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**EVIDENCE**

**Monday, April 28, 2014**

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**Chair**

**Mr. Dean Allison**



## Standing Committee on Foreign Affairs and International Development

Monday, April 28, 2014

• (1530)

[English]

**The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)):** Pursuant to Standing Order 108(2), we'll get started on our study of the corporate practices by companies supplying and manufacturing products in developing countries for Canadian consumers.

I want to thank our officials from the Department of Foreign Affairs for being here today. We have Duane McMullen, director general of the trade commissioner service for operations and trade strategy. Welcome, sir. He will be speaking first. Then we have Mr. Peter MacArthur, director general of the South, Southeast Asia and Oceania bureau. Welcome, sir, to you as well. We also have Jeff Nankivell, director general of Asia Pacific, who won't be speaking but is here to answer any questions we may be able to put to our witnesses.

Why don't we get started? Welcome, Mr. McMullen, and thank you again for being here. We'll turn it over to you. You have up to 10 minutes for your opening statements, and then we'll have Mr. MacArthur follow up. Then we'll go around the room and ask some questions for the remaining part of the hour.

**Mr. Duane McMullen (Director General, Trade Commissioner Service Operations and Trade Strategy, Department of Foreign Affairs, Trade and Development):** Thank you very much, Mr. Chairman, and honourable deputies.

My focus today is on the Government of Canada's overall effort to support responsible business practice among Canadian firms operating and sourcing abroad.

Responsible business practice is embedded in Canadian values. Canadian businesses operating responsibly increase their chances of success and contribute to prosperity and development in the countries in which they operate. The Government of Canada expects and encourages Canadian companies operating internationally to respect all applicable laws and international standards, to operate transparently and in consultation with host governments and host communities, and to conduct their activities in a socially and environmentally responsible manner. This includes sourcing responsibly.

Many countries in which Canadian businesses operate lack the capacity to ensure that business operates responsibly there. Consistent with Canadian values, we help fill the gap through a variety of initiatives to assist Canadian companies with the challenges they face operating responsibly abroad. Canada's

adherence to the OECD's guidelines for multinational enterprises in 1976 was a significant early step.

The Government of Canada engages interdepartmentally on a variety of cross-cutting issues impacting responsible sourcing, including widely varying standards of regulation and widely varying standards of enforcement in other markets.

The work addressing the challenges involved in responsible business practice in the ready-made garment sector is coordinated through an interdepartmental working group, including the Department of Foreign Affairs, Trade and Development; Industry Canada; Employment and Social Development Canada; the National Research Council of Canada; and Public Works and Government Services Canada.

We also engage with industry, civil society partners, and multilaterally to explore how to encourage good practices. Recently, both my department and Employment and Social Development Canada held separate information sessions specifically focused on responsible supply chain practices in the ready-made garment sector. Some of our partners are witnesses today.

We welcome industry initiatives and encourage companies to consider signing onto those that support improving working conditions, such as the Accord on Fire and Building Safety in Bangladesh or the Alliance for Bangladesh Worker Safety.

Canada's missions abroad are core to our efforts to help Canadian business operate responsibly. Through a variety of initiatives, they can have a tangible impact. My colleague, Peter MacArthur, will illustrate some of the roles our missions play using the example of our high commission in Bangladesh. One example is the high commission's publication of a book for companies in Bangladesh on how to operate responsibly.

While attention has recently been focused on the ready-made garment sector in Bangladesh, responsible sourcing applies to numerous global supply chains in a variety of manufacturing sectors. Therefore we remain committed to assisting Canadian companies with responsible business practice wherever they are active and in whatever sector.

The Government of Canada will continue to promote responsible business practice across all sectors and provide tools and advice to help Canadian companies operate responsibly and successfully abroad.

Thank you for the opportunity to present to you today, and I look forward to your questions.

• (1535)

**The Chair:** Thank you, sir.

Mr. MacArthur.

[*Translation*]

**Mr. Peter MacArthur (Director General, South, Southeast Asia and Oceania Bureau, Department of Foreign Affairs, Trade and Development):** Mr. Chair and honourable members, you have heard from my colleague Duane McMullen about how the Government of Canada promotes corporate social responsibility, or CSR, globally. I will now outline for you how the Government of Canada responded to the collapse of the Rana Plaza building, housing several ready-made garment factories outside Dhaka, Bangladesh, on April 24, 2013.

At the time of the collapse, our embassy in Dhaka had been active in following developments in the ready-made garment sector and in promoting corporate social responsibility. In January 2013, it hosted a seminar titled Social Responsibility as a Safe Factory, which highlighted the importance of practising CSR in factories, with an emphasis on occupational health and safety, and fire safety. As Mr. McMullen mentioned, some 8,000 copies of a bilingual book—in English and Bengali—were produced and distributed to key contacts in Bangladesh in support of this Canadian-based values initiative.

Following the collapse, our department was contacted by Loblaw, owner of the Joe Fresh brand that had garments produced in Rana Plaza, and we provided advice and logistical support for senior executives who visited Dhaka in early May 2013. The Canadian High Commissioner to Bangladesh, Heather Cruden, arranged meetings for Loblaw executives with key stakeholders, including local government ministers and labour unions. A Loblaw executive returned to Bangladesh this past February and met again with our embassy. Loblaw and our department remain in close contact, and this relationship is a testament to the benefits of government responding to Canadian industry to collaborate in the improvement of working conditions in the Bangladesh ready-made garment sector.

[*English*]

The Canadian government has also been very engaged in policy dialogue and advocacy in this field. High Commissioner Cruden is a member of a group of ambassadors resident in Dhaka, ambassadors of like-minded countries of Canada, which meets monthly with high-level officials from the Government of Bangladesh, including the deputy ministers of foreign affairs, commerce, and labour.

The meetings provide an opportunity to monitor progress by the Government of Bangladesh on its commitments to improve conditions in the ready-made garments sector and for pressing for positive reforms. The Canadian High Commission also participated in stakeholder consultations regarding the minimum wage law in this sector and a needs assessment of the victims of the Rana Plaza.

I'd like to point out as well that the Canadian High Commission recently hosted a seminar on March 1, 2014, on social responsibility and the international standards implementing ISO 26000 in Bangladesh.

The Government of Canada has also tabled statements through our high commission in Dhaka to two separate Government of Bangladesh standing parliamentary committee hearings that addressed safe work environments and proposed amendments to the Government of Bangladesh's labour law.

Canada also intervened at the International Labour Organization's committee on the application of standards in June 2013, in Geneva, to express concern that Bangladesh's proposed updates to its labour law did not conform to international obligations under ILO Convention C087 with respect to freedom of association and protection of the right to organize.

At the most recent governing board of the ILO held in Geneva in March, just last month, Canada joined a statement by the Netherlands and the UK on trade unions in Bangladesh.

Last autumn, my colleague, Jeff Nankivell, and I travelled to Bangladesh for bilateral foreign policy consultations with the Government of Bangladesh, at which time we discussed in some detail the RMG sector at senior levels, including the deputy minister of foreign affairs and commerce minister. We emphasized the need for further reform to reinforce a message that has already been passed by our high commissioner in Dhaka, but also by me, as director general here in Ottawa, to the Bangladeshi high commissioner and the high commission here in Ottawa.

This trip demonstrated our newly integrated approach as an amalgamated department featuring foreign policy, trade, and development, during which we also visited a model factory.

As Mr. McMullen has alluded to, Employment and Social Development Canada hosted a tripartite round table on international labour issues on April 9, 2014, comprising government representatives, and labour and business organizations.

Jeff Nankivell and I, along with representatives from the ILO's better work program, the Retail Council of Canada, and the United Food and Commercial Workers Union, participated as panellists in the discussion on the ready-made garments sector in Bangladesh.

• (1540)

In April High Commissioner Cruden in Dhaka was appointed to the advisory board to the board of directors of the private Alliance for Bangladesh Worker Safety. As high commissioner she is actively engaged with both the alliance and the separate accord on fire and building safety in Bangladesh. Her appointment provides the opportunity for us to further influence and enhance coordination between the alliance and the accord to make sure that both efforts are more accountable and more effective.

In addition, Canada through official development assistance is providing \$8 million over four years to a joint ILO-led initiative focused on improving worker conditions in Bangladesh's ready-made garment industry, together with our partners, the United Kingdom and the Netherlands. This project aims to strengthen the Government of Bangladesh's governance, regulation, and inspection of the garment sector; to implement labour legislation and policies, including those related to occupational health and safety at the factory level; and to facilitate coordination amongst stakeholders including the Government of Bangladesh, the accord, and the alliance.

As I draw my comments to a close I would like to point out that Canada has also funded two smaller projects related to this collapse, a research project with the Centre for Policy Dialogue on workers' rights and compliance and, with the Centre for the Rehabilitation of the Paralyzed, the socio-economic integration of nine persons severely injured in this terrible disaster.

[Translation]

Improving working conditions in Bangladesh is a major collective effort between governments, brands and buyers, workers and factory owners. Canada will continue to remain engaged on this issue.

Thank you for the opportunity to speak to you today.

[English]

**The Chair:** Thank you very much, Mr. MacArthur.

We're going to start with Mr. Dewar for seven minutes please.

**Mr. Paul Dewar (Ottawa Centre, NDP):** Thank you, Chair. Thank you to the members of the panel for their intervention. They have provided us with some updates from a year ago when we were seized with this issue, Chair. Of course, it's the anniversary of the collapse of the Rana Plaza this past week.

When we were seized with it last year I tried to put it in a human context. From reading the witness statements and some of the articles in the press, I was really taken with the story of the 11-year-old girl, Tahmina, who I think represented what was going on here for the many people trying to understand. Of course, her case scenario was that she didn't want to go to work because she was concerned about her safety—an 11-year-old girl. Those of us who are parents try to conceptualize having our kid at 11 years of age having to go to work, and then, to add to that, having to go to work in a place they felt was unsafe.

