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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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INTERNATIONAL NEWS

How global trade will fare post-Covid

China isn't likely to lose its pre-eminent position soon. India, for one, will need to make manufacturing globally competitive

Global supply chains supporting manufactured products in developed countries have taken deep roots over the last couple of decades, leveraging the lower cost of labour in China and other Asian countries.

A typical automobile manufactured in the US has, perhaps, the labour of love from ten different countries; nearly all of iPads and iPhones, the quintessential symbols of American technology, are assembled outside the US, with significant value of components sourced from or assembled in China or other Asian countries.

Ironically, while global trade, that leapt from 52 per cent a decade ago to about 60 per cent of global GDP in 2019 was widening its reach, at the same time, globalisation, as an ideological answer to the development aspirations of nations and people, has been losing its appeal, both at class and mass levels.

Income disparity has been widening in developed countries and the anticipated growth momentum has failed to materialise in developing countries. Immigrants and foreign tongues from call centres located in distant lands have become objects of provocation, which the political leaders have been quick to exploit for short-term gains.

The World Trade Organisation, which was seen as a guarantor of fairplay and a perfect architecture to promote rule-based trading amongst nations, has slipped to ennui, mimicking it's older siblings of Bretton Woods, all being burdened by bureaucracy and power play. Regional coalitions, such as the RCEP, threaten to erode the relevance of the more complex and stodgy WTO.

The trade war between the two heavyweights of global trade, the US and China, has made coercive action a preferred tactic and reasoned debate an irrelevant exercise in trade negotiations. The terms of engagement on global trade were already getting frayed, and then Covid broke out.

Impact of the pandemic

The immediate impact of the pandemic is devastating. The WTO expects the decline in global trade will likely exceed the trade slump brought on by the financial crisis of 2008.

World merchandise trade is set to plummet by between 13 and 32 per cent in the current year. Nearly all regions will suffer double digit declines in trade, with exports from North America and Asia being hit the hardest.

Predictably, trade is expected to fall steeper in complex value chains, particularly automobiles and electronics.

According to OECD, the share of foreign value added in electronic exports is around 10 per cent for the US, 25 per cent for China, more than 30 per cent for Korea, greater than 40 per cent for Singapore and more than 50 per cent for Mexico, Malaysia and Vietnam. Trade in these products are bound to get seriously derailed for some months. If it is any consolation, declining demand will race with disrupted supplies.

One of the biggest casualties will be the service sector, especially aviation, shipping, tourism and the like. It would only be the incorrigibly adventurous, who would think of an overseas holiday, for many months from now.

More than the physical loss in global trade, the loss of trust and cohesion amongst the nations of the world in facing the pandemic is perhaps far more damaging to the rapid revival of global trade and its supporting institutions. In particular, China has suffered in trust and credibility.

However, global trade is far too entrenched to be dislodged quickly. Every developed country’s economy and the competitiveness of its products and services are inexorably intertwined with trading with other nations. Mistrust will inform terms of trade in the short term, with consequent turbulence and unpredictability, but enlightened self-interest will knock out solutions, however infirm they might be.

Global trade will recover in the medium term, albeit in a wobbly way. It’s too naive to imagine that China will lose its pre-eminent position in global trade, because of the mistrust generated by the pandemic.

China holds 50 per cent of global steel capacity, 40 per cent of APIs of pharma, and 23 per cent of all global exports of electronics, and just too many critical links in the manufacturing supply chain, none of which can be replicated in another location in the short term. There will simply be no capital available, even if there is an intent to create alternative sources.

While multilateral institutions will remain the preferred institutional framework for developing countries like India, they will have no enthusiastic sponsor amongst powerful nations.

India's agenda

India has to carefully chart its course on international trade in the kaleidoscope of challenges and opportunities in the post-Covid world. Firstly, it is critical that Indian exporters don't lose their customers, because of production constraints precipitated by the lockdown. An early and orderly resumption of manufacturing activities is essential to ensure that business is not lost to other prowling Asian competitors.

Secondly, Government of India should quickly come out with a well-thought-out strategy to attract investors who might be scouting to establish an alternative source to China. This could take the form of Special Manufacturing Zones, but that will not be the only route for attracting investments. There are cost penalties in locating manufacturing in India, that would require clever and defensible ways to neutralise.

Thirdly, despite the allegations, the mistrust, and consequently some attempts to shift manufacturing out of China, there is little doubt that China will emerge stronger, and not weaker from the pandemic shock. China's isolation is a fantasy.

The phenomenal technological lead that China has managed to register, its strong macroeconomic fundamentals, its early lead in the recovery from the pandemic and, more relevantly, its authoritarian regime will ensure that China will continue to stride strongly as a global power. India needs to craft a careful strategy of engagement with China, without endangering our sovereignty and independence while securing a place in the global supply chains. In this context, entry into RCEP needs careful reconsideration.

As a counterbalance, India needs to consolidate its position in its top two export destinations, the US and Europe. It would be useful to fast-track the stalled India-EU Bilateral Trade and Investment Agreement.

Fourthly, India needs to focus on her traditional strengths in technology services, and emerging opportunities such as in pharma and other medical services.

Fifthly, and most importantly, India needs to launch on a plan to make Indian manufacturing globally competitive at the level of each and every input — raw material, power, logistics, land, labour, interest — that will result in compelling reasons to source from India. This will require massive reforms in critical economic activities.

But then, isn't it unpardonable to waste a crisis?

Source: thehindubusinessline.com - Apr 28, 2020

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China: Textile industry will face a bigger chanllenge in May

Sudden outbreak of COVID-19 epidemic has brought unprecedented impact on China's economic development. The current global economy has fallen into a recession, and China's textile and apparel mills are also facing unparalleled challenges. The bigger test is yet to come in May.

1. Weavers cut output due to higher feedstock inventory.

In end-April, the common status of several products was that weavers have successively controlled production and prices lost value rapidly. Since export orders have basically cancelled, soft domestic demand was hard to support market development, and inventory has reached high level, demand is mainly expected to be unlikely to warm up, so production cut is expected to increase further.

	Operating rate (%)		Inventory (days)	
	end-Apr	May	end-Apr	May
Viscose Filament Yarn	94	86-88	91	99

VFY: It is currently known that two units of Jilin Chemical Fiber will be shut for maintenance in May, and the duration is about two months, without excluding other plants' maintenance, so the O/R will be lower or reduce to 86%-88%. In the case of production cuts, the tempo of rising inventory will slow down, and it is expected that the inventory will increase by about one week in May.

Rayon yarn	Operating rate (%)		Inventory (days)	
	end-Apr	May	end-Apr	May
	45	20-40	43	50

Rayon yarn: the number of days for May Day holidays was increased and it was not ruled out that most of mills may have 7-15 days leave. The O/R may be lower at 20% and can recover somewhat in the second half of May. Overall production control efforts in May may be greater than that in Apr, and inventory is expected to increase by a week in May.

2. To stop production is difficult, but to keep output going is more difficult.

Due to uncertain external environment, the rayon grey fabric market participants were waiting on the sidelines and overall shipments were blocked with limited order demand and more drastic price competition. There were some mills which had holidays around 7-10 days before and after Tomb Sweeping Day in Apr. According to sampling survey, the effective O/R of weavers has fallen sharply this year. Among them, the decline was the worst in Feb, down over 60% year-on-year, and it then recovered in Mar and Apr, down by 30% year-on-year. Since there is still no obvious improvement in the supply and demand relationship, most of mills hold bearish sentiment towards the outlook. Weavers will still plan to stop production and have holidays around May Day, and some even plan to have 3-4 months long.

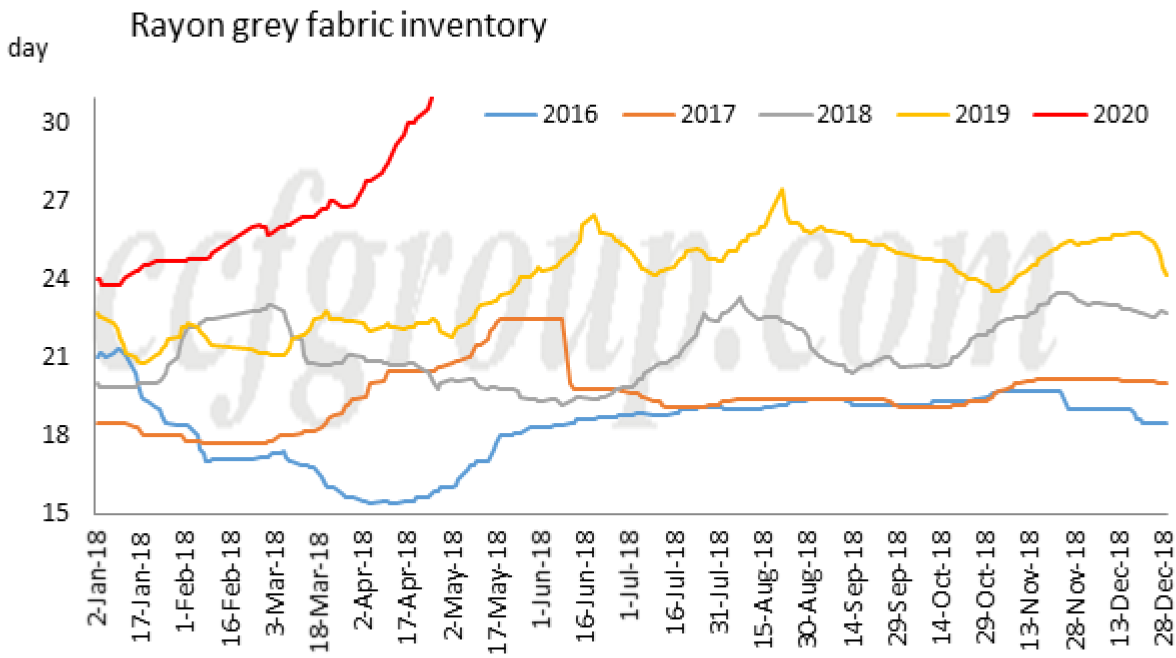
Figure Average effective operating rate of rayon grey fabric mills

	Jan	Feb	Mar	Apr	May	Jun
2019	53.9	54.6	66.1	65.7	63.9	62.1
2020	47	21.1	47.6	46.5		
year-on-year change	-12.80%	-61.36%	-27.99%	-29.22%		

Fabric mills generally face the embarrassing situation of “high inventory but difficult to resume production”. As downstream manufacturers are cautious buyers and sellers, the main demand is concentrated in the field of epidemic prevention materials and non-woven fabrics.

Conventional rayon grey fabric demand keeps weak, and finished goods inventory continues to rise. According to the sample survey, inventory of weavers is significantly higher than that in same period of past years.

