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**The Leather Sector after the
Tanning Industry Relocation:
Issues and Challenges**



**POLICY
BRIEF**

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The Leather Sector after the Tanning Industry Relocation: Issues and Challenges

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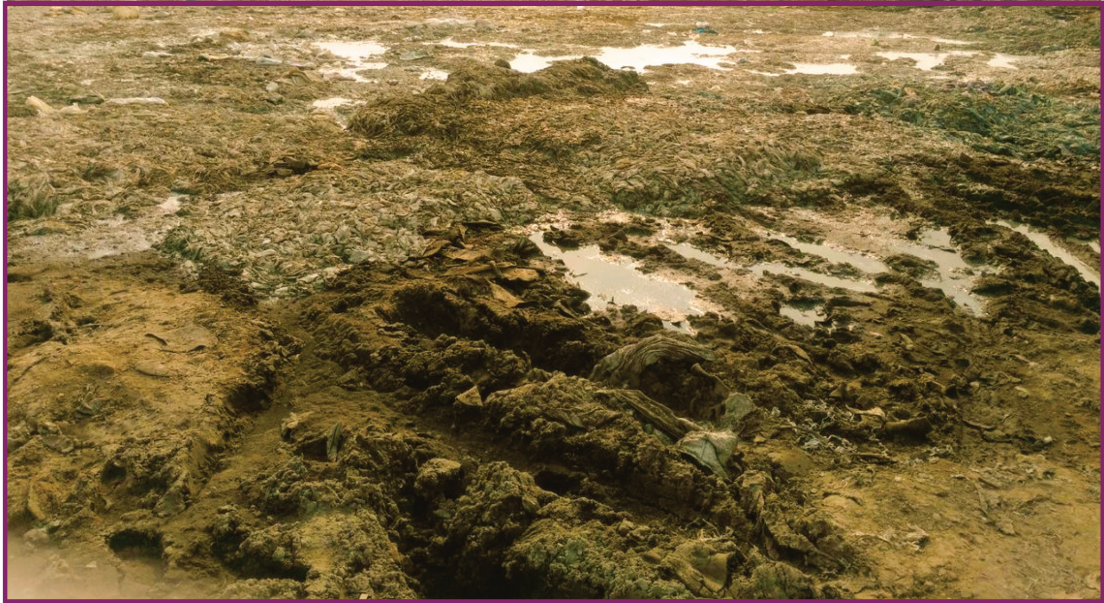
Introduction

Prior to the relocation of the tanning industry in Savar, the leather and leather goods sector was portrayed as capable of exporting \$5 billion by 2021. The sector was considered to have held a great promise for promoting export diversification and there by widening the country's narrow export basket, which is currently dominated by readymade garments (RMG). The leather sector has advantages to leverage a secured supply of raw hides and skins domestically and to move towards the production and export of high value-added items by processing wet leather to finished goods. (European Union, 2013; Paul et al., 2013; Strasser, 2015; Harris, 2016). However, since the relocation of the tanning industry, the export performance of the sector has met with setbacks. The export earnings from leather and leather goods in 2017-18 fell by more than 12 percent to \$1.08 billion from \$1.23 billion in 2016-17. The figures for the first eight months of FY 2018-19 are also quite disappointing with a negative growth in export receipts persisting. Although a comprehensive analysis of the reasons for this dismal performance is lacking, disruption in production arising from the relocation of tanneries is widely regarded as a principal reason.

Progress since relocation

The relocation of old Hazaribagh tanneries was first seriously conceived in the 1990s and then a policy of relocation was formulated by the Government of Bangladesh in 2001. However, the process of relocation could eventually begin in early 2014 with the government allocating land for 155 tanneries in the Tannery Industrial Estate (TIE) in Savar. A majority of the tanneries were compelled to shift the factories in April 2017 as the government decided to disconnect the utility supplies to their old establishments in Hazaribagh. According to a recent report by BSCIC, among the selected 155 owners, as many as 123 have already started processing of leather in the new factories, while 18 are under construction. Nevertheless, a smooth functioning of the tannery estate has not yet been possible even after five years of relocation.