So I think if you put this in the right context that is what we're dealing with. To be very blunt, they are going to work to give us cheap clothes. I'm not saying I'm for or against it, but that it just seems to be the fact.

So I think, Chair, our responsibility is a collective one. We must have our government doing the right thing and being engaged, as we hear from our friends from the department. But we also have to say that we must have some goals here. So what are those goals? My goal on this auspicious day—because today of course is the day that we commemorate those who have died and been injured in the workplace in Canada—would be that a young girl like Tahmina at 11 years of age doesn't have to choose between going to work and dying.

So to the departmental officials, I'm glad that we're engaged. I'm hearing some of the things that they are doing. But when it comes to these two initiatives, we have the one initiative, the Alliance for Bangladesh Worker Safety, and the accord. In regard to the accord, I acknowledge and give credit to Joe Fresh and Loblaw's for signing on to that accord. But I also note that the Alliance for Bangladesh Worker Safety is a voluntary process. I would like to get from our guests an explanation for the following. We have our high commissioner participating over there, but are we not concerned that we are taking part in a process that doesn't have teeth right now at a time when this is an urgent issue? In my opinion this isn't about

studying the situation, but about trying to study how we deal with this situation. So my concern is that while the government is supporting both of these processes, why do we feel we're going to be able to make a difference in a process that's voluntary in nature? And are we, including the high commissioner, asking for something that involves absolute compliance like the accord on fire and building safety?

• (1545)

**Mr. Peter MacArthur:** Mr. Chair, in response to that very good question I'd like to say that our position is that the Canadian private sector and the international private sector have a right to choose the vehicle. The Retail Council of Canada has done a very good analysis of the differences between the two organizations we're talking about.

I wanted to point out that in terms of the alliance, for example, this is a fast-moving situation, as we've just received word in the past couple of days that it has just amended its members' agreement to include the following statement, which speaks to the example of the 11-year-old girl you mentioned. It's short and reads as follows:

Further, Alliance Members shall require that the Factories they work with respect the right of a worker to refuse work if he/she has a reasonable justification to believe that a safety situation presents an imminent and serious danger to his/her life....

This is an improvement on the alliance's earlier members' agreement. Some prominent international companies have elected to join either of these two organizations. It is a very complex and large problem, and in our view it's useful to have two means of attacking the problem.

It's an extremely corrupt environment. A lot of what we're seeing in Bangladesh is related to a high degree of corruption. There are people on the take in terms of inspections. There are many members of the Bangladesh Parliament who own factories, for example, and there's a conflict of interest at the political level, which you may be aware of.

In our view, we leave it to the private sector. I think one of our companies, Loblaw's, has decided to go the route of the accord, and you'll be hearing from them in more detail.

**Mr. Paul Dewar:** We laud them for that.

**Mr. Peter MacArthur:** I think if you speak to Loblaw's, they do believe that the private sector has a right to go in either direction. They've made their choice and are taking a leadership role of some sort.

**Mr. Paul Dewar:** I really do appreciate that.

That statement that you provided us with is fair enough. I would also put this in the context or the reality that for an eleven-year-old girl, doing work refusals on her own is going to be tricky, frankly. I know this is just an update from you. I'm not casting aspersions about what you're telling us, I'm just laying out the actual challenge.

To that end, you mentioned some of the resources we have on the ground. Can you tell me—just as a ballpark—how many people we actually have within our missions abroad who are working on the whole issue of CSR and compliance issues?

**Mr. Duane McMullen:** Answering a ballpark question like that would be difficult.

I'm going to say that we have in the order of 80 missions, just so you can understand my math, and then figure out later where I got the numbers wrong.

**Mr. Paul Dewar:** We can follow up with this later.

**Mr. Duane McMullen:** We can follow up; that's actually a good idea.

We have in the order of 80 missions that would be in what I would call challenging countries, where the governments themselves lack the capacity to provide the kind of regulatory infrastructure we wish they would have. In those missions we would have, depending on the site of the mission, at least one person who is concerned with and tracking those issues.

• (1550)

**Mr. Paul Dewar:** Can I just ask for some follow-up information?

Can you provide us with how many people are actually doing trade promotion at the same time? I'll leave that with you to inform us.

**Mr. Duane McMullen:** Yes, we'll follow up on those.

**The Chair:** Thanks, Mr. Dewar.

We're going to move over to Ms. Brown, please.

You have seven minutes.

**Ms. Lois Brown (Newmarket—Aurora, CPC):** Thank you very much, Mr. Chair.

Thank you, gentlemen, for being here.

I was in Bangladesh four years ago, so I have a little bit of a picture in my head of some of the things we're talking about. We visited one of the garment factories while I was there, and I was struck by some of the construction.

I worked as a draftsman in an engineering company for a number of years, and I understand some of the robust building codes that we have implemented in Canada to ensure safety for our own workers. Even though I know, from a little bit of research, that Bangladesh has a very good building code—through my research, I also discovered that it was reviewed as recently as 2007 by the University of Tokyo, so I have to assume that engineers in Tokyo know what they're looking at—the problem really is the enforcement piece of the building code.

My understanding—and perhaps you can verify this from your knowledge—is also that Bangladesh does not have gravel of its own. It's all imported. I'm assuming that the strength of the concrete being produced for these buildings is questionable. When I drive past any of these buildings and I see rebar sticking out of the top of the buildings—because as long as you don't finish the top floor, you don't pay taxes—I know that the rebar is being compromised every time it rains. The water will run down. It doesn't take an engineering degree to know that rusted rebar and compromised concrete are going to create more of a problem.

My question really is this. Following this terrible tragedy a year ago, are we working with any of the building departments in the Government of Bangladesh to, first of all, help them improve what's

being built and, second, take a look at what has already been constructed that is not safe?

If we're not doing that or assisting with that, are we not then just waiting for another tragedy to happen?

**Mr. Jeff Nankivell (Director General, Asia Pacific, Department of Foreign Affairs, Trade and Development):** Mr. Chairman, I can speak to that with reference to the project that my colleague, Mr. MacArthur, mentioned. The Government of Canada is providing \$8 million for a larger project, a \$24-million project also being funded by the United Kingdom and the Netherlands in a tripartite initiative, which the International Labour Organization is managing, as they typically do, with government, employers, and unions.

A major component of that program is specifically focused on both short- and longer-term measures to address the issues around enforcement of building codes and building standards. The fact that Bangladesh is also in an earthquake zone, on top of everything else, poses additional challenges. One challenge—and Rana Plaza is a good example of this—is that what was meant to be a shopping mall had industrial equipment and thousands of workers put into it. So you can have the right codes but the wrong use. That outlines the challenges.

In the context of that project, there are very specific targets that have been set and measurements that we have set with the ILO, the Government of Bangladesh, and the other partners. So over the next few years, as a partner in this project, we're going to be tracking things such as the number of building remediation orders issued and the number of factory inspections completed.

As I said, there are short- and long-term measures being taken. The first is a big push to get out to the factories. A major component is training inspectors, and there are both short- and long-term aspects to that. It's about getting out and doing initial inspections, and setting up a database of thousands of factories.

The database is now constructed, but information about how factories do on these inspections has to be filled in and made available online. Structural integrity of the building and safety are significant parts of that, as are fire safety measures, fire safety equipment, and those kinds of things.

• (1555)

**Ms. Lois Brown:** And the reality...

Sorry, you were going to—

**Mr. Peter MacArthur:** I wanted to add that the government, through the Bangladesh University of Engineering and Technology, working for the accord and the alliance, has already begun inspections of structural integrity and fire electrical safety at hundreds of factories. The database that Mr. Nankivell mentioned contains 3,497 factories. It gives you an idea of the extent of the problem that needs to be monitored.

**Ms. Lois Brown:** That is very encouraging to know, because you said a person has the right to refuse work if they perceive—I think this is the quote—“imminent and serious danger to his or her life”. A person walking into a factory is going to assume, as we do, that the integrity of this building is sound and that the people who have done the inspection are people who are qualified to do so. If you don't have that demographic or that component within your society, it leaves everything to question. So that is very encouraging news.

How receptive have they been to this? It's not being imposed on them. Obviously, they've joined hands with us to do this. How receptive have they been and how are we doing with the training?

**Mr. Jeff Nankivell:** I think the government is very receptive. Of course, it's a complex situation. As Mr. MacArthur mentioned, you may have people sitting in the parliament there who are factory owners. Obviously, there are deep-rooted systemic problems that will not be fixed overnight, but the government is very keen to get on top of this and, as in many other places around the world, the reputable, serious, long-term players in the industry understand that their markets are under threat.

They understand that, in part, because of conversations we had with them when we met jointly with our counterparts in Bangladesh last fall to deliver the message that, on the one hand, we're prepared to roll up our sleeves and help and contribute financially to building their technical capacity and drawing on the best international experience to help them to do so in a way that involves government and employers and labour, while at the same time letting them know that Canadian consumers are paying a lot of attention to this issue. They know there are some countries where the status of their tariff regime has been affected by these measures. As a result, they're very alert to that.

What makes me optimistic is that we have a lot of serious partners who are committed to addressing the problems, but it's a cautious optimism, because the main achievements are still ahead of us. It has been a year since the Rana Plaza collapse. It has been about six months since we embarked on this project with the ILO and the partners in Bangladesh and there are a lot of long-term issues to be addressed, so the good news is still ahead of us. However, there are serious partners to work with in the industry and in government and in the labour sector.

**The Chair:** Thank you.

Thank you very much. That's all the time we have. We go now to Mr. Garneau.

You have seven minutes, sir.

**Mr. Marc Garneau (Westmount—Ville-Marie, Lib.):** Thank you, Mr. Chair.

I apologize for missing your presentations, but let me ask a basic question.

If a company in Canada wants to source manufacturing of garments in Bangladesh, how do they have to interface with government? Can they simply go straight to Bangladesh and work out a deal over there, or do they have to come and check with you? Are there conditions?

