



ORGALIME

# GENERAL ASSEMBLY

8-9 June 2017

Windsor, UK

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Engineering and  
Machinery Alliance

 **GAMBICA**

EU and UK industry - The future  
Opportunities and challenges for the electrical and mechanical industry



Hosted by   GAMBICA

# Brexit: the view from Brussels



**Mark Watts MSc FRSA**  
**Partner IDA Group**  
**Co-ordinator UK Transport in Europe**

# UKT*i*E

*The Voice of UK Transport in Europe*



OFFICE OF RAIL AND ROAD







Painted by  
Richard

You cannot negotiate  
with people who say  
what's mine is mine  
and what's yours is  
negotiable.

*John F. Kennedy*

*Jay Branscomb*  
2011

“Brexit means Brexit -- our industry won't be exempt,” said Spohr, who has accompanied Chancellor Angela Merkel on state visits and discussed the matter with German, French and European Union officials. “The basic approach is for every industry to say ‘hey, let's pretend that nothing has happened.’ That's something the governments, and also the EU Commission, won't go along with. You can be sure about that, from what I hear.”





PRESS

General Secretariat

16/5/2017 | SUBSCRIPTION UPDATE

Dear user,

We have now introduced a new topic in our email distribution list: **Brexit**.

You can sign up to it if you want to receive our products related to Brexit, such as press releases, statements, speeches, and information about meetings or press events.

To subscribe to Council updates on Brexit, just click on the link below and confirm the subscription.

[Sign up for Brexit updates](#)

Kind regards,

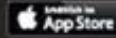
The Communication team

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Dieses Plakat spricht.  
Jetzt Merkel App laden.



**Kanzlerin**  
für Deutschland.

**CDU**



## Article 50 TEU

2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.

# Article 50 TEU

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Trigger Art.50 (2017)

Legal UK/EU separation

2 year withdrawal period

2019

extension (unlikely, requires full MS agreement)

New UK/EU deal

negotiate FTA in parallel with UK/EU separation?

deal requires full MS ratification..

2021(?)

Interim deal

negotiate interim deal (EEA?)

-----interim deal in force until new UK/EU deal]-----

UK WTO membership

new British schedules need approval from all 163 WTO members

FTA deals (53 existing EU relationships)

informal talks on FTAs deals

post-withdrawal – ratification of deals

EU foreign, defence and security policy ties

mechanisms to feed in UK knowledge / expertise into EU deliberations

## EU 27 & EP priorities for the orderly withdrawal

1. The situation of more than four million people, whose lives will be directly impacted by Brexit, on both sides.
2. All financial commitments undertaken by the EU of 28 will also be honoured by the UK.
3. In order to protect the peace and reconciliation process described by the Good Friday Agreement, we must aim to avoid a hard border between the Republic of Ireland and Northern Ireland.



## **2. Taking control of our own laws**

We will take control of our own affairs, as those who voted in their millions to leave the EU demanded we must, and bring an end to the jurisdiction in the UK of the Court of Justice of the European Union.

**(White Paper on The United Kingdom's exit from, and new partnership with, the European Union  
Updated 15 May 2017)**

## Key issues for industry in the Brexit negotiations will include \*

1. Regulatory convergence & access to markets - role of ECJ
2. Deal on Customs – risk of WTO rules disrupting supply chain
3. FTA – start shaping it now (but competition policy, state aids, Regs)
4. Transitional arrangement – 2 years is not enough time for a deal

\* assuming we don't run out of time

## Key actions for industry in the Brexit negotiations

1. Identify opportunities and threats
2. Develop practical and politically deliverable solutions
3. Build alliances
4. Engage with London, Brussels, Berlin, Paris, EU 27 + EP
5. Programme sufficient resource (time and money) for the next decade





## What we are doing:

- Monitor developments and negotiations, scope risks
- Agree a strategy to mitigate risk
- Develop solutions for the future UK-EU relationship
- Forge alliances and build coalitions
- Deliver solutions by engaging and holding events  
(Meeting Barnier's Task Force 50 - 11 July, DExEU, House of Lords, MEPs, Customs event)

