

Fashion & Textiles post Brexit

UKFT

The UK Fashion & Textile Association is the most inclusive British network for fashion and textile companies. UKFT brings together designers, manufacturers, agents and retailers to promote their businesses and our industry throughout the UK and internationally, representing over 2,000 businesses throughout the F&T supply chain.

The Industry in numbers

- British consumer spent £66bn on fashion and textiles in 2015
- The manufacturing side of the industry employs approximately 105,000
- £8.3bn of fashion and textiles is made in the UK
- Exports of fashion and textiles are worth £9.1bn, up 28% in the five years since 2012
- The European Union was the UK's biggest export market for textiles and apparel in 2016, accounting for 74% of UK exports. UK apparel and textile exports to the EU have risen by 36% over the past five years and now stand at £6.7bn.
- The UK trade deficit in fashion and textiles increased to £15.4bn in 2016, up from £15bn in 2015. This figure represents an increase in the value of imports from £23.4bn in 2015 to £24.5bn in 2016. 45% of our textiles are imported from EU and 25% of our clothing.
- The industry is dominated by SMEs and micro businesses with 82% of companies employing fewer than 10 people.

If you include the wider fashion and textile industry that covers fashion retail, publishing, jewellery etc the industry employs over 800,000 people and contributes over £26 billion in GVA.

Talent and Skills

There is a huge concern over the impact that the vote to leave will have on the employment pool available to the industry. The fashion and textile industry is highly international and access to skilled talent from the EU is vital to the continued growth of the sector.

On the design side, many of our leading entrepreneurs are from the EU, having come to the UK initially to access the world leading fashion design courses at our universities and colleges. Many leading designer names showing at London Fashion Week are from the EU and have established thriving businesses in the UK. The Government must ensure that the tightening of immigration control does not discourage new businesses to start-up in the UK or force existing businesses and start-ups to relocate to other countries.

The UK still has a considerable manufacturing industry employing some 105,000 people and producing almost £9 billion of product from Savile row suits to highly technical fabrics used in sectors such as aerospace, medical and the military. A recent report has estimated that we will need 20,000 new manufacturing jobs in our sector and we won't be able to recruit all these new employees from home grown talent. In many cases employment in fashion and textile manufacturing takes place in geographical locations that are significantly deprived and in many instances the sector provides the only meaningful source of local employment.

In areas such as London where there are 13,650 manufacturing employees, making clothing for both the high-end and the high street, it has been estimated that 70% of the workforce is from the EU. There have already been instances of skilled workers leaving companies to return home due to the uncertainty of their future, directly impacting these businesses abilities to take on additional work. Companies have established their own training schools to help improve their access to skilled workers but more often than not the trainees at these schools are EU nationals.

Due to a lack of focus on manufacturing as a positive career in schools and colleges there is currently a limited pool of home grown skilled manufacturing talent. Companies are forced to recruit from countries such as Poland, Romania and Hungary where workers have the appropriate skills.

The importance of skilled EU workers is important in other highly significant areas of the fashion sector including models, hair and make-up artists and photographers. Many of the roles are undertaken on a freelance basis. Any new visa programme must be flexible enough to allow for the needs of freelance workers. With regard to fashion retail, the British Retail Consortium estimates that approximately 120,000 EU nationals are employed in the UK retail industry.

The government needs to urgently resolve the status of those EU nationals that currently live and work in the EU. The government must also rapidly introduce a simple but effective system to allow the brightest and best talent to come and work in the UK. The brightest and best must mean both the leading designer but also the sewing machinist, pattern cutter or weaver. Under the existing visa scheme for non-EU nationals, jobs such as sewing machinists are not classified as highly skilled. This is inaccurate and must not be repeated when establishing the new system for accessing EU talent. New visa laws must also recognise that highly skilled roles do not necessarily equate to highly paid jobs. A highly skilled sample machinist who turns a designer's creativity into the dress on the catwalk will earn less than the Home Office's current threshold of £35,000 needed to secure permanent residency.

