

BRITISH FASHION COUNCIL

RESPONSE TO INDUSTRIAL STRATEGY GREEN PAPER

17th April 2017

Response made by Judith Rosser-Davies, Head of Government Relations & Education British Fashion Council, answering on behalf of the British Fashion Council (in an official capacity).

The British Fashion Council is happy for our response to be published.

The British Fashion Council is happy to be contacted if there are any questions about this response. For further information please contact:

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INTRODUCTION

0.1 The British Fashion Council welcomes the Government's Green Paper "Building Our Industrial Strategy". Our response identifies key areas where Government can work in partnership with the fashion industry to coordinate and overcome barriers in information flow and make best use of resources to achieve stronger growth. The key immediate areas that the Government can work with our industry on to have the greatest impact on growth are:

- Restructuring Government support for trade and exports to allow greater industry involvement; provide reassurance about trade deals and export processes to allow easy movement of goods and talent
- Working with industry, property developers and local Government to support the supply of studio spaces alongside considering the impact of the increased business rates for SMEs
- Creating systems and frameworks to give better access to growth finance
- Supporting the UK fashion manufacturing industry to fulfil demand and encouraging innovation and technology throughout the fashion value chain
- Creating an education system that develops key skills to ensure the continued pipeline of talent and filling of skills shortages in the industry
- Developing VISA regulation to support the unique requirements of the sector
- Support for the growth and development of the industry and international platforms such as London Fashion Week to maintain global leadership position post access to the European Regional Development Fund

0.2 As part of the Creative Industries, the fashion industry plays a pivotal role in the UK's economy, with the industry as a whole contributing £28bn and 880,000 jobs to the UK, with its GVA contribution at 4.7% in 2015 compared to the economy's 2.2%. (*Value of Fashion, Oxford Economics 2015*).

0.3 London leads the fashion world, with London Fashion Week considered on a par with its counterparts in New York, Paris and Milan, positioned as one of the four global fashion capitals based on Fashion Weeks being the marketplaces for leading designer fashion businesses. These weeks not only position the UK and London as leaders in the global fashion economy, they generate millions of pounds of

business and media coverage. An innovative leader, this platform to show designer fashion directly influences high street fashion and domestically the reach and influence spreads to regional cities throughout the UK. Globally our industry drives tourism (culture and creative industries, it is the reason 4 out of 5 visitors choose to visit London – GLA economics).

- 0.4 London Fashion Week's media value in February 2017, over two weeks was estimated to be nearly £600m (combined UK and international - data collected by Precise Media Monitoring).
- 0.5 The high end fashion industry has demonstrated consistent growth even through the economic downturn, and there are significant opportunities to grow the industry further and improve productivity.
- 0.6 The British Fashion Council (BFC) is a not-for-profit organisation that was established by the industry, to promote the British fashion industry and its designer businesses by harnessing and sharing collective knowledge, experience and resources of the sector. Based in London and formed in 1983, the BFC is funded by industry patrons, commercial sponsors and the Government including the Department for International Trade, Mayor of London and the European Regional Development Fund.
- 0.7 The BFC organises globally renowned events that showcase the best of British fashion design to an international audience including press and buyers from department stores, independent retailers, online as well as high net worth clients through London Fashion Week and London Fashion Week Men's, the biannual showcase of womenswear and menswear respectively. London Fashion Week is an important platform for our country as it positions us as a global leader in fashion alongside New York (USA), Milan (Italy), Paris (France). Four times a year LONDON show ROOMs takes emerging designers to Paris giving them the opportunity to promote themselves overseas, and generate further export orders. It has also taken designers to international key markets including LA, New York, Brazil and Hong Kong. This international promotion throughout the year has seen the BFC directly develop relationships with the most recognised and influential high-end designer fashion retailers in the world, for the benefit of British designer businesses. The BFC organises the Fashion Awards, an international annual celebration of excellence within the industry, and London Fashion Week Festival, a biannual event open to the public, giving consumers access to the British fashion industry, which plays a great role in engaging and educating the consumer. Underpinning the showcasing that the BFC organises for the industry, the BFC offers business support and in some instances financial grants to designers at various stages of their businesses through its business support initiatives; NEWGEN provides showcasing and business mentoring support to our emerging fashion businesses, the BFC Fashion Trust and BFC/Vogue Designer Fashion Fund for more established brands, through to Designer Fact File, our free online guide to setting up and developing a designer fashion business. Central to this is the BFC's role in delivering bespoke and highly specialist development support to our industry, leveraging industry experts advice and mentoring to develop growth in our emerging businesses. Public sector funding is key to providing the specialist support that we give to industry, enabling the BFC to seize opportunities on behalf of the industry such as the establishment of London Fashion Week Men's, through to supporting businesses at an individual level and accelerating exports with the International Guest Programme. In 2017 the BFC is placing focus on the support the industry needs in education, reaching out to younger audiences to showcase the industry's careers, emphasising the need for business education for the industry as well as supporting the next generation of talent and entrepreneurs.
- 0.8 The industry is heavily reliant on international trade, especially with Europe. Trade issues are different in fashion compared to other creative industries, as we are moving product, often multiple times as components and then samples. The majority of our exports to non-EU markets, especially USA, Japan and China, are commissioned as a result of attendance at key international trade shows and fashion weeks. All aspects of the supply chain depend on ease of trade, from the sourcing of materials and recruiting of highly specialised technicians, to placing orders with brands and large retailers, through to taking collections and samples to key international markets. At present, the EU is the UK's largest export market for textiles and apparel and is a key source of business talent and production skills for many fashion businesses, which understandably raises the need to address the opportunities and challenges of Brexit within the industry's response to the Industrial Strategy. The BFC prioritises its international outreach and promotion strategy based on feedback through its annual Designer Business Survey.