The relocation of the tanneries started with the construction of a Central Effluent Treatment Plant (CETP) and was closely followed by the construction of new factories in the TIE by early 2014. The relocation project was initially slated to end by December 2016, which would be extended for quite a few times to June 2019 as per the latest revision. According to the relocation plan, the TIE should be equipped with a CETP



Open dumping yard

Chrome Recovery Unit (CRU) and Sludge Treatment Plant (STP) to help the industry comply with international standards in production practices while minimising any adverse consequences on the environment. At present, the construction and functionality of the CETP has edged towards the completion, but the CRU and STP will require further work before their being fully functional.

Building other physical infrastructures like roads and drainage systems and setting up utility connections have been accomplished to a great extent. According to recent BSCIC report (published in February 2019), 130 factories have received electric connections while gas and water supplies have been made available to 66 and 114 factories, respectively.

As the relocation of factories proceeded in the TIE, the Ministry of Industries (Mol) implemented the compensation scheme for the tannery owners upon fulfilling the required conditions of relocation. As of March 2019, a sum of approximately TK 2119.94 million (i.e. 81.52 percent of the total compensation fund) has been distributed against the committed sum of Tk. 2600 million. Data from the Mol show that a majority (69 percent) of the tanneries have received at least 80 percent of the compensation committed. Around 10 tanneries are yet to reach the stage of construction required to receive the first installment of the compensation scheme.

CETP and other environmental compliance issues in the TIE

The Central Effluent Treatment Plant (CETP) is at the core of the relocation project of the tanning industry. With a capacity to treat 30,000 cm³ of effluents a day, the CETP is built to avoid environmental pollution and to ensure environmental compliance of the industry in the new location. As mentioned above, the CETP is accompanied by other supporting components like the Chrome Recovery Unit (CRU), Water Treatment Plant (WTP), Sludge Treatment Plant (STP), and a dumping yard. Reportedly, the CETP is not running at its fullest efficiency as some of the facilities are yet to be installed. Dewatering tanks, sludge thickening, and sludge recycling processes are not installed yet. As a result, sludges are now dumped into the dumping yard, which is likely to be filled up before the end of 2019. It thus reinforces the need for a sludge recycling system. The tannery owners and environmental activists are asking for quick installation of all the necessary units related to the CETP before the beginning of the peak season by August 2019.

Lack of BSCIC's understanding with the current contractors, inability of the CETP to take the full load of effluents in the peak season, and ensuring proper screening of wastes and effluents at source are some of the major challenges in operating the CETP sustainably. Recycling sludge, a by-product of the effluent treatment process, has also become an important concern, as the dumping yard is being overburdened with sludge. This is not helpful as the tannery owners would like to secure the accreditation of the Leather Working Group (LWG) for their tanneries. To certify a tannery for its compliance, LWG have a requirement that the CETP ensure a treatment quality with a minimum level of Chemical

Oxygen Demand (COD) and Biological Oxygen Demand (BOD) maintained in the treated water as per LWG standards. According to BUET experts, the allowable limit of BOD has been achieved. However, the level of COD, chromium, and ammonia cannot meet the LWG standard. Hence, the CETP might achieve the points at a Bronze standard with its existing setup while achieving Silver and Gold standards will certainly need more investment and strong commitments from all the concerned stakeholders.



Drainage system

The Leather Working Group (LWG) is made up of member brands, retailers, product manufacturers, leather manufacturers, chemical suppliers and technical experts that have worked together to develop an environmental stewardship protocol specifically for the leather manufacturing industry.