Brexit could have a positive impact on the manufacturing that is vital to the creative industries but if access to skilled workers from the EU is not guaranteed then it will be extremely difficult for the manufacturers to capitalise on the increasing interest from designers, brand and retailers to get more made in the UK.

International Trade

Exports

The Government has previously expressed the view that increasing exports is key to rebalancing the UK economy and has set targets to increase the value of UK exports to £1 trillion by 2020.

The EU is by far the largest destination for UK fashion and textile exports. Unlike other industries, exporting is often the first route to market for new designers and brands.

UK exports of apparel and textiles were worth £9.1bn in 2016, rising from £8.5bn in 2015. 2016's figures are up 28% from £7.1bn in the five years since 2012. Apparel exports alone have risen 41% to £6.2bn in this five year period, up £1.8bn.

The European Union was the UK's biggest export market for textiles and apparel in 2016 - accounting for 74% of UK exports. UK apparel and textile exports to the EU rose from £4.9bn in 2012 to £6.7bn in 2016. Within the space of five years, this represents an increase of £1.8 billion or 36%.

The free movement of goods and tariff free trade with the EU are key contributors to these figures.

The Prime Minister has ruled out remaining part of the Single Market and of staying within the Customs Union. With the EU accounting for 74% of the industry's exports and 30% of our imports it is vital that the Government conclude a trade deal with the EU which delivers tariffs as close to zero as possible.

If the Government fails to secure a deal with the EU and we have a 'hard Brexit' we would have to move to WTO trade rules. The average WTO tariff on F&T products is between 10-15%. F&T products are already as much as 20% higher due the fall in the value of Sterling. A hard Brexit combined with a continued poor exchange rate could result in product becoming 35% more expensive. The structure of the supply chain means that retailers would be unable to pass this cost on to their suppliers and would therefore be faced with either increasing prices or losing a significant amount of their margin.

The free movement of goods across the EU is also vital to maintaining the competitiveness of the sector. A typical garment will have fabric sourced from one country in the EU, hardware from another, all shipped to another country to be manufactured and then back to the UK to be warehoused and shipped worldwide. Taking the UK out of the single market and customs union will see more goods created in the EU, warehoused in the EU and shipped from the EU, which in turn will see more offices established in the EU and jobs created in the EU.

Any slowing down of the movement of goods as new export/import documentation is required or as new border controls are introduced will significantly reduce the UK's ability to compete with the EU fashion and textile industry. The industry is hugely reliant on tradeshows acting as the 'shop front' to the industry. Hundreds of UK fashion and textile companies exhibit at tradeshows every year. While many of the tradeshows are held in the EU, they are in fact global exhibitions which attract buyers from around the world. These include the likes of Paris Fashion Week and Premiere Vision. Currently UK companies can take their samples to exhibitions in the EU without the need for any additional documentation. Any change to this situation could prevent many smaller fashion brands from taking their first steps into the world of export.

New Free Trade Agreements

The fashion and textile industry is already global; brands and retailers have a presence worldwide and many more sell internationally through e-commerce. However, the UK needs to rapidly agree meaningful trade deals with key export markets. For the fashion and textile sector our key markets outside of the EU are the USA, Japan, South Korea, China, Canada and Australia and New Zealand.

All trade deals must address the issue of tariff free access and the barriers to entry to those markets including local standards, as well as NTB's and ensuring the protection of intellectual property and labelling issues. For example, exporters to the USA currently have to use wash care symbols that differ to those used in the UK and much of the rest of the world.

Non-Tariff Barriers (NTBs)

Non-tariff barriers to trade are trade barriers that restrict imports or exports of goods or services through mechanisms other than the simple imposition of tariffs. They may take the form of import quotas, subsidies, customs delays, technical barriers, or other systems preventing or impeding trade. According to the World Trade Organisation, non-tariff barriers to trade also include import licensing, rules for valuation of goods at customs, pre-shipment inspections, rules of origin ('made in'), and trade prepared investment measures.