• (1600)

**Mr. Duane McMullen:** No interface with government is required if, for example, a Canadian company would like to source ready-made garments in Bangladesh. However, we like to think that the advice we offer in our missions abroad is so useful—and it's also so low cost because it's free—that it's a really good idea for companies to talk to our offices, whether it's the development program or the political program or the trade program of the embassy.

We regularly survey Canadian companies, who tell us that our advice has been extremely useful for them in revealing things they didn't even know about the market and that prevented them from making expensive mistakes, or mistakes that could have had a significant negative impact on their reputation because they were unaware of issues. I'll use the Bangladesh example. This is a relatively recent lesson that many Canadian companies have learned. You can check, say, the labour practices of your supplier, and that's good, but you also need to check whether the supplier is using a building that's not going to collapse. Fire safety is another example.

These are things that you are not going to think about if you're doing business with Germany, but become issues that you need to be aware of if you're doing business in a market like Bangladesh. One of the functions of our missions abroad for those Canadian businesses that choose to speak to us is that we alert them to those issues that might otherwise be invisible to them.

**Mr. Marc Garneau:** It sounds as if there's good advice to be had. Do they have a reflex to come to see you, or is that something that happens by happenstance?

**Mr. Duane McMullen:** It's hard for us to get a detailed statistical sample of what I would call our market share of Canadian companies that speak to us. As my rough estimate, about 40% will speak to us at missions abroad as a matter of routine. The rest tend not to.

**Mr. Marc Garneau:** I was staggered to find out that perhaps as many as five million women work in Bangladesh in the textile industry—a truly staggering figure. It really dwarfs anything that I can think of anywhere except perhaps in China.

I've been told by some people from Bangladesh that there are companies, retailers, that go to manufacturing outlets in Bangladesh that are complying with safety standards and generally charge a certain price, say \$7 or \$8 for a shirt, but that there are also non-compliant manufacturers where you can get the same shirt made for about three and a half dollars. It may sell for \$35 in Canada, but it only costs about three and a half dollars to make it there, and they are working on such thin margins that they do not consider themselves as having enough money to make sure they are safety compliant.

This person pointed out that quite a few Canadian firms go to these non-compliant ones, because it's a very fierce market and that they will go for the three-and-a-half-dollar shirt, as opposed to some other companies that will go for a more expensive shirt but from a compliant manufacturer. What are your thoughts on that? Does that kind of thing happen? This comes from fairly reliable sources.

**Mr. Duane McMullen:** I'm not aware specifically of that happening, but it would not surprise me if that were the case, which is why my colleague, Peter MacArthur, and I have mentioned that we strongly encourage Canadian companies to sign up for one of the two standards bodies that the international businesses created to ensure that this kind of thing doesn't happen, whether it's the alliance or the accord. We work with both standards bodies to further strengthen the protections they have in place for worker rights and worker safety.

•(1605)

**Mr. Marc Garneau:** From what I've heard, by some estimates two-thirds of factories in Bangladesh are left out of both of these initiatives or alliances. Is that a realistic assessment?

**Mr. Peter MacArthur:** I'm a little surprised to hear that, Mr. Chairman. We can verify that with some data as a follow-up to this testimony.

I do want to point out, though, that the Rana Plaza disaster has brought to the world's attention—including companies sourcing in countries such as Bangladesh—the point that there are corrupt practices that, in terms of the value chain, lead to what you would call “subcontracting” by a reputable firm. You think you're dealing with a reputable firm, but they're subcontracting to non-reputable firms, and because of the corrupt environment, with not enough inspectors.... One of the positive things that's happening, although it's happening too slowly, is the hiring of 200 additional inspectors on top of the 175 that already exist, so that these subcontractors are found out and knocked out of business.

Some of these factories have been closed as a result of Rana Plaza. It's important to state that a number of factories are closed. That of course affects employment, so workers are looking for a way to transit through that. That's one of the complicating issues in this regard.

**Mr. Marc Garneau:** Thank you.

What about other countries? Bangladesh is obviously very visible to everybody. Are there other examples that one can compare to Bangladesh, where work is done at very low wages and possibly in some conditions that we would not consider to be safe in terms of corporate and social responsibility? Are there other countries that you're focused on, other than the very visible Bangladesh? Perhaps you've talked about that.

**The Chair:** That's all the time we have, but go ahead, Mr. McMullen. Answer the question. That would be fine.

**Mr. Duane McMullen:** Yes. I won't name any specific countries, but you can look at a map and figure out which ones they are.

There are many countries that would have challenges similar to those that the Government of Bangladesh has in creating and enforcing the kinds of standards that we as Canadians would expect, both for their workers and for their factories. That is why we have

efforts in our missions in those countries to try to give advice to Canadian companies about the kinds of problems they could face in operating in those markets, the kinds of risks to their reputation, the practices that they could end up being involved in without their knowledge and would not want to be involved with, and how to avoid those practices.

My colleague Peter MacArthur, for example, mentioned the idea of hiring a reputable subcontractor, or one who you think is reputable, who then offloads the disreputable work to somebody else. You might not be aware of that, but we explain to companies in all of these difficult markets that these are the sorts of practices that happen. We give them practical advice about how they can make sure that ultimately this is not what is happening in their case.

**The Chair:** Thank you.

Thank you, Mr. Garneau.

We're going to start the second round, which will be five minutes, and we're going to start with Mr. Anderson, please.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** First I want to follow up on a question that Mr. Garneau asked.

Are the initiatives aimed at factories of certain sizes? If you have a factory of 4,000 people working on two or three floors, is that treated differently than a factory of 50 or 100 people on a single floor is? Are the building codes being applied right across the board or are they specific to the bigger factories dealing internationally with purchasers from abroad?

**Mr. Jeff Nankivell:** On the work of the ILO, I think the ambition is to cover everybody. The laws apply to everybody. As for factories that sign up for the alliance and the accord, it is far short of all the factories in Bangladesh. As you would expect, it's typically the larger operations that are dealing with brand-name buyers. There's a lot of clothing that goes around the world that never gets a brand attached to it or gets a brand attached to it in some local shop after passing through many hands anonymously. There's a priority on the bigger operations where you can reach the most workers. That's the obvious kind of place to start.

•(1610)

**Mr. David Anderson:** On the accord and alliance, are they both positive initiatives or are there negative consequences of not being part of them? Is it a big enough and strong enough initiative such that when companies and manufacturers choose not to participate there are negative consequences?

You were talking about people coming to the embassy and consulates and us giving them good advice about what they might do if they want to deal with Canadian companies or being comfortable getting into Canada. I'm just wondering about it. Do we have both sides of the equation working here or just one?



**Mr. Jeff Nankivell:** They're both voluntary arrangements as to whether or not one joins them. Once you've joined them, you have obligations, but which differ between the two associations.

In terms of the negative consequences, those would be in regard to your access as a supplier to the kind of reputable large-volume buyers around the world for your business. In that sense it's like other standards, ISO standards or other kinds of voluntary codes. I mean, compliance with the law is compliance with the law. Signing up for these types of arrangements is a way for you, as a factory owner, to get access to the buyers who represent a huge share of the market and who pay a better price for the product.

If I may, I would come back to the question about what's happening in the rest of the world. Canada does support what's called the Better Work initiative of the International Labour Organization, a global initiative that is working at these issues and that funds, among other things, research that can demonstrate to factory owners in different countries—this is part of the program we're supporting in Bangladesh—that if you improve the conditions and if you pay better wages and provide a better environment for your workers, you can actually become more profitable.

They're now working with the International Finance Corporation arm of the World Bank to develop financial products that can provide working capital to factories in different countries around the world. They're just starting up the program for...thinking about the program for Bangladesh, but the hope is that in future you can develop lending instruments that will provide working capital to factories who agree to upgrade their standards.

One of the barriers they face in doing that is often lack of access to working capital. Because of the terms they have with their suppliers and their buyers, they're chronically short of capital. So that provides an incentive for the factory owners to join these kinds of arrangements.

**Mr. David Anderson:** I'm going to run out of time here quickly, I think.

**The Chair:** You have about 30 seconds left.

**Mr. David Anderson:** Okay.

The people who have probably suffered the most are those who were severely injured and find themselves in a really difficult situation. Would you just comment a bit more on the project funding that we've put into this? Someone mentioned a centre for the paralyzed; I'm not sure of the name of the institution.

Could you just talk a little bit about our commitment to that?

**Mr. Peter MacArthur:** Yes. We can provide the exact numbers to you separately, but a relatively small level of funding has gone into those two initiatives for those who were injured. The private sector is more involved in that area. You can ask other witnesses about that.

In terms of the trust fund, \$15 million of the requested \$40 million has been donated so far. The goal is \$40 million and we're only at \$15 million. Loblaw has provided funding to this trust fund, and also some funding that you can ask about in terms of short-term compensation to the workers in the Rana Plaza factory disaster; they were producing for Joe Fresh.

**The Chair:** We'll go back to Mr. Dewar for five minutes.

**Mr. Paul Dewar:** Thank you, Chair.

To our witnesses, in terms of the database that's being set up, you're doing these evaluations and trying to track things. Is it something where you're actively going out and trying to figure out who's doing what? How do you gather information to get the database moving?

You mentioned the database, and I just want to understand how it works.

**Mr. Peter MacArthur:** It's a local database of I think almost 4,000 factories. The one thing they haven't met, which we keep pushing through our high commissioner and our high commission, is that they are not noting in that database which factories have been inspected. That's something we've been asking for that we're not yet getting.

• (1615)

**Mr. Paul Dewar:** Okay, because I would think a goal would be to try to first get Canadian companies to establish some sort of connection with you, ideally; you've offered, and maybe there are some ways to look at that in terms of policy options. Then it would be to give them the information about who's doing what, whose standards are up to speed, so to speak. So the first thing is getting Canadian companies to register, if you will, and the second is providing them with the information about who the good actors are and then supporting those who are the good actors, because I think what we're getting into here....