# UKT*i*E

*The Voice of UK Transport in Europe*

# Brexit –The German Perspective

Orgalime General Assembly, Windsor,  
8 June 2017



## The economic reality

- **Strong economic ties between both countries**
- **Germany most important trading partner (ahead of US)**
- **UK third most important export market for Germany**
- **2,500 German companies in UK employing 370,000 workers**
- **3,000 British companies are operating in Germany**



## United Kingdom - Key market for German machinery manufacturers

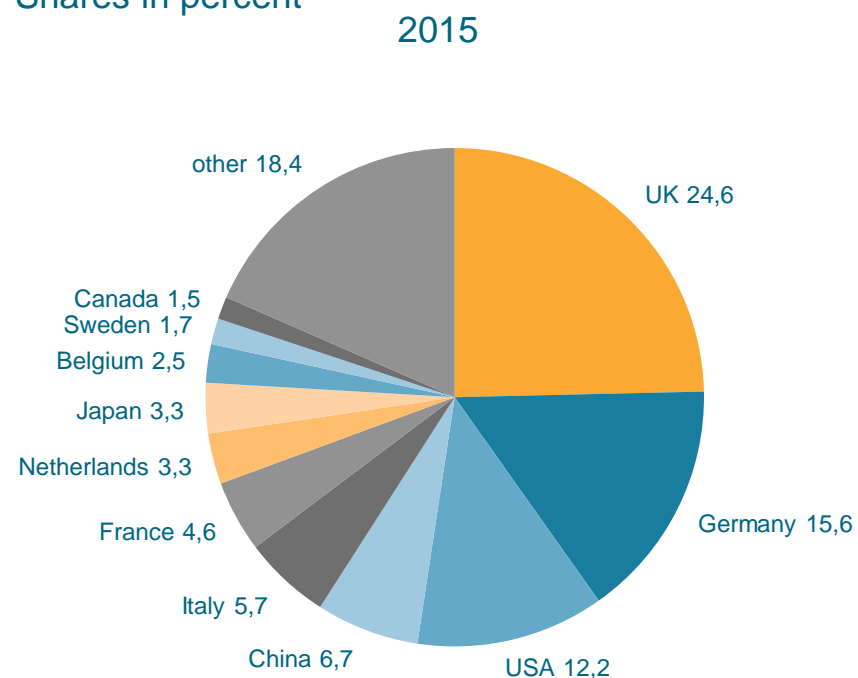


Land	Bn. EUR	2015/14 in %	Export ratio in %
USA	16,8	11,2	10,8
China	16,0	-5,9	10,3
France	9,8	0	6,3
<b>UK</b>	<b>7,2</b>	<b>5,8</b>	<b>4,6</b>
Italy	6,4	11,0	4,2
Netherlands	6,1	6,8	3,9
Austria	6,0	4,7	3,8
Poland	5,7	14,0	3,7
Switzerland	4,9	0,5	3,1
Russia	4,7	-26,8	3,1

Quelle: VDMA

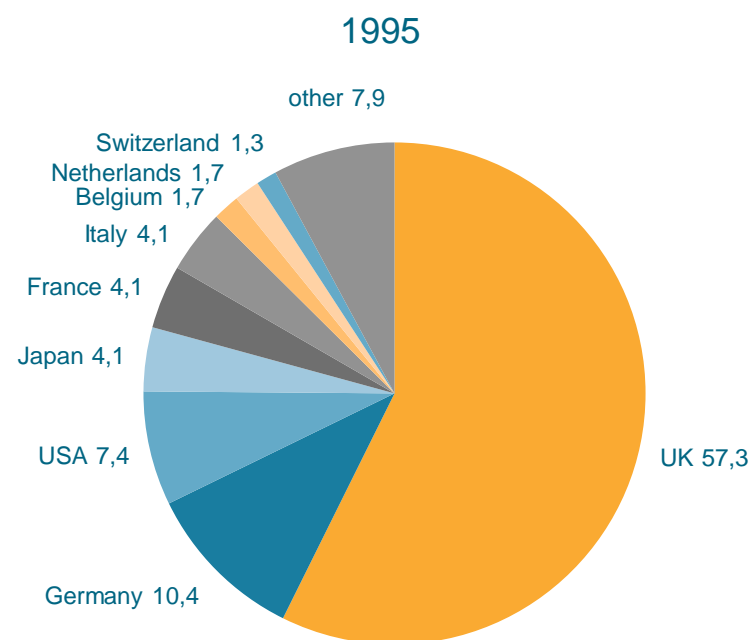
# United Kingdom: Machinery market's dependance on machinery imports