When negotiating new trade deals both with the EU and with other markets, the Government must give full consideration to ensuring that there is no increase in non-tariff barriers to trade. Every effort should be made to eliminate any existing NTBs.

Sourcing

The UK is not just a significant exporter but also imports a huge amount of clothing and textiles. In 2015 the UK was the EU's second largest clothing import market in value terms with a 17.7% share of EU clothing imports into all member states; in volume terms it was the largest with a 22% share.

While Brexit could see an increased interest in UK manufacturing there are many products that are not made in the UK and therefore have to be imported. Examples include everyday items such as zips.

The UK Government needs to ensure that the UK is able to continue to access both EU and non-EU markets in order to access both raw materials and finished goods. In the mid 1990's many high street retailers significantly increased their purchases from new and emerging markets including Turkey, Pakistan, Bangladesh and China. Currently UK retailers and brands can access goods from Turkey duty free. Similarly, under the Generalised System of Preferences, UK retailers and brands have been able to access clothing and other goods from Bangladesh, Cambodia, Myanmar and Pakistan duty free. However, these duty free arrangements exist due to our membership of the EU. We therefore urge the Government to ensure a swift conclusion to trade deals that focus not just on access to foreign markets but also access to foreign goods.

Business Support

If the UK is to become the international trading nation that the Government and industry hopes for, then the Government need to do significantly more to help our fashion and textile companies export. Currently the Government has yet to agree the level of export support there will be post-March 2017. We need the government's support to access new markets, to show that the UK is open for business and that means greater help for our exporters. Last year the industry received around £650,000 in support, which saw almost 650 companies visit overseas trade shows such as Pitti Uomo, Premier Vision and Paris Fashion Week. In comparison, the Italian Government spent \$20 million promoting the Italian fashion industry in the USA alone.

UKFT has prepared a national export strategy for the sector, which will be transformational for the industry's export capacities and outcomes. Real progress towards the Government's 2020 goals cannot be achieved unless industry is given the adequate tools. The UK will fail to keep pace with EU competition in key markets unless the Government commits to long-term additional budget and resource to allow industry to plan. The Strategy would give the Government the ability to really connect with industry to deliver the Government's export targets, while making more efficient use of existing DIT resources, both in the UK and overseas.

Underpinning this proposal is a request and desire for a new and meaningful partnership between Government and the bodies which represent the industries. Under the proposal, UKFT and others, in agreement with DIT, would assume overall responsibility for setting and delivering a properly resourced and funded programme of export promotion to increase the sector's exports by £1.5 billion and grow the number of exporters by 170% by 2020.

Stable Regulatory Environment

UK companies will need to continue to comply with employment, environmental and other EU-made regulations. Even after we leave the EU, UK companies will need to meet EU regulations in order to sell their products in to the EU.

Therefore, the UK government should passport the entirety of EU law into UK law. Particular focus should be placed on ensuring that regulations in the following areas mirror the position within the EU:

- Employment Regulations
- Health & Safety
- Product Safety & Standards
As well as issues such as the General Safety Product Regulations, the fashion and textile industry is also concerned over the UK's future involvement with CEN. Many performance and safety standards used in the industry are produced via CEN and these can cover issues such as the identification of carcinogenic chemicals and the safety of childrenswear.
- Environmental Regulations
A significant majority of the UK's environmental legislation is based on EU regulations. For the fashion and textile industry REACH, the Biocidal Product Regulation, the Waste Framework Directive and the Industrial Emissions Directive all have a significant impact. Companies already operate to the requirements of these regulations and will have to continue to do so in many instances. Leaving the EU must not see a reduction in the protection of the environment.

Intellectual Property

The industry relies on its ability to protect its innovation and creativity through a range of cost effective EU intellectual property rights. The protection offered by EU Trade Mark (EUTM), Registered Community Designs (RCD) and Unregistered Community Designs (UCD) will disappear unless a process is put in place to preserve all the existing and new IP protections. When we leave the EU, companies will be faced with having to register designs twice; once in the UK and once in the EU.

