

EURIS

SURVEY REPORT

IMPACT OF BREXIT ON EURIS INDUSTRIES

INTRODUCTION

This survey was carried out in July and August 2017 across the members of 17 EURIS trade associations, covering electrotechnical, electronic and mechanical industries. A total of 216 EURIS companies participated in the survey, covering a diverse range of company sizes, location and sector.

EURIS is an advisory body for the potential impacts of the changing relationship between the UK and EU for the UK Government, manufacturers and media. The EURIS member associations are BEAMA, GAMBICA, EAMA, REA, CESA, FETA and TechWorks, representing some 3,500 companies.

We estimate our industry has a combined turnover of £105 billion and employs 516,000 people

SUMMARY

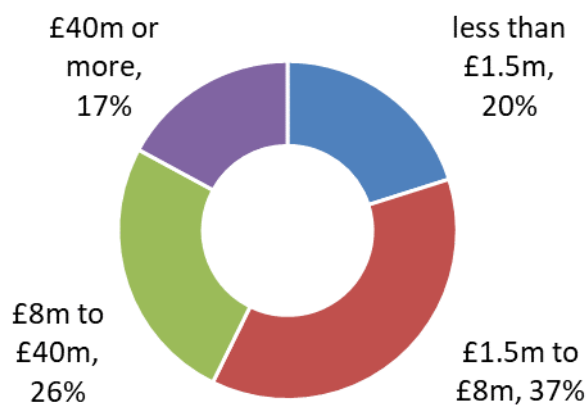
- EURIS members import goods to almost twice the value of exports
- EU import value is greater than the global export value
- 7% of employees are non-UK, EU nationals
- Leaving the Customs Union and the Single Market will have a significantly negative impact on business
- The negative impact will be felt in EU trade, staffing, investment and growth
- 90% prefer a trade model with the EU that is not WTO rules
- There is strong support for a 5 year transition period for EU regulation

The full data table can be found in the Appendix at the end of this document.

For further information on this survey, please contact steve.brambley@gambica.org.uk

SECTION 1 – EURIS INDUSTRY PROFILE

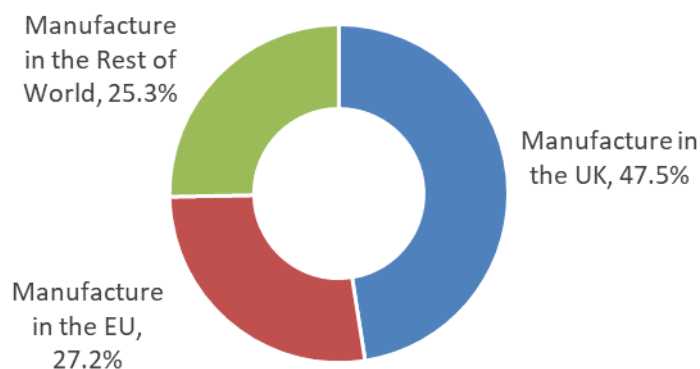
Size of company by turnover



The spread of company sizes was representative across the 4 categories defined as follows;

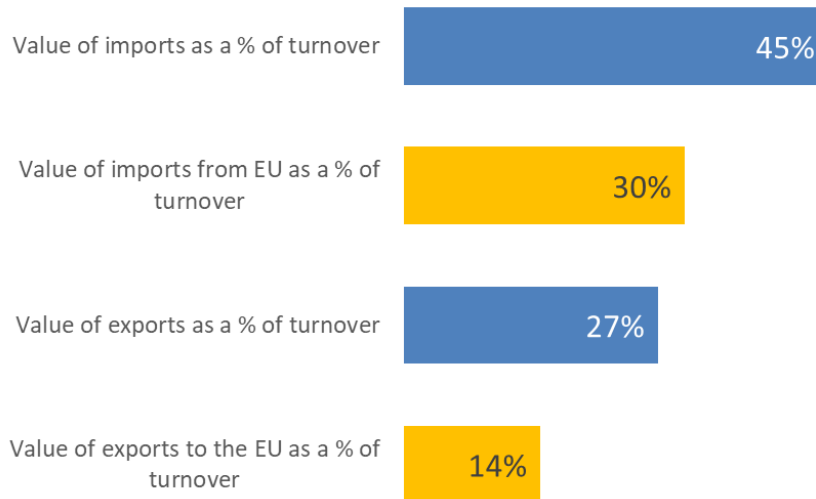
Company size	Turnover
Micro	Less than £1.5M
Small	£1.5M to £8M
Medium	£8M to £40M
Large	£40M or more

Manufacturing location by region



Almost half of the manufacturing activity in EURIS companies is done in the UK, with the rest split almost equally between the EU and the Rest of World. About half of the companies manufacture only in the UK, the other half equate on average to 21% UK manufacture, 41% in the EU and 38% in the rest of world.