In 2016-2017, it was relatively low, ranging within 15-18 days; it has reached a high level over one month in 2018-2020 and may climb up further after May. It is expected to reach a record high of more than 35 days. The mills faced the dilemma of "stop resuming work means stop production while without resuming production but only stocking up ".



In summary, it was not smooth during VFY and rayon grey fabric selling, inventory of finished products remained high, price competition intensified, and news that larger discounts and more discounts were heard from yarn and fabric mills spread on the market.

Due to the lack of effective stimulus, perhaps a larger test is just beginning. It may be a frustrating move for weavers to choose to shut down for the holidays.

Source: ccfgroup.com - Apr 27, 2020

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Textile Exchange Adds U.S. Cotton Trust Protocol to Preferred Fibers and Materials List

The Textile Exchange has added the U.S. Cotton Trust Protocol to its list of preferred fibers and materials.

This action makes the Trust Protocol one of 36 fibers and materials that over 170 participating brands and retailers can select from as part of Textile Exchange's Material Change Index program.

The Trust Protocol joins a portfolio of more sustainable cotton production initiatives including the Better Cotton Initiative (BCI), Cotton Made in Africa (CmiA), Fairtrade Cotton, Organic Cotton, REEL, ISCC and Recycled Cotton as a preferred cotton fiber.

The Textile Exchange defines a preferred fiber or material as one which results in improved environmental and/or social sustainability outcomes and impacts compared to conventional production. The organization's list of preferred fibers and materials continually evolves as sustainability innovations prove themselves and through consultation with its members and NGO partners to ensure the categories continue to reflect the latest thinking.

"We are pleased to see the U.S. Cotton Trust Protocol recognized on Textile Exchange's list of preferred fibers and materials," said Ken Burton, executive director of the U.S. Cotton Trust Protocol. "The U.S. Cotton Trust Protocol is an industry-wide system that will guide U.S. cotton growers to continuously improve and reduce their environmental footprint.

We will provide brands and retailers with aggregate data that track the efforts of U.S. cotton growers to improve water and soil conservation and reduce greenhouse gases. These data will support the fashion and retail industries in their efforts to demonstrate progress toward sustainability goals."

Textile Exchange encourages companies to accelerate their use of preferred fibers and acknowledges and honors companies that recognize the importance of integrating a preferred fiber and materials strategy into their business practices.

"At Textile Exchange, our mission is to inspire and equip people to accelerate sustainable practices in the textile value chain," said La Rhea Pepper, managing director of Textile Exchange. "We're pleased to add Trust Protocol cotton to our list of preferred fiber and materials, which will give brands and retailers another option to source sustainable cotton as they integrate preferred fibers into their business strategy."

Source: cottongrower.com- Apr 27, 2020

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As companies flee China, Vietnam is taking away the cake India so desperately wishes to have

In the last few years, the companies around the world which have made China their factory have either shifted out of the country or mulling over the idea. Given the rising cost of labour and the increasingly interventionist approach of the government after Xi Jinping came to power, moving out is the best option for the companies. The outbreak of Coronavirus from China will only accelerate the flight of the companies to India and Southeast Asian nations like Vietnam.

The Indian government was hoping that these companies will ultimately shift to India, given the young demographics and cheap labour. But, as per a study by Nomura Group on 56 companies shifting production out of China, only three of these relocated to India while 26 went to Vietnam, 11 to Taiwan, and eight to Thailand.

Southeast Asian countries and the tiny island of Taiwan are winning at welcoming the flight of companies from China, while India, with a young population and cheap labour, is losing the game.

Most of these companies are shifting to Vietnam, a Communist country to the South of China with a long sea coast facing the busy South China Sea. There are many factors which help the country with a population of around 10 crores in attracting new companies. It has geographical and cultural proximity with the Communist giant, and even the political system is similar- a single-party Communist state. The companies prefer autocratic Communist countries as there is no bureaucratic lethargy and democratic red tape in these countries.

Vietnam also started liberalizing its economy in the 1990s, just like India, and since then, the country has grown at an average rate of above 6-7 per cent, very similar to India. In the last three decades, it had not overtaken India in terms of average economic growth but in the last few years, the tiny country is suddenly leapfrogging, thanks to its geographical proximity with China.

But there are many other things which Vietnam did right, like minimizing red tape, investment in infrastructure, education, and health. The country started economic liberalization in 1986- exactly a decade after China- and since then invested heavily in primary education. An average Vietnamese is more skilled than average Indian, thanks to the skill-based education system. The country has less volatile currency and has been competing closely with India in the World Bank's Ease of Doing Business rankings. And therefore, given all these advantages, the companies rather prefer to move Vietnam than India.

The primary advantage of the tiny country is its geographical, cultural, and political proximity with China and its system. But, if India is willing to compete, the Modi government must focus on land, labour, capital, and judicial reforms.

The companies moving to Vietnam know that they will find a conducive environment like China in the country, given the authoritarian nature of the political system. In Vietnam, the court and the executive are not equal but under the legislative, which is filled with only single party members. Therefore, once the legislative clears a project, there are no additional hurdles. On the other hand, in India, even after a project is cleared by the government, the companies have to deal with the farmers for factory land, lethargic and corrupt bureaucracy, local mafia, mafia-like NGOs, local trade unions, the government's obsolete labour laws- which Modi government is trying to reform, to successive court cases and petitions by activists like Prashant Bhushan, and various regulatory bodies, and whatnot.

If the Modi government does not want to lose a golden opportunity like this once again then it must fast track the land, labour, capital, and judicial reforms from the war room to make sure that the companies fleeing China move to India, not Vietnam.

Source: tfipost.com- Apr 26, 2020

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USMCA to Enter Into Force July 1

The U.S.-Mexico-Canada Agreement is slated to enter into force July 1 after all three partner countries reported that they have taken the domestic measures necessary to implement and comply with their commitments.

The Trump administration announced the effective date despite a call by the Commercial Customs Operations Advisory Committee at its quarterly meeting April 15 to delay the entry into force of USMCA until no earlier than Jan. 1, 2021.

“Now is not the time to implement a trade agreement that contains so many important and meaningful changes that will impact certain industries in a significant financial manner,” COAC said.

If the agreement does take effect June 1, COAC said that “at the very least, CBP and its USMCA partners should grant enforcement discretion by way of an informed compliance period until the trade has had reasonable time to implement each administration’s regulatory and automation requirements.”

Similarly, a number of members of the Senate Finance Committee told U.S. Trade Representative Robert Lighthizer in a March 30 letter that the USMCA should not enter into force until “all necessary regulations are in place and our industries have had an opportunity to understand and implement them effectively.”

Among other things, the senators noted that the COVID-19 pandemic has caused a public health crisis and supply chain disruptions that have left businesses and governments “little, if any, time and resources to prepare for a smooth transition to USMCA.”

Source: strtrade.com- Apr 28, 2020

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Trump to meet with textile makers as companies shift to masks, gowns: Navarro

U.S. President Donald Trump will meet with American textile industry representatives on Monday as clothiers seek to shift their production lines to face masks and other critical items amid the coronavirus outbreak, the White House said.

White House trade adviser Peter Navarro, in an interview on Fox News, said the Republican president would meet with the National Council of Textile Organizations, whose members include companies such as HanesBrands Inc, Under Armour Inc and Bershire Hathaway Co's Fruit of the Loom.

DuPont unit DuPont Protection Technologies, Cargill Cotton and privately held companies such as Jockey International Inc and the Lycra Co are also council members.

Such companies are aiming "to repurpose their factories from making things like T-shirts into gowns and masks and things like cotton swabs" used for coronavirus testing, much like General Motors has moved to use its auto factories to make ventilators for patients with difficulty breathing, Navarro said.

Trump is scheduled to meet with "industry representatives" at 2 p.m.(1800 GMT), according to a schedule released by the White House. A severe lack of U.S. medical supplies has hampered healthcare workers on the front lines treating coronavirus patients, leaving hospitals and states scrambling for protective gear.

The Centers for Disease Control and Prevention has also urged Americans to wear masks to help prevent the spread of the disease, but it has encouraged using homemade and other varieties to keep medical-grade ones available for first responders and healthcare workers.

Navarro also said the administration is focusing on protocols to keep U.S. factories in general open during the outbreak, including screening workers for potential cases. "We're trying to figure out the best protocols to keep our factories going," he said. "We're going to have to use appropriate protocols, different social distancing. You're going to have to reconfigure factories. You're going to have to use things like thermoscanners to check (for) fever as they come in."

Source: reuters.com - Apr 28, 2020

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Portugal eyes easing lockdown, textile firms step up mask production

During a visit to one of hundreds of textile firms reorienting to produce protective gear, he praised the industry for supporting the relaxation of restrictions and said facemasks would likely be obligatory in certain locations such as schools and public transport.

“We are likely to go down a level (on restrictions), but normality will only come when we have a vaccine in a year, or year-and-a-half,” Costa said while visiting textile manufacturer Petratex, which is producing more than 100,000 masks a week.

“Until then, reopening will come with conditions - like using hand sanitizer, and masks. This industry initiative to produce them en masse is essential for public safety,” he said.

Hundreds of firms whose revenues plummeted after the state of emergency was imposed on March 18 are producing near to a million masks per week in Portugal to meet the surge in demand likely to accompany the easing of lockdowns across Europe.

As one of the few EU countries with the capacity for a fully running supply chain, the industry in Portugal hopes that by providing its European customers with the equipment needed to get back to business it can contribute to its own recovery.

“We should be producing millions of PPE per week in the next fortnight,” said Mario Jorge Machado, president of Portugal’s textile association ATP, referring to various types of personal protective equipment.

“The industry can’t survive from masks - Europe’s economy restarting is what will save us. But by supplying PPE, we could help with that,” Machado said.

Health authorities have recommended people wear masks in confined public spaces, and several municipalities have begun distributing them for free.

Portugal has so far reported 24,027 confirmed cases of the new coronavirus and 928 deaths.

Just under 30 firms have received official accreditation from product testing and certification centre CITEVE to produce masks that meet health and safety requirements, with hundreds more currently having their proposals assessed.

Some are already producing for export - Calvalex, in the country's north, sells 90% of the 200,000 masks it produces per week to Britain, France, Spain, Ireland, Germany and the Netherlands.

Last Thursday, the government reduced value-added tax on masks and hand gel to the minimum level of 6%.

Source: reuters.com - Apr 28, 2020

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Managing COVID-19: How the pandemic disrupts global value chains

- COVID-19 has struck at the core of global value chain hub regions, including China, Europe and the US.
- Industrial production in China has fallen by 13.5% in January and February combined, compared with the previous year.
- The pandemic has severe implications for international production networks and may leave its legacy for years to come.