Shares in percent

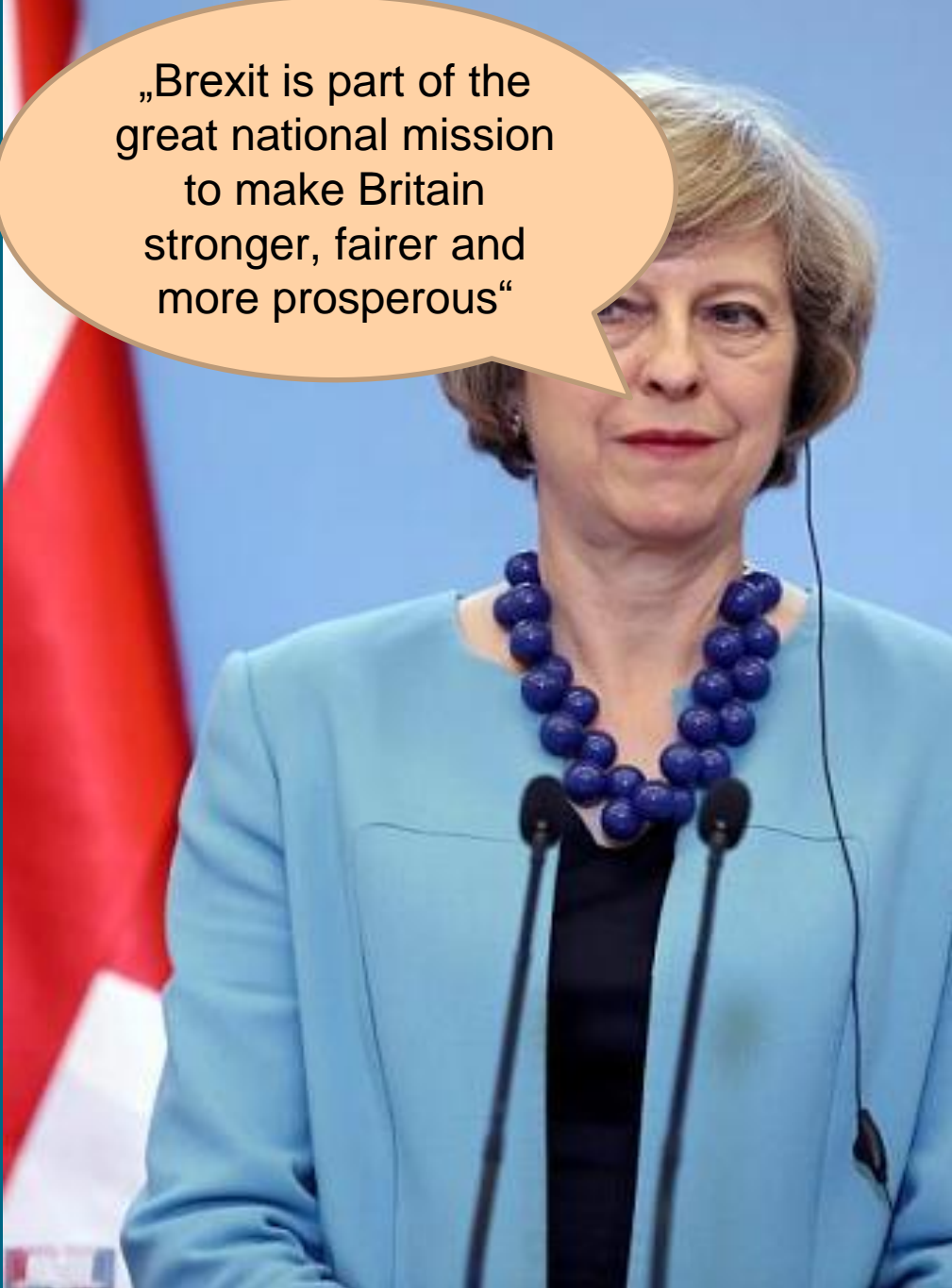


Total (estimated): 38 bn. euros

Source: Eurostat, VDMA



Total: 34 bn. euros

A photograph of Theresa May, the former Prime Minister of the United Kingdom, speaking at a podium. She is wearing a light blue jacket and a dark blue beaded necklace. A speech bubble is overlaid on the top left of the image.

„Brexit is part of the great national mission to make Britain stronger, fairer and more prosperous“

## The political reality

- **UK will....**
  - ...leave the internal market;
  - ...leave the customs union;
  - ....have full legislative autonomy;
  - ....not accept jurisprudence of European Court of Justice.

**Economic disintegration**



**Negative economic effects overall**



## Dealing with the impossible – VDMA approach



### Objective: Soften the longterm negative effects for German companies

1. **Top priority: Securing the European Union and the internal market**
  - No special privileges and cherry-picking for UK
2. **Avoid disorderly exit of UK**
  - Bad deal is better than no deal
3. **Define cornerstones and transitional provisions for future relationship EU-UK**
4. **Conclude comprehensive Free Trade Agreement with the UK**
  - Not possible in two years negotiation time

## Key Concerns

### 1. Customs duties and procedures

- Additional burden for companies inevitable
- Reduce burden by avoiding customs duties and curtailing customs bureaucracy

### 2. Technical legislation

- Despite „Great Repeal Act“ EU and UK systems will disintegrate
- Define common regulatory approach in FTA

### 3. Free movement of persons

- Simplify procedures for secondment of personnel

### 4. Level playing field

- Avoid market distortion by unfair state subsidies