- 0.9 The fashion industry contributes significantly to “soft power” and the UK’s reputation internationally, both in creative industries and more broadly. The industry makes significant contributions to the economy, for example as a driver of tourism to the UK, in addition to the spill-over effects on the economy from hosting four major international events in London per year, foreign tourist spending was estimated to be around £98mil in 2009 (Value of Fashion Report 2009, Oxford Economics).
- 0.10 The traditional fashion week model is changing, with some brands and designers embracing a direct-to-consumer approach. Fashion weeks were traditional trade events, with womenswear and menswear showcased separately (at different points in the year), with shows at least 6 months ahead of that collection being delivered and available to buy in stores. But with the growth of the industry and technological advances such as live streaming and social media, this is changing. The BFC has been working with the industry to help resolve how new opportunities can be embraced, from large to small brands, with some moving to a model of showing both women’s and menswear together. All this is having a significant impact on business models and the BFC is working with leading British businesses to review on an ongoing basis how to adapt showcases to fulfil the changing needs of designer businesses and maximise ROI for businesses and audiences alike.
- 0.11 The BFC is submitting evidence on behalf of the designer fashion industry, having collated evidence and views through reports and roundtables with the high-end industry. The BFC is currently collating further evidence and data to present to Government to support the issues that have been raised in this response, as well as making a case for the broader industry including creative services that work predominantly in fashion; we aim to have collated all data by Summer 2017.
- 0.12 The BFC is making this submission alongside that of the Creative Industries Council, and supports their submission recognising there are challenges ahead, but there are also huge opportunities
- To consolidate and build on the UK’s position as a global hub for creativity
 - To increase growth in our creative industries and improve their productivity
 - To provide new opportunities for talented, creative people from all backgrounds and areas of the country
 - To stimulate innovation and new businesses across the UK
- 0.13 The BFC has also contributed to the review of the Creative Industries being undertaken by Sir Peter Bazalgette and has contributed to the response made on behalf of the sector by the Creative Industries Federation.
- 0.14 The BFC and UKFT work closely together to ensure clear communication and common purpose as both organisations represent different elements of the fashion industry.
- 0.15 The BFC asks that Government continue to communicate clearly and regularly with industry to allow businesses to plan: uncertainty can be the biggest constraint to growth.

RESPONSE TO CONSULTATION QUESTIONS

Summary

1. **Does this document identify the right areas of focus?**
 - 1.1 The Green Paper does identify the right areas of focus, some are more directly relevant to certain industries than others, we believe that looking at these consecutively will secure greater benefits and growth than tackling issues in silos. The Government has a responsibility to ensure that growth and productivity are not just delivered to benefit all with principles of equality, but in a way that is sustainable and ethical. Positive Fashion was established by the BFC to showcase best practice to encourage future business decisions, looking at three thematic areas: 1. Sustainability, 2. Diversity & industry education and 3. Local manufacturing & craftsmanship.
 - 1.2 One of the largest challenges identified by all of those engaged in the fashion industry is the opportunity to attract and access global talent and that access to this talent is essential to seize opportunities for development and growth.
2. **Are the 10 pillars suggested the right ones?**
 - 2.1 The 10 pillars within the report focus on key areas required for industrial development, however we would ask that Government recognise within those the nuances that are required across different industries, sectors and regions, to ensure that policies are as efficient and effective as possible. We therefore very much welcome Government’s recognition of the importance of

sectors and working closer to industry to create economic advantage and change. . We would add that in light of global political events there is a need for Government to put further emphasis on migration, which was not addressed as one of the ten pillars in the strategy, but which is a hugely important issue for our industry not just in terms of EU nationals but attracting and retaining international talent that is the absolute lifeblood to sustaining the UK's global reputation in high-end fashion and creativity. We have also articulated in our response to the Innovation chapter that the Government give further emphasis to Intellectual Property, in particular the nuances that will have a significant impact to our industry.