Over the past four decades, much of manufacturing production world-wide has been organized in what has become known as global value chains (GVCs). Raw materials and intermediate goods are shipped around the globe multiple times and then assembled in yet another location. The final output is re-exported to final consumers located in both developed and developing markets. For many goods, China is at the heart of such GVCs – for example, as a primary producer of high-value products and components, as a large customer of global commodities and industrial products, and as a major consumer marketplace. China is also producing many intermediate inputs and is responsible for processing and assembly operations. Foxconn, an electronics contract manufacturer, is a well-known example. Its assembly plants, located in mainland China, produce for many world-leading electronics companies, among them Apple, Intel and Sony. China, along with Japan, the United States and the European Union, forms the very core of the global production network.

In December 2019, infections with the then still-unknown coronavirus started in the Chinese province of Hubei. The Chinese authorities reacted to this outbreak by imposing severe restrictions on movements of people, effectively imposing curfews and quarantines across the country from the end of January onwards. This necessarily also affected the economy, as many production sites closed in order to reduce possible contact between individuals.

The effect of virus containment measures is visible in data on industrial production in China, which has fallen by 13.5 per cent in January and February combined, compared with the previous year. This drop in production is severe, in particular when putting it into a longer perspective: neither the SARS outbreak in 2002/2003 nor the financial crisis in 2008/2009 was associated with any such stark drop in production.

China's position at the heart of many GVCs is illustrated by the fact that the production decline is also associated with major contractions in international trade flows. The country's imports decreased by 4 per cent in US dollar terms in January and February combined from the same period a year earlier, while exports dropped by 17 per cent over the same time period, according to the official Chinese trade statistics. As seen in the chart, significant declines in imports are to be found among products that are used as intermediates in production, such as textiles, electric and electronic equipment. Similarly, exports have also experienced strong decreases in these goods.

Exports from China have declined to all regions across the world. This decline has been severe across the globe, with the exception of North America, where trade was already in decline for more than a year due to the ongoing trade disputes between the US and China. The picture of a steep decline in goods received from China is similar when looking at numerous individual European countries, including Austria, France, Germany, Italy and Spain. The collapse in production activity at the heart of many GVCs necessarily has implications for producers and consumers in countries further up and down the products' value chains.

The drop in imports from China implies that vital production parts are missing. A look at data from the German statistical office on input-output relationships shows that, in the German manufacturing sector, imported inputs represent roughly a quarter of industrial production. Ten per cent of all imported inputs come from China. This reliance on Chinese intermediates for production in Germany is particularly strong in the electronics, computing and textile manufacturing sectors.

Latest monthly data from the US on total imports shows a dramatic reduction in imports of computer and telecommunications equipment, motor vehicles bodies and trailers, and other products associated with US-Chinese global supply chains compared to February 2019. However, it is safe to assume that this data also partially reflects escalating tensions on trade between the US and China over the last year.

Click here for more details

Source: weforum.org - Apr 27, 2020

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European Garment Workers Making Clothes for Hugo Boss Face COVID-19 Duress, Too

Garment workers in Asia are not the only ones under siege in a post-COVID-19 world.

A joint investigation by the Clean Clothes Campaign and German nonprofit Bread for the World found that roughly 120,000 laborers across Europe are being compelled to work—for "far less than a living wage"—despite widespread closures of non-essential businesses amid the current pandemic.

Workers in Bulgaria, Croatia, Serbia and Ukraine, especially, continue to make clothes for Germany-based fashion brands such as Esprit, Gerry Weber and Hugo Boss in violation of international guidelines to socially distance, the groups say.

And the environments are often far from sanitary: A Croatian supplier for Hugo Boss, for instance, did not have sufficient toilet paper and soap until January, claimed Bettina Musiolek of the Clean Clothes Campaign.

“The crisis hits fashion retailers hard but the last in the chain, the workers, have to bear the biggest burden. I have not heard anything from Hugo Boss, Esprit or Gerry Weber on how they intend to ease this burden,” Musiolek said in a statement. “Many think of this as a problem confined to Asia but these developing world conditions are rife across Europe, too.”

Esprit, Gerry Weber and Hugo Boss did not respond immediately to requests for comment.

One Croatian tailor, who makes goods for Hugo Boss, told the groups that workers who call in sick face “tough reprisals.”

“If you’re sick, you’d better kill yourself,” he said. “You cannot afford sick leave.”

As many as 1.7 million garment workers in Eastern and Southeastern Europe were working for far less than a living wage even before the pandemic began, the Clean Clothes Campaign estimates. A tailor in Ukraine earned, on average, 126 euros ($136) per month, which left little cash over for contingency savings.

“In order to make ends meet, these workers would have to earn three to five times what they earn now,” Musiolek said. “This is not happening because brands like Hugo Boss, Esprit or Gerry Weber purchase their clothes from suppliers at very low prices—between less than 1 percent to around max. 5 percent of the high street retail price.”

But even this “meager wage” is no longer within reach. Just like their counterparts in Cambodia, Bangladesh and Vietnam, many factories in Germany have silenced their production lines because of canceled orders based on what brands are calling an unforeseeable “force majeure“ event.

Employees told the Clean Clothes Campaign that they’ve been placed on unpaid leave, not for their protection but because there is scant work. Those who already live on the brink of destitution now find themselves in even more dire straits.

All of this goes to show that voluntary initiatives by brands and retailers have failed despite so many calls to action, Musiolek said.

"National and international human rights and workers rights laws continue to be flouted, even by member states of the EU," she said. "Governments and the European Union must adopt appropriate legislation for brands and retailers to implement human rights in their global supply chains. Until there is a strategic means of tackling this issue, there will be tens of thousands suffering in global brands' supply chains."

The organization is urging brands like Esprit, Gerry Weber and Hugo Boss to engage fully with their suppliers as a "matter of urgent need."

"This means concretely that finished or in-production orders must not be cancelled and are paid fully and on time," Musiolek said. "The brands must take a stand and support suppliers to make sure that workers have safe workplaces and transport including safe distancing between employees and the provision of protective equipment which workers' reports reveal is not the case."

Source: sourcingjournal.com - Apr 27, 2020

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Sri Lanka's small and medium entities seeks relief

The Small and Medium Garments Exporters Association (SMGEA) has urged the Sri Lankan government to provide them with concessions outlined in a prompt manner to restore the apparel sector and the livelihoods of over 100,000 families dependent on this important industry, which brings in much-needed foreign exchange. The association claims they have not received the relief package agreed on by President Gotabaya Rajapaksa and the Government.

Some members are also struggling to pay the salaries for the month of March as buyers have already suspended payments for goods exported. As the world economy is facing a major blow like no one has ever witnessed, the Sri Lankan export sector is also paying hefty prices in the time of the COVID-19 pandemic. The apparel sector, which accounts for a substantial portion of the country's export income, has taken a massive blow due to the coronavirus situation, which has brought the entire world to a halt.

Source: fashionatingworld.com - Apr 27, 2020

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When Economy Reopens, Can Contactless Tech Minimize Shopper Anxiety?

Department stores and specialty apparel have been some of the hardest hit sectors in retail for years, well before the COVID-19 pandemic forced them to shutter all their stores.

But as many of their financial issues have accelerated during this period, the question remains: What can these retailers do to increase shopper confidence and convince them to come back into their stores when they open again?

Given the major increase in attention to e-commerce and contactless solutions such as in-store pickup, as well as newfound adaptation to social distancing measures, it may be time for these retailers to invest in more technologies to make the physical shopping experience comfortable above all else.

For one, just 37 percent of shoppers say they would feel safe shopping in a department store again after they reopen, according to a survey from First Insight, well below the comfort level of grocery store shoppers (54 percent) and drug store shoppers (50 percent).

“You see this in other industries, especially with food delivery, where everything has moved to contactless delivery, curbside pickup, so there’s minimal contact with people from a physical standpoint,” Michael Bevans, industry solutions manager at ActiveViam, a data science provider, told Sourcing Journal. “This obviously makes people feel much more comfortable.”

Bevans shared an example of how French supermarket chain Carrefour partnered with Philips to install an LED-lighting system that integrates geolocation technology to identify where products are in the store, and then can send push notifications to a shopper’s phone upon entering the store. Promotional notifications can even be catered to the shopper’s previous experiences if they’ve shopped in that location.

“They should be shifting toward a technology that’s personalized and a person can have in their hand that can both facilitate the shopping experience and limit the contact with their cashiers or people that would normally be a the floor,” Bevans said. “They’ll have that feeling of security and they won’t feel like they’re flying blind upon walking into the store.”

While it would be expensive to outfit entire stores with cameras and sensors to detect where products have been removed from shelves and racks a la Amazon Go, Bevans admitted, these measures must be seriously considered if these retailers have any capital to invest once the COVID-19 period is over, otherwise they’re risking turning off more potential shoppers, especially if they seek out a contact-free environment.

Another area department stores and other apparel retailers will likely need to get up to speed on is payments, where shoppers are typically interacting with a cashier face-to-face. Self-service technology still hasn’t permeated the checkout areas of these retailers. Plus, offering the option of a self-service kiosk on top of checking out at the cashier may cut down lines and enable shoppers to give each other adequate space to practice social distancing.

“Immediately, people are going to want to stay away from cashiers or clerks,” Sam Zietz, CEO of self-service kiosk provider Grubbrr, told Sourcing Journal. “You’re also going to see an increase in people who want the ability to select and find products on their own. Your going to see an increase in what’s already been growing in omnichannel. The retailer might not necessarily carry the extensive amount of inventory they used to. The shopper will come in, find what they like, then they’ll place the order on the kiosk and have the order shipped to their home.”

Lockers for picking up apparel delivered to the store may be a realistic possibility in the near future, similar to what Macy’s and Nike have done, and ambitious retailers could even enable shoppers to scan a code once they enter the store so that they can avoid other shoppers or employees on their way.

“We’ve been having those conversations with retailers more now as part of this post-corona world,” Zietz said. “Before this transpired, we were putting them into fast-food places so people would order their food on the kiosk and pick up at the locker, and order online and pick up at the locker. Sometimes, third-party delivery companies would pick up from the locker as opposed to creating congestion around the cashier station.”

While the idea of a locker, a kiosk or even a vending machine seems like an outside-of-the-box idea for picking up apparel items, younger shoppers have already warmed up to these “unattended retail” concepts. According to a joint study from PYMNTS and USA Technologies, 35 percent of millennials and 29 percent of Gen Z shoppers said they’d be willing to spend more at these unorthodox shopping channels if non-traditional products were offered.

But even as retailers try to calm fears about products being touched and handled prior to purchase by other shoppers or employees via different technologies, they must understand that there are plenty of other ways to limit exposure to the virus from cleaning the store to packaging the products, Bevans said.