As you said, it's very complicated. I get that. We're going to hear from industry in a second, and they have responsibilities, but I think it's pretty straightforward that you wanted those three things to happen: first of all, Canadian companies to sign on and sign up; second, to give them the information; and then to improve standards. That seems to me to be a good path forward. Would you agree?

**Mr. Peter MacArthur:** Yes, I would agree. I think that the industry is doing this itself, but we are overseeing this. As I mentioned, our high commissioner is one of the advisers keeping an eye on the accord as well. We remain very much engaged. It's a top priority of the High Commission Dhaka, and was even before the disasters struck.

**Mr. Paul Dewar:** But I also note that it's a resource issue, which is not for you to speak to, which I understand. You get resources, you do the best you can with them. But understanding what the challenge is for you to be able to do what I just laid out.... I think everyone has a role to play here, clearly.

**Mr. Jeff Nankivell:** Yes, and that database has been started up and is being maintained by a government body of Bangladesh, the Department of Inspections for Factories and Establishments. They're in the process of identifying in the database—which you'll be able to see—the factories that have been inspected by the government and those that have been inspected under the alliance or the accord. So as a buyer of garments, you'll be able to look online and see that. It's on a website, and it's available for the whole world. So labour unions and individual workers—everyone—will be able to see the inspection status of the factories—

**Mr. Paul Dewar:** Do you trust the data? It's new, but...

**Mr. Jeff Nankivell:** That remains to be seen. Obviously, that's one of the things to follow up on and that will be part of this ILO \$24-million project. We'll be doing that, as we normally do in any kind of development assistance project that supporting. The managers of the project from ILO will be having regular independent monitoring and evaluation of things that have been supported under the projects, so they'll be able to do spot checks and follow through to see if the data is valid.

**Mr. Paul Dewar:** I have a recommendation, simply because I was involved tangentially in the issue. We have quite a few Canadian companies, and some American ones as well, on compliance and sourcing supply chains.... I'm not sure if they've been active in this area, but there's a lot of activity in this really innovative area, as I'm sure you know. I think it would be smart to reach out to them as well. Some of them are right here in Ottawa and other parts of the country, where they're actually working on things such as in the States with the supply chain on the Dodd-Frank initiative, for instance. It's really quite something to see, where they've actually figured out how to work with companies to put in place action plans to source clean supply chains. I'll just leave that with you, and I'm sure that I or anyone else who knows about this can help you engage with those actors who are Canadian, and others, who are doing some phenomenal work in this area.

**The Chair:** Mr. Schellenberger.

**Mr. Gary Schellenberger (Perth—Wellington, CPC):** Thank you, Chair.

Thank you very much to our witnesses here today.

Mr. Garneau said he was surprised there were so many women who were working in the industry—the number of women—but the percentage of women should not be surprising because sewing is involved, and I'm sure that when the garment industry was strong in Montreal, there were a lot of women who would have been sewers at that time.

I know that in the furniture business, especially with fabric-covered furniture, women usually sew and men do the heavier work, the upholstery and the frame construction.

Education in some of these countries is quite the thing. Lots of times women don't get the same education as men. In the garment industry it's repetitive. It requires a great skill in sewing or cutting fabric. Women excel at those particular things.

Buyers work lots of times at fashion shows or in a marketplace. Maybe now they go on site a little bit more, but lots of times they will probably buy that product, because they like the line and can get it for a certain price. Those will happen.

The garment industry again has less investment. That's why it's in Bangladesh, Haiti, the Dominican Republic, Honduras, and Vietnam. It takes a smaller investment for sewing machines, sergers, cutting tables, scissors, and those types of things. The biggest thing is probably the buildings.

I know in Bangladesh a number of years ago one of our Canadian companies, Gildan, bought a factory. I think it was a working factory, but when they looked at it, they found there were no fire escapes and there was no elevator. It was a five-storey building. Also, when they looked at the building they didn't think it was built

strong enough. It's my understanding they spent approximately \$1 million—in Bangladesh \$1 million is quite a bit of money—to upgrade to, to put in an elevator for safety. The people were walking the stairs, carrying cuttings from top to bottom.

In that instance, would Gildan have come to you? Or would they have gone and had someone say that you had to do this? It's my understanding they took it upon themselves to do this. Would I be correct?

• (1620)

**Mr. Peter MacArthur:** I don't know the exact details of that. We did meet with Gildan when we were in Bangladesh.

Typically, a Canadian company setting itself up in a country would become part of the Canadian community—there's a Canadian executive running Gildan in Bangladesh—and would generally be in touch with the high commissioner or the embassy to do that sort of thing.

I just wanted to say that the model factory we visited was in downtown Dhaka. This industry has grown very fast. That's part of the problem, in fact. That's one reason. These are the wrong buildings. They shouldn't be in these buildings.

There is a plan, we discovered, to move more of these workers to an industrial park outside Dhaka—it's much safer—and that's where I think some of the more enlightened companies will establish themselves.

I'm quite sure that Gildan—though I stand to be corrected—is outside in more of a purpose-built building instead of an old shopping centre, which was the case of the Rana Plaza.

I was also struck by not only the large number of women working and being empowered and helping develop Bangladesh, but also by the large number of young men working in the factory. I was expecting only women. This is very important in terms of employment and economic development of the country, so that was a positive, I thought.

**Mr. Jeff Nankivell:** I would just add on the subject of education and talking about our development assistance program in Bangladesh. It's a major pillar of our long-term development assistance program in Bangladesh.

We are currently contributing \$64 million over five years to a very large national program on primary education of over \$7 billion over five years, of which donors like Canada, the UK, Australia, and the European Union are putting in contributions. As I said, ours is \$64 million, and that is to address the shortfalls that remain in primary education in Bangladesh, although that country, with a population of 150 million, and for all of its challenges, has been a leader in raising the enrolment rate for girls in education. The girls coming to the factories have some of the basic education they would not have had 20 years ago but for the progress that's been made. But there's a lot of work still to be done.

**The Chair:** Do you want a final comment, Gary?

**Mr. Gary Schellenberger:** I just have one thing, and again it relates to this young girl of 11 who you said was working in this factory.

I had a paper route when I was nine years old and I also cut a few lawns, so I can see where young people want to make a little extra money. As long as a place is safe—I don't know what the rates are or what the age limit is to work in a factory would be, other than knowing it's 16 here—there are young people who can do some of the menial jobs, some of those single-source jobs to clean up or to do whatever to make a little money and probably help their family.

•(1625)

**The Chair:** Thank you.

To our witnesses, thank you very much for taking the time to be here today.

We're going to suspend so we can get set up for our next meeting.

Thank you very much.

•(1625)

\_\_\_\_\_ (Pause) \_\_\_\_\_

•(1630)

**The Chair:** Welcome back to the second hour.

Joining us we have three witnesses. Here in Ottawa from Fair Trade Canada, we have Tom Smith, the executive director. Welcome, Tom. We're glad to have you here today.

From Loblaw Companies we have Bob Chant, the senior vice-president of corporate affairs and communications. It's good to see you again, sir.

Joining us via video conference from the Retail Council of Canada we have Diane Brisebois, the president and chief executive officer. Welcome, Diane, we're glad to see you as well again.

Why don't we get started right here with you, Tom? We'll have Tom, and then Bob Chant, and then we'll go to Ms. Brisebois to finish off. You have up to 10 minutes. Less is better if you can, but you have up to 10 minutes and then we'll go around the room for the remaining hour to get some questions on the floor.

Mr. Smith, I will turn it over to you, sir.

**Mr. Tom Smith (Executive Director, Fairtrade Canada):** Thank you very much.

Good afternoon, Mr. Chair, and members of the committee. Thank you for the opportunity to speak today.

My name is Tom Smith. I'm the executive director of Fairtrade Canada, and I've worked in the fair trade movement and with co-operative organizations, both in Canada and internationally, for over 20 years.

Fairtrade Canada is the Canadian member of Fairtrade International. Fairtrade is the most widely recognized ethical label in the world. Our vision for fair trade is a world where trade justice and sustainable development principles are developed globally, thereby moving world farmers and workers from a position of vulnerability to security and economic self-sufficiency.

Currently the global fair trade movement is made up of 26 national fair trade organizations, primarily in northern purchasing countries, with more than 1,200 producer organizations worldwide, primarily in southern developing countries. In fact, producer

organizations now own 50% of the global fair trade system, through a governance change in 2013, ensuring that workers and farmers are represented at every step of the way.

We just passed the first anniversary of Rana Plaza in Bangladesh, the worst industrial accident in living memory. Over 1,000 people were killed because laws and company codes were openly disregarded. However, all too often such an incident hits the headlines and then fades away. Meanwhile, millions of men, women, and children continue to labour day in and day out in tough and hazardous conditions, earning a subsistence living in order to produce the food we put in our mouths and the clothes we put on our backs.

Standard free-market doctrine is convinced that trade is crucial for economic growth and will create trickle-down effects that will eventually reduce poverty. Fairtrade believes in the first but not in the second. Trade alone is not sufficient. It must be accompanied by measures that promote equality, human rights, and environmental protection.

Finding the right balance between facilitating trade development and compliance is an arduous task that requires continuous improvement and fine tuning. Fairtrade has been doing this for 25 years, and our experience has taught us valuable lessons. In the process we have learned a great deal about how to meet the often conflicting needs of the private sector and disadvantaged producers and workers, and we're still learning.

Growth solves some problems, but inevitably breeds others. Fairtrade has seen farmers take shortcuts with organic certification, turn to bad labour practices to meet deadlines, or cut down forests to increase production. We have also confronted significant human rights abuses. Fair trade producer communities are not immune to the difficulties faced across the developing world, and indeed the developed world. Power dynamics can manifest themselves at every level, from co-operative boardrooms to the lives of individual farmers and workers.