Imports / Exports as a percentage of turnover



EURIS industries are on average Net Importers, importing almost twice as much value as export.

The EU is clearly the largest trading partner for EURIS industries. Imports from the EU account for two thirds of all imports, with exports to the EU accounting for over half of all exports. The value of EU imports is larger than global exports combined.

Micro-sized companies generally have lower import and export values in relation to turnover. As expected, UK manufacturers have higher exports and lower imports than UK companies with overseas manufacturing.

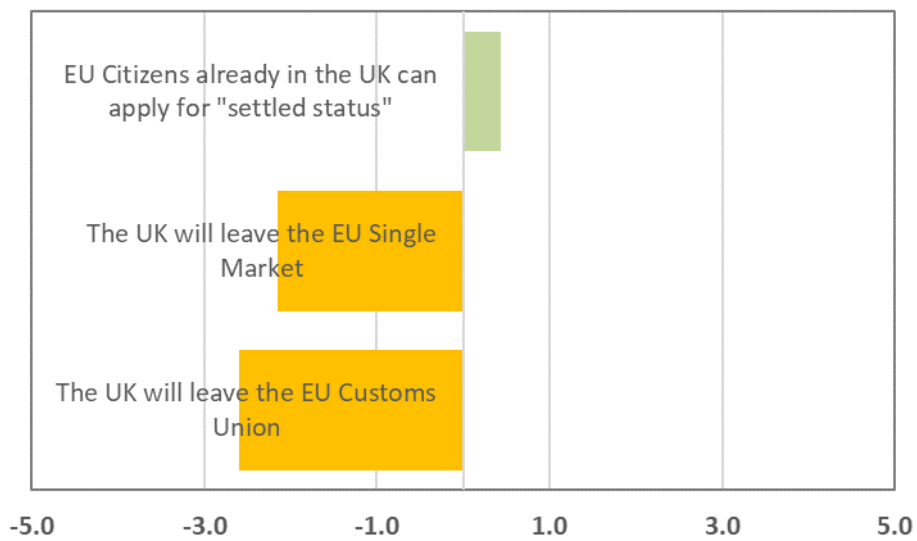
EU National Employees



Nationals (non-UK) – which is exactly the national average. The value is consistent across small to large companies; however micro companies employ less than 3%, which is understandable as most of them have less than 10 employees in total. Companies that manufacture only in the UK have a higher than average level of 8.5%

SECTION 2 – IMPACT OF BREXIT

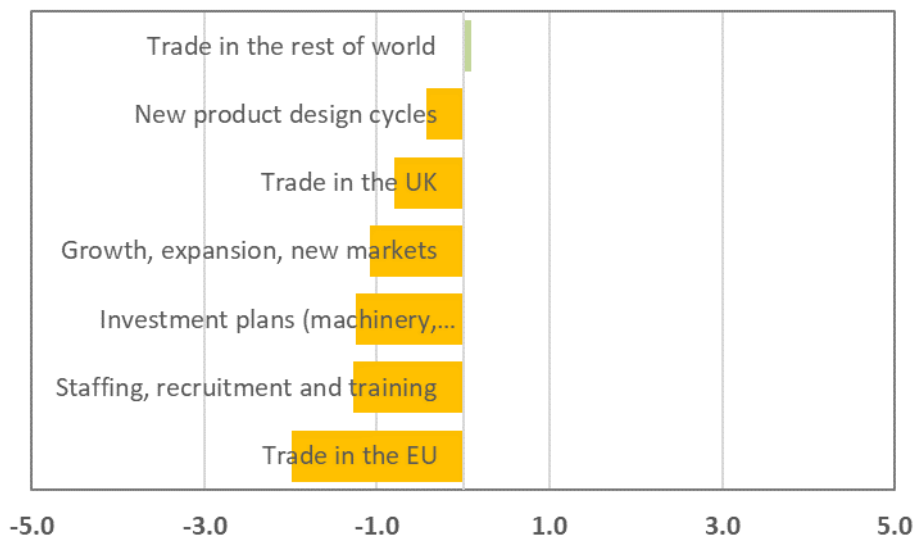
Future impact of UK government policy areas