3. Are the right central Government and local institutions in place to deliver an effective industrial strategy?

- 3.1 Rather than create new organisations, we strongly feel that Government should be more industry-led and focused, and devolve wherever possible more of the decision making to industry, Government should deliver policy and projects, but not attempt to become industry experts. Partnership with industry will be a key in delivering maximum impact.
- 3.2 We believe that there is particular scope with regards to bringing industry investment and input into the Government's strategy and delivery of exports and inward investment support. We support the view of the CIC that delivery and funding for exports is devolved to industry as being the best placed to work with businesses to deliver the specialist support required, thereby creating increased growth and improving efficiency.
- 3.3 We ask that the Department for Culture, Media and Sport should be further empowered to support the creative industries and measures should be taken for other Government departments to liaise more closely with DCMS to understand needs and funding is given to support this, in particular we would stress the need for DCMS and BEIS and DIT to work more closely together.

4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?

- 4.1. In our response to the chapter "Encouraging Trade and Investment" we have asked for support to be devolved more to the industry through trade associations. We understand through working with partners that such a model works effectively in Germany, where trade support takes a more "bottom-up" approach through chambers of commerce and trade associations back up to the Government to create greater effectiveness through industry led interventions and schemes.

Investing in science, research and innovation

"The growth in London's creative sector should be seen as a complement to London's position in technology. The line between the technology and creative sectors is increasingly blurred, and each sector acts as a catalyst for innovation in the other"

London 2036: An agenda for Jobs and Growth (London First, 2015)

5. What should be the priority areas for science, research and innovation investment?

- 5.1 Continued Government support of research and innovation investment is vital to the Industrial Strategy. The fashion industry will be both an important contributor and consumer of technological advances. The UK is a global leader in e-commerce. It has been identified that beyond e-commerce and social media platforms, the fashion industry, particularly SMEs have been slow adopters of technologies, not just in product development, but across the whole value chain of the fashion business. This is in part due to resources, access and opportunity to engage. There is significant scope to create growth and increased productivity through encouraging greater understanding and use of innovation and technology in the industry. Through encouraging further innovation in the value chain the UK can further strengthen its global position of leadership in fashion technology.
- 5.2 In the Value of the UK Fashion Industry report (Oxford Economics 2009, 2012 & 2015), a theme consistently emphasised by participants was the unique creativity and innovation inherent in the UK fashion industry. Alongside this however, "it was noted that the lack of overlap with hard scientific disciplines was weakening the sector's ability to innovate.... Whilst examples of cutting edge innovation in UK fashion design were certainly visible, the overall impression was that such instances could be increased given the right type of intervention".

5.3 The BFC supports the Creative Industries Council recommendation that there is insufficient recognition of the economic importance of creative R&D alongside scientific and technological innovation, and creative industries investment in innovation is underestimated and undervalued.

6. Which challenge areas should the Industrial Strategy Challenge Fund focus on to drive maximum economic impact?

6.1 Our industry is being fundamentally affected by technological change. Much of the Industrial Challenge Strategy Fund focuses on challenges that are highly technical/science based relating to product innovation, for fashion this would be wearables and development of technical fabrics. In the fashion industry the opportunities for growth of the industry through innovation and technology lie in the value chain of the companies: intelligence on customers through big data, technology for showcasing, as well as product innovation in areas such as customisation and new manufacturing techniques, and in areas where the UK is world leading for example e-commerce and their increasing sophistication and those based around shared economy business models. The Sunday Telegraph ("How Technology is dressing up our shops", 16th April 2017), summed up how technology will transform the way people shop, and how artificial intelligence will radically change this. Quoting Gartner research, it is estimated that AI will cover 85% of consumer interactions in retail by 2020, through areas such as "visual searching" and virtual stores.

Innovation and challenges are not just technological, but also around service design, organisations structure and business models "

#LFWTalksDigital, Report by The Knowledge Transfer Network and the British Fashion Council 2015

6.2 Innovative and technological opportunities are not being taken up by designers, often because of pressure on time on resources, therefore funding for collaborative R&D such as that through the Challenge Fund are very welcome. However, the challenges need to be shaped in a way to be relevant to the fashion industry. As stated above, the lack of recognition of creative R&D is contributing to the lack of engagement by the fashion industry in funding opportunities to date. Innovate UK has asked the BFC to host a round table for Fashion to discuss the calls of the Challenge Fund, and we very much welcome that and a continued dialogue to develop these ideas and generate the most impact from the opportunities.

6.3 Government support to enable collaboration, particularly through funding for knowledge transfer, is very welcome, however support for micro businesses to do this is critical, for example through mechanisms to free up designer time to engage on this agenda, would be invaluable. Digital & Innovation is one of the five pillars in the BFC's strategy, supported by our Digital Committee. This forum will be supporting the development of this area.

7. What else can the UK do to create an environment that supports the commercialisation of ideas?

7.1 A key Government priority should be to maintain the strength of the UK's Intellectual Property protection framework, which is world leading, but which is currently based on EU law.

