UK Manufacturing Round Table

PCIAW® PROFESSIONAL ASSOCIATION CLOTHING INDUSTRY WORLDWIDE

UK Manufacturing Round Table

CARRINGTON TEXTILES

Wearwell -EST. 1939-

MARTON MILLS EST.1931 BRITISH TEXTILES

FOURSOURCE

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TIBARD Uniform in our Expertise

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GORE-TEX PRODUCTS

Understanding the UK's Manufacturing Capabilities

UK Manufacturers' Round Table

The Risk of Relying on Offshore Manufacturing

As of 2024, geopolitical pressures are straining textile supply chains. From the Russo-Ukrainian war to tensions between China and western nations, textile manufacturing is under threat from sanctions and embargoes. Organisations failing to diversify supply chains risk losing large portions of their professional clothing supply in single catastrophic events.

The UK has suffered from over-dependence on single region manufacturing. At the 2022 PCIAW® Summit, Major General Simon Hutchings spoke about uniform supply issues the British Army faced due to over-reliance on Chinese manufacturers. The UK MoD failed to deliver 80% of uniform orders in 2020 due to suppliers being located in Wuhan province, the COVID pandemic epicentre.

Similar issues affected the NHS, where nurses used bin bags as replacement PPE due to supply shortages. Shortages endanger key workers' safety, making it vital to maintain supply and learn from COVID-19 PPE disasters.

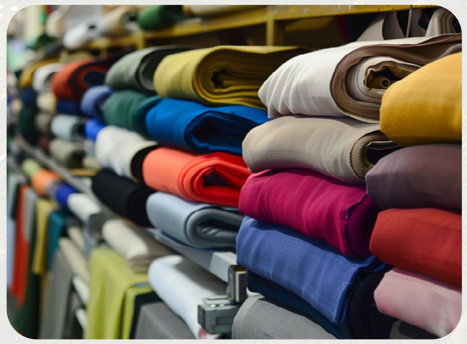
Countries lacking domestic production will be adversely affected by inflated costs and delays when the international market is disrupted. Supporting, growing, and maintaining domestic manufacturing helps create more resilient supply chains in unstable global conditions.

Introduction

The first UK Manufacturers Round Table session, held on 18/04/24, brought together representatives from various British textile and garment manufacturers. Participants spanned sectors like workwear, outdoor apparel, defence, emergency services, schoolwear and fashion. They provided insights into the capabilities, challenges and needs of UK-based producers, outlining key pain points of manufacturing in the UK and what the government can do to help.

Understanding the Landscape of British Textile Manufacturing

There was a diverse range of company scales present, with fabric manufacturers generally producing larger volumes than garment manufacturers. The largest fabric manufacturer produced 35 million metres of fabric per year, while the largest garment manufacturer could produce 30,000 pieces per year in the UK.



Most companies supplemented UK operations with offshore partnerships or overseas factories to increase capacity and leverage lower labour costs. Offshore facilities often had more than 10x the capacity of UK facilities and were almost always more profitable. Some participants noted that their UK facilities often ran at a net loss, kept afloat by profits from offshore facilities.

Manufacturing Costs

Many participants felt they were losing tenders due to cheaper offshore manufacturing options. One manufacturer stated that a garment costing £95 to manufacture in the UK would cost £63 in Tunisia and £45 in China. Higher manufacturing costs result in lower profit margins, with one participant stating they make only 15% margin on UK-made products compared to 63% on the same product from offshore facilities.

Higher costs are partly due to a lack of local raw materials and lower MOQs, but a significant factor is staff wages. The higher UK cost of living, combined with recent upward pressures like raising minimum wage and the cost-of-living crisis, has made it difficult for employers to take decent margins on UK-made products.

Participants shared the view that retaining good staff in these conditions was challenging, with the root cause being a lack of competitiveness compared to the international market. A race-to-the-bottom price mentality in public and private tenders has taken hold, and if buyers aren't willing to pay extra to support local manufacturers, those manufacturers won't remain competitive with pay and profits.

Lack of Domestic Support for British Goods

A primary factor amplifying difficulties in UK manufacturing is a lack of support and protections for the domestic textiles industry.

The British government is paradoxically promoting domestic industry through 'levelling up' schemes while hamstringing UK textile manufacturers by refusing to source from domestic producers. Participants reported having government contracts withdrawn at the last moment for unclear reasons, while another worried about losing a government tender to American and Chinese competitors.

Although participants appreciated government efforts to invest in British industry broadly, they most desired to be awarded government contracts to give them the revenues and growth opportunities needed to survive and maintain domestic capabilities.

Participants suggested implementing a Berry Amendment style law, demanding a certain percentage of public sector goods be procured from UK manufacturers. The government has previously promised to source 25% of public goods from UK companies, but participants felt this hasn't changed public procurement practises.

Another suggestion was greater access to grants, capital investment incentives and tax breaks to upgrade machinery and technologies. Many UK manufacturers lack funds for necessary upgrades due to low demand, preventing them from growing capabilities.

Ultimately, if domestic textiles manufacturing is to survive, the British government needs to give local manufacturers the contracts they need to stay afloat. Choosing foreign manufacturers goes against the 'levelling up' campaign messaging.