-5 is most negative, +5 is most positive

Leaving the customs union and the single market are seen as a significantly negative impact across all sizes and locations of businesses. Allowing EU nationals to apply for settled status is seen in a neutral perspective, marginally positively in general. Global manufacturers are on average more pessimistic than UK manufacturers.

Future impact on UK business decisions

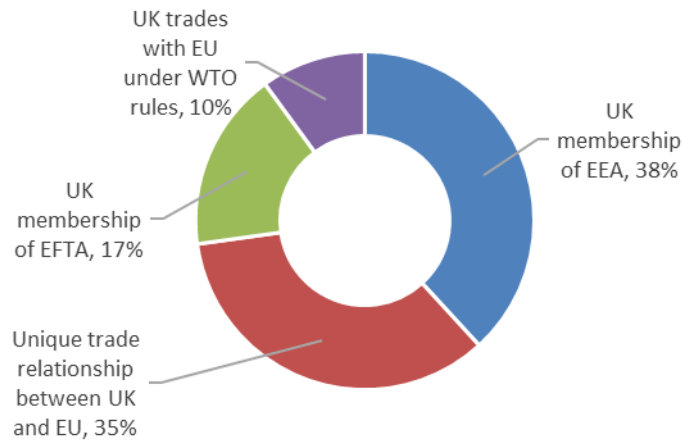


Almost all aspects of business are predicted to be negatively impacted, with Trade in the EU the most effected, followed by staff recruitment/training, investment and business growth.

Trade in the rest of world was the only area that wasn't negative, coming out as largely neutral.

There was no significant difference in the order between sizes of company or manufacturing location. Large companies are more pessimistic on average.

Preference for trade models between the UK and the EU



Two models came out with almost equal support, membership of EEA or a unique UK/EU relationship. EFTA membership and WTO model were the least popular options.

There was a consistent opinion across all sizes of companies and manufacturing locations.

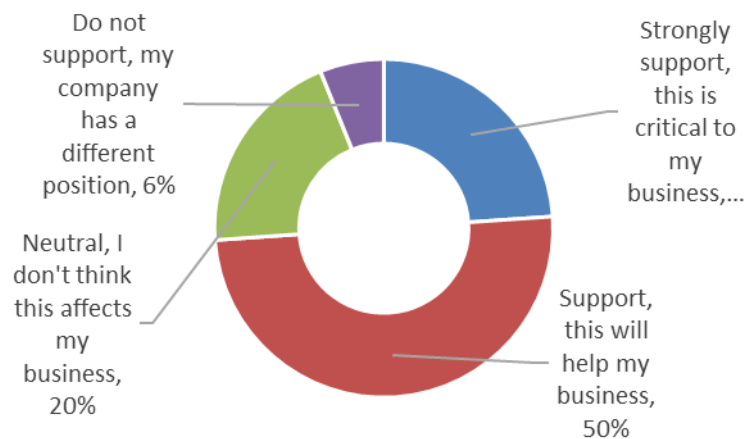
Importance of EURIS position paper topics (0-10, where 10 is most important)



International Trade, Standards and Regulation are the highest priority topics for EURIS members.