- Integrate chapter on state aid in FTA





## Conclusions

- **Deep integration of German and UK economies over decades**
  - Particularly in our sector
- **EU and internal market facilitated integration**
- **Brexit means economic disintegration**
- **Brexit will be economically damaging for the UK and for the German economy**
- **Secure integrity of EU and prevent further disintegration**
- **Avoid disorderly exit of UK**
- **Develop free trade agreement between EU and UK to reduce economic effects of Brexit**



Fédération des  
Industries Mécaniques

# The French perspective on the future role of the UK in the EU

ORGALIME General Assembly  
8<sup>th</sup> June 2017  
P. Contet





# THE FRENCH PERSPECTIVE

## CONTEXT

Current trade figures with UK (million EUR)

Sector	Exports 2016	Exports 3m - 2017	Imports 2016	Imports 3m - 2017
Metal working	437	+ 4,4%	343	+ 4,2%
Engineering products	1820	- 6,8%	1426	+ 6,3%
Precision	681	- 10,2%	447	+ 6,1%
Total	2 938	- 6%	2 216	+ 5,9%

## Global figures of FIM

- Global turn over of French mechanical engineering industries : 123 Billion Euros / exports for 40 %

# THE FRENCH PERSPECTIVE

## CONTEXT



### Trade figures (million EUR)

- UK is the fourth client of the French mechanical engineering industries, behind Germany, USA and Spain, with competitive advantage in most sectors
- First quarter '17 : mixed results due to the exchange rate (€ vs. £)

# THE FRENCH PERSPECTIVE

## FIM POSITION



### What is at stake for companies ?

- Uncertainty is bad for business
- Remain competitive and maintain the capacity to export to the UK
- Maintain a level-playing field (for instance, avoid that products originating from third country have access to the internal market through UK)