- The EU legal regime for protection of intellectual property rights provides a highly effective and efficient framework for registration, exploitation and enforcement of IP rights. In particular, unitary rights exist to protect trade marks and designs across the EU, allowing for cost-effective protection and enforcement for designer businesses in the UK.
- The UK Unregistered Design is not a mirror right of the UCD and its scope is significantly narrower (limited to aspects of 3D shape and configuration). This limits the value of UK Unregistered Design to fashion designers, at least compared to UCD, therefore we ask that Government increases the scope of the UK Unregistered Design to include surface patterns.

7.2 Protection of brands, designs and innovation is a key part of every designer business, and especially important for young brands to be aware of. Emerging businesses, in particular, are often faced with a lack of information surrounding the protection of their designs, especially in relation to other jurisdictions, in particular China. The BFC offers support and information on this to the designers we work with, and so the proposal to place IPO representatives in key UK cities is welcome. But it will be especially important to communicate with clarity the regime that will apply following Brexit.

7.3 The fashion industry relies heavily on unregistered rights to protect its designs – such rights arise automatically, thereby saving on the costs of registering all designs across a portfolio (which can be substantial). UCD is a particularly valuable IP right to the fashion industry. Whilst the term of protection is only 3 years, this is usually sufficient given collection cycles. The scope of

protection UCD provides is potentially very broad: the right can cover the appearance of the whole or part of a design including lines, contours, colours, shape, texture, materials, features of ornamentation etc. Many cases brought before the Courts (or which are settled between the parties) relating to copycat designs are based on UCD. Whilst UK-based designers will still be able to rely on UCD protection in the EU, this will only be on the basis that the relevant designs are first disclosed in the EU, meaning as a priority the BFC will need to work with Government and legal experts to ensure that there is opportunity to register disclosure in the EU as part of London Fashion Week. Designers may be exposed if effective unregistered design protection is not available to them.

7.4 More broadly in terms of commercialisation, there are areas being developed that are of interest, such as Virtual Reality as a means of showcasing fashion, however the ROI is at the moment too small to make it commercially viable, even for larger fashion brands. Government support to facilitate the early stages of commercialisation would therefore be welcomed.

8. **How can we best support the next generation of research leaders and entrepreneurs?**

8.1 The UK is a global leader in e-commerce, leadership in this area should be encouraged to develop further innovation in the fashion value chain.

8.2 In the fashion industry, the key to supporting the next generation is encouraging more talent into the business side of fashion, with a focus on sales. The BFC is working with London Business School to develop MBA electives in fashion.

8.3 Recognition - Government should expand existing programmes that award and recognise creative entrepreneurs with promotional activity and funding.

9. **How can we best support research and innovation strengths in local areas?**

9.1 A strong clusters model will support research and innovation in local areas. The fashion industry works across many creative subsectors, from photography, film, event management, showcasing and production, manufacturing etc. These sub-sectors are based in regions around the country, e.g. Manufacturing capabilities linked to further education facilities in Manchester, AV specialisms in Bristol; with supported coordination these areas could be targeted.

Developing Skills

Since Government's withdrawal of funding for the Sector Skills Councils, the BFC has worked with UK Fashion & Textiles, who have played a pivotal role in supporting the co-ordination of skills activities across our industries. Such co-ordinated action is pivotal in an industry that predominantly comprises of SMEs. The BFC supports the detailed recommendations within the UK Fashion & Textiles response to this area and support their call for Government to help with collecting further data on the skills issues and shortages blocking the growth of our industry.

10. **What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic excellence?**

10.1 Skills education in terms of craft and making has gone from the education system. Anecdotal evidence from the teachers that we work with, at primary level, suggests that even the most basic of craft skills using fine motor skills (such as using scissors) is not developed at younger ages. The re-introduction of basic craft skills in the curriculum would assist careers pathways into skilled employment and is a key part of addressing the skills shortage that the fashion industry is facing.

11. **Do you agree with the different elements of the vision for the new technical education system set out here?**

11.1 The BFC agrees with Government and the response of the CIC that action is needed to improve technical education and to address the shortages that are likely to impede the growth of our industry, and become particularly acute in light of Brexit. The fashion industry would benefit not only from broader pathways into the industry, but also communicating the broader range of job

roles that the industry has beyond designers, such as technical and business roles (see response to question 13).

- 11.2 The BFC has acted as secretariat to support an employer group with the development of a new apprenticeship standard, Fashion Studio Assistant. We welcome Government's continued work on apprenticeships as an alternative pathway into our industries, however would ask that recognition is given to those industries that are dominated by micro and SME businesses that there are challenges in not only developing new apprenticeship standards, but also in these companies having the capacity to take on apprentices and embrace them fully into their businesses. Support not only through financial incentives (that currently exist) but advice, perhaps through the Institute of Apprenticeships, would enable the industry increase the uptake (BFC Designer Survey 2017, conducted by Britain Thinks).
- 11.3 Government should also not split creative skills from those needed for the growth of STEM industries, creative skills and learning are important contributors to STEM, for example one of our top pattern cutting teachers is now working on a project with surgeons at St Thomas' Hospital to use pattern cutting a method for reconstructive surgery.
- 11.4 Again we would reiterate the importance of business skills that specialise in fashion, in particular looking at commercial skills (with knowledge of the fashion sales cycle), and languages being of utmost importance.