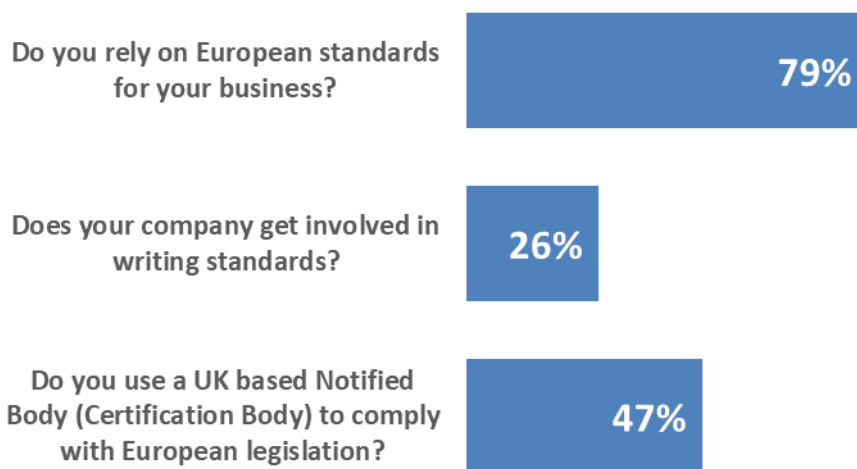
There was no significant difference in the order between sizes of company or manufacturing location. Large companies tend to place more importance on all topics.

Company support for EURIS proposed 5 year transition period for EU Regulation



74% of EURIS companies support a 5 year transition period, with only 6% having a different position, mostly from the micro sized companies.

Involvement in European Standards



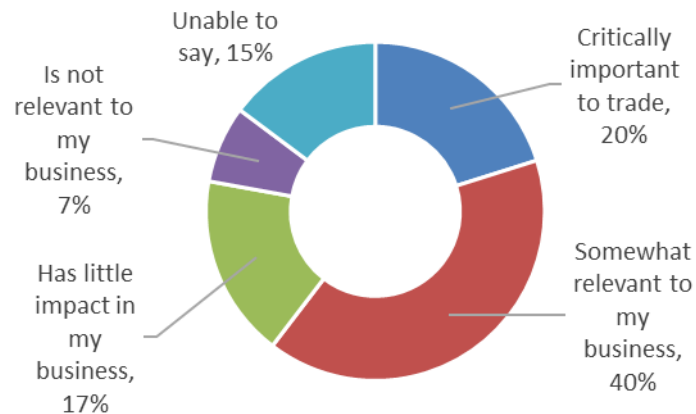
Almost 80% of EURIS companies rely on European standards, rising to 90% for those with global manufacturing and 100% of large companies.

Over a quarter of companies are involved in writing standards, ranging from 8% of micro companies to 57% of large companies.

Almost half of companies use a UK Notified Body, ranging from 22% of micro companies to 67% of large companies

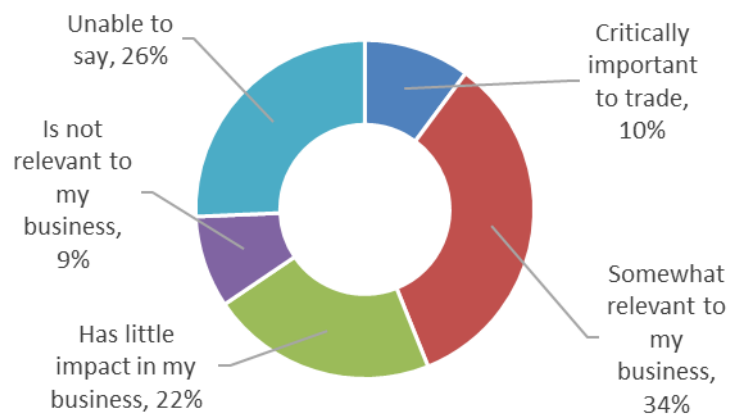
SECTION 3 – RULES OF ORIGIN & MUTUAL RECOGNITION

Importance of Rules of Origin



Rules of Origin has relevance to 60% of companies, with slightly greater importance to exporters and larger companies, 43% of which rate it as critical.

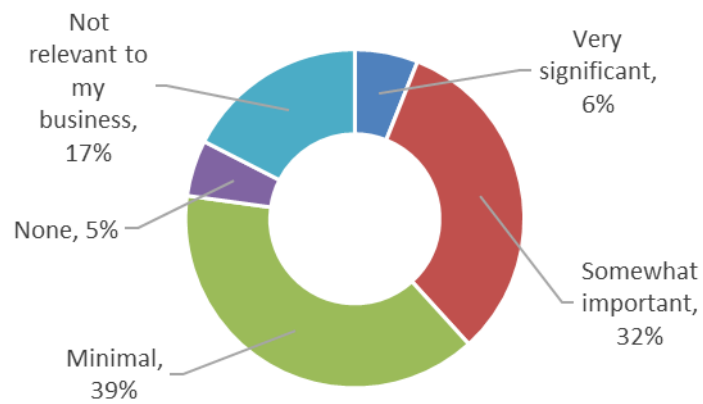
Importance of Mutual Recognition Principle



Mutual Recognition Principle is relevant to 44% of companies, with 26% of larger companies rating it as critical. Those with higher exports and/or imports also rated this of higher importance.