### The potential impact of UK industrial and regulatory policies

- Relocation of jobs
- Less regulatory burden for companies, especially regarding environment and energy



# THE FRENCH PERSPECTIVE

## FIM POSITION



### Recommandations

- Negotiate a free-trade agreement (FTA)
- Maintain the acquis communautaire, especially in terms of product regulations, through regulatory cooperation
- Ensure a level-playing field, by inserting in the FTA provisions on sustainable development
- Limit the duration of the transitional arrangements after the 29th March 2019



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**GAMBICA**

The role of industry representation 2017-2019 - Standards and Innovation



# Standards and Innovation

Scott Steedman CBE  
Director of Standards

8 June 2017

ORGALIME General Assembly, Windsor

EU and UK industry - The future opportunities and challenges  
for the electrical and mechanical industry



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New research in the UK on attitudes to standards shows two distinct groupings:



High usage sectors



Low usage sectors





Standards are made by people for people.

BSI publishes 2,500 and withdraws over 1,000 standards per year, following the European single standard model in the UK market.

This maintains a coherent, consistent body of knowledge for industry, gov't and the public.

BSI is a neutral facilitator for industry experts.

For BSI, standards are a consensus of what good looks like.

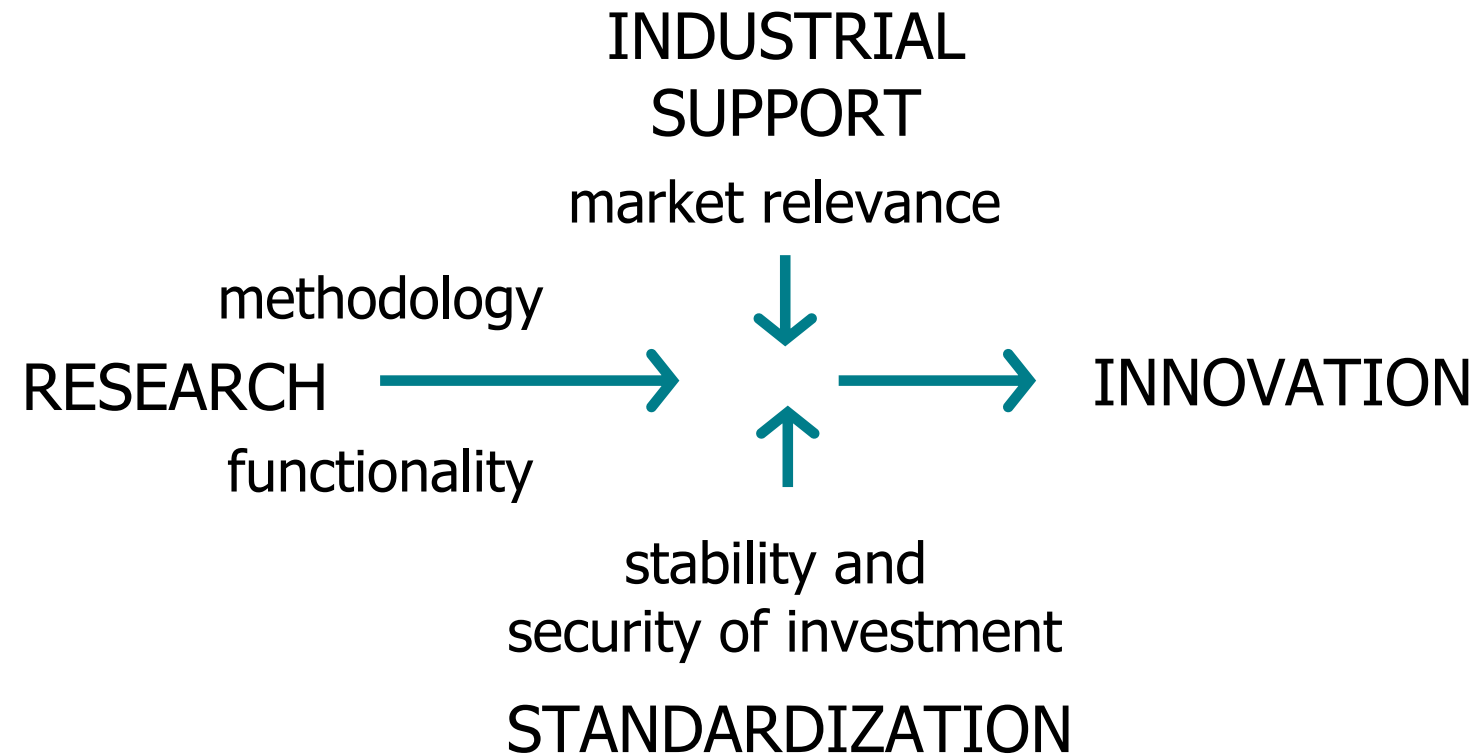




Dr Tian Shihong, Administrator of the Standardization Administration of the People's Republic of China (SAC)

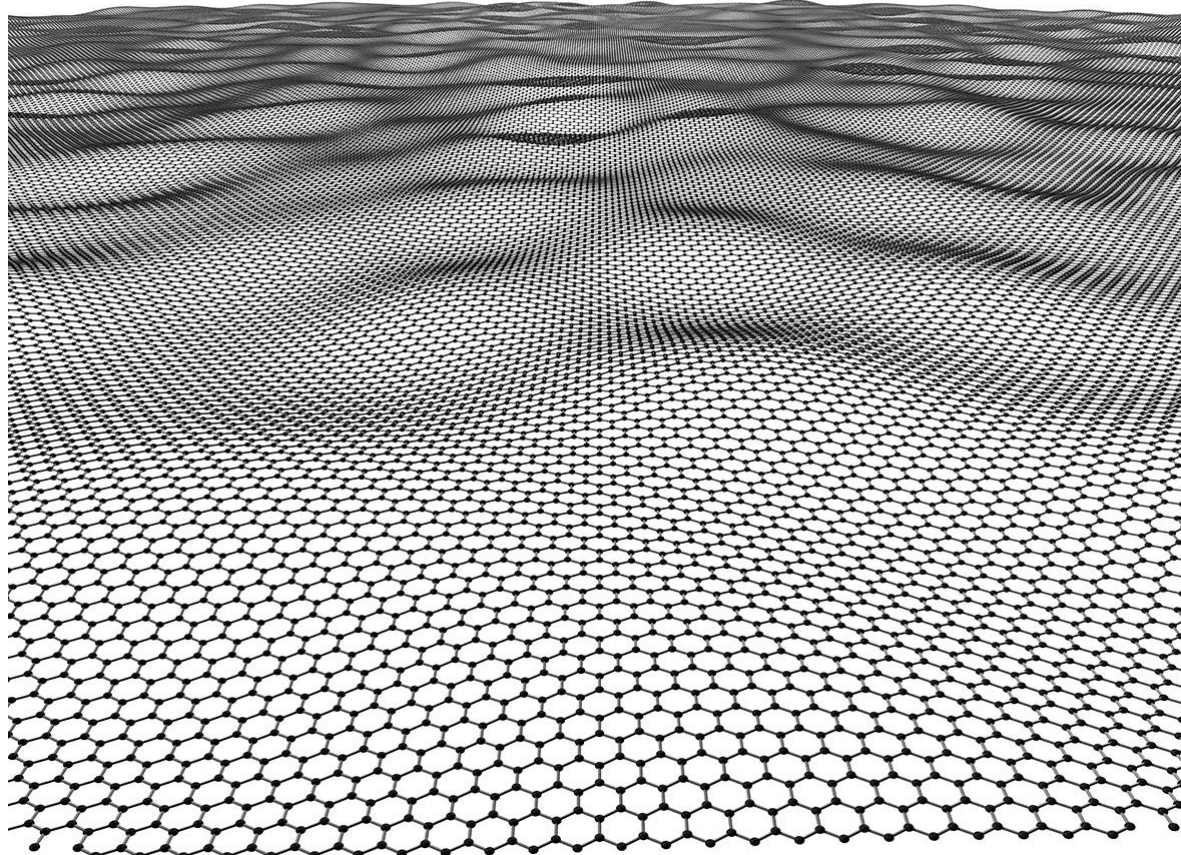
"China sees the role of international standards as a high priority for its industries, which want to work to one standard used everywhere"