12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?

13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?

- 13.1 Talent is key in fashion, not just the central design talent but also interns, skilled workers and business leaders. Talent across all levels and disciplines is truly international, from entrepreneurs who work and study here, establish their businesses here and employ talent both domestic and international through to a roster of British talent at the helm of international brands: John Galliano at Maison Margiela, Jonathan Saunders at Diane von Furstenberg, Stuart Vevers at Coach and JW Anderson at Loewe, Kim Jones at Louis Vuitton Men's to name but a few.
- 13.2 London's reputation in fashion is built upon the excellence that graduates from our world renowned fashion colleges. Often non-UK nationals, they go on to create their businesses in London, and so we ask that Government works with the higher education sector to ensure that this pipeline continues.
- 13.3 Skills gaps have been identified in the fashion industry in the following areas: supervisors and production management; technicians and fabric technologists; and in apparel and sewn products including pattern cutters, graders, knitwear linkers, hand-tailors, sewers and weavers (Sector Skills Assessment for the Fashion and Textiles Sector in the UK, Creative Skillset, 2011). While the latest data is from 2011, we know from our work in high-end manufacturing anecdotally that this problem is growing. The problem is on a growth trajectory, with 60% of workers in the fashion sector over the age of 40 and potential further issues from Brexit. Business skills that are specialist to fashion are also a gap, in particular around sales and merchandising. As businesses move to digital business models there are also shortages in coders and data analysts; these skills aren't readily available in the volume required in the UK.
- 13.4 Given the skills gaps the Government is asked to consider new roles for the Shortage Occupation List, e.g. pattern cutters or high-end machinists.
- 13.5 Consider the introduction of the Tier 3 visa to cover "low skilled migrants" despite the skills being unavailable or in short supply in the UK.
- 13.6 Delays in giving EEA nationals assurances over their right to work and right to stay is destabilizing businesses and results in losing key talent (notably international fashion design graduates) to competitors in the EU and other markets.
- 13.7 Government's promise to radically improve careers advice is welcome. It is vitally important that this closely involves industry: fashion has many potential entrants but few understand the scope of the industry or the roles that exist within it. Government support of creative subjects is critical to giving students the exposure to the creative industries.
- 13.8 The BFC has Education as one of its five strategic pillars. In the past two years the BFC has been working with industry to widen careers advice to the 12-16 year old age group, to help them understand the breadth of opportunity in fashion. We have partnered with Saturday Clubs Trust to run a series of Saturday Clubs with them in Fashion & Business. Now in its second year, we

have 5 clubs running and are benefiting from young people gaining hands on experience in understanding the careers opportunities open to them, the success of this initiative is coming through evaluation evidence, but the expansion of these is inhibited by limited funding.

13.9 The Fashion Retail Academy is an excellent example of focused industry led education that is fit for purpose and available to students post GCSE.

13.10 Like many of the creative industries, the fashion industry has many freelancers, the value of which is often underestimated.

13.11 Many fashion/luxury businesses need access to high quality skills but not necessarily full time. Initiatives that encourage or enable the industry to be able to access the highest level of commercial, financial etc skills on a flexible basis would be invaluable. For example this could be through some support for larger businesses offering skills to smaller businesses, or through support to enable hiring of key skills on a limited basis.

13.12 It is important to stress the need for the industry to be able to hire people with experience and understanding of key export markets – especially commercial and sales directors who understand the US market. The UK used to have great training grounds in UK fashion retail businesses, but increasingly the industry needs people who are more international. In the US in particular, but also European businesses (Italian and French) have much larger domestic markets than UK businesses do, so UK businesses need to be helped to overcome the size of the domestic market and export strategically to maximise positive business impact.

14. **How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?**

Upgrading infrastructure

15. **Are there further actions we could take to support private investment in infrastructure?**

16. **How can local infrastructure needs be incorporated within national infrastructure policy most effectively?**

16.1 Infrastructure will be of utmost importance for Government to consider in their growth strategies. Transport links to regions and clusters will be important to developing the regions. Like the other creative industries, the importance of high-speed reliable data networks is important to fashion, not least for sharing our creativity internationally.

16.2 Improvement of regional infrastructure with the capital will enable larger cities and hubs to compete with the likes of Berlin, a city actively promoting itself to the creative sector for ease of access to Europe, great infrastructure, creative community with affordable studios and housing. With high-speed, affordable rail travel, cities and hubs can effectively link to London better and would compete with the offer from a city such as Berlin.