“If I think about men’s dress shirts, lots of times I see them pre-packaged,” Bevans said. “They’re not necessarily on the rack. That’s obviously difficult to do with dresses or women’s clothes but certain things could be packaged so that you can avoid the hands touching it. It’s going to be a steep learning curve but it’s really about minimizing. I don’t think you can make someone feel totally 100 percent comfortable that nothing has been touched, but you can at least make sure the people that do have to touch everything are using protective equipment.”

Source: sourcingjournal.com- Apr 27, 2020

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Vietnam's garment exports fall 9.07% YoY in Q1 2020

Vietnam’s garment exports fell by 9.07 per cent year on year (YoY) in the first quarter (Q1) of this year and imports by 16.59 per cent. US and European buyers have suspended or cancelled orders since mid-March, according to the Vietnam National Textile and Garment Group (Vinatex), whose first quarter revenue dropped by 7 per cent year on year.

Retail outlets in the United States and Europe are unlikely to reopen until early May at best, causing extended delays to existing orders while few new orders have been placed, Vinatex’s managing director Cao Huu Hieu was quoted as saying by a Vietnamese media report.

Most orders put on hold are for spring and summer clothing lines, while the pandemic is expected to be brought under control by Autumn at the earliest, making it highly likely these lines will be cancelled anyway, he added.

The Vietnam Textile and Apparel Association (VITAS) has forecast that the country's textile and garment exports may shrink by 15 per cent to $33 billion this year. Globally, orders are predicted to fall 29 per cent over the course of the year.

Source: fibre2fashion.com- Apr 26, 2020

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Pakistan exports to Africa rise by 10% in last 10 months

Pakistan's exports to Africa rose by 10 per cent during July 1, 2019, to April 21 this year compared to the same period during the last fiscal, according to Abdul Razak Dawood, advisor to the prime minister on commerce and investment, who said clothing exports have risen from $40 million to $50 million and those of bed linen from $30 million to $36 million.

Announcing that refunds of the drawback of local taxes and levies (DLTL) worth Rs 828 million for the non-textile sector had been transferred to the State Bank of Pakistan (SBP), Dawood urged the domestic textiles industry to take full advantage of new opportunities in the Western markets.

In a Twitter post, he commended his team at the ministry of commerce for the 'Look Africa Policy Initiative'.

Source: fibre2fashion.com - Apr 28, 2020

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Bangladesh seeks US support for RMG sector, Covid-19 response

Bangladesh has sought the support of the United States for the country's RMG sector, which has been badly hit by fallout from the coronavirus outbreak.

The US market is the single largest RMG export destination of Bangladesh.

Foreign Minister AK Abdul Momen made the call in a meeting at his office today with US Ambassador to Bangladesh Earl Miller. Momen also requested the US to expedite deportation of Rashed Chowdhury, the self-confessed killer of Bangabandhu Sheikh Mujibur Rahman.

The foreign minister made the requests as the US envoy handed over a letter of US Secretary of State Mike Pompeo to him during the meeting.

In the letter, Pompeo appreciated Bangladesh's readiness to support Covid-19 response supply chains and Bangladesh's assistance in repatriation of American citizens.

The US Secretary of State also assured Bangladesh of working together to combat Covid-19 and of continued cooperation during this challenge.

The foreign minister elaborated Bangladesh's strategies to tackle the Covid-19 crisis to the US ambassador and expressed interest to work closely with the US government in the coming days to face the global challenges.

During the meeting, Foreign Minister Momen underscored how the economy and livelihood of Bangladeshi people are being adversely affected in this Covid-19 situation, especially mentioning the country's RMG industry, which has been badly hit due to cancellation of orders by foreign buyers.

They also discussed the Rohingya crisis that is being protracted and the US ambassador assured continued support in this regard as Momen asked for extending US cooperation in tackling each crisis in a unified manner.

Source: thedailystar.net- Apr 27, 2020

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Bangladesh: 103 RMG factories reopen in Narayanganj

103 readymade garment factories were reopened on a limited scale in Narayanganj, one of the hotspots of the coronavirus outbreak, today.

The RMG factories started production today morning with a part of their workforce amid the risk of spreading the coronavirus, reports our Narayanganj correspondent.

Talking to the correspondent, the owners of different factories said they have taken adequate safety measures in their factories to prevent the spread of the virus.

However, it is not possible to ensure social distancing in the movement of workers outside the factory, they said.

Sheikh Bashir Uddin Ahmed, inspector (intelligence) of Industrial Police-4 said a total of 103 factories started work from today while a total of 49 factories were reopened yesterday.

"We talked to the owners so that they ensure safety measures of their workers to prevent the coronavirus infection," he said.

Abu Sayeed, a worker of Pantex Dress Ltd, said they are only being allowed to enter their factories after they have their temperatures checked, hands washed and their bodies sprayed with disinfectants.

Apart from this, they have been given masks and gloves and the authorities have ensured at least three feet distance between each worker to contain the spread of the virus, he said.

Earlier, the authorities concerned announced the closure of all RMG factories from March 25 to April 5 as part of preventive measure to contain the spread of coronavirus.

Later, they extended the closure even further but decided to reopen their factories from yesterday on a limited scale.

Source: thedailystar.net- Apr 28, 2020

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NATIONAL NEWS

Textile processing industry will not be able to recommence operations

Even though the Gujarat government has granted permission to recommence operations, the Ahmedabad-based Rs 25,000 crore textile processing industry will not be able to function as there is no demand (domestic and international) of processed textile in wake of Covid-19 pandemic.

Till March 24, 2020, over 300 textile processing units situated in and around Ahmedabad used to process on an average nearly 1.5 crore metre cloths on daily basis. With announcement of nationwide lockdown, this highly labour intensive industry suddenly ceased.

"It is not easy to resume work. Markets across the globe are almost closed. Even if some demand generates in near future, it would take at least a fortnight to make a textile processing unit to function normally. Migrant labourers have left for their native places and most of the local labourers residing in red zones declared by authorities.

Hence, they wouldn't be able to leave their areas till further orders," says Nitin Thakker, president of Ahmedabad Textile Processors Association (ATPS) adding that in such situation it would be impossible to run a unit with immediate effect.

Already owners of textile processing units are under severe pressure to pay their instalments of loans, salaries of their employees and contract labours and other fixed expenditures, said Thakker, who is also member of a committee formed by Union ministry of textile for the development of textile sector in the country. According to him, currently people's priorities are food and medicine, textile and apparels would come later and hence there wouldn't be any demand in near future.

The highly labour intensive textile processing sector of Ahmedabad provides direct employment to nearly 1 lakh people and indirect employment to more than three lakh people. He further said that it would be extremely difficult to follow social distancing guidelines of government in the case of textile processing units as textile processing requires large number of labourers.

Crores of rupees have been stuck as these textile processors have supplied processed textile all across the country on credit and due to sudden lockdown purchasers are not able to pay them. "We can't blame on buyers as they haven't been neither able to do value addition on processed textile or sell it to their buyers. Hence they don't have money to pay us. Nobody knows when this vicious chain would end," said an owner of a large textile processing units, whose Rs 75 crore have been stuck due to lockdown requesting anonymity.

Source: financialexpress.com- Apr 28, 2020

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States seek GST compensation beyond 2022 to tide over Covid-19 crisis

Opposition-ruled states including Punjab, Kerala and Delhi pitched for extension of goods and services tax compensation to the states for two years beyond 2022 to tide over the crunch they may face in the post-Covid-19 scenario.

State finance ministers, during a video conference on Monday, also discussed issues arising out of the lockdown, including the urgent requirement of some form of aid for micro, small and medium enterprises, which have been affected the most, besides relief for the services sectors.

"GST compensation, which is due to the states, should be given... the GST Council could also borrow and let the compensation continue for a year or two after 2022 also, which can be collected later," Punjab finance minister Manpreet Badal told ET.

He added that while this issue was to be raised at a separate GST Council meeting, it could not be done due to the lockdown.

Kerala has already said it is undergoing a financial crisis and has pitched for additional funds from the Centre.

West Bengal asked the Centre to transfer its pending dues immediately, stating that it had received only an inappreciable amount. It had also written to finance minister Nirmala Sitharaman asking for a corporate social responsibility tag for donations made to the chief minister's relief fund.

Delhi has taken up the issue of release of funds for the national capital to fight Covid-19.

The states will individually reach out to the Centre and will also raise the issue of releasing GST compensation pending since December 2019.

The Centre recently paid Rs 34,053 crore in pending GST compensation cess for October and November, in two tranches, with the second tranche released earlier this month.

Source: economictimes.com- Apr 28, 2020

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MSMEs in logistics hit hardest by lockdown; here's what govt can do to revive ailing small businesses

Logistics for MSMEs: As the world reels under the impact of the global COVID-19 pandemic, the situation remains gloomy, forcing countries across the globe to go under a complete lockdown. The countrywide lockdown in India, though a great move to curb the drastic effects of the novel coronavirus, is crippling industries across various sectors and the economy as a whole.

As the cascading effects of the pandemic continue to affect the global economy, upending trade and commerce with countries sealing borders to prevent the spread of the flu-like virus, the Indian logistics companies are finding it difficult to keep the business lines operational. According to the All India Motor Transport Congress, the daily movement of trucks has decreased to less than 10 per cent of normal levels. Road transport accounts for about 60 per cent of freight traffic in India, according to the Ministry of Road Transport and Highways.

The Impact on Supply Chain

Naturally, with many countries on lockdown, the global supply chain has virtually come to a standstill. As a result, shipments lie pending as factories and warehouses are shut in a prompt response to the global health emergency. It remains unclear as to when the situation returns to normalcy. Before India implemented a mandatory lockdown to curb the far-reaching consequences of COVID-19, disturbances across the supply-chain management were already visible in some parts of the country. Gated societies in several cities banning access to delivery agents and work from home policies initiated early by many companies started impacting the overall delivery percentage since early March.

Though government authorities are helping in solving the impasse by engaging with stakeholders involved in the delivery of essential services, e-commerce players in B2B and procurement domains have been left stumbled. Indian Chamber of Commerce (ICC) has estimated losses to the logistics sector at about Rs 50, 000 crore.

Tough Time for MSMEs

The trade is down, production is halted, the supply chain has been disrupted and markets are bearish. MSME segment has perhaps been the hardest hit due to the prolonged lockdown. As the economic activities come to a halt, MSMEs are grappling with problems like cash flow, low liquidity and lack of workforce. In a move to curb the economic impact of the virus, the RBI has announced a moratorium on term loans, put off interest payment on working capital facilities and eased working capital financing. Additionally, many public sector banks and Small Industries Development Bank of India (SIDBI) have also introduced emergency relief measures.

