

‘British brands will die’: Fashion raises the alarm on Brexit trade deal

Costs and paperwork are spiralling because of Britain’s new deal with the EU, designers and executives say



From left: designer Roksanda Ilincic; photographer Nick Knight; British Fashion Council chief executive Caroline Rush; designer Paul Smith © Getty Images; Reuters; Shutterstock; Victoria Birkinshaw

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“It’s been an absolute disaster.” Ben Taylor, co-founder of the British knitwear brand Country of Origin, is reflecting on his first month of business post-Brexit. The brand produces all its colourful intarsia cardigans and cable-knit sweaters using British wool at its own factory in the British Midlands, and attributes about 30 per cent of its online orders to the EU. Taylor says the paperwork is now a persistent headache. “One jumper was rendered an animal product by a duty official in the EU and the customer got slapped with a €200 import bill,” he says. As a result, some European customers have stopped shopping; sales in the region are down 58 per cent from pre-Brexit levels. “People have heard the horror stories,” he says.

These issues are among many raised in an open letter to Prime Minister Boris Johnson this week, where 451 leading figures from the UK’s fashion and textile industry, including the model Twiggy, the designer Roksanda Ilincic and photographer Nick Knight implored the

government to urgently meet to discuss solutions that would “save our industry” — which is worth £35bn to UK GDP, employs almost 1m people and is at risk of “decimation”. In the letter, designer Katharine Hamnett, known for her politicised slogan T-shirts, requested a “radical overhaul of customs arrangements including VAT on all goods shipped into the EU by the end of February, or British brands will die.”

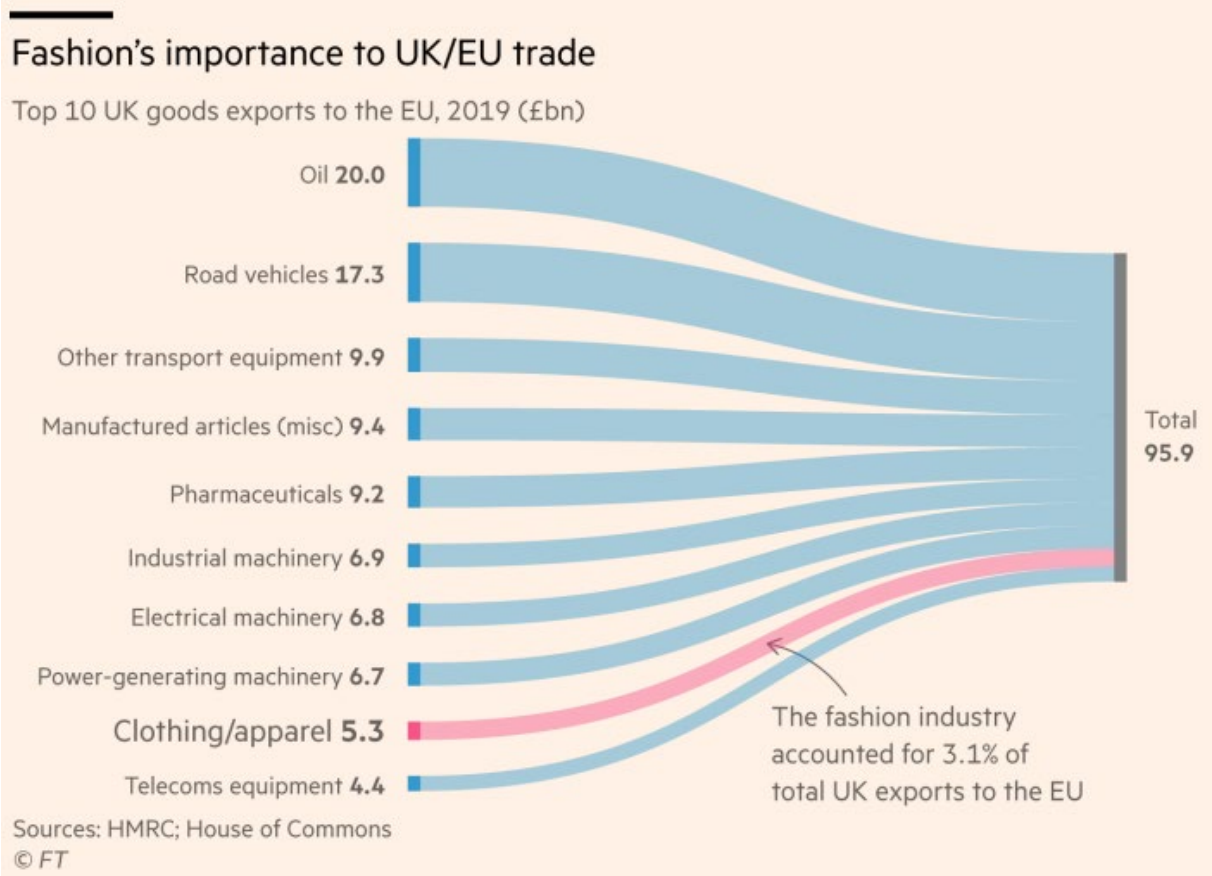
According to industry body Walpole, 42 per cent of British luxury goods are exported to the EU. “We estimate the changes will cost us multiple millions each year,” says Paul Smith, who produces almost all of his wares in the EU and exports his clothing to France, Italy and Germany. “It isn’t a ‘free’ trade deal in terms of cost and at the moment we’re having to pay the additional tariffs and duties so as not to discourage customers from shopping with us and to remain competitive.”