17. **What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can Government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?**

17.1 It is impossible to get a good telephone or wifi signal on the rail network, which is a great impediment to the ability to travel, work and bring skills to areas outside of London. Solving this issue should be an imperative as it would enable businesses to operate out of multiple hubs, including lower cost areas.

Supporting businesses to start and grow

18. **What are the most important causes of lower rates of fixed capital investment in the UK companies to other countries, and how they can be addressed?**

19. **What are the most important causes factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?**

20. **Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East**

21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?

21.1 The fashion industry is highly centred around PR and reputation, therefore designers can be reluctant to announce that they need funding publicly. The BFC has spoken to crowdfunding platforms and designers but interest seems to be focused on specific projects or product launches, and these are limited.

22. What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth and how can we address these barriers? Where are the outstanding examples of businesses networks for fast growing firms which we could learn from or spread?

There are three main factors that are impeding fashion businesses to start and grow:

22.1 Growth Investment:

- Like the creative industries, high-end fashion in the UK is dominated by small and micro-businesses, which find it very difficult to secure investment needed to grow their businesses. The return on investment on fashion is longer than other sectors, which results in decreasing investment opportunities. Tax breaks on fashion investments could be used to increase the pool of investment available. Because most of these businesses lack personal guarantees, access to unsecured loans and the American model of lines of credit should be considered as potentially providing growth funding financially
- Line of Credit (based on the American model) is when a lender establishes a Maximum Credit balance permitting the borrower to access, maintain and repay in form of minimal instalments. For small businesses, a line of credit (LOC) is a good short-term option that works much like a credit card in the way it provides extra funds for financing on-going Working Capital, at lower interest rates and providing the confidence founder/business owners need to take the business forward. Some examples of how they use these funds to benefit the business are:
 - Buying new technological equipment;
 - Purchasing extra inventory for future events
 - Investing in people/ resources
 - Investing in direct marketing and e-commerce exports
 - Developing new product prototypes/lines or pursuing a "promising business opportunity
 - Registering international trademarks

As the majority of these business owners do not have personal guarantees, loans under the Enterprise Finance Guarantee Scheme (EFGS) are not the correct financial product or facilitator to boost sector growth, the BFC sees the opportunity for the Government and financial institutions to work closer and expand the coverage of EFGS or launch a similar scheme that guarantees line of credits to be granted to more SME's across the creative sector. One successful example is the Arts Fund and how they have facilitated line of credits to emerging creative businesses.

- Tax incentives on product development, manufacturing, innovation investments, could be used to increase the pool of investment and business support available. Such incentives can facilitate manufacturing to be brought into the UK and jobs creation as SME's will have an inclination to keep things locally.

22.2 Lack of availability of affordable space:

- Of all the creative sectors – fashion has the most compelling power to redefine a place and 'make' a destination. Fashion can deliver to all aspects of a developers vision; a fresh story, a sense of community, a unique retail offer, supercharged publicity, sales of units for residential and retail, glamorous events, visitor footfall as well as building reputation and global position. Aligning a space with fashion brings a breadth of opportunity in placemaking that is unrivalled and generates a powerful 'halo effect'.
- The BFC's 'Fashion Spaces' initiative aims to bring together property developers, place-makers and estate management / marketing organisations from across London to support the pipeline of fashion design talent through sharing knowledge and assets such as meanwhile space, studios, offices etc. As part of a two way partnership the BFC is seeking collaboration from initiative partners to help deliver industry growth as well as spaces to host its portfolio of events and initiatives throughout the year. The BFC will act as a

matchmaker between the initiative partners and designers and each recipient of benefits will be given tailored KPIs to achieve out of this support. KPIs could include; growing team, increasing output, lowering overheads and improving profitability to be assessed on an annual basis and reported back to the wider industry. Overall the initiative will deliver stronger businesses able to plan ahead with secure foundations from the spaces offered to them.

- The BFC Fashion Spaces project is working with private sector developers, but would then like to work alongside Government and policy makers to increase the impact of the project, support from Government could include for example long-term subsidised leases, opening of derelict buildings, tax breaks to large companies to share spaces/equipment with smaller businesses or tax incentives to landlords to provide affordable studio spaces. The BFC supports the Mayor of London's recommendation that Government should encourage local authorities to ring-fence planning gains, e.g. Section 106 and Community Infrastructure Levy, and direct to the delivery of local industrial strategy plans including creative production space and cultural facilities. This project is launching in 2017 and if successful could be rolled out into other UK creative hubs.