CETP : Central Effluent Treatment Plant



Sludge carrying to dumping yard

Table 1: Raw and treated tannery wastewater quality

Parameter	Unit	Raw wastewater (Inlet)	Treated water (Outlet)	Allowable limit (ECR'1997)	Status
COD	Mg/L	4870	505		⊗
BOD	Mg/L	1200	40	<100	Achieved
NH ₃ -N	Mg/L	235	90	<50	⊗
Chromium	Mg/L	64	2.5	<2	⊗
TDS	Mg/L	8898	7150	<2100	⊗

Source: Bureau of Research, Testing and Consultation (BRTC), BUET, March 2019

Finally, as per the revised MoU of 2013, the CETP will be operated by an autonomous company formed with the representatives from tannery owners as well as from relevant government agencies once the existing contractors accomplish the implementation of the CETP and other supporting units. As the current contract with the existing contractor ends in June 2019, the urgency of forming the company is now imperative. However, the process of the company formation still awaits approval from the MoI. A major concern is the running and maintenance costs of the CETP, which needs about Tk 30 million per month i.e. about Tk 40 for treating per cubic meter of effluents. Clearly, the tannery owners need to be strongly committed and united in ensuring sound operation and well maintenance of the CETP under the autonomous company.

Labor issues in the post-relocation period

The tannery workers were not a part of the relocation agreement and thus could not voice their concerns properly. The Tannery Workers' Union (TWU), as the major representative body of the tannery workers, tri-educating the issues of accommodation, transportation and medical facilities before relocating to the TIE. However, it has been alleged that the tannery owners were mostly busy negotiating their own demands and the government authorities, too overlooked the workers' demands.

Wages and other benefits

To ensure a fair wage, the TWU had to negotiate a formal agreement with the tannery owners to pay the temporary workers at least Tk. 8,000 per month whereas the permanent workers currently get about Tk. BDT 11,000 per month. Most of the workers are temporary and do not get any extra benefits and allowances. However, housing, transportation, and food have become way too costly in Savar in comparison with that of in Hazaribagh. Many workers left tannery jobs due to the inability to relocate given the accommodation and transportation problems. Many however still travel to Savar (from Hazaribagh) often by hiring buses for themselves. Although some companies provide for transport facilities for their officials and managers, they have refrained for the workers. Reportedly, a few tanneries arranged transportation for their workers in the first couple of months after the relocation, but it was discontinued later. Most workers find managing accommodation in nearby areas at a reasonable cost is one of the biggest challenges. So far, only one tannery has built a colony nearby, but other tanneries do not have any such plans in the near future. Along with the wage issue, the TWU also supports the workers to ask for their rights to other benefits like housing, transportation, health and so on.



Scenario of working condition inside factory

Safety at the workplace

Construction of new factories in the TIE has not brought significant changes in terms of occupational safety of the workers. While the tannery owners have brought new machineries for better processing of leather but are reported to have not brought newer and better safety equipment for the workers. Even where the PPE is available, their number is not enough. The survey data reveal that about 40 percent of the respondents have received gloves and boots from the factories while the remaining 60 percent have received no PPEs. Preparation for fire safety at the factories has been quite weak because of lack of necessary infrastructure and training for workers. About two-thirds of the respondents have seen fire exits and more than half have reported seeing fire extinguishers at their respective tanneries. However, only five percent of the respondents received a firefighting training.



Working condition in tannery



Scenario of chemical storage inside factories

Working conditions at the new TIE factories

The working conditions after the relocation have barely improved as per the workers. There are about eight thousand workers from 30 tanneries involved in TWU activities. Large and medium tanneries are affiliated with the TWU, while the small ones are often run by third party contractors and are reluctant about their participation. Generally, the standard working hours are maintained in the TIE, but the non-affiliated tanneries barely pay any attention to working hours and other forms of labour rights. The tanneries rented to third-party contractors have no fixed working days and hours and rather have seasonal assignments of completing the job by a deadline.



Working condition in drum section

The workers under the third-party contractors work days and nights relentlessly when there is an assignment to accomplish within a deadline but roam free when there is no assignment and yet they are paid on a monthly basis. About 60 percent of the workers seem to have insufficient knowledge on the minimum wage which has been declared by the government for the tannery workers. Nonetheless, the workers acknowledge the contribution of the TWU in different aspects including recruitment, wages, raising awareness and so on.