In both cases, a significant percentage were unable to say if the issue was relevant, indicating that experience may have been limited during UK membership of EU.

Significance of costs incurred when complying with rules of origin (e.g. time, admin, staff, charges) in comparison to other export costs



A mixed response, on the whole the costs are seen as somewhat important or minimal. Exporters and larger companies tend to see the costs as more significant than smaller companies

ABOUT EURIS

EURIS is an advisory body for the potential impacts of the changing relationship between the UK and EU for the UK Government, manufacturers and media.

EURIS members are industry trade associations BEAMA, GAMBICA, EAMA, REA, CESA, FETA and TechWorks, covering some 3,500 companies across electromechanical, electronics, renewables and mechanical engineering products. It has a focus on product manufacturers covered by the Single Market and the supporting regulations and standards.

The member associations have extensive relationships with equivalent European trade bodies, and parts of the European Commission. The EURIS Taskforce produces position papers and reports relating to the Brexit process relevant to the manufacturing sector. EURIS issues a weekly economic report to its members based on a tracked set of macro market indicators ranging from international trade and the general economy through to productivity costs and price indices

List of participating associations

AEA

BARA

BCAS

BEAMA

BFPA

BPF

BPMSA

CESA

FETA

GAMBICA

GTMA

MTA

Picon

PPMA

REA

SHAPA

Techworks

APPENDIX – DATA TABLES

% of companies		Split by turnover				Split by manufacturing location	
		20%	37%	26%	17%	52%	48%
	TOTAL	micro	small	medium	large	UK manuf	Global manuf
		less than £1.5m	£1.5m to £8m	£8m to £40m	£40m or more		
Please estimate the percentage of your total employees that are non-UK EU Nationals (i.e. from one of the EU member states other than the UK)	7.0%	2.7%	7.3%	7.1%	7.3%	8.5%	6.4%
Please estimate your company imports and exports as a percentage of UK turnover							
Value of imports	45%	26%	38%	47%	44%	21%	55%
Value of imports from EU	30%	20%	26%	34%	28%	17%	36%
Value of exports	27%	18%	32%	27%	26%	37%	25%
Value of exports to the EU	14%	9%	15%	10%	16%	15%	16%
Estimate of EURIS industry manufacturing profile							
Manufacture in the UK	42%	43%	51%	45%	40%	100%	21%
Manufacture in the EU	24%	11%	16%	25%	24%	0%	41%
Manufacture in the Rest of World	22%	6%	13%	19%	24%	0%	38%
Non-manufacturing (distribution, consultancy etc)	12%	40%	19%	12%	12%	0%	0%
Please estimate the future impact on your business of the following policy areas, to the best of your knowledge. Current UK government positions are... (-5 negative to +5 positive)							
The UK will leave the EU Customs Union	-2.6	-1.8	-2.6	-2.6	-3.6	-2.0	-3.1
The UK will leave the EU Single Market	-2.2	-2.0	-2.0	-2.2	-2.7	-1.5	-2.5
EU Citizens already in the UK can apply for "settled status"	0.4	0.1	0.8	0.5	-0.1	0.4	0.4
In which areas of business are these likely to have an impact? (-5 negative to +5 positive)							
Trade in the EU	-2.0	-1.7	-1.9	-2.0	-2.5	-2.0	-1.9
Staffing, recruitment and training	-1.3	-1.0	-1.2	-1.4	-1.6	-1.0	-1.5
Investment plans (machinery, equipment, buildings etc)	-1.2	-1.0	-1.3	-1.3	-1.4	-1.0	-1.3
Growth, expansion, new markets	-1.1	-1.2	-0.8	-1.1	-1.5	-0.8	-1.1
Trade in the UK	-0.8	-0.6	-0.5	-0.9	-1.5	-0.1	-1.3
New product design cycles	-0.4	-0.6	-0.3	-0.4	-0.6	-0.1	-0.5
Trade in the rest of world	0.1	0.4	0.2	0.1	-0.5	0.4	-0.1
EURIS member preference for trade models between the UK and the EU							
UK membership of EEA	38%	38%	36%	39%	43%	37%	40%
Unique trade relationship between UK and EU	35%	33%	37%	35%	30%	36%	31%
UK membership of EFTA	17%	18%	17%	17%	18%	16%	19%
UK trades with EU under WTO rules	10%	11%	11%	9%	9%	12%	9%
Importance of EURIS position paper topics to members (0-10 most important)							
International Trade	7.8	7.2	8.1	7.6	8.3	8.1	7.9
European and International Standards	7.6	7.0	8.0	7.4	8.0	7.4	8.3
EU Directives and Related Legislation	6.9	6.1	7.0	6.5	8.1	6.5	7.3
Rules of Origin	5.3	4.3	5.1	5.6	6.5	5.4	5.9
Intellectual Property and Copyright Law	4.8	4.1	4.7	4.4	6.5	5.2	5.1
Mutual Recognition Principles	4.5	4.1	4.5	4.3	5.6	4.6	4.9
Energy and Climate Change	4.5	4.7	3.4	4.9	6.1	4.4	4.6
Notified Body Conformity Assessment	4.1	2.9	4.1	4.1	5.8	4.1	4.7
European Research Funding	3.6	3.0	3.4	3.8	4.8	3.3	4.1

