages for garment workers.

"If the model is established in the entire supply chain, everybody will be benefitted as nothing can be hidden," she said.

Suppliers or manufacturers will make a chart of cost factors with expected profit margin and show buyers the chart, she said, adding that buyers will place work orders only if they are pleased with the chart.

"I think every serious retailer will agree with this model and will pay more so that everybody is benefitted."

"If a buyer does not agree with the model, I will advise the supplier to go to other buyers," Winum said in an interview with The Daily Star on Monday in the city.

She came to Bangladesh to attend Dhaka Apparel Summit that ended on Tuesday.

Winum in her study "suppliers speak up" said labour costs are always an element in the price quotation of products, but it is difficult to know whether these costs are visible.

She prepared a guideline based partly on the voices of 1,482 suppliers in China, India and Vietnam.

She said very few buyers utilise the traditional industrial engineering principles, and invariably lack in-house skills and knowledge to calculate labour time per product.

Referring to a research by Prof Doug Miller of the UK, she said, in the existing pricing



Gunelie Winum

models, labour costs are not separately itemised, but form part of bulk cost component -- cut, make and trim (CMT).

The term CMT includes labour assembly costs, factory overheads and the suppliers' profit margin. "Labour costs are commonly referred to simply as the 'make' element, which is rarely quoted as a separate item."

In the existing social auditing system, there are loopholes for saving costs without paying more wages, and compromising safety issues, she said.

Disasters like the Tazreen Fashions fire and Rana Plaza building collapse take place due to a flawed social auditing system.

She said, all the retailers who used to source garments from the Rana Plaza factories followed social auditing reports. But, still the accident took place though the main purpose of social auditing is to ensure workplace safety.

"This proves either the social auditing firms

had overlooked the safety issues or there were something unusual in the reports."

She also said costs of social auditing across the industries and across the world were \$25.5 billion last year, but fair wages were not paid and industrial disasters took place worldwide.

Winum mentioned in her survey that an Indian supplier participating in a training programme last year said his factory had undergone 83 audits in one year, and a Chinese supplier faced 69 audits. But neither was yet fully compliant, she said.

Increased accessibility and faster consumption patterns have created a greater demand at the consumer end, and this has provided increased access to markets for business, including suppliers, she said.

A consequence of this is increased competition globally, she added.

Unfortunately, in the race for foreign business, some countries have cut back on regulation and enforcement of decent working conditions in order to boost or retain their competitive advantage in a global market, the survey said.

Such dynamics have resulted in the race to the bottom and this has had severe consequences for workers in global supply chains. Wages are often insufficient to meet their basic needs and so they work large amounts of overtime in an attempt to increase take-home pay.

Excessive overtime over prolonged periods results in tiredness, and this can lead to increased accidents. Workplace accidents where invalidity is the outcome have severe consequences for workers who are no longer able to work if the employer has not provided social and injury insurance.

One of the hidden human costs of excessive overtime is that it has negative consequences for workers' social and family life, as for example, mothers start work long before their babies wake up and finish long after the infants are asleep.

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# Pool resources for infrastructure projects: Greek economist

Louka T Katseli is a renowned Greek academician and politician. An expert on international economics and development policy, Katseli has authored a number of books. In her career of over three and a half decades, she served as the country's minister of labour and social security (2010-2011) and minister of economy, competitiveness and shipping (2009-2010). As a minister, she brought about two progressive legislations in Greece to save small enterprises and individual borrowers from collapse. She said the financial crisis was handled wrongly and austerity policies failed and backfired.

Katseli visited Dhaka on November 17-19 to deliver a lecture on 'Recent Fiscal and Labour Market Adjustment Experiences in Europe: Lessons for the low-income countries' -- organised by the Centre for Policy Dialogue.

In an interview with The Daily Star in Dhaka, Katseli spoke on infrastructure constraints, global financial crisis and the current situation in Greece. She also expressed concern over the growing power of financial institutions and constricted labour mobility.



Louka T Katseli

Asian Development Bank or any other credible institution that would bring in more resources, such as pension funds, into the pool, she said.

The economist said most developing and emerging countries, including Bangladesh, need appropriate policies to mobilise funds for infrastructure projects.

"Even when the fund is available, it doesn't go into the infrastructure sector because of its long-term nature and the private sector is not willing to take the risk," she said, adding that Bangladesh needs to undertake policies based on a long-term perspective to encourage the private sector to step in to finance big projects.

She believes sharing the risk properly between the parties is a major challenge for public-private partnership initiatives.

"There must be a credible vehicle that will balance the risks," said Katseli.

She discussed issues relating to the European Commission's forthcoming report on development financing, where Bangladesh is a case study along with some other low-income countries.

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SAJJADUR RAHMAN

**S**ITTING in heavy traffic on the city roads, Katseli took no time to realise that Bangladesh needs huge investment to address its infrastructure constraints, even though it was her maiden visit here. She says a delay in addressing the issue will cause for a loss of human productivity.

But it is not easy to raise funds from the private sector to build infrastructure projects because of its long-term nature and associated risks.

"Don't spend development assistance here and there or in small projects. Rather, create a facility where public, private and donors' resources are pooled for the use of infrastructure projects," said Katseli, realising that the Bangladesh government alone will not be able to provide all the funds the country requires.

The funds could be governed by the

# IATA sees record profit for airlines as oil prices plunge

AFP, Geneva

**T**RAVELLERS might soon be able to pay less to fly, IATA's chief said Wednesday, after the global airline association predicted record profits for the sector due to plunging oil prices.

Airlines are now expected to make \$19.9 billion in profits for 2014 and \$25 billion for 2015, more than double from \$10.6 billion in 2013.

"Lower oil prices and stronger worldwide GDP growth are the main drivers behind the improved profitability," IATA said in a statement.