Today I'd like to share with you three key ingredients, which we would encourage the Government of Canada to incorporate in its approach to ensure an end to not just the Rana Plazas, but to the constant grinding poverty and hardship of millions of small producers and workers across the globe.

Let me begin with ingredient one, where fair trade begins, which is best practice in standards and certification. Fair trade standards are set in accordance with the requirements of the ISEAL code of good practice for setting social and environmental standards. This means that standards are set on the basis of consultation with major stakeholders in the fair trade system. Standard setting in fair trade is not a one-time exercise. The realities on the ground, as well as new challenges and changes to external environment, dictate that we constantly review and fine-tune our standards.

While Fairtrade International sets the standards and supports producers to meet them, a separate certification company, which is ISO-65 accredited for fair trade certification, FLOCERT, regularly inspects and certifies producers and traders against the standards. FLOCERT auditors are experts in their field. They are familiar with the local and sector-specific realities that they are facing on site. They know the elements and the fair trade standards that carry the highest risk for non-conformities. As well, auditors receive regular training on identification and response required to mitigate those risks.

The second key ingredient to fair supply chains is fair pricing. At its heart, we get what we pay for. If products and goods are too cheap, there is a cost. Value is still too unevenly spread. Market concentration in food retail is getting worse. Competition is so fierce that there is a real risk of a race to the bottom in key commodities. Fairtrade wants to stop the race to the bottom, whereby suppliers in different countries compete against each other by lowering terms and conditions of work in order to receive business from the north. An example of this would be flower plantations moving from Kenya to Ethiopia, where wages are lower and tax incentives are given to new investors, or clothing brands moving their sourcing from China to Bangladesh after wage levels in China had begun to rise following strikes.

- (1635)

Half the world's hungry are farmers. This is not only a moral outrage but also a critical business risk for the security of supply. It is impossible to achieve sustainability if producers cannot capture an adequate share of value to fund sustainable business practice. Farmers are bearing the brunt of this squeeze. Smallholders are giving up, and plantations are casualizing labour and suppressing sustainable wages. We also see the cost in poor or unfair contracts, in failure to move towards living wages and in the supply chain's trapping plantation workers or factory workers in a cycle of poverty, or in poorer worker rights. An example would be less freedom of association.

The Fairtrade minimum price is a vital protection for producers; however, it's not enough. Overall, we need to pay more for our goods if we want to see our supply chains delivering an end to poverty and promoting human rights rather than trapping people in poverty and preventing progress on rights. Higher living wages cost money, so do safer factories, so does environmentally sustainable farming, and so does paying the full cost of sustainable production.

Fairtrade has been a trailblazer for a living wage in the rural sector by commissioning the development of a living wage estimation and methodology. So far, we have developed robust living wage estimations for South Africa, Dominican Republic, Malawi, and Kenya. We have formed partnerships in industry and civil society, to help workers move towards a living wage, but we also need governments on our side.

In Europe, the Dutch and German governments organized the living wage conference in Berlin, in November 2013, to a common declaration with industry, unions, and NGOs. We encourage the Canadian government to follow this example.

Ingredient three is empowering farmers and workers, and bottom-up governance. The challenge faced by farmers and workers in

developing countries goes beyond the scope of any certification system. Fairtrade International is building expertise in various program areas that can affect farmers and workers across all products, and is developing global strategies to help the most vulnerable.

For example, the last five years have taught us that our standards based on relevant international laws must go beyond producer groups and their members' simply being able to recite fair trade requirements on child labour. Instead, we see an increasing leading role for producer organizations to become change agents in the fight against unacceptable social practices.

In order to support producers to fulfill this role, Fairtrade has adopted a children-first approach. Fairtrade has conducted rights-based focus groups with approximately 500 children and youth in fair trade organizations and their communities. Working children can teach us about their lives, the impact of their work on themselves and their peers, and the alternatives as they understand them. Of those participating, only five children and youth in these communities saw any prospect of a sustainable livelihood in agriculture—a warning shot across the bow to those who buy and consume commodities produced by their parents.

In conclusion, we encourage the Government of Canada to promote fairness in trade by requiring credible efforts of Canadian companies sourcing from developing countries and an expectation of business to respect human rights, including a living wage for workers. This will send a strong message. This has been embedded in the United Nations guiding principles on business and human rights as the leading international framework for governments and businesses to respect, prevent and, where necessary, remediate adverse impacts on human rights.

Transparency is key. Without transparency, business is simply marking its own homework as far as rights and wages are concerned. Transparency needs to be systematic. This is where credible standards and certification play a leading role. Another step that the Government of Canada could do to is to follow in the footsteps of the EU and lead by example by revisiting the federal government's public procurement standards to choose Fairtrade certified products and other sustainable procurement considerations. Other Canadian institutions are currently doing this with our Fairtrade towns, cities, and campus programs.

Finally, but most importantly, we need to invest in strengthening communities, farmers, and workers themselves. When people have the strength and capacity to speak for themselves and negotiate, conditions and wages improve. Without the space and permission for workers to advocate for their own rights, at the end of the day, regulation can only go so far.

Thank you very much for your attention. I look forward to your questions.

•(1640)

**The Chair:** Thank you very much, Mr. Smith.

We're going to turn over to Mr. Chant now, from Loblaw's.

**Mr. Bob Chant (Senior Vice-President, Corporate Affairs and Communication, Loblaw Companies Limited):** Thank you, Mr. Chair.

Good afternoon. My name is Bob Chant. I serve as the senior vice-president of corporate affairs and communication at Loblaw Companies.

Mr. Chair, thank you for the opportunity once again to address the committee in relation to this important matter. I don't need to remind everyone that last week was the anniversary of the tragedy at Rana Plaza, and on behalf of our entire organization, all of our colleagues, I'd like to once again extend sincerest condolences to the victims and the families who were affected by the tragedy. While we do not forget its tragic beginnings, we are proud to have made Loblaw a contributing voice in the response to Rana Plaza and its unfolding legacy related to workplace safety.

We continue to believe that the manufacturing community and overall economy of Bangladesh benefit from our presence, our attention, and our long-term commitment. Over the past 12 months Loblaw has worked with a number of individuals, industry, government, NGOs, and the International Labour Organization to respond to the human tragedy of Rana Plaza and to improve the standards that will define and protect the safety of workers from here forward.

When I addressed this committee last May I shared with you the Loblaw plan of action, and today I'm proud to report on the considerable progress we have made.

In the past year Loblaw has become a lead contributor in the financial response to this tragedy, having committed \$5 million for local relief and compensation. That includes over \$3.7 million in victim compensation provided to the ILO-led trust fund for long-term compensation to injured workers and the families of deceased workers.

In addition, \$1 million is being provided to Save the Children in Bangladesh and the Centre for the Rehabilitation of the Paralyzed for textile workers in Savar. An additional \$285,000 was provided in short-term compensation to bridge between the time of the incident and the long-term compensation that has just started to flow in the last couple of weeks.

As I mentioned, Loblaw has publicly committed to maintaining production in Bangladesh while also contributing to improving workplace conditions in the country. The company has made every

effort to be a leading voice on this topic, making public commitments and public statements on an issue that many other brands have chosen to avoid.

We also became an early signatory and the only Canadian company committed to membership in the accord for fire and building safety in Bangladesh. The accord is an independent legally binding agreement to make all garment factories in Bangladesh safe workplaces. It includes independent safety inspections at factories and public reporting of the results of these inspections. Where safety issues are identified, retailers commit to ensuring that not only are repairs carried out, but that sufficient funds are made available to make those reparations and that workers at these factories continue to be paid a salary while the improvements are being done.

We have raised the level of our standards and inspections of all factories where our products are sourced. In the summer of 2013 the company audited all the factories in Bangladesh producing our goods, and the information on all factories producing for us was shared with the accord. These standards, as you may recall, did not, prior to Rana Plaza, include building-integrity or building-structure inspections, and they do now.

In addition we are building a team of employees in the region to ensure the rigour of our factory audits and to monitor workplace conditions and local relationships. This team is led by Frank Merkley, a long-time Loblaw supply chain expert from Canada who has relocated to the region. The team's goal is to ensure that goods produced for sale by us are made in an environment that reflects Canadian values.

Now, it may seem easier to simply pull production from Bangladesh. Loblaw believes that the apparel industry can be a force for good. When I've travelled to Bangladesh over the past year, one message that we received loud and clear from day one from every single individual we met was "please don't leave" or "thank you for not withdrawing your production from this country".

•(1645)

Helping victims and their family members find and hold a job is a critical piece of the recovery process, because jobs in the garment industry do help lift people out of poverty. We are proud to have committed to keeping our apparel production in the country. We believe that properly well-built factories can, indeed, be an agent for economic development and stability in countries like Bangladesh.

While the last year has seen meaningful change, in our view the collective industry response to Rana Plaza has taken too long, and various necessary steps have yet to be taken. Further, based on the initial compensation model that was calculated on a shared basis between government, industry, and brands, Loblaw, as one of the top contributing organizations, is contributing more than its share. However, we do believe that progress is occurring, most notably in the improvement of factory audits, and particularly the related information sharing that's happening within industry. And we are pleased with unprecedented coordination, albeit between a relatively small number of other retailers and our company, to account for the very real human and financial costs of the Rana Plaza collapse.

Loblaw is committed to driving long-term change that will benefit the Bangladeshi people, and in the coming months and years we will continue to work with our industry colleagues to do so.

Thank you very much.

**The Chair:** Thank you very much.

We'll now go, via video conference, to the Retail Council of Canada.

Thank you, Diane.

[*Translation*]

**Ms. Diane Brisebois (President and Chief Executive Officer, Retail Council of Canada):** Thank you, Mr. Chair.

My name is Diane Brisebois. I am the President and Chief Executive Officer of the Retail Council of Canada.

[*English*]

Mr. Chair and members of the committee, thank you for the opportunity to speak again this year, as we did in May of last year.