Workers working in the dust area

Facilities at and outside the TIE

There is no medical facility nearby for the workers. Small medical centres are located in Hemayetpur, about 4 kilometres away from the TIE, while full-fledged medical hospitals are located more than 10 kilometres away (near Savar city). Housing facilities and obtaining low-cost food in nearby areas are bigger challenges. Food and accommodation cost has doubled, as the workers perceive. Commuting to and from the TIE is difficult as the area is far from the nearest urban centres and lack good public transportation system. Furthermore, accordingly to many workers, dust in the air has also become a serious problem, leading to asthma attacks among the workers. Poorly maintained roads, drainage systems, and the footpaths are some of the major reasons behind the massive dust problem. According to the workers, despite all the adversities they facing, they are hardly compensated, while the tannery owners have been compensated by the government.



Scenario of food accessibility for tannery workers in TIE

Community perception regarding the relocation of the industry

Community people of Hazaribagh

The residents of Hazaribagh have both benefitted and suffered for decades due to the tanning industry before its recent relocation. People who were employed in the tanneries and were involved in any business, directly or indirectly, related to the tanning industry were the major groups of beneficiaries in financial terms. However, there is no denying that health and environmental issues were of concerns for all. Overflowing drains with effluents, and pollution of air, water, and soil affected the community people in their day-to-day life. The relocation of the factories has brought visible changes to the environment of Hazaribagh. The drainage system has improved significantly, and the residents also perceive improved air quality devoid of smells of raw hides and chemicals. The water quality in the closer waterways of Hazaribagh as well as of the river Buriganga has reportedly improved over the past couple of years.

Community people of Savar

The people of the nearby villages, especially in Bokchor, used to use the river water for different purposes such as bathing the household animals and for irrigation. There were no purpose-built ponds in the area earlier as the river was a great source of fresh water. Some households even used to collect water from the river to cook foods and to wash dishes. However, during the interviews and group discussions, the residents claimed that the water of the Dhaleshwari river has become not only 'useless' now but also 'toxic' in recent years. The interviewees reported severe itching and other skin problems from the use of the river water. Use of the river water in other day-to-day activities is feared to cause extreme water-borne diseases, as the residents suggest. Moreover, the non-usability of river water causes a great deal of sufferings to the farmers who constitute about 75 percent of the people of the nearby villages. For the farmers of Bokchor, the cost of irrigation has increased substantially due to the need for using motor-driven deep tube-wells for irrigation.

There is also a socio-cultural aspect of the river water and air pollution. Previously, people of all ages – from young to elderly - used to swim together in the river. This was a source of entertainment and social bonding. However, due to severe pollution, such an opportunity is lost now. Furthermore, as the air of this area stinks during the spring and summer time, social life in the villages is also disrupted. People from other areas often refuse to pay a visit to Bokchor and other neighbouring villages during the spring and summer due to the bad smell, as the residents of Bokchor mentioned. Consequently, financially better-off people are leaving the villages.

The situation of the people of Horindhora is a bit different from that of the residents of Bokchor and other villages on the opposite side of the river. As Horindhora stands on the same bank as the TIE does, the people of Horindhora are able to take advantage of their location. They now rent their houses to the tannery workers and employees of the tanning industry. Opportunities to earn from rents and other new businesses have expanded with the relocation of the tanneries to Savar. Some residents of Horindhora are now shifting to nearby towns after renting their houses off to gain from the increased rents as well as to avoid the pollution by the tanneries.

Policy recommendations for the relevant stakeholders

The relocation of the leather tanning industry has been confronted by several challenges with the most important one being not having a fully functional CETP with other supporting units. Various stakeholders have already questioned the quality of construction work and suitability of the facilities. According to the experts, if the quality of CETP and other supporting units is compromised, the whole purpose of the relocation could prove to be not very worthwhile. There are also other challenges like maintaining physical infrastructures, controlling water pollution, and addressing the welfare issues of the workers. The following provides a list of recommendations that have been prepared in collaboration with various stakeholders.



Inclusive dialogue on prospects and challenges of Tannery sector in Bangladesh

➤ Relevant stakeholders including the tannery owners as well as the workers emphasize the need for robust maintenance of the roads and an integrated drainage system throughout the Estate.

➤ Immediate implementation of chrome recovery constitutes a priority for BSCIC and other implementing partners. At the same time, BSCIC engineers and CETP contractors stress on the urgency of separating chrome at source so that the chrome-rich water reaches the CRU separately to make the recovery process smoother.