While these measures have given hope to the MSME sector, there are a few more initiatives that the government can take to provide aid to the ailing business sector such as delay MSME loan repayment or extended tenure, an exemption in GST, subsidised warehouse or inventory management facilities, measures to mitigate the impact on MSME labour workforce, enhance access to credit and defer utility and social security payments.

Challenges

Major FMCG companies struggle to transport their goods due to shortage of trucks. Though the government has permitted the movement and delivery of essentials goods, accessibility remains a challenge since the logistics is not moving at a fast pace because of many restrictions in place. There is a shortage of drivers since almost all of them have moved back to their hometowns. Unavailability of sufficient labour at loading and unloading points is also hampering the logistics operations in the country. Additionally, there is a huge number of daily wage earners who are grappling hard to survive the situation.

What is Foreseen?

The crisis situation calls for unprecedented coordination among industry, civic authorities and the public. It is essential that regulatory authorities recognise the logistics industry as essential services to keep critical supply chains running smoothly.

It is the time when companies shall assess their supply chain risks and proactively develop mitigation plans such as exploring alternate channels of transportation or combination of it – small trucks, three-wheelers, two-wheelers etc. for last-mile essential goods delivery. Regional logistics companies should build capabilities to change with the change in demand at a short interval of time.

Though times are tough for businesses, it is a temporary phase. Once business operations resume, mass hiring of delivery personnel will become a need of the hour as pending orders along with the new ones will further stress the logistic network after the pandemic.

The logistics network must prepare in advance for the sudden upsurge in consumer demand once manufacturing units spurt back into action. A stronger network will be an absolute requisite to deal with the scenario efficiently.

Undoubtedly, the virus outbreak and the unfortunate turn of events will act as a wake-up call for companies across various sectors to implement business continuity plans to better survive such unplanned situations in the future.

Source: financialexpress.com- Apr 27, 2020

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Clothing Industry Turmoil to Cut Cotton Grower India's Sales

Major cotton grower India is set to cut exports of the fiber as the coronavirus pandemic roils demand for clothing across the world. India's cotton shipments will probably be about 3.5 million bales in 2019-20, about 700,000 bales of 170 kilograms lower than the industry target, said Vinay Kotak, a director of Kotak Commodity Services Pvt., one of India's biggest cotton exporters. Inquiries from buyers including China have dried up, he said.

India's cotton industry, which was set to become the world's biggest this year, is among many within the clothing supply chain that have been thwarted into crisis by the virus-led lockdowns from Europe to Asia to the U.S. Not only have garment factories closed in producers like Bangladesh, but empty streets from New York to Paris have decimated consumption of clothes. "Cotton exports from India right now have been completely ruled out as there's no demand right now," said Arun Sekhsaria, managing director of DD Cotton. "Most of China's textile export orders to the U.S. and Europe have been deferred, canceled or put on hold. Who is going to buy Indian cotton now?"

Spinning mills in China, Indonesia, Vietnam and Bangladesh are working at 30% to 40% of their capacity right now, Sekhsaria said. Cotton prices in New York, which traded at about 56 cents a pound, could slump to 45 cents as "no one is thinking about clothing right now," Sid Love, president of Sid Love Consulting Services in Overland Park, Kansas, said earlier this month.

Still, as prices have also tumbled in India, that may help increase its competitiveness for spinning mills that are still operating, said Atul Ganatra, president of the Cotton Association of India. Also, as much as 3.1 million bales of the fiber have already been exported out of 3.4 million bales contracted so far in 2019-20, so Ganatra is optimistic that the 4.2 million-bale export target for the year ending Sept. 30 could be achieved.

With China starting to reopen its factories, he's hopeful that India will soon see orders. Indian cotton prices are hovering around 37,000 rupees per candy (785 pounds) in the domestic market while in the U.S., the free-on-board price is 39,500 rupees, according to Ganatra. "This is an attractive price for exports," he said.

For demand within India, Ganatra forecasts consumption to fall to 30.5 million bales in 2019-20, lower than the association's estimate of 33.1 million bales. Only 30% of the country's spinning mills are operating now and some are awaiting government permission to restart, he said.

On Indian imports, shipments will be lower than expected this year because domestic cotton is cheaper while a weaker rupee is making overseas purchases more expensive, Ganatra said. Inbound shipments may be about 1.8 million to 2 million bales, of which about 1.2 million bales have already been bought, he said.

Source: bloombergquint.com- Apr 27, 2020

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Manufacturing: What India needs to do post-Covid-19

India's role post-Covid-19, particularly in the industrial sector, is a subject of great interest, hope and speculation to the rest of the world. Many believe India will emerge as one of the preferred centres for manufactured products vis-a-vis China, if not the foremost choice. This is a sensible and reasonable aspiration to have as a nation. But this is an outcome, not a strategy. The most appropriate strategy for India would be to assume greater self-control over its national value chain; embrace and enhance, what is often alluded to as the Nehruvian approach of 'core self-sufficiency', by augmenting domestic value addition in its manufacturing industry.

This discussion has two elements:

1. Manufacturing versus assembly;

2. Expanding domestic capacity and capability—augmenting current ones, and adding fresh (in a planned, focused and strategic manner).

In the last two decades, most Indian manufacturing has drifted away from its classical definition. Manufacturing is the process of converting the bounty of Mother Nature into a man-made product. Assembly is a subsequent step of putting together various manufactured elements and creating a new product that is closer to and more convenient for human use and consumption.

For a variety of reasons, both good and bad, many if not the most recent success stories of Indian manufacturing have been more in the nature of assembly. In other words, large number of, and usually critical components and inputs of the value chain, are imported. Many experts suggest that, to be truly called a domestic manufacturer, local value-addition must be at least 50%.

This definition (the right number may be debated, and may vary across sectors) must be clearly established, agreed upon and communicated to create a measurable strategic intent if India wants to achieve ‘core self-sufficiency’. If a milestone and roadmap is not built around a numerical target, and as part of national agenda, the aspiration to attain destiny control over the manufacturing value chain will remain a vague desire or a wish and not a plan. Today, we need a plan!

The second part focuses more on strategic execution. The author’s case is that the right answer to this opportunity is a ‘string of pearls’ approach as opposed to a ‘mining for gold’ approach. Shorn of the metaphor, it is a ‘many medium and nuanced’ versus ‘few big’ choice.

Post Covid-19, getting big-ticket greenfield investments, domestic or foreign, would be challenging. Domestic investors have an issue of affordability; there are few local industrialists who have the ability to make large long-term investments and leverage themselves further. Suffice to say, conceptually domestic play is a part of the approach but there are issues; they should not be ignored but may not be the answer in the short term. On the other hand, getting overseas ‘big boys’ is an entirely different game—it involves global politics, competitive bidding, (in a post-Covid-19 world that will involve ‘home’ nations too), and grants of significant sops and concessions.

In a democracy like India, choices exercised in favour of a few, besides being prohibitively expensive, are politically unwise, always likely to be construed as subjective and susceptible to protest, eventually making implementation bitter, unpleasant and frustrating. The whole ambience of ‘ease of doing’ business is compromised, consequently delaying rollout. The question of how many will India get and at what price, still remains?

A ‘string of pearls’ approach is more nuanced, sharper and targeted—it involves carefully identifying a few priority or relatively capable industries (to begin with), mapping their value chains and attracting strategic medium-sized investments in those critical and high-value elements of the value chain; an exercise similar to analysing the Bill of Materials and Services, where there is total or substantial dependence on imports. These handpicked items to be focused upon, attracted and incentivised to establish manufacturing in India.

These investments are likely to be modest in size and low in resource demands (smaller land parcels, attractive for states to also pitch in, etc), making it faster to operationalise. These will get seamlessly retrofitted into an existing value chain as market is assured. This initiative should also include augmenting the strength of existing players, in capacity, capability, technology, scale, etc. Such value-chain-linked projects are more viable and attractive for lenders, and eventually can be a source of exports to other nations.

This approach has many collateral advantages and risk management dimensions.

—Medium-sized enterprises generate more employment per unit of investment, a crucial factor for India post-Covid-19;

—Land requirements are easier; it is a challenge in India to get large contiguous land parcels;

—Such enterprises can be spread throughout the country, decongesting cities, widening distribution of economic prosperity, thereby encouraging and enabling a dispersed growth of services and social sectors;

—Multiplier impact of common elements in value chain across industries, if chosen and planned well;

—Mitigating the risk (at a country level) that India may face of its IT sector possibly suffering the consequences of a similar global action of reducing dependency concentration.

In summary, India needs to articulate a measurable roadmap to increase its current domestic value addition by at least 500-600bps in the next five years. A large part of this has to come from a ‘string of pearls’, i.e. need-driven, technology-based medium enterprises interwoven with existing domestic manufacturing value chains, and not just from a few large greenfield projects. If the ultimate outcome is to become a preferred global source of choice, the plan has to be a part of a well thought out strategy and not influenced solely by political and ideological rhetoric.

Source: financialexpress.com- Apr 27, 2020

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6-month GST payment freeze for worst-hit sectors, a lower rate for realty among Covid options mulled

India is considering a goods and services tax (GST) relief package to counter the impact of Covid-19 and help prop up the economy, said people with knowledge of the matter. The package being considered could include a six-month suspension of GST payments for the worst-hit sectors such as restaurants, aviation and hospitality as well as a lower rate for the real estate sector.

Other proposals include a switch to a cash-based principle of levying tax from the current invoice-based system and providing GST relief on sales for which payment is not received due to the lockdown by treating those as bad debts.

These measures are expected to ease the liquidity pressure on businesses that are strapped for cash, said the people cited above. A final decision on the proposals will be taken by the GST Council, which is the apex decision-making body for the tax.

“There is a thinking that for these service sectors, the government should at least spare its dues,” a government official told ET. The government could also consider exempting them from other statutory charges for some time.

Though there has been a demand for complete GST exemption, the government is veering around to the view that suspending the tax will work better, the official said. Exempting a sector from tax would mean breaking the credit chain, leading to further problems down the line.

Need for Liquidity

A cash-based system will mean businesses pay GST when they get the money and not when the invoice is raised, ensuring they don’t have to pay the tax out of their pocket and get squeezed on working capital. This is most relevant for services where payment is received with a lag after bills are raised.

Most service providers are facing delays in payments from clients but are saddled with GST liabilities. Another option is exempting these from GST, treating them as bad debt.

“The idea is to provide some help to businesses to sail through this crisis,” a second official said, adding that it is expected that states will back the move in view of the unprecedented economic situation.

Tax experts said liquidity is among the immediate needs of industry.

“At this time, industry needs more liquidity and hence deferment in payment of GST for next few months (without interest) should be considered,” said Pratik Jain, national leader, indirect tax, PwC.