22.3 Business rates:

- London businesses are in some cases facing rises of nearly 45% in 2017-18, in some cases over 130% over the next three years, which is a crippling figure for most British designers embarking on the financial commitment of leasing their first commercial property.
- Such unexpectedly large tax increases, with just six months' notice to prepare for them, will have a negative impact on investment, job creation and profitability for many London retailers at a time when confidence and stability are needed more than ever.
- We ask that Government makes an evaluation of business rates reduction for start-ups and SMEs (based on turnover)

Improving procurement

23. **Are there further steps that the Government can take to support innovation through public procurement?**
24. **What further steps can be taken to use public procurement to drive the industrial strategy in areas where Government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors to exploit Government's purchasing power to drive economic growth?**

Encouraging trade and inward investment

25. **What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?**
 - 25.1 Fashion is an international industry: a scaleable designer fashion business is only viable if businesses can achieve international sales. Most emerging fashion design businesses secure their first account with international stockists, in most cases before trading with stockists in the UK.
 - 25.2 Trade issues are different in fashion compared to other creative industries as we are moving product and not services. Consideration needs to be given to the movement not just of completed garments, but the materials and components that make up the garment, as well as then the showcasing of samples internationally.
 - 25.3 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%. (Figures from UKFT)
 - 25.4 Key markets for fashion exports are: Europe (Italy and France, then Germany and Spain), USA & Canada, China, Hong Kong, Japan and South Korea. The 2017 BFC Designer Survey (Britain Thinks) found that North America is the top priority market for designers in the next 12 months.

25.5 The 2017 BFC Designer Survey (Britain Thinks) found that 90% of respondents were not receiving any direct Government support from DIT to export.

An Industry Partnership for International Trade

25.6 Government export support is currently fragmented and can be difficult to navigate. Alongside the recommendations of the Creative Industries Council, UK Fashion & Textiles and the British Footwear Association, we ask that Government considers a complete restructure of how support for exports is delivered. This is an area where Government should focus on being an enabler rather than deliverer of growth opportunities. The BFC, UK Fashion & Textiles and the British Footwear Association ask that Government and industry form a partnership in order to deliver significant export growth, ensuring that more efficient use is made of existing DIT resources in the UK and overseas. The in-market posts are an incredible resource that businesses and sectors would not be able to coordinate or pay for themselves, this was supported by the 2017 BFC Designer Survey (conducted by Britain Thinks), which listed gaining recognition in new markets as a particular barrier, and therefore in-market support is much valued. However often planning and decisions are made by in-market teams without consultation to the relevant industry. By devolving the delivery of a properly resourced and funded programme of export promotion, in agreement with DIT, we can bring our contribution to match public resources that are used in a more effective and efficient manner, and to grow the sector's exports to a greater level than by continuing as we are.

25.7 The BFC offers export advice, mentoring and international media and retailer introduction services for the businesses it works with. Similarly UK Fashion & Textiles and the British Footwear Association offer export advice and facilitate TAP funding.

Free Trade Agreements

25.8 We would ask Government to consider the following issues in negotiating new free trade agreements, in particular to consider the ease of process, as small businesses can't employ staff specifically to manage new processes. We would ask Government to consider administrative support for smaller businesses to help them deal with the changing landscape of international trade.

- **Product:** Pace of luxury is relevant, our industry needs to be on top of trends, first to get products to the consumer, quickly and seamlessly. Delays may result in companies warehousing elsewhere or move digital operations out of UK, but for the smaller companies delays result in orders being cancelled.

Need for flexibility, for example when businesses travel with collections, samples and merchandise without the need for carnets. British designers are targeted and depend on invitations to show and sell abroad. This is a must for the EU region as the industry makes sales/appointments to see buyers from the rest of the world, sometimes when they are visiting Europe (Paris is where most orders for high end fashion are placed at the end of the Fashion Week season).

Fabrics and manufacturing come in vast majority from Italy, France, Portugal and Eastern Europe. Taxes and a weak pound will make this increasingly uncompetitive, import tax will add to this. Broader areas should also be considered, for example where designers enter into collaborations with EU/international brands, and how these will be protected and taxed. Hong Kong is considered a good example to follow as has straightforward processes and historic links to UK. South Korea has allowed British fashion to be very strong, where there is competitive pricing due to the free trade agreement with them. This has allowed young influencers to buy and wear British and it is seen as innovative and cutting edge. This is largely due to competitive pricing, due to no import tax, which allows young influencers in South Korea to buy and wear British. It would be good to have more free trade agreements like these.

- **People:** The UK is a hub for creative talent. Our ecosystem as a sector is built on the movement of people e.g. models, hair, make-up artists, set designers. Jobs are booked at short notice, but more importantly people come to the UK without a job being booked, for example in modelling where models take part in castings (interviews) just days before the start of LFW, and so it is impossible to enter under current rest of the world visa arrangements. The scale of this problem is sizeable as similar problems arise across the

industry where creatives from outside the EU are being sought for jobs such as photoshoots, but due to visa regulations and speed in some countries, jobs are being moved out of the UK.

- **Intellectual Property:** Ensure that IP is considered within new trade deals, particularly where there is evidence that IP is a barrier or weak in that country. For example in fashion there is a continued issue with Trade Marks in China: the Chinese take the designer name and register it, then their product is considered counterfeit. Existing EU trade marks with Europe and the rest of the world need to have equal validity, and speed of obtaining IP needs to be maintained for the EU, but improved in territories where it is currently slow, for example China.