While registered design rights are currently harmonised across the UK and the EU, there are significant differences between the EU and the UK in relation to unregistered designs. Under the EU's Community Unregistered Design Right (CUDR) designers enjoy protection for 'novel surface design' i.e. how a garment looks rather than its functional aspects. This protection is excluded from the UK's Unregistered Design Right. It is crucial to the fashion industry that this protection be included in any post Brexit IP package.

CUDR also currently offers protection to designs debuted in the UK at events such as London Fashion Week. If this protection disappears many designers would be disinclined to launch new collections at UK trade shows.

Once the UK leaves the EU, unless some alternative agreement is reached, existing EUTMs, RCDs and UCDs will no longer extend to the UK. As a key priority, a process must be put in place to preserve all accrued and pending IP rights. This must be administratively simple and with minimal cost implications (preferably no cost).

Any new applications for EUTMs and RCDs will not extend to the UK.

Unless some alternative arrangement is reached, businesses wishing to obtain registered protection for their brands and designs in Europe (including the UK) will need to apply for both EU and UK trade marks/designs. Some businesses are taking this step already, filing both UK and EU applications. The result will lead to increased costs for IP protection enforcement, as EU-wide relief will no longer extend to the UK.

The fashion industry relies significantly on UCDs. If the UCD no longer extends to the UK, designers will need to consider either filing for a UK registered design, or whether they can rely on UK unregistered design right or copyright. The scope of protection for UCD and UK unregistered design right is not the same.

Counterfeit goods within the fashion sector is a significant problem and is an area where co-operation could be strengthened in the course of building new trade relationships with non-EU countries. Government should also make it a priority to ensure that copyright protection is a fundamental part of any new international trade deals.

Supporting Investment and Innovation

From skin for robots made from woven textiles, to textiles that are able to monitor vital health signs and administer medication directly to patients, there is significant world-class research being carried out by UK fashion and textile companies.

Textile innovation in the UK is ranked number 3 in the world and number 1 in Europe, based on patent generation between 2000 and 2015. A recent survey by the Alliance Project shows that spending on R&D in the industry stands at 5% of turnover, which is above the average for all manufacturing industries.

There are major growth opportunities for UK companies in medical textiles, advanced materials and composites and smart textiles.

EU research programmes have been a key source of funding for research and development in the industry. Over 10,000 UK businesses received support under the EU Framework 7 programme, accounting for some £1.2 billion of investment. Figures for Horizon 20:20 are equally encouraging with over 1,000 companies part of EU funded projects with total funds amounting to £411 million and of which £80 million went to SMEs.

The latest Innovation survey from the Department for Business Energy and Industrial Strategy showed that access to finance is cited as the number one barrier to innovation. It is therefore vital that the Government secures access for UK companies to EU research funds.

In addition to ensuring access to EU funding, the Government should invest significantly in R&D within the fashion and textile industry. The industry is a vital component of a huge range of other major sectors including medical, military, aerospace, transport, hotels, sports and construction.

UK Government intervention could include:

The facilitation of innovation in the UK Fashion and Textile manufacturing supply chain (the Government's normal model of working with leading manufacturing 'primes' won't work in an industry dominated by micro businesses).

Ensuring innovation competitions are introduced specifically for the fashion and textile industry alongside advice and guidance that would allow micro and small businesses to access funds and invest in new product development.

Providing support for industry collaboration, just as the Government has done in the aerospace and automotive sector, to encourage joint approaches to research, investment and training.

As an example of how Government can stimulate innovation in the fashion and textile sector, recently the USA's Department for Defence, together with 89 universities and manufacturers, came together under the Advanced Functional Fabrics of America Alliance. It brings together partners from Federal and State Government, industry and academia under one Institute. This Institute aims to accelerate technology transfer to enable revolutionary commercial and defence applications. The Federal Government has contributed \$75 million dollars, with industry and academia contributing a further \$250 million. This dwarfs anything the UK government has ever invested in UK fashion and textiles however industry and government should consider the approaches undertaken by other countries to progress this area.