While providing selective exemption is an option, it often creates complications as input credit gets blocked, aside from coping with the rigours of anti- profiteering provisions, he said.

“Since the point of taxation in GST is effectively the issue of invoice, the suppliers pay the GST to the government exchequer before they actually collect it from the customers,” said Bipin Sapra, partner, EY, backing a cash-based system.

Source: economictimes.com- Apr 27, 2020

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Here's how some banks plan to support exporters, but procedural delays play spoilsport

Government-owned lenders such as State Bank of India and Punjab National Bank are working on plans to help exporters, who had hedged their foreign currency exposures with them but are unable to meet their obligations amid the Covid-19 outbreak and lockdown.

They are considering giving short-term unsecured loans to exporters who had sold their anticipated dollar proceeds in the forward market, but haven’t received the revenue yet as their consignments are stuck, people familiar with the matter said. However, procedural hassles amid the lockdown, primarily in getting documents such as on the status of consignments, are delaying the process, they said.

Exporters have made a pitch to the government to also allow them to rollover the forward contracts without any penalty or extra charge, the people said. The banks are open to this as well.

"We have designed bespoke products that facilitate short-term loans to companies having overseas payables," an SBI official said, speaking on the condition of anonymity as he is not authorised to talk to the media. “Based on past records and relationships, we are sanctioning working capital loans with maturities running into months,” he added.

The bank didn’t respond to an email seeking comment. A top PNB official ET spoke to said his bank was also considering such a plan.

“Exporters have little options but to seek short-term loans from their banks as goods are not reaching their overseas clients amid lockdowns and they are facing increased shortage of working capital to pay their wages and overheads,” said Abhishek Goenka, the founder of Mumbai-based advisory firm IFA Global.

As per the measures announced by the authorities to help businesses hit by the Covid-19 outbreak, all borrowers including exporters are eligible for an at least 10% of working capital limit as emergency finance by banks, a top banker said. The RBI has also allowed reassessment of working capital, which may result in additional working capital to borrowers.

"Any cancellation of forward covers which are booked at around 72 a dollar means massive loss for exporters as the local currency has depreciated sharply. Banks should defer debiting the loss from working capital limit by 60 to 90 days," said KN Dey, founder of United Financial, a forex advisory firm. "Instead, a short-term loan will be of much help for exporters across the spectrum."

But meeting the procedural requirements is a problem.

“Although the government has allowed partial reopening of factories, it has not mentioned anything about reopening of offices. So, the paperwork is pending," Engineering Export Promotion Council of India chairman Ravi Sehgal said.

According to him, private banks have communicated to exporters that they would consider the request for short-term loans only when the lockdown is withdrawn.

Meanwhile, exporters have already started approaching banks to get enhanced credit.

“Knitwear exporters from Tirupur have approached all the nationalised banks to expand the loan and get it adjusted on the forex last booked on them. But many of the accounts do not have funds which can be debited and automatically they will turn defaulter accounts,” said Raja Shanmugam, president, Tirupur Exporters' Association.

A weaker rupee is usually good for exporters, but not in the current market as they are unsure when they would get their revenue. They have booked the forward contracts at lower exchange rates, but the dollar has now gone above 76 against the rupee. They would suffer because of the exchange rate differential and also in case they cancelled the forward contracts as the banks would charge a fee for that.

Since the beginning of February, when Covid-19 started to spread worldwide, the rupee lost more than 7% to close at 76.45 a dollar on Friday. On April 16, the rupee hit a record low at 76.87 against the greenback.

Source: economictimes.com- Apr 26, 2020

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Rebooting the economy: India needs a stimulus package of at least 5% of GDP

In the classic Walt Disney Productions, Winnie the Pooh, there is a character by the name of Tigger. One of his most famous and oft-repeated quotes is “Life is not about how fast you run or how high you climb, but how well you bounce”.

In the context of today’s economy, which is literally under seize due to the novel coronavirus, it is not about how big your GDP is, or how fast you have been growing; the real challenge is how best, and how quickly, you can bounce back to your normal growth of 7-8% per annum.

The IMF's projections for GDP growth for this year seem to be either in negative or below 2% for almost all major G-20 countries. Within Brics countries, India may do a little better, but still below 2%. This is under an optimistic scenario, and many experts claim that India may also go into negative GDP growth this year, if it does not reboot the economy properly and in time.

The central government, and the Reserve Bank of India (RBI) are doing the heavy weightlifting, trying to remove all roadblocks so that factories and farms can resume operations, albeit in a regulated manner, ensuring the virus is contained. The focus is largely on the supply side, i.e., how to ease restrictions, and how to increase liquidity in the system for resuming production.

My humble assessment is that this may not take us far enough as the real problem is collapse in demand. And, that demand may not pick up easily as the virus is likely to stay with us for quite some time, and we may again have lockdowns as and when the viral infection surges. This will surely limit our travels and shopping for non-essentials. However, there is one demand that can easily revive, and that is food.

The NSSO survey of consumption expenditures for 2011-12 revealed that in an average Indian household, about 45% of the expenditure is on food, and almost 60% of the expenditure of the poor is on food. We do not have information about consumption patterns in 2020, but my guess is that an average Indian will still be spending about 35-40% of their expenditure on food; for the poor, this expenditure would be about 50%. And, herein lies the scope to reboot the economy.

We have seen the problems of migrant labourers during the lockdown. They were literally knocked down. The sudden announcement of nationwide lockdown on the night of March 24 gave them no time to go back to their families. They lost their jobs, their incomes, and having spent whatever little savings they had; they were reduced to an almost beggar-like situation, looking at anyone who can feed them. The governments, despite their best efforts, have not been able to redress their problem of hunger. Even civil society could not fully bridge the gap.

There is a breach of trust between the state and the migrant labourers which will come out glaringly once the lockdown is lifted. Most of them are likely to rush back to their families in villages, as if they are freed from jail. And ,it will take quite a long time for them to reconcile and come back to cities, if they do it at all. So, the farms and factories, especially MSMEs, in the relatively developed states of western, southern, and north-western India are likely to face labour shortages for many months, maybe years to come. This will lead to more mechanisation of farms and factories in these states. In Punjab, for example, most of the wheat harvesting is already done by harvest combines, and now, even the planting of paddy will be rapidly mechanised.

But, eastern Uttar Pradesh, Bihar, Jharkhand, West Bengal, and Odisha, from where much of the migrant labour goes to other parts of India, will face a double challenge. In these states, agriculture, with tiny farm holdings, was already saddled with large labour force, engaging almost 45 to 55% of their total labour force. Non-farm income from wages and salaries, through migrant labour, was one important source of their income. This is now severely hit. In all probability, these staes' overall per capita incomes in rural areas may shrink, at least in the short run, raising issues of swelling poverty, hunger, and malnutrition. In such a situation, how does one reboot the economy and also take care of a worsening situation on the hunger and malnutrition front?

A special investment package, a la USA's Marshall Plan in 1948, for the eastern belt of India to build better infrastructure, agri-markets and godowns, rural housing and primary health centres, schooling, skilling will go a long way to revive the economy, and augment incomes of returned migrant labourers in these states. Rising incomes will generate more demand for food as well as manufactured products, giving a fillip to growth engines of agriculture as well as the MSME sector. Building better supply chains for food, directly from farm to fork, led by the private sector will not only augment export competitiveness of agriculture but also ensure a higher share of farmers in consumers' rupee. This broad-based development in the hitherto laggard region of India will lay down the foundation for the long-term, demand-driven growth of industry in India.

The all India relief package of Rs 1.7 lakh crore, announced by the central government earlier, which is about 0.8% of GDP, is too puny to reboot the economy. If India has to bounce back quickly, it needs a much bigger relief-cum-stimulus package, certainly not below 5% of GDP. And, it should focus more on the eastern belt, where the issue is one of survival. Else, I am afraid, all indicators of poverty, hunger, malnutrition, infant mortality, and well-being may suffer. India may get derailed from its course of attaining the Sustainable Development Goals by 2030.

Source: financialexpress.com- Apr 27, 2020

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Rebuilding businesses after lockdown will need skilled workers: Staffing body

Retaining workers will ensure business continuity: ISF

Employers need to maintain their workforce to prepare for the post-Covid era, says a senior executive of a staffing body. When factories and businesses re-start post lifting of the lockdown, companies will need access to a skilled pipeline of workers.

Lohit Bhatia, President, Indian Staffing Federation (ISF), told BusinessLine, "The cost to replace, rebuild and reskill workers will be more expensive for employers, after the Covid-19 slowdown. It is imperative that companies continue with their current staff to help them achieve results later and assist in the rebuild period."

"Each employee has an attached cost of mobilisation, induction, training and getting them upto speed with performance. Letting go of them just before the rebuild period will mean companies will have to reinvent the entire cycle of hiring, skilling and economic activity," Bhatia said.

He said most market leaders will refrain from this as the "restart and rebuild period can further get elongated impacting possible revenues that can be earned then".

Covid-19 has impacted each and every segment of the economy and employability, said Bhatia adding the pandemic has created doubts in the minds of employees and employers alike, about the duration and extent of the lockdown.

"One needs to look at data from countries like China where it was almost fully resolved (but has restarted with vigour) and South Korea, where the graph is declining and the number of recoveries exceed the number of new cases each day. Similarly, countries which were epicentre earlier, like Italy and Spain, now report almost half of the daily cases as compared to the past few weeks. This goes to show India will exit this crises in a few weeks," he added.

It is at that time "once the health emergency is over" when economies get back on their feet that they will have to rely on their workers.

Bhatia said most of the companies in India have a consolidated situation on overall employment, whether its core (permanent employment) or temp employment or staffing employment. "Many corporates and global multinationals have paid salaries in the month of March, much ahead of the scheduled timeline, and supported employees in this time of crises. Similarly, many corporates and industry leaders have assured staff (both permanent and temporary) that they are going to ensure stability and continuity of wages," he added.

The official said: "corporates across India are using their heart with head while taking decisions. Most are looking at the human aspect as much as the financial and P&L aspect. But these measures need to be implemented across sectors."

The recent MHA directive, restarting companies in a calibrated way post April 20, was termed a good step by the official, as it is a transition for full opening up. "Industries that are allowed to function at this time, like food services, groceries, FMCG, e-commerce and delivery companies, can redeploy their workers to avail of the new demand that pours in," he said.

ISF representation

Bhatia, who is also president of Quess Corp, a technology and business services provider, said employment Acts in India prohibit massive layoffs. "Under the Disaster Management Act the Union of India has made it non-compliant to lay off workers during a lockdown and ensure continuity of wages, and more importantly, continuity of social security and insurance. The IFS has proactively shared some suggestions with the government to assist employers during the rebuild period," he added.