As many of you know, RCC is a not-for-profit industry association representing more than 45,000 storefronts across Canada. Our membership includes independent merchants, regional and national chains, mass merchants, big-box retailers, and online merchants. Our membership represents all categories of retail, including general merchandise, grocery, and drugs.

As you know, the one-year anniversary of the tragedy at Rana Plaza just passed last Thursday. Over the past 12 months, RCC has been actively engaged in addressing the issue of worker and building safety in Bangladesh, which is a top priority for the retail industry.

As I mentioned last year, our members believe that any successful effort to correct the situation in Bangladesh requires support, shared responsibility, and action, not only among retailers and consumer brand companies, but also with factory owners, the Bangladeshi government, factory workers, NGOs, unions, and other stakeholders. We are committed to working collaboratively with all of these groups toward long-term solutions.

• (1650)

[*Translation*]

Several RCC members have launched their own projects to help improve working conditions following the tragic collapse of the Rana Plaza industrial building. Collaborative initiatives, such as the alliance and the accord, have also been put in place to provide industry with tremendous opportunities to tackle complex security challenges and to strengthen the effectiveness of measures for improving the safety of workers in Bangladesh.

RCC works with all its members to raise standards and foster concrete change, either through our members' independent initiatives, or in conjunction with the alliance and the accord.

[*English*]

Much like the Department of Foreign Affairs, Trade and Development, we support both the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh Worker Safety in equal measure.

Our support of both initiatives reflects the fact that our members are participating in both of them. As a trade association representing the entire industry, it is not our role to dictate to our members which initiative they should join. That decision must be made by the individual companies based on the needs of their business and the other factors that impact them.

In addition, we believe that the fire and building safety problem in Bangladesh is a complex one that does not have just one solution. There is a range of political, economic, legal, and cultural factors to consider. As such, we are concerned that endorsing just one initiative would limit the solutions on the ground at this time.

We've been coordinating efforts in Canada between the accord and the alliance as much as possible. We have provided feedback to both efforts to ensure that they work together and that their efforts align with Canadian retail needs from the perspective of both large and small companies.

We've also hosted the management of both the accord and the alliance to provide an opportunity for them to talk to Canadian retailers directly. As much as possible, we've also engaged with stakeholders that deal directly with both initiatives, other NGOs, the Government of Canada, and in Bangladesh, international retailers, the International Labour Organization, among others.

We've also actively participated in joint advocacy with our peers in Canada and the U.S., including the Canadian Apparel Federation, the American Apparel & Footwear Association, the United States Fashion Industry Association, the National Retail Federation, and the Retail Industry Leaders Association, on several topics of interest, including letters to the Bangladesh government on reducing tariffs for building and fire safety equipment, on labour strife in Cambodia, and over the usage of cotton from Uzbekistan, where forced and child labour are a serious problem.

We've also been sharing various tools, resources, and intelligence with our members and other stakeholders, including with our peers in the Department of Foreign Affairs, Trade and Development; NGOs; and as mentioned, many other trade groups.

We applaud the work that the Canadian government has undertaken in Bangladesh, including active work on the ground in collaboration with other governments, support of various charities to aid injured workers, contributions to ILO programs and, more recently, High Commissioner Heather Cruden's role on the advisory board of the alliance, to facilitate alignment of activities between the accord and the alliance.

We look forward to further collaboration with you and will continue to offer whatever assistance we can in solving this very urgent and complex issue.

Merci. Thank you.

**The Chair:** Thank you very much.

We're going to start with our first round of seven minutes. I'm going to see if we can do this, keep it on time, so we can get two full rounds in. That would be great.

Mr. Dewar, we'll turn it over to you, sir.

**Mr. Paul Dewar:** Thank you.

Thank you to our guests and those who were with us last year. Thank you for returning and providing your updates. Mr. Smith, thank you for your comprehensive overview.

Mr. Chant, I want to start with you. I remember well last year the conversation we had and I did mention the individual that I mentioned earlier, the young girl Tahmina, who embodied the issue for many of us. Her story about having to go to work when she didn't want to and didn't feel it was safe, I think, personified what the issue was.

Since that time—and you've given us some of the action items—you've signed the accord and I laud you for that. I've said that publicly a number of times, and I wrote an op-ed and underlined that. Why is it that others haven't done this?

• (1655)

**Mr. Bob Chant:** I'm very pleased that Diane Brisebois and Heather Mak from the Retail Council could join us, because I have to applaud the work that the Retail Council has done. Diane pointed out, and Heather very actively shows this every day because she's on this file to make sure that everybody's included, that everyone has an opportunity to participate. It certainly seems to be the predominant issue she's dealing with these days.

I honestly can't speak for why others choose to join one organization or another. I can simply say, as I've done many times publicly, that the reason we decided to participate and sign the accord was twofold; one, that it was a legally binding document and we were willing to accept that responsibility and what comes with that; and two, we saw it as worker focused. The accord requires the participating companies, the signatories, to ensure the workers are kept as these improvements occur. I don't think any of us are fooled by the idea that this is going to be a quick fix; this is going to take some time. Each individual improvement plan applied to each individual factory that requires an improvement plan is probably going to displace some workers, either closing the factory completely or otherwise. Making sure those workers who are affected continue to be paid, we thought, was a very important part of the approach.

So we are very pleased that so many companies are moving forward. I did express our frustration in my opening remarks at the speed with which this is moving, notwithstanding that it's an incredibly large undertaking and the compensation file was very frustrating—

**Mr. Paul Dewar:** Was the accord supported right from the top of your company? Mr. Weston played a leadership role in that?

**Mr. Bob Chant:** Yes, absolutely.

**Mr. Paul Dewar:** I say asked because I think it requires leadership for things to happen and to be very declarative as to why they're doing it. I noted that he had, which I just want to put on the record.

As for role and the frustration you have, we are frustrated as well. We had government officials here before. We talked last year about envisioning a process whereby government was on the ground supporting business and making sure that businesses are not only aware of what their responsibilities are, but giving them help to ensure they're going to be signing contracts with reputable actors.

Do you still believe that government has a role in this? That role, as we talked about last year, was simply to adhere to basic principles of CSR to help companies.

**Mr. Bob Chant:** I'm not sure if your proposition is that the Government of Canada has a role to enforce—

**Mr. Paul Dewar:** No, no, let me be clear. It's to facilitate Canadian companies being able to act in a corporately responsible way. It's a partnership.

**Mr. Bob Chant:** Sure, the government can play a role. I think the high commission in Bangladesh, in Dhaka, does exactly that. They could be held up as a model for promoting corporate social responsibility in developing countries. Mortoza—I can't remember his last name, the fellow that was working with High Commissioner Cruden—and High Commissioner Cruden have done an outstanding job in promoting Canadian values on behalf of Canadians in that country. The role High Commissioner Cruden has played in the group of five plus three, the role that she plays in an advisory capacity to the alliance, I think are all positive signals that exactly what you're suggesting is what's happening.

• (1700)

**Mr. Paul Dewar:** Mr. Smith, you have expertise on supply chain, which is growing and changing because of the nature of the businesses. You touched on the importance of supply chain transparency and the G-8 recently focused on this issue of transparency.

Can you relate how the transparency initiative and transparency in the supply chain are linked to having a responsible CSR policy?

**Mr. Tom Smith:** It has a direct link. I'll cite, for example, the retail food chains in Canada—and not just Loblaws—that are demanding more and more to see the chain of custody of products coming from the south, demanding to see that if a producer organization or a coffee producer in Peru is certified as a fair trade coffee producer, they are following the standards and the rules that are set by the Fairtrade International system. That has to be tracked through probably four levels of supply chain: from the producer, to the distributor, to the trader, to the wholesaler in Canada, and ultimately to the retailer.

At the end of the day, the consumer is at the heart of it. They need to see that there is reliable certification. They need to see that they can count on the retailer to follow through on their commitments. They have to be able to see it on the product. I think it has a direct link, and the link is really chain of custody, right from the production source through to the retailer in Canada.

**The Chair:** Thank you very much.

That's a good example to set for all for timing. That's good.

**Mr. Paul Dewar:** Thank you. I tried.

**The Chair:** Mr. Carmichael, we're going to start with you and then we'll go to Ms. Brown.

You have seven minutes.

**Mr. John Carmichael (Don Valley West, CPC):** Thank you, Chair.

Thank you to our witnesses this afternoon.

I'd like to join my colleague across in complimenting Loblaw Companies on the values that I think the leadership of your company displayed. I think that's clearly a sign of good leadership, strong leadership, and a strong commitment to so many aspects of business today, particularly in a crisis environment like the one you experienced.

Mr. Chant, I wonder if you could speak for a minute to the total compensation. You talked about the \$5 million and Loblaws as the lead contributor to that fund. I'd like to get an idea of, number one, how large the fund was, and also, did it reach fully the people that it was intended to reach?

**Mr. Bob Chant:** The fund was established by a working group, a coordinating committee made up of labour interests, NGOs, brands—there are four brands on the coordinating committee and Loblaw is one of them—the Government of Bangladesh, and the producers' association representatives of the factory owners. The amount established was \$40 million U.S. The expectation, the understanding, is that all the organizations we talked about, or at least the combination of government producers and brands, I should say, would contribute to that fund.

I don't actually know what the latest amount is. The last I heard, it was at around \$15 million of the target of \$40 million. Our contribution is just under \$4 million towards that amount. There's an additional amount of short-term compensation that we provided back in early February, which we'd say then brings the total amount of our compensation up to \$4 million and a million dollars in relief funding to the two organizations that Peter MacArthur referred to earlier and that we've directly engaged with: Save the Children in Bangladesh and the Centre for the Rehabilitation of the Paralysed.

The funds have just recently begun to flow. They are flowing on the basis of applications or claims to the fund and will be paid out as those claims are processed and as the amount of money that's brought into the fund allows. Only on a certain percentage basis will the claims be paid out. There would be subsequent payments made as money flows into the trust.