Crude prices have plunged by more than 40 percent since June, owing in part to a glut in supplies as the United States ramps up shale production.

IATA chief Tony Tyler said travellers also stand to benefit from the sliding crude prices.

"Stronger industry performance is good news for all. It's a highly competitive industry and consumers -- travellers as well as shippers -- will see lower costs in 2015 as the impact of lower oil prices kick in," he said.

"And a healthy air transport sector will help governments in their overall objective to stimulate the economic growth needed to put the impact of the global financial crisis behind them at last," said Tyler.



Brian Pearce

IATA's forecast is based on an average Brent price of \$85 a barrel and jet fuel price of \$99.90 a barrel in 2015.

Crude prices currently hover at around \$65, and analysts have forecasted them to keep sliding well into 2015, particularly after the OPEC oil cartel decided to maintain its output level.

Airlines in North America are expected to rake in the biggest chunk of profit, with \$13.2 billion next year.

Asia-Pacific carriers are seen making \$5.0 billion while European airlines would earn \$4.0 billion.

Airlines in the Middle East would record \$1.6 billion in profits, and those in Latin America \$1 billion and African companies \$200 million.

# New woes may put brakes on Uber, ride-share growth

AFP, Washington

**U**BER, the ride-sharing service and Silicon Valley superstar startup, has hit problems around the world which threaten to put the brakes on its spectacular growth.

Uber has long drawn scorn from established taxi operators in many cities, and regulators from New Delhi to Portland, Oregon, have been clamping down on its operations. At the same time, the company has seen its image tarnished by executives' gaffes and concerns on privacy.

Even as Uber has raised a fresh \$1.2 billion -- which gives it an eye-popping value of \$40 billion -- it has run into roadblocks, even in its home state of California.

A judge in Spain banned Uber's ride-sharing on Tuesday, saying it violated laws on fair competition. A day earlier, the city government in New Delhi banned Uber from operating in the Indian capital after a passenger accused one of its drivers of rape.

Thailand also ruled Uber illegal, and the service has hit regulatory hurdles in locations from Germany and the Netherlands to San Francisco, where a driver has been charged in an accident leading to the death of a six-year-old girl.

On Tuesday, San Francisco and Los Angeles officials sued Uber for misleading consumers about fees and background checks.

"Uber continues to put consumers at risk by misleading the public about the background checks of its drivers and its unwillingness to ensure that correct fares are charged," Los Angeles District Attorney Jackie Lacey said, while announcing a settlement with rival ride-sharing service Lyft.

A Dutch court this week also ruled illegal the Uber system in which non-professional drivers offer trips in their own cars at half the price of a regular cab.

"Drivers who transport people for payment without a license are breaking the law," said the decision from the Hague-based Trade and Industry Appeals Tribunal.

Authorities in Denmark and Norway have also filed complaints



San Francisco District Attorney George Gascon speaks during a new conference to announce a civil consumer protection action against rideshare company Uber in San Francisco, California on Tuesday.

against Uber.

"The so-called sharing platforms like Uber and Lyft are concerning to regulators because they represent something different," said John Breyault of the National Consumers League.

"They don't fall neatly into the regulatory buckets we've seen in the past century. So it's difficult to see how to deal with evens like in what happened in New Delhi, and to know where liability lies."

Breyault said Uber is a prime example of a "disruptive" business model which provides a new service by taking advantage of technology.

But he said regulators need to take a close look at issues relating to insurance, liability and criminal background checks for drivers.

"I don't think we should be concerned that consumer protection regulation is going to kill Uber," he told AFP. But he said any regulations should promote competition, and not be designed to protect entrenched interests.

"We should not have regulations that keep out competition, that hurt the next Uber," he said.

Some Uber advocates say the system is effectively self-regulating, because users post

reviews that help the better drivers and weed out the poor ones.

But Breyault of the consumer group said reviews "can play a powerful role in weeding out the good guys from the bad guys, but it doesn't replace robust consumer protection regulation."

The smartphone app from Uber and similar services can allow people to get rides that were otherwise impossible, and to allow people to use vehicles which might be otherwise idle to earn cash and even a living.

Uber is operating in 250 cities in 50 countries, according to a blog by founder Travis Kalanick last week.

"We are six times bigger today than 12 months ago -- and grew faster this year than last," he wrote. "This progress is remarkable, but it is in the coming years that Uber truly scales and the impact in cities becomes visible."

Uber offers several classes of service including a "black car" ride, and other options where individuals user their personal vehicles.

Kalanick said Uber will create one million jobs in 2015. But he noted that the sudden growth "has also come with significant

growing pains" and has shown "that we also need to invest in internal growth and change."

In the United States, Uber has been the target of protests in several cities, and has had tenuous relations with local regulators. It was recently ordered to halt service in Las Vegas, but the city of Washington passed a bill legalizing Uber and similar services.

Uber also hired a team of privacy experts amid concerns that it may be spying on riders, and got a black eye when an executive was quoted as proposing the creation of a team of researchers to investigate reporters to counter bad press.

Arun Sundararajan, a New York University economist who follows Uber and other "sharing economy" startups, said the regulatory issues for these firms will need some time to be sorted out.

"We are transitioning to an economy where more people are providing a service using a platform" such as Uber, he told a forum in Washington this week.

"We need to see what the market provides so that any government intervention is surgical. So it is not there when the market is taking care of itself."



AFP/FILE

Indian air-hostesses with low-cost domestic Airline 'Spicejet' arrive at the domestic terminal of Indira Gandhi International airport in New Delhi. Cash-strapped Indian airline SpiceJet said on Tuesday that it has cancelled nearly 1,900 flights across the country for this month, as its financial woes mount.