In its representation to the government, IFS has suggested certain steps that are non cash/non subsidy based, which will assist employers during the rebuild period to reduce their employment cost. "This can be done without taking any assistance from the central or state government and treasury," said Bhatia.

He added if these suggestions are implemented, it will go a long way in assisting employers tide over the current period as well as the financial year, and ensure companies continue with wages as well as their employees.

Source: thehindubusinessline.com- Apr 27, 2020

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Retailers will need to devise strategies in line with shift in consumer behaviour: EY

Increased focus on health and well-being, higher demand for value brands, and accelerated adoption of online buying are some of the key consumer trends that are likely to upend the retail industry in the post Covid-19 world, as per a report by EY.

As consumers postpone their discretionary spends, segments such as personal care, food and beverage as well as home care is expected to see a faster recovery compared to furniture, electronics and appliances in the near term, according to the report titled Moving towards a resilient retail sector post Covid-19.

However, brand loyalty for products across sectors is expected to diminish as consumers will downgrade and opt for cheaper or private label brands, the report added.

“Consumer behaviour (how they consume, shop, live, use technology, work and move) will shift across three horizons, the ‘now’, ‘next’ and ‘beyond’ phases. In the ‘now’ phase, consumers are stockpiling essential goods and there is significant surge in e-commerce and digital payments, while kirana stores continue to host smaller crowds, in both urban and rural areas. In the ‘next’ phase, daily life will resume, but health and economic concerns will reduce consumer confidence,” the report added.

On one hand, dwindling revenues will make it critical for retail to optimise costs, conserve cash and maintain enough margin buffer for survival in the medium-to-long term, while on the other, businesses will need to “repurpose their supply chain” to the current dynamic environment amidst supply constraints, the report stated.

Retailers will need to focus on strengthening engagement with their employees, who are the frontline staff, effective customer retention and deal with the heightened level of regulatory scrutiny at local, State and Central government levels.

Pinakiranjan Mishra, Partner and National Leader, Consumer Products and Retail, EY India said: "The Covid-19 crisis will have a long-term impact on consumer behaviour and retailers will need to devise transformation strategies for the 'now', 'next' and 'beyond' phase to better match this new reality. Three possible trends that will emerge after this pandemic; there will be increased focus on health and well-being, higher demand for value brands, and accelerated adoption of online.

Keeping these trends and behavioural changes in mind, retailers will need to re-evaluate the store portfolio, invest in service, experience, and omni-channel to serve new consumers, look at newer payment methods and most importantly, manage their costs through operational improvement measures.

"This pandemic should serve as a reminder to retailers to quickly build a flexible and agile business and operational model to take care of disruptions in the future. This will mean a significant focus on converting to a digital enterprise. Thus, it is the time for retail players to get control of the current crisis and invest in the build-out of a more resilient organisation," Mishra added.

Source: thehindubusinessline.com- Apr 27, 2020

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SIDBI: MSME Will Get A Loan Of Upto 1 Crores Without Any Mortgage Or Guarantee In 48 Hours

Small Industries Development Bank of India (SIDBI) has decided to lend money to Micro, Small, Medium Enterprises (MSME) which has been involved in producing the essential goods in the corona war. SIDBI is lending loan of 50 lakh to 1 crore rupees at an interest rate of just 5%. There will be no need to give any guarantee or mortgage for the MSME to avail of the loan. SIDBI is not charging any processing fees for this loan and no additional charges will be levied even on pre-payment.

This information was given by senior officials of the SIDBI in the e-pathshala conference organized by CIMSME. This loan is available to all MSMEs providing services connected with the production of essential commodities. These products include such items as masks, sanitizers, gloves, medicines, food items, etc.

SIDBI General Manager Vivek Kumar Malhotra said that during the fight against Coronavirus, loans are being given to MSMEs under two types of schemes. Loans up to 50 lakh rupees are available under the first scheme called Safe, then under Safe Plus, MSMEs can take loans up to 1 crore.

Only 5 percent interest will have to be paid on the loan taken under both schemes. The loan will have to be applied online and the loan will be approved in just 48 hours. Necessary investigation procedures will also be completed electronically before lending. Funds to the tune of Rs 100 crore have been placed under both schemes.

Anand Prakash Srivastava, the second general manager of SIDBI, who attended the e-school organized by the chamber, said that MSMEs already availing loans can also avail the scheme, which has no connection with SIDBI till now. He said that the only condition for taking a loan under this scheme is to have cash profit in the balance sheet of that MSME.

Those who are old customers of SIDBI, their balance sheet should be in the cash profit last year and the two-year cash profit should appear in the balance sheet of MSME, which was first associated with SIDBI. Mukesh Mohan Gupta, President of CIMSME, said that about 200 MSMEs participated in the e-Pathshala organized on Friday and showed keen interest in this scheme of SIDBI.

Source: inventiva.co.in- Apr 25, 2020

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‘It will be business as usual during festive season 2020’

e-Grocery to witness massive competition to win customer wallet share

In a year of business disruption caused by the coronavirus pandemic, BusinessLine caught up with Mrigank Gutgutia, Director at RedSeer Consulting, to evaluate the near-term and mid-term prospects for the e-commerce sector, consumer and investor sentiment, the need for innovative business models and partnerships to sustain growth, post lockdown.

Here are some excerpts from the interview.

What are the prospects for e-commerce in 2020 given the business disruption caused by the coronavirus pandemic?

The $70-billion consumer internet economy including e-tailing, travel, mobility, food-tech, ed-tech, event ticketing, and content, among others, has taken a bad hit with a 90 per cent drop in GMV in April 2020 as a consequence of the economy coming to a grinding halt due to the Covid-19 lockdown. According to pre-Covid estimates, consumer spend in the consumer internet economy was expected to grow at 30 per cent to touch $160 billion by 2022. While fresh food, groceries and essentials have emerged as clear winners during the lockdown, the most challenged consumer internet sectors are travel and mobility, which will take a long time to recover.

However, e-tailing is expected to see muted recovery over the next four months with GMV below pre-COVID levels with a small rise in May as home products, home entertainment, electronics and mobiles will see an uptick in GMV. Challenges of interstate movement of goods and availability of delivery staff will continue over the next few months, further curbing demand. Expect a massive rise in the October festive season sales month, as consumer sentiment and e-tailing operations recover and many traditionally offline purchased categories during the festive season shift to online due to lingering social distancing norms. I would like to add that e-Grocery, which includes essentials, has risen during the crisis and is likely to see a GMV increase of 30-40 per cent in April, higher than in January 2020. It could have risen much higher but, was crippled by shortage of delivery executives, therefore fulfilling only 10 per cent of the actual demand.

How much of a spike in GMV do you estimate for the festive season period? Will it sustain through X'mas/New Year to Valentine's Day in February?

We expect GMV of $6.6 billion (₹47,000 crore) in the October 2020 festive period, compared to $5 billion (₹35,500 crore) in the 2019 October festive period, indicating a massive explosion of pent up consumer demand. Both high-ticket items and fashion/home categories will do well. Growth will be driven by existing shoppers who will shift to online purchases across categories and also by new customers acquired during the lockdown period. While December and January will see continued growth in the fashion category, it is difficult to comment on demand beyond this time frame right now. E-tailing exited calendar year 2019 with overall GMV of $27 billion, growing at 27 per cent YoY. In our estimate, e-tailing will exit 2020 at $32 billion registering a conservative 20 per cent growth. We talked to 2,500 consumers pan India, over 100 key decision-makers and 200 industry experts to arrive at these estimates.

What kind of consumer spend do you expect to see post lockdown, in the near-term and mid-term?

A four-month recovery to original spending levels can be expected for most consumers till the festive season rolls in. In the interim, short-term pain is likely for discretionary categories like beauty, electronics, etc. This is because, the consumers we surveyed, indicated high levels of pessimism for their near-term online and offline consumption in these categories. Tier 2 plus consumers are extremely bullish about online shopping post-Covid, especially for groceries, indicating that the non-metro Bharat story could finally come to fruition for e-tailers. Online meat ordering has taken a hit from the future consumption standpoint. Therefore, meat e-tailers need to push for better communication of their safety measures and farm-to-fork traceability.

The lockdown has resulted in a 5X – 10X spike in customer acquisition rates for e-tailers of groceries and essentials. Do you see the number of online shoppers sharply increasing from 135 million in 2019 post the lockdown, or do you see the new customers reverting to shopping offline?

Around 160 million online shoppers are expected in 2020, up 20 per cent from 2019. Many who have tried e-commerce for essentials in 2020 may end up expanding their online wallet share this year. Strong growth is expected from non-metro shoppers in 2020.

Will the post Covid-19 world require e-commerce platforms to come up with new business models or ways of serving the consumer?

e-Grocery will see massive competition with deep innovation required across the value chain in order to win customer wallet share. For instance, quick delivery is a key need for consumers who are frustrated by slow delivery times during the lockdown. Platforms need to work on this to win customers. You will see a rise in hyperlocal/marketplace-based fulfilment and a drop in long-distance, inventory-based fulfilment.

While Amazon and Flipkart will push for hyperlocal/marketplace-based fulfilment of customer orders, Jiomart will further drive the need for hyperlocal deliveries. The rise of social commerce will finally happen as consumers spend more on digital communications. So, Jiomart and Facebook have timed their partnership very well. There is a dire need for partnerships to tide through this tough year. For instance, partnerships in sourcing (Flipkart + Spencers), in logistics (Flipkart + Uber), in user engagement (Snapdeal + Hungama) and partnerships with NGOs too. Brands and e-tailers need to invest in consumer engagement via livestreams, taking a cue from Chinese models which have seen massive success.

Is investor sentiment positive, negative or cautious towards start-ups ?

Investors are bullish about committing monies to ed-tech, content and gaming start-ups, which have acquired hundreds of thousands of new customers during the lockdown. But they are adopting a wait and watch approach to see how many of these new customers, majority of who are free users, can be converted to paid customers by these start-ups, before they actually invest in them.

Source: thehindubusinessline.com- Apr 27, 2020

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Covid-19: How a 12-hour shift for labourers will impact their lives?

On April 15, the Ministry of Home Affairs issued a detailed notification outlining the conditions under which economic activities could be restarted in non-containment zones.

The order imposed a string of mandatory do’s and don’ts such as social distancing, the arrangement of private transportation for workers and medical insurance. The violation of any of these directives, the order noted, could attract severe penalties including imprisonment under the National Disaster Management Act, 2005 (NDMA).

Two days before that, on April 13, India’s central trade unions (CTUs) sent a letter to the Union labour minister that expressed their opposition to a proposal that would amend the Factories Act, 1948 (FA), a move which was reportedly being considered by the Centre.