Brit-Washing

Participants felt not enough was being done to stamp out fraudulent and deceptive marketing related to UK-made goods. They noted instances where goods were deceptively advertised as "made in the UK" when the majority of manufacturing was done abroad. Examples included applying finishes to imported products, adding embroidery to finished imported products, and outright relabelling imported goods as UK-made.

These practises directly undermine genuine UK manufacturers by exploiting lower offshore manufacturing costs while drawing away buyers seeking to support British-made goods.

Participants expressed deep concern that little seemed to be done by authorities to prevent such fraudulent practises. They emphasised the urgent need for stricter enforcement of country-of-origin labelling rules, as well as thorough supply chain audits and verification processes.

Failing to address this issue would continue to undermine law-abiding domestic producers and erode consumer trust in the "Made in the UK" label. Participants firmly believe that combating deceptive origin claims should be prioritised as part of efforts to grow and maintain a domestic textiles industry.

Trading with the European Union

Britain's decision to leave the European Union has significantly impacted British manufacturers' opportunities to do business within the EU.

Trading has become more difficult due to increased bureaucracy, generating mountains of paperwork when exporting to the EU. One participant has hired a full-time customs expert to handle export paperwork and is looking for a second. SMEs are at a significant disadvantage, lacking funds to hire dedicated customs managers, shifting the burden to under-qualified staff prone to errors causing delays. Another participant lost a long-standing business relationship due to Brexit complications.

The Rules of Origin outlined in the UK-EU Trade and Cooperation Agreement (TCA) add further complications. For products to be traded without tariffs, a certain percentage of the product's value must be generated in the EU. Products failing to meet this requirement are subject to tariffs, making it difficult for many companies to profit trading with the EU. This has resulted in the establishment of offshore factories in Europe to circumvent tariffs.

Although the British government cannot reverse Brexit without public consent, the round table underlined the importance of supporting British manufacturers through various channels. Participants want the government to provide support for SMEs regarding new customs procedures, as well as protections for British goods and increased domestic procurement.

Conclusion

The issues and perspectives shared by participants must be taken seriously by UK policymakers. British textile and garment makers face significant obstacles that jeopardise the future viability of domestic textile manufacturing, including high manufacturing costs, lack of government support, unfair foreign competition, Brexit impacts, and deceptive labelling practises. Without decisive action, there is a real risk that the British textiles industry will continue to decline, dealing blows to local economies, domestic jobs, manufacturing capabilities, and supply chain resilience.

£10bn
clothing manufacturing market value 2022

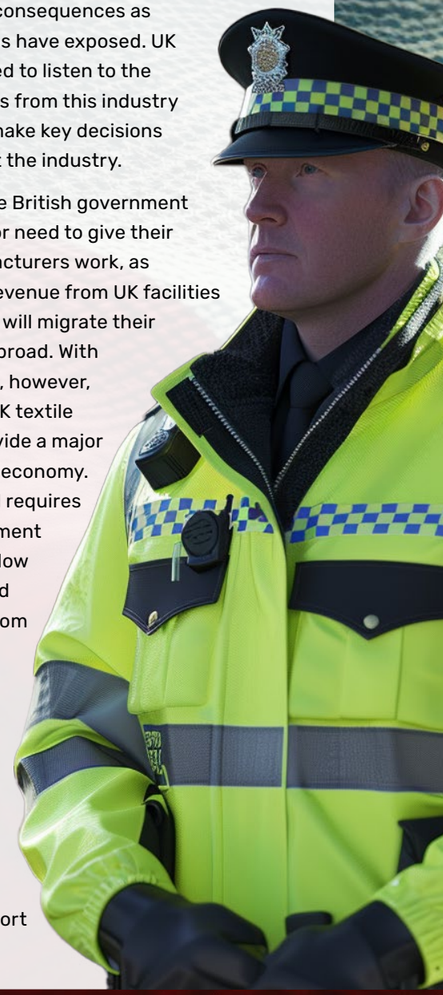
£4bn
PPE manufacturing market value 2022

10%
global CO2 emissions generated by the textile industry

1%
clothing is being recycled back into new clothing

10x
capacity in offshore facilities than the UK

The first roundtable session has made a compelling case that a robust domestic textile industry should be considered a strategic national priority, particularly for critical services such as the military, health services, fire & rescue services, prison services and border control. UK manufacturers deserve a level playing field and proactive government support akin to what other countries provide. Potential measures could include mandating a percentage of public contracts go to UK-sourced products, offering modernisation grants and tax incentives, punishing deceptive labelling practises, and offering more guidance to SMEs regarding post-Brexit trade with the European Union.

Ultimately, the biggest advantage to securing domestic production is ensuring supply chain security, reducing overreliance on concentrated foreign manufacturing hubs which can have disastrous consequences as recent disruptions have exposed. UK policymakers need to listen to the recommendations from this industry roundtable and make key decisions which will benefit the industry.

Above all else, the British government and private sector need to give their domestic manufacturers work, as without steady revenue from UK facilities many companies will migrate their manufacturing abroad. With the right reforms, however, a reinvigorated UK textile industry can provide a major benefit to the UK economy. The path forward requires concrete government support - not hollow commitments and race-to-the-bottom procurement. PCIAW® is proud to represent UK-based manufacturers, and now is the time for the British government to step up and support them too.