

# star BUSINESS



## Garment industry lost \$400m to worker unrest

BGMEA says

STAR BUSINESS REPORT

The garment industry of Bangladesh has suffered collective production losses of nearly \$400 million due to a series of labour unrest in September and early October, exporters said.

However, the industry has now regained stability as the labour situation in major industrial belts improved, according to Khandoker Rafiqul Islam, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

He made this remark during a press conference at the BGMEA office in Dhaka yesterday.

Islam highlighted that maintaining law and order alongside discipline is now the major challenge for the garment industry as factories are currently operating as usual.

Also, the BGMEA chief urged the interim government to allow the use of gas from CNG refuelling stations as industrial units are not getting an adequate supply of the fuel.

Over the past few years, many garment and textile units have been using compressed natural gas (CNG) purchased from refuelling stations to power production equipment as they are not getting enough supply from government pipelines.

Furthermore, Islam asked the authorities not to disconnect factories from utility services, such as gas or electricity, for failing to pay bills for the next three months as most of them were affected by the labour unrest.

Additionally, he sought government intervention to lower bank interest rates to a single digit and

**BGMEA'S DEMANDS**

- Maintain law and order
- Allow use of CNG from refuelling stations
- Do not disconnect utility services for failure to pay bills
- Lower bank interest rates to single digits
- Form joint security force for garment industrial belts
- Allocate interest-free loans for 39 ailing units
- Expedite loading and unloading activities at Ctg port

suggested that a joint security force led by the army should be formed to ensure safety at the garment industrial belts.

Other requests placed by the BGMEA included allocating interest-free bank loans for 39 manufacturing units based in Ashulia that were unable to pay their workers' wages for September amid the unrest.

In regard to improving the ease of doing business, Islam sought the interim government's cooperation in expediting the loading and unloading activities at Chattogram port.

The BGMEA chief also urged to ensure that none of the reform or punitive measures for certain sectors, companies or individuals end up adversely impacting industrial operations in the country.

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DSEX ▼	CASPI ▼	
3.03% 5,257.98	2.07% 14,821.49	

COMMODITIES		AS OF FRIDAY
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## RMG work orders returning as labour unrest subsides

REFAYET ULLAH MIRDHA

After more than a month of disruption due to the political changeover and subsequent labour unrest in major industrial belts, international apparel retailers and brands are returning to Bangladesh with work orders for upcoming seasons.

Local garment suppliers said more Western retailers and brands are now visiting the factories and inquiring about production as normalcy has returned to the sector.

They said Western buyers are placing orders for the next autumn and winter seasons.

"I haven't noticed any major challenges in the inflow of work orders for the upcoming seasons," said Kutubuddin Ahmed, chairman of Envoy Legacy. "They haven't shifted orders away from here."

However, many factories are facing increased costs for having to make air shipments due to production delays caused by the unrest, Ahmed added.

He said a stable production environment is crucial for both suppliers and retailers.

During the unrest in September and early October, apparel factories in major industrial hubs were shuttered. Consequently, some summer orders have already been relocated to Bangladesh's rivals.

On top of the lost production and missed work orders for small and medium-sized factories, Ahmed said manufacturers are struggling as some banks are unable to open letters of credit (LCs) due to a liquidity crisis, US dollar shortage and reduced loan repayment capability of their clients.

Requesting anonymity, a major European buyer said their company did not shift any work orders out of Bangladesh due to the unrest.

"Production facilities are improving but uncertainty remains and our headquarters is concerned about the factories that were affected by the labour unrest," the buyer said.

Although buyers do not plan to reduce order quantities, overall volumes may not

**UNREST**

- ▶ Factories faced labour unrest for over a month in September and October
- ▶ The unrest caused nearly \$400m worth of production loss
- ▶ Most affected factories are in Ashulia, Zirani and Zirabo areas

**GOOD NEWS**

- ▶ Retailers are coming back with the restoration of normalcy
- ▶ Most of the big retailers did not shift work orders from Bangladesh but are cautious

**CHALLENGES**

- ▶ Persistent gas shortage is affecting production in mills
- ▶ LC opening is challenging due to a dollar shortage

reach previous levels as any unrest has some negative consequences, he added.

"I have been meeting with buyers to assure them that normalcy has returned to the industrial zones and factories have resumed production," said Kalpan Hossain, managing director of Dekko Legacy Group.

Hossain's factories were shut down for 23 days in September and five days in October. This translated into a daily production loss of 80,000 pieces of trousers and jackets, valued at \$4.8 lakh.

"Buyers want stability as they also need to ensure timely shipment of goods and profit," he said.

If a stable business and political environment continues, it is expected that upcoming seasons will be good for business, Hossain added.

"None of my buyers have shifted work

orders so far," said Sharif Zahir, managing director of Ananta Group.

Zahir said he is hopeful that the upcoming seasons will be good as buyers are placing a significant number of orders now that normalcy has been restored.

The labour unrest was largely centred at manufacturing hubs around Dhaka. As a result, production at garment factories located in other areas was quite unscathed.

"I have work orders for the next seasons as the environment was relatively peaceful in Chattogram compared to other industrial zones in Dhaka," said Vidiya Amrit Khan, deputy managing director of Desh Group.

To sustain buyers' confidence, she said maintaining stability and a normal business environment are very important.

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## ICB optimistic about sovereign guarantee for Tk 3,000cr

STAR BUSINESS REPORT

The Investment Corporation of Bangladesh (ICB) is positive about getting a sovereign guarantee from the government for a Tk 3,000-crore fund so that the country's lone state-run investment bank can revitalise itself and continue supporting the stock market.

A sovereign guarantee is a government assurance to investors that debt

repayment will be fulfilled. If the state-run non-bank financial institution secures the guarantee, it can obtain a loan of the equivalent amount from the Bangladesh Bank or other lenders.

At a meeting on Thursday at the finance ministry, officials discussed the ICB's urgent need for funds.

The ministry is almost convinced, said a top finance official after the meeting, asking not to be named.

"The ministry is working to provide a sovereign guarantee for the ICB," the official added.

Meanwhile, ICB Chairman Prof Abu Ahmed also sounded positive about getting the government guarantee.

"We hope ICB will receive the funds," Ahmed said.

The government has realised the state-run NBFI's need for funds to fulfil its role, he added when asked about the topic

yesterday.

Despite the Dhaka Stock Exchange (DSE) benchmark index's brief rise after the political changeover in August, the DSEX has dropped by around 5 percent in the past two months.

A top ICB official said that the funds would be used to repay debts to other banks and support the stock market. The NBFI's previous misuse of funds for low-

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## BTRC fines top three mobile operators Tk 15 lakh

MAHMUDUL HASAN

The Bangladesh Telecommunication Regulatory Commission (BTRC) has decided to impose a fine of Tk 15 lakh on Grameenphone, Robi and Banglalink for breaching industry regulations.

Each operator will have to pay Tk 5 lakh for sending more than three promotional SMS per day to their customers, according to BTRC documents.

In a BTRC directive on data and related packages issued last year, mobile operators were instructed to not send more than three promotional SMSs daily.

The decision to penalise Grameenphone, Robi and Banglalink follows months of contention between the BTRC and operators regarding this issue.

The BTRC argued that sending more than three promotional SMSs daily would mentally harass the customers and that the operators' violation distorts the regulator's image.

However, the operators claim that sending more than three SMSs is necessary as the delivery rate

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