The trust is overseen by, or the trustee of the fund is, the International Labour Organization, and I have to express, on behalf of Loblaw, our appreciation for Dan Rees and the ILO's leadership on this as well. I've never participated in anything quite like this before, although by the colour of my hair you'd think I'd been around for a long time. But honestly, it's something quite unusual, and it has been very challenging. Each time I speak in public, I encourage brands and those others that I mentioned earlier to step forward and make a fair share contribution. It wouldn't take us very long to get to \$40 million if everybody stepped up to the plate.

• (1705)

**Mr. John Carmichael:** With that thought in mind, how many Canadian companies are there? You mentioned that you're the only one that's participating. How many are there?

**Mr. Bob Chant:** Well, I caution you not to confuse the accord with the compensation initiatives. The two aren't the same thing.

**Mr. John Carmichael:** You're the only Canadian company in the accord?

**Mr. Bob Chant:** We're the only Canadian company that has signed onto the accord. There are many Canadian companies that are engaged with the workplace safety efforts, many of them through the alliance.

On the compensation file, to be honest I don't really want to speak about others, other than to say that I think quite a bit more can be done.

**Mr. John Carmichael:** Okay.

I do want to speak about the supply management issue but before I do, you mentioned that the business is starting to flow again. I take it that you've established new facilities, and you're ready to go in terms of an operation. I wonder if you can talk about what's changed in the course of the year.

**Mr. Bob Chant:** Sure, I'd be happy to.

First of all, we don't own any of the factories in Bangladesh. As I said 11 months ago, we operate through the vendors we contract with, who then subsequently either own the factories or contract with factories on the ground.

There has been significant progress in doubling back and inspecting the facilities for both regular workplace conditions, environmental conditions, and what some call CSR audits, which now include building inspections or inspections of the physical or structural integrity of the buildings. I would say that most of the large brands have gone back and done that. We completed all of our audits by the end of July last year, shared our information with the accord, and now the accord process is under way and factories are being inspected a dozen per week, or thereabouts.

The pace is fairly slow and there are a large number of factories that have to be inspected. But my understanding is that the way the accord—and I believe the alliance, and Dan may be able to speak to this better—is doing this on an at-risk basis, so an assessment of what the riskier locations are....

We've also reiterated, reinforced our no tolerance policy for subcontracting, or at least unauthorized subcontracting. Subcontracting is okay as long as we are aware of it and as long as we have audited or inspected the factory that's going to be doing the subcontracting, but it's not okay if we're not aware of it so we don't allow that.

**Mr. John Carmichael:** Within that there are effectively two prongs: you have working conditions, which you're auditing constantly; and you have building conditions. Is that correct?

**Mr. Bob Chant:** Yes, and now they're combined. As I've said before, pretty much no one was inspecting for the structural integrity of the buildings before and that's being done now. I would point out that the alliance and the accord have agreed on a common set of standards that I think is a very good sign. It's not as though we have two sets of standards that factory owners have to live up to. It's one set of standards and it's a very high set of standards.

**The Chair:** Thank you. That's all the time we have.



Good chairing, John.

**Some hon. members:** Oh, oh!

**The Chair:** We may catch you at the end.

Mr. Garneau, sir, for seven minutes, please.

**Mr. Marc Garneau:** Thank you very much for your testimony today.

One of the people I spoke to before you came here was from government and he told me that there is no requirement for a retailer to actually interface with the government in their decision to engage a manufacturer in the garment industry in Bangladesh. They could go straight to them, work out a deal, and the clothes would be produced. So 60% of retailers are not necessarily getting in touch with the government.

My first question is for Mr. Chant. I'm not picking on Loblaws, because I think you've done a lot of things since Rana Plaza. I ask this because this may be how a lot of other companies are still operating, but when you first went to Bangladesh, did you identify a manufacturer and then, based on your assessment of their capability to do the job and the cost they were going to charge you, decide on that basis? Were those pretty well the criteria for your deciding that yes, you would sign a contract?

• (1710)

**Mr. Bob Chant:** Yes.

Certainly we would do due diligence in regard to the integrity and the history of the agent or the vendor whom we contract with, whether a factory-owner or not. Then before a purchase order would be cut, an inspection of the factory they were going to be sourcing from on our behalf would be completed.

The difference between the pre- and post-Rana Plaza period is that we didn't inspect for building integrity. We do not make it a practice, and I'd actually be quite surprised if any other retailer would sit here in my place and say they make it a practice of checking in with the high commission in every country they source from. I don't see the need for that, to be honest.

I believe the customers of Loblaw stores and our banner stores, whether Joe Fresh or any other of our banners, believe it's up to us to have the integrity to do the right thing and to be sourcing ethically, and don't believe that it's up to the Government of Canada to tell us how to source our products around the world. I honestly don't think that's a practical solution. I'm not sure if you're suggesting that.

**Mr. Marc Garneau:** No, I'm not.

All right. So far, to your knowledge, you are the only Canadian company to have signed the accord in Bangladesh.

So I'll ask Madame Brisebois a question.

You represent retailers, and I'm eager to know, from your experience—and I don't know how many Canadian companies other than Loblaw or Joe Fresh are in Bangladesh having garments made—what your interface to them is on issues that might be related to corporate and social responsibility. Or, is that an area you don't touch on when you provide the services you do to Canadian retailers?

**Ms. Diane Brisebois:** Thank you, Mr. Garneau.

We, in fact, interact with them very closely on CSR practices; and, as Mr. Chant mentioned, we interact even more aggressively with all of our merchants, especially those we knew were importing garments from Bangladesh, following the Rana Plaza disaster.

So we have been working closely with all our retailers to encourage them to join either the accord or the alliance and to review their practices in regard to supply chain management, a lot of those practices highlighted by Mr. Chant. So in fact an association such as the Retail Council of Canada plays an important role. The only thing it does not do, in our case, is specifically to tell merchants which organization they should associate with or what initiative they should support, assuming we believe that those initiatives are doing good, as we believe both the accord and the alliance are.

I hope that has answered your question.

**Mr. Marc Garneau:** Thank you. I have a follow-on question.

The department has said that perhaps 60% of companies, retailers, don't come to us and ask, do you have any advice to give us as we seek to do business in Bangladesh? Certainly once you're contacted it sounds like you provide all the kinds of information we're talking about. But is it possible that retailers can go and do business in Bangladesh and that you don't hear about it? Do you have a tracking arrangement whereby you can identify that this company is going over there, so let's make sure we have a chance to speak to them?

• (1715)

**Ms. Diane Brisebois:** There's no tracking or list that exists, Mr. Garneau, telling you that the following 30 companies are in fact sourcing from Bangladesh. In fact, that is sometimes a bit more difficult unless the country is identified on the label of the product, and we go from one store to another.

There are groups of companies that are very sophisticated and that we know source from different parts of the world, including China, Bangladesh, and Cambodia. They're easy to identify. But certainly there are some out there that are using, at times, third parties, and are not as sophisticated and may need more assistance.

As one of the members of the committee mentioned earlier, you also need leadership from the top of the company—as Mr. Weston exemplifies—to ensure that they are asking questions of their buyers. Where are the products coming from? Are we doing all the right things? Do we have a CSR code in place? Do we know if, in fact, it's respected in practice?

So I think associations like the Retail Council, with government, can in fact develop a lot of tools and try to get them to as many companies as possible to ensure that we increase education and knowledge.

I don't know if I'm answered your question, Mr. Garneau, but I hope I have.

**The Chair:** Thank you very much.

We'll start the second round of five minutes with Mr. Goldring, please.

**Mr. Peter Goldring (Edmonton East, CPC):** Thank you very much.

Thank you for being here today.

In my previous life I was involved in fire safety inspections as part of my company's business and was literally covering thousands of buildings, many of the large retail grocery stores, superstores, and what have you, for fire sprinkler suppression systems, extinguishers, etc.

It wasn't possible to have that many contracts out until 1985. They had to legislate it because we were going through a period of time when people simply didn't inspect these systems on any regular basis. They only found that the systems didn't work when people pulled a pull-station and it didn't work at a time when they probably needed it.

We know that this happens not only Bangladesh, because there was a shopping mall that collapsed here in Ontario two years ago, I think it was, for structural reasons. They didn't do a good structural examination there either. So it's unfortunate that we have to learn how to do better under fire conditions.

This arrangement that you have, I take it, is with the accord. Does that give you satisfactory reporting, device by device, location by location, a complete building audit in some detail? Is that transmitted to you, or do you have access to those records when you're negotiating a large manufacturing contract with them? Do you ever have those double checked for accuracy?

**Mr. Bob Chant:** Well, it will and does, but to a very limited degree at this point, because only a limited number of factories have been inspected. But if you go on the website of the accord, there is a list currently of a relatively small number of reports of problematic inspections that have been done. So you can see where there are issues with some of the factories. We welcome this very much.

I believe it was last May, for those of you who were here, that I reflected on my personal perspective on the challenge or part of the challenge. I said that the Government of Bangladesh could not do what was required to get all of these work places up to scratch, to what they should be. It was another of the reasons that we decided to sign the accord, because we believe that industry collectively needs to step up to the plate in this regard. So the accord is the way we, Loblaw, are taking action in that direction.

The hope is that in a number of years many, if not all, of the factories in use will have been inspected, improvement plans been put into place, sprinkler systems installed, and the workers continued to be employed, and that we'll be talking about a much better place. As well, this model can be used in other developing markets to ensure that workers are safe when they go to work.

• (1720)

**Mr. Peter Goldring:** I know that when I would source materials for private labelling or my own distribution in western Canada, I would certainly visit the suppliers. It was not only to assure yourself that they would be able to capably supply what you wanted and supply it correctly, so that it would work and be a good product, but also so that you would have an opportunity to walk the floor of the shops to see what kind of circumstances they have there. I'm probably not leaning that heavily on doing a personal safety inspection, but all of that is relative. When you walk into a factory, you get the initial impression of the dynamics there.