% of companies		Split by turnover				Split by manufacturing location	
		20%	37%	26%	17%	52%	48%
		micro	small	medium	large	UK manuf	Global manuf
		less than £1.5m	£1.5m to £8m	£8m to £40m	£40m or more		
EURIS has requested to UK government that there should be a 5 year period from April 2019 during which all currently planned future EU regulations and implementing measures that will enter into force during that 5 years will also be adopted in the UK. This is to ensure regulatory divergence does not occur during this period. We feel that 5 years should be adequate to cover product design cycles and legislative implementation cycles. Please indicate the extent to which you support this proposal.		TOTAL					
Strongly support, this is critical to my business	24%	16%	22%	27%	33%	22%	30%
Support, this will help my business	50%	41%	55%	48%	53%	51%	51%
Neutral, I don't think this affects my business	20%	32%	17%	18%	13%	19%	13%
Do not support, my company has a different position	6%	11%	6%	7%	0%	8%	6%
To what extent is your business involved in European Standards?		YES					
Do you rely on European standards for your business?	79%	57%	83%	80%	100%	74%	90%
Does your company get involved in writing standards?	26%	8%	22%	27%	57%	32%	31%
Do you use a UK based Notified Body (Certification Body) to comply with European legislation?	47%	22%	46%	55%	67%	61%	45%
How relevant to your business are the following subject areas for international trade (not only EU)?							
Rules of Origin							
Critically important to trade	20%	16%	19%	11%	43%	23%	25%
Somewhat relevant to my business	40%	38%	40%	53%	26%	45%	41%
Has little impact in my business	17%	19%	21%	14%	13%	18%	9%
Is not relevant to my business	7%	16%	9%	3%	0%	3%	7%
Unable to say	15%	13%	12%	19%	17%	11%	18%
Mutual Recognition Principle							
Critically important to trade	10%	6%	9%	5%	26%	11%	14%
Somewhat relevant to my business	34%	26%	42%	24%	39%	36%	36%
Has little impact in my business	22%	19%	25%	27%	9%	21%	18%
Is not relevant to my business	9%	19%	9%	5%	0%	8%	4%
Unable to say	26%	29%	16%	38%	26%	23%	29%
How significant are the costs incurred when complying with rules of origin (e.g. time, admin, staff, charges) in comparison to other export costs							
Very significant	6%	6%	7%	3%	8%	5%	9%
Somewhat important	32%	33%	23%	22%	67%	38%	33%
Minimal	39%	21%	48%	56%	17%	41%	42%
None	5%	6%	9%	3%	0%	3%	4%
Not relevant to my business	17%	33%	13%	17%	8%	14%	13%