➤ While indicating the limitations of the current CETP, all the stakeholders prioritize immediate completion of all necessary units of CETP for the sake of the credibility and sustainability of the TIE project.

➤ Ensuring screening and separating of effluents at tannery points has been a major obstacle in attaining proper treatment of effluents at the CETP. As directed by the High Court, the tannery owners are supposed to apply 3stes of screening before discharging effluents, which is hardly observed. The Department of Environment (DOE) can consider introducing penalties for tanneries, discharging effluents and wastes without proper filtering and screening.

➤ Attaining a proper accreditation for the CETP will be the immediate priority after its completion in the upcoming months. All the relevant stakeholders insist on achieving LWG certification. According to experts, some big tanneries can also attain LWG certification where a score on CETP will be added.

Apparently, information gaps regarding the operation of CETP and other supporting components are severe among the most important stakeholders like the tannery owners as well as workers. As the field reports suggest, many tannery workers as well as some tannery owners believe that the CETP is not operational for 24 hours a day as it is shut down at night after the daylong operation. Raising awareness among the relevant stakeholders through seminars and workshops regarding the operation of CETP and other supporting components can be helpful.



The revised MoU of 2013 suggests the formation of a company with representatives from both government agencies as well from tannery owners' associations to operate and manage the CETP in the very near future. BUET experts suggest that the company may need to hire experienced engineers from home and abroad to manage the CETP smoothly. Unless a careful plan is developed now, managing the facilities could prove to be daunting prospects.



Some experts suggest that repairing the mechanical and electrical part on top of the existing civil work can be a temporary solution while increasing the CETP's capacity by adding additional modules can be a long-term solution. Another opinion of a group of experts is that adding a couple of additional modules with membrane technology as well as reverse osmosis technology can address the immediate as well as future problems. However, one aspect where most of the stakeholders seem to stick with is the appointment of European companies with proven experience of CETP to construct the additional modules in future.



The urgency of implementing a sludge recycling system has been acknowledged by all concerned. According to the experts, BSCIC need to call for tenders immediately to select bidders to build a sludge recycling system. BUET experts suggest installing the reverse osmosis technology in additional modules of CETP in future will enable the total dissolved solid (TDS) mechanism in the CETP which is currently unavailable.



Government can announce and implement an incentive structure for the tanneries on the basis of proper environmental as well as other sorts of compliance. Screening effluents at the source before disposal, separating chrome from other wastes, and ensuring occupational and fire safety for the workers at the factories can be some of the important indicators of compliance at the tanneries. Based on satisfactory performance on the proposed indicators, incentives for tax rebates can be offered by grading the companies in terms of their technical and environmental compliance at the tanneries.



For the tannery workers of the TIE, a full-fledged medical hospital is the first priority and developing housing facilities is the next in the list. In addition, maintaining the roads and drainage systems properly to lessen the dust problem at the TIE is another important demand of the workers.



As local people suggest the pollution of river water becoming an acute problem due to the siltation in the downstream. If the siltation can be cleared from the downstream, the water will flow smoothly and the quality of the water will improve significantly. In addition, it has been found by the BUET experts that water quality in the upstream of nearby river is worse than what the CETP discharges in the nearest part of river. Hence, more inspection of dyeing factories in the upstream of the river to control pollution can bring some meaningful change in the quality of river water.



As BSCIC remains involved with the TIE even after the transformation of the project to a company in the near future, the higher officials appointed for TIE needs to be from an engineering background. Experts have suggested the creation of a separate cell at the MoI, other than BSCIC, to deal specifically with the issues of the tanning industry. If BSCIC remains involved, some tannery owners suggest BSCIC officials' learning from the Bangladesh Export Processing Zone Authority (BEPZA) on the ways of managing a special economic zone.



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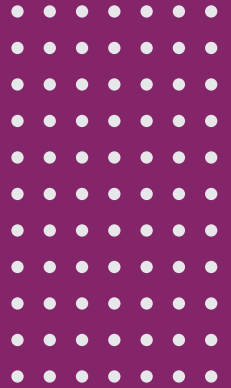
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