When I visited Gildan's factory in Haiti, I got a very good feeling that it was a professional operation, although that's their own brick and mortar.

If you are sending your people in to do these inspections, do you have risk assessors and corporate safety people too for your projects here, for your own buildings?

**Mr. Bob Chant:** We do here.

We did not have our own people on the ground in the region last April. We do now. We're starting to build that team. We have a handful of people who are going to be working in the region to do just that. It's a group effort, I guess. We have our own people on the ground. We will be continuing to do our own audits and inspections. They will be third-party contracted, but with the cooperation and involvement of our people on the ground there.

On top of that, we will have the accord work that's being done and the alliance work that's being done, and on top of that, the work that the Bangladesh University is doing in cooperation with the Government of Bangladesh, with the support of the Department of Foreign Affairs Canada and three or four other countries around the world.

One of the challenges, to be honest with you, is that we are probably going to have too many audits and inspections going on all at the same time, but I think that's a good problem to have.

It's my hope, and Diane and I have talked about this many times, that out of this we can find a plausible and practical model for accurate and effective inspections that minimizes the amount of audit fatigue that these countries go through. That's an important consideration as well.

**The Chair:** Thank you very much.

Thanks, Peter.

We're going to move over to Mr. Dewar.

You have five minutes, sir.

**Mr. Paul Dewar:** Mr. Chant, I just want to follow up with you.

I recall last year that we just touched on it. You identified the issue of capacity and inspectors, and we've talked a bit about that issue this afternoon. Clearly there's a role for government here, and part of our development policy would be to help with that capacity.

What is your estimate about the kinds of numbers we're looking at now? You have your own people. From your experience, and certainly with the accord, where are we at?

**Mr. Bob Chant:** Well, we're far better off than we were 10 or 11 months ago. The numbers I've seen for the proposed number of inspectors needed range from 200 to 800. So somewhere in-between would likely be the right number. There are so many other variables—and here I think it was Peter who mentioned the 500 acres of land set aside outside of Dhaka—

**Mr. Peter MacArthur:** That's right.

**Mr. Bob Chant:** —that if a number of factories moved, in this case, to that new location with new facilities, and had all been inspected, then the number of inspectors required to do the rest of the work would go down. Honestly, I think it's a bit of a mug's game for me to even estimate.

**Mr. Paul Dewar:** Obviously it's something that we can work on with the government to do.

**Mr. Bob Chant:** There's no question, yes.

**Mr. Paul Dewar:** It's a good thing for us to do.

**Mr. Bob Chant:** It's a good thing for us to do.

I've had conversations with people in the minister's office and the department, and there certainly seems to be receptivity to that.

**Mr. Paul Dewar:** Our minister.

**Mr. Bob Chant:** Yes.

**Mr. Paul Dewar:** Have you been back recently?

• (1725)

**Mr. Bob Chant:** I was there two months ago.

**Mr. Paul Dewar:** The reason I'm asking is that you're seeing some of these things first-hand. I do recall last year that you were quite candid about your personal reaction to what happened, and I think that's important. I think seeing is believing. Any time is the right time to do the right thing.

We applaud you to keep that up, and to keep visiting and keep on top of it. As soon as we turn the other way, I find it's easy to let things get away on us. I just wanted to say that personally.

**Mr. Bob Chant:** Thank you.

**Mr. Paul Dewar:** Mr. Smith, one of the policy issues I think you touched on was procurement, government procurement in particular to encourage behaviour.

What has been your experience on that, and why might this be something that our government could look at?

**Mr. Tom Smith:** I think it's a huge almost culture shift in the way that governments and civil society organizations can approach fair trade today. I think there are recent and stunning examples. We accredit two significant programs in Canada: the fair trade towns and cities program, and the fair trade campus program. For the most part, they're engaged and led by young champions in both of those types of organizations.

I can give you the example of the university of McGill, which was recently accredited as a fair trade university. Their administration, with leadership from their auxiliary services department, really took the lead and have changed their procurement practices so that coffee, tea, sugar, and cocoa products at McGill are bought from fair trade vendors and are fair trade products. So that's a significant change.

A really significant example is Simon Fraser University in British Columbia, where their students came to the auxiliary services department—the administration—and said they really wanted a Starbucks café on their campus, and Starbucks is a partner in fair trade. They went to Starbucks, and the first café that Starbucks opened on the Simon Fraser University campus is totally fair trade. It's a great example and was so successful that they're now getting ready to open a second café.

From a local standpoint, I hope you heard the announcement two weeks ago that the University of Ottawa has taken steps to become a fair trade campus. They are currently working with Fairtrade Canada to talk about fair trade suppliers that are engaged in the fair trade arena and can provide good supply chain solutions.

The other thing I would stress to the committee is that this isn't about forcing someone to change their procurement suppliers. This isn't about punishing suppliers but the university of McGill telling their suppliers to go find fair trade products. They don't want to change the suppliers. They want to change their purchasing practices, and that's a substantial, important thing to get across.

So we've seen some significant changes. For Canada I think it's important that the Government of Canada has significant purchasing power, from the various institutions under the control of government, and when you think about.... Well, I'll give you an example. Just back on your stand, you are promoting fair trade coffee, but you also have Lantic sugar. Lantic sugar just became the first major Canadian initiative on sugar products, and you will be selling, buying, or sharing fair trade sugar—

**Mr. Paul Dewar:** I just kicked sugar.

**Mr. Tom Smith:** —but that's an immediate thing. So to answer your question, Mr. Dewar, I think the Government of Canada can take a lead, mandate, and encourage the procurement departments right across the country, because fair trade products are available in over 70 product categories and right now in Canada there are about 27,000 different products.

**Mr. Paul Dewar:** And you can buy them at Mr. Chant's store too.

**Mr. Tom Smith:** Sorry?

**Mr. Paul Dewar:** You can buy them at Mr. Chant's store.

**Mr. Tom Smith:** Yes, well, I would say not enough, but there are significant changes.

**The Chair:** We're out of time here, guys.

**Mr. Tom Smith:** Okay, but I do congratulate Loblaws. We're doing a pilot project right now with Loblaws on fair trade flowers from Ecuador. So it's those types of initiatives.

**The Chair:** Thank you.

Thank you, Mr. Dewar.

We're going to move it over to Ms. Brown to finish up.

**Ms. Lois Brown:** Thank you, Mr. Chair. My question is really directed to Ms. Brisebois and Mr. Chant.

We talked about buying. Really, what it comes down to is changing a culture in North America. We used to have a very robust garment industry in Toronto. In fact, up until 30 years ago, we still had shops on Spadina Avenue downtown. I visited some of those shops. I was in a shop in Brampton 10 years ago that probably was very questionable, and probably needed some inspectors to go in there.

I would hazard a guess that if we went around this room here today, we would find that the clothes that we are wearing were not made in Canada, or very few of them were made in Canada. They were probably made in Vietnam, Cambodia, or Bangladesh. What it comes down to is a price point.

I guess my question for you, Ms. Brisebois, because you say that you represent 45,000 retailers across Canada, is this. It takes selling a whole lot, selling hundreds and hundreds of \$10 T-shirts for your retailers to pay the cost of the rent in some of the malls they occupy, so where does the price point hit, that it no longer becomes viable or that we start increasing the prices to the purchasers here?

We all know our attitude. Everybody says, "Look what I got on sale", so it becomes a very fine balancing act from the point of view of a business active in Bangladesh. You say that Bangladesh wants you to stay there, Mr. Chant. So how do we make that happen, that we hit that happy medium where we are providing the safety and security for the people in Bangladesh, and yet you are still able to operate there and we still find Canadian retailers who want to sell to Canadian purchasers who want to purchase at that price? Where is that balancing point, and how are you managing that, first of all, for the retailers, and for the producers?

• (1730)

**Ms. Diane Brisebois:** I was going to throw that question to Bob, but I think Bob would want me to take that.

It is a very interesting question and I wish we had more time. I can see that we have very little. It's very challenging for Canadian retailers, specifically because we are dealing in a global environment. Retailers in Canada are small in comparison to their competitors, most obviously in the United States, so price points are extremely important for retailers.

There's no question that this is one of the reasons they try to source around the world to try to get the best prices. That said, they're also aware that customers want quality and assortment, so it's a balancing act.

I think the challenge has also been for those manufacturing companies in Canada to find people who want to work in those factories for wages that are often not seen as competitive. It's a very, very challenging environment for retailers.

I believe, though, that consumers have and will, as Bob mentioned, send very clear signals about quality of product, where product is made, and also price points. Retailers have to stay very close to their customers, follow their lead, and try to respond as quickly as possible.

**Mr. Bob Chant:** You asked the toughest question at the very end of our discussion. Hopefully, what we have been saying and doing are in large part an answer to your question. We are taking the steps that we believe are necessary to ensure there are safe workplaces in Bangladesh. We do believe that our company offers choice first and foremost. I believe we're a country that believes we can compete on the international stage, and that means being open to buying and selling with all countries around the world.

If we truly believe that, then we should focus on the issues that we're here to talk about today, which is workplace safety and ensuring that we're not taking advantage of people. But at the same time, some countries are going to offer more price advantages than others. That's just the nature of the marketplace. We as a retailer want to take advantage of the world that's in front of us and offer our customers as much choice as possible in a responsible and ethical way.

• (1735)

**The Chair:** That's all the time we have.

Ms. Brisebois, thank you very much for being here today via video conference. Mr. Chant, and Mr. Smith, thank you for taking the time.

**Mr. Paul Dewar:** Chair, not to put you on the spot, but just before we go, I am wondering if the government would consider looking at just a couple of recommendations following the testimony, and if we could discuss that at another time.

**The Chair:** We could probably talk about that on Wednesday.

The meeting is adjourned.

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