Smith is already looking into shifting some production away from the UK to save on crippling fees. “Once we quantify the impact, we expect changes to our sourcing strategy,” he says.



Paul Smith, menswear AW21

Signatories of the letter, which was spearheaded by Fashion Roundtable, an all-party parliamentary group that advocates for sustainable growth for the fashion sector, have accused the government of not taking the industry seriously. “Fashion is too often trivialised,” says Knight, who directed Kanye West’s short 2019 film *Jesus Is King* and photographed the Queen in 2016 for her 90th birthday. He was awarded an OBE for services to the arts in 2010. “The entire fishing industry is by comparison similar to the income of Harrods. How many headlines [have you] read about safeguarding the fishing industry? Fashion is worth more than the car, film, music and fishing industries combined . . . but it didn’t feature in any of the government’s negotiations with the EU.”



The fashion industry is already reeling from the ongoing shocks of Covid-19 in the UK, where retail stores have been shuttered for around half of the past 10 months and clothing sales have plummeted. While the trade agreement, finalised on Christmas Eve, was a relief to an industry that had been preparing for a range of potential new tariffs on both imports and exports in the event of a no-deal Brexit, the daily realities of the arrangement has been a blow.

Some might suggest the British fashion industry simply wasn’t ready for Brexit. But “it was very difficult to prepare for something non-specific,” says Caroline Rush, chief executive of the British Fashion Council, which last year hosted webinars for brands to help them make sense of potential incoming legislation. “We were under the guidance of the government that you

prepare for the worst-case scenario. As soon as January came, it meant going back into government to work with legal advisers and unpack exactly what it meant for us.”

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Patrick Grant, chief executive of clothing labels E Tautz and Community Clothing and a host of the BBC’s The Great British Sewing Bee, says the government’s TV adverts telling businesses to get ready were “infuriating . . . As a small company, you can’t spend a load of money preparing for something that might not happen.”

Community Clothing makes all of its clothing in British factories, yet “almost everything we make has some component that has to come from the EU,” says Grant. “There’s [almost] no zip manufacturers in Britain. Nobody makes jeans buttons. Previously, we were able to phone a zip supplier in Italy, and they’d stick it in an envelope and it would arrive with us the next day,” he says. “Now a £3 zip comes with an hour’s worth of paperwork. Paperwork is not free. That stickiness creates delays and costs.”

Delays are problematic for fashion businesses that sell wholesale, which rely on scheduled shipments to meet their allocated delivery windows with retailers. Failure to meet delivery deadlines results in penalties and increases the likelihood merchandise will have to be discounted — a cost the brands themselves generally have to shoulder. And many labels are still struggling from the first global lockdown, when retailers shut warehouses and refused stock that brands had to pay factories for.

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“We’ve been quoted £15,000 per shipment to ensure the product arrives with us on time,” says Jamie Gill, chief executive of Roksanda. “The weeks-long delays cost us sell-through time. You want it on the shop floor and online as soon as possible. Among everything else we’re all dealing with pandemic-wise . . . to not be able to meet your retail window, if it becomes an ongoing issue, it’s game over.”

“Everything is about your working capital,” says Melissa Morris, founder of the leather goods label Métier, which opened its first shop in Mayfair in 2017. The financial implications of the Brexit deal is her number one source of stress at the moment. “Ensuring your payment terms mean you’re getting your receivings [goods] and turning over inventory before you’re paying for it is key,” she says. “Our Italian suppliers are now coming to us with new, worse payment terms because there’s ambiguity around the credit system. Our credit rating is suddenly zero.”

Aside from her ecommerce channel, which is new, Morris sells her wares almost exclusively from her South Audley Street store. Business there has suffered because of lockdowns and

the end of the Retail Export Scheme in December, which previously allowed international shoppers to claim back 20 per cent VAT on purchases. It will undoubtedly dampen post-Covid tourist trade, too.

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The end of free movement is also having widespread effects on models, photographers, students and manufacturing workers. Country of Origin and Community Clothing's factories are both predominantly staffed by Europeans. "Manufacturing is not seen as a viable career path for people here any more; very few British people want to take the jobs that our factory offers," says Taylor.

The Brexit deal does not class garment workers, who Grant says earn on average between £15,000-£25,000 per year, as skilled — they're ineligible for a visa. "If we have turnover of staff we run into problems," says Grant. "Successive governments have systematically undervalued skilled manual work within our education system for the past 20 years, and now the problem is coming home to roost."

Grant hopes the open letter, which he cosigned, will push the government to overhaul paperwork and tariffs, and make it easier for creatives and manufacturing workers to obtain pan-EU work permits and visas. "Our creative industries are incredibly valuable not only in pound note terms, but to everyone else's perceptions of Britain as a country," says Grant. "From music to film and the wider creative arts, we are an extraordinary force, and because of that we have been able to attract the best creative talent from all over Europe. It potentially has a long-term effect on our competitiveness."

Rush agrees. "The fashion industry is one of the most globally connected, from manufacturing through to retail and the end consumer. There's a great opportunity here for a young and diverse workforce that plays into the government's levelling-up agenda. It has to work with us to listen to our challenges and understand this is not a frivolous industry. We're asking for policy changes so we can continue to operate and to thrive."

This article has been amended since its original publication to clarify Paul Smith's level of exports to the EU and to make clear that the industry would have faced a range of tariffs on both imports and exports in the event of a no-deal Brexit, not a 14 per cent VAT charge