26. **What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment on growth?**

Delivering affordable energy and clean growth

27. **What are the most important steps the Government should take to limit energy costs over the long-term**
28. **How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?**
29. **How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?**
30. **How can the Government support businesses in realising cost savings through greater resource and energy efficiency?**

The BFC's Positive Fashion initiative is encouraging sustainable decisions, in particular on use of green energy, through which we hope to set best practice in UK to then discuss internationally.

Cultivating world-leading sectors

31. **How can the Government and industry help sectors come together to identify the opportunities for a "sector deal" to address – especially where industries are fragmented or not well defined?**
31.1 The BFC very much welcomes Government's recognition of the importance of the Creative Industries to the UK economy and will be submitting to the Sector Deal via the Creative Industries Council. In particular we welcome that the Government sees that there are sector-led interventions and policies that could create opportunities for growth and that by aligning industry resources and devolving strategy to industry, greater growth can be achieved.
32. **How can the Government ensure that "sector deals" promote competition and incorporate the interests of new entrants**
33. **How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models**

Driving growth across the whole country

34. **Do you agree the principles set out above are the right ones? If not what is missing**
34.1 The BFC fully supports the view of the Creative Industries Council that London is and will remain a vital centre for our creative industries and it will be important to sustain its position as a major international hub following the UK's exit from the UK. We will want to ensure that all parts of the UK benefit from London's strength, so that its role in attracting investment helps to drive growth in creative clusters outside the South East as well as in it. We will continue to work with the

Mayor and other London authorities to ensure that London's international position can be maintained and strengthened over the coming years.

- 34.2 The fashion industry has benefitted from European funding for development of the industry and businesses within in, enabling the industry to work collectively to test new showcasing platforms and support emerging talent. But this could not be filled by tax exemptions and private sponsorship to the same level. We welcome the Government's commitment to consider the future of the European Structural and Investment Funds alongside the wider future funding environment following the UK's exit from the European Union, it is imperative that this is done in a timely manner.
- 34.3 The majority of the fashion designer and retail industry is based in London, however the supply chains and craftsmanship is located around the UK, with particular regions known for their local specialisms, for example weavers in Southern Scotland and leatherworkers in Nottingham. The fashion industry can contribute to the development of these clusters. As an inspirational industry, fashion gives the opportunity to leverage on the success of the design end of the industry and pass that down the supply chains to the benefit of the regions.
- 34.4 *Manufacturing & Supply Chain*: Using data from the IDBR, the businesses identified as forming part of the UK's high-end manufacturing sector had a combined turnover (value of sales) of £1.76 billion in 2013, which translates to an estimated value added contribution to GDP of £732 million, whilst employing 8,750 people (High-end & Design Manufacturing Report, Oxford Economics and Glasgow Caledonian University). The Fashion Alliance report identified growth opportunities for the future of manufacturing of fashion and textiles in the UK and these have been brought into sharper focus in light of Brexit, however manufacturers urgently need support to grasp these opportunities. According to the BFC Designer Survey 2017 (conducted by Britain Thinks) 65% of designer respondents stated that their collections are made by manufacturers not linked to their businesses (owned by another company), with 76% manufacturing outside the UK. There are examples of projects that are harnessing growth across the country, including the successful Alliance Project. The BFC has led the support of the fashion supply chain through harnessing the industry in our Manufacturers Report and the development of the manufacturers database, supported by M&S and Glasgow Caledonian University. Growth is impeded by skills shortages and aging capital/equipment. Strategic collaborative industry/Government intervention would enable growth, particular requirements are:
- Addressing skills shortages that will continue to impede growth of manufacturing
 - Incentivising young skilled local workers into industry
 - Provide tax incentives to enable manufacturers to update equipment
- 34.5 Education is important for clusters: key colleges in Manchester, Bath, Rochester, Edinburgh, manufacturing capabilities linked to further education facilities in Manchester.

Creating the right institutions to bring together sectors and places

35. **Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?**

- 35.1 The BFC has been working with the Mayor of London's office as part of the Thames Estuary Production Corridor. It is an industrial strategy master plan for the South East region - starting with the development of facilities for creative production from a fashion manufacturing cluster in East London to Southend. Building on the housing and transport infrastructure planned for this region, the Production Corridor will drive jobs and growth and catalyse clustering across this area. The fashion sector provides one example of how innovation funding would be used to collaborate with businesses leaders and institutions, and enable the development of a world leading fashion tech cluster in east London:
- Funding for collaborative R&D projects that will bring together technologists, designers, researchers and SMEs across sectors and disciplines to stimulate new products and processes
 - The creation of a fashion tech R&D showcase – a space containing the most advanced equipment for digital fabrication and printing, as well as wet and dry labs, to explore new sustainable material and wearable technologies focused – facilitating links and exchanges with wider UK fashion hubs