The alleged amendment would have allowed companies to extend a factory worker's daily shift to 12 hours per day, six days a week (72 hours) from the existing eight hours per day, six days a week (48 hours).

This move is controversial, because 48 hours per week is what is mandated by global and ILO norms. In fact, the first convention that ILO adopted was the Hours of Work (Industry) Convention, 1919 (No. 1) which India ratified in 1921 and it proclaimed 48 hours of work in a week.

While the Centre hasn't yet amended the FA, at least four state governments – Rajasthan (April 11), Gujarat (April 17), Punjab (April 20) and Himachal Pradesh (April 21) – have issued notifications in the last few days to increase the working hours as mentioned above.

Incidentally, this has become the most popular strategy of carrying out labour law reforms in India both historically and recently.

Labour market reforms at the national level are often opposed stridently by a rather united trade union movement through massive strikes involving crores of workers and in the tripartite forum also. These are supported, on-and-off, by opportunistic opposition political parties. Reforms such as easy 'hire-and-fire' rules create negative outcomes like unemployment, which have adverse electoral costs for ruling parties.

This is why core labour law reforms at the national level then becomes problematic for the Centre. What, then, becomes the way out for the Union government? Since the subject of 'labour' figures in the Concurrent List, the Central government allows willing state governments to adopt these reforms and the president's assent, which is in essence a Union Cabinet decision, is granted for them.

Thus, the Contract Labour (Regulation and Abolition Act, 1970 was liberalised by the then 'united' Andhra Pradesh in 2003, by Maharashtra in 2017 and by Rajasthan in 2014. Chapter V-B was also liberalised by the Rajasthan government to make it applicable to industrial establishments employing 300 workers in place of 100 in 2014, following which others like Jharkhand did it in in 2016.

The juggernaut of heavyweight labour law reforms therefore moves forward as states dared to effect “hard” labour law reforms that the Union government otherwise shies away from. The Centre then typically expresses its helplessness by saying that the state governments are well placed to effect these reforms and nothing can be done about it.

A similar strategy has been adopted here with respect to increasing the hours of work during the Covid-19 context.

Legal defects

But there are a few issues with these notifications. Firstly, the legal justifications given for pushing through a 12-hour shift come with their own defects. Section 51 of Factories Act, 1948 (FA) stipulates that no adult worker should work for more than 48 hours in a week and within this framework no worker should be allowed for more than nine hours a day (S.54). In addition to this, the total spread-over time inclusive of rests should not be more than 10.5 hours a day (S.56) and subject to S.51 and S.54, more hours worked will be paid at the rate twice the ordinary wage rate (S.59).

The reasons given by these governments for extending working hours include “labour shortage” due to curfews because of the pandemic, specifically trying to reduce manpower requirement “by 33%” and limiting worker movement (Rajasthan) and “for safety and social-distancing” (Gujarat). In the meanwhile, several industry leaders have been complaining of “labour shortages”. Himachal Pradesh has not mentioned any reason for the extension in its notification.

While all of them have increased the maximum working hours to 12 hours a day and 72 hours a week, Rajasthan and Punjab have provided for overtime (OT) pay – Punjab’s notification specifically mentions that OT pay will be double the normal wage rate as per Section 59 of FA.

Gujarat’s notification however says, “wages shall be in proportion of the existing wages”. This means, as the notification points out, that if wages for eight hours are Rs 80, then the proportionate wages for 12 hours will be Rs 120. Thus, the OT wages provided for by Gujarat is less than what is stipulated by S.59 of FA and to that extent it is legally deficient.

While Gujarat and Himachal Pradesh governments have exercised the powers conferred by S.5 and the Punjab government S.65 of FA, Rajasthan did not specify any provision at all. The exercise of S.5 by Gujarat is also questionable as it empowers the state governments on the grounds of “public emergency” to exempt factories from all or any of the provisions of FA save S.67 (which deals with prohibition of employment of children).

“Public emergency” means “a grave emergency whereby the security of India or any part of the territory thereof is threatened, whether by war or external aggression or internal disturbances” (introduced with effect from 26/10-1976). The crisis due to Covid-19 is for biological health hazards and surely is not covered by the definition of public emergency under S.5 of FA even under “internal disturbances” grounds which must affect security of India.

S.65(2) (3) empower the state governments to amend Sections 51-52, 54 and 56 subject to conditions, viz. (a) the total number of hours of work in any day shall not exceed 12; (b) the spread-over, inclusive of rest intervals, shall not exceed 13, (c) the total number of work-hours in any week, including OT, shall not exceed 60. Punjab only has correctly exercised S.65. However, all the government notifications provide for a total of 72 hours in a week, which is questionable.

Worker health, productivity and employment opportunity

Apart from these legal issues, serious ‘industrial relations’ concerns exist.

Shortage of labour and social distancing principles legitimise the extension of working hours as it optimises the deployment of existing workforce and thus partly tackles the extra costs involved in complying with the MHA’s order.

But is the extension of working hours needed for all industries? Why aren’t the existing provisions in the FA adequate to be used to tackle contingencies mentioned above?

After all, where necessary, employers and unions (wherever they exist) could together determine the labour shortage, extra workload and accordingly calculate the over-time that would be required. The issues arising out of labour deployment will differ across industries and cannot be generalised for the manufacturing sector as a whole, which is what these amendments assume.

What is important to remember is that a 12-hour shift effectively reduces the demand for labour. In the absence of company-worker dialogue, employers may unilaterally take calls, and hence provide room for discrimination regarding employee choices and income distribution among workers. These issues may lead to labour unrest. To be sure, social dialogue could mitigate any adverse effects of a 12-hour shift.

Beyond this, there are several practical issues that affect factory workers. Increased hours of work, especially when the tasks are repetitive and mechanical, will raise fatigue and work stress, hence affecting productivity adversely. In cases where workers thanks to social distancing are performing multiple though related tasks, the possibilities of work-related stress will be much higher. It is also plausible that errors could occur, with even accidents at the workplace cannot be ruled out.

The most serious setback arising out of a 12-hour workday, though, is that it will place women workers at a disadvantage thanks to their multiple roles in the workplace and homes, and women's employment might be reduced. Women workers are more unlikely to prefer employment which requires them to stay at the workplace, and 12 hours plus travel time will mean less time for family life. Hence, they are least likely to self-select and their economic capacities will be affected.

All these have adverse gender implications. Even for male employees, being away for 12 hours plus travel time in case of travel-based work, scheduling their work-life balance will be affected. Alternatively, in cases of shelter-based work scheduling, their absence from home at a stretch might affect their emotional state, assuming that they will be provided home-like shelter and food.

Also, these notifications will greatly reduce the employment opportunities of 'precarious' workers as when there is a likelihood of non-employment of some regular workers, the question of precarious workers does not arise. However, given the labour flexibility drive of employers, it may be that some cost-optimising employers may prefer these precarious workers.

Taking one step back though, the Covid-19 pandemic and economic slowdown has thrown up a wide range of questions that have grave implications for India's blue-collar factory workforce.

For instance, what if non-employed workers do not get full wages even if they are ready to offer their services or should they be paid lay-off compensation? Is a pandemic a legally valid clause for lay-offs? Even assuming that lay-offs are legally allowed, as per Chapter V-A of the Industrial Disputes Act, 1947 workers employed in factories employing 50 or more workers only are eligible for it. One may argue that factories employing less than 50 workers may not start production at all, as some reports indicate.

But as a legal principle, how will the non-employed workers be compensated, whether for eight hours or 12 hours of work? All these could be left to social dialogue at the firm level. Issuance of legally defective and macro-based notifications are ill-advised and should be withdrawn. In these sensitive circumstances, talk of labour law reforms in terms of introduction of labour codes will be injudicious and even counter-productive.

The first socio-economic task is to balance lives and livelihoods. There are better state interventions to consider, like wage subsidies.

The vexatious question is: Why is there not greater engagement with trade unions at this troubling time? This might help with governance of the world of work and the crises brewing in it.

Source: business-standard.com- Apr 27, 2020

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APSEZ to introduce new train-handling charge at Mundra port from May 1

In a surprise move, Adani Ports and Special Economic Zone Ltd (APSEZ) said that it will introduce a new train-handling charge on all trains handled at Mundra port, the Ahmedabad-based conglomerate's flagship port, and India's biggest commercial port by volumes handled.

The new charge, to be applicable from May 1, has been set at "₹2.60 lakh plus GST per rake handling in/out with 48 hours", APSEZ said in a customer advisory, adding that it is being introduced "to utilise this infrastructure at Mundra port".

As a part of multi modal transportation, a shipping line ties up with various agencies which are necessary for taking a container from the port to the final destination. In the case of containers, the destination is not the ports but is either the container freight stations (CFSs) around the ports or the inland container depots (ICDs) in the hinterland.

Such contracts are between the intermodal operator — those who provide service by road or by rail — and the shipping lines. This involves transmission of liabilities between these parties and a contract for the purpose of switching between ocean and rail or road at the port is between the line and the port terminal operator.

The terminal operator is supposed to charge the shipping line for this which, in turn, recovers it from the customer.

"Instead, APSEZ will charge this to the rail operator," said an industry source.

"There is also possibly an intention to create competition, because even if they charge it to their own rail operating arm — paying from one pocket to the other pocket — they can find mechanism of obviating this burden on their rail operator and this will create competitiveness amongst their own rail arm and other operators," he said, adding that other operators will have to absorb the costs since they are unable to pass it on to their customers.

Adani Logistics Ltd, a wholly-owned unit of APSEZ, is India's largest private rail operator.

"So, there is a problem there. It's a per rake charge, not a per container charge and so you cannot pass it on; you don't have mechanism of pro rata in this," the industry source said.

For instance, if a rail operator runs a train from Mundra with 90 containers and brings back the train empty to some other terminal, then the entire ₹2.60 lakh will have to be borne by those 90 containers. But, if he runs a rake with 90 boxes and brings back 90 boxes, then the cost will be spread over 180 containers," he stated.

If it is a double-stack train, Indian Railways will give 50 per cent discount in haulage charges on the second tier.

Source: thehindubusinessline.com- Apr 27, 2020

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Cotton purchase to start on Wednesday

Farmers to be given tokens with dates to bring produce to yards

As a good number of cotton farmers in the district are yet to sell off their produce, the Cotton Corporation of India will purchase the produce at different market yards on different dates.

Farmers will be given tokens giving them date for bringing their produce to respective yards.

Purchase will be made at Jainad, Bheempur and Ichoda yards on April 29, at Talamadugu, Bela and Boath yards on April 30, at Tamsi, Adilabad and Mavala on May 2, at Jainad, Bheempur and Indervelli on May 4 and at Talamadugu, Bela and Jainad yards on May 5.

Source: thehindu.com- Apr 27, 2020

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