# German industry uses standards to accelerate innovation

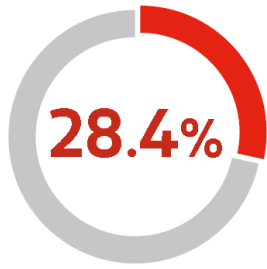




# The role of standards in emerging technologies – graphene



Corrugated graphene sheet, Jannik Meyer, University of Manchester



of annual UK GDP growth can be attributed to standards, equivalent to **£8.2 billion**



of UK productivity growth can be attributed to standards



SMEs are **41%** more likely to export if they use standards and larger companies are **36%** more likely to export



Food/Drink  
Manufacturing



Life  
Sciences



Construction



Automotive



Aerospace  
and Defence



Energy



ICT

95% of national standards published in the UK are international or European

**bsi.**

...making excellence a habit.™





# Standardization for Industry

David Dossett

Member of the CENELEC Board

Orgalime General Assembly

# Fundamentals



## CEN and CENELEC standards are...

- ✓ Based on the **national delegation principle**
- ✓ Representing a **consensus** among all interested parties
- ✓ **Voluntary**
- ✓ Developed by **independent organizations** clearly distinct from authorities

**Industry driven!**



# CEN-CENELEC & Orgalime

CEN and CENELEC recognise the need to further involve industry into European standardization

Orgalime is already "**Partner**" to CEN & CENELEC

## Industry Advisory Forum

- New initiative of structured dialogue with industry at the strategic level
- Informal and agile forum to discuss issues raised by industry e.g.:
  - (mis)-use of standardization within the NLF
  - the "hold-up" in the publication of standards' references under various EU directives
- meets 1 to 2 x year



# Digital Challenges for Standardization



- European industry is facing a “digital revolution”
- Traditional sectors now need IT standardization responses
- Rapidly evolving regulatory landscape
- Growing number of standardization providers

# CEN-CENELEC Digital Strategy



## CEN & CENELEC are engaged to meet changing needs of the industry

- Become leading providers of digital standardization solutions
- Build on strengths and competing in new areas
- Propose an attractive offer ( CWA, project approach, flexible response...)
- Attract new digital stakeholders + seize opportunities
- Build strategic alliances (AIOTI, ECSO ...)



# Digital Challenges and Intellectual Property



## CEN & CENELEC are engaged to meet changing needs of the industry

- Anticipate IPR evolution affecting standardization
  - Data protection, Cybersecurity, digital Copyrights, Patents, Trademarks, digital Competition law, Civil (and other) liability
- Follow-up the regulatory and judiciary evolution affecting standardization
  - e.g.: James Elliott Case and hEN as “part of the EU Law”...

# Key Messages



**To ensure market relevant standards, industry and standardizers need join forces to:**

- achieve a **structured and systematic dialogue** on identified technical and policy issues
- define strategic **standardization priorities**: set by industry, for the industry
- **solve 'hot' topics** and find solutions for common regulatory and judiciary challenges
- exploit the capacity of the standardization system, at **regional and international level**



# The role of industry representation 2017/19 - Standards and Innovation

Orgalime GA, Windsor

08/06/2017

Rodney Turtle

Life Is On



# A view from Industry



Respond



Safe, Reliable,  
Efficient, Connected



Agreed principles,  
shared expectations



UK, EU, international



Collaborative, market-driven



Representative



Simplify complexity  
Assist delivery

Life Is On

**Schneider**  
Electric



Life Is On

**Schneider**  
Electric



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The UK and EU Industrial Strategies

# The UK Industrial Strategy

Patrick Caiger-Smith, BEAMA Vice President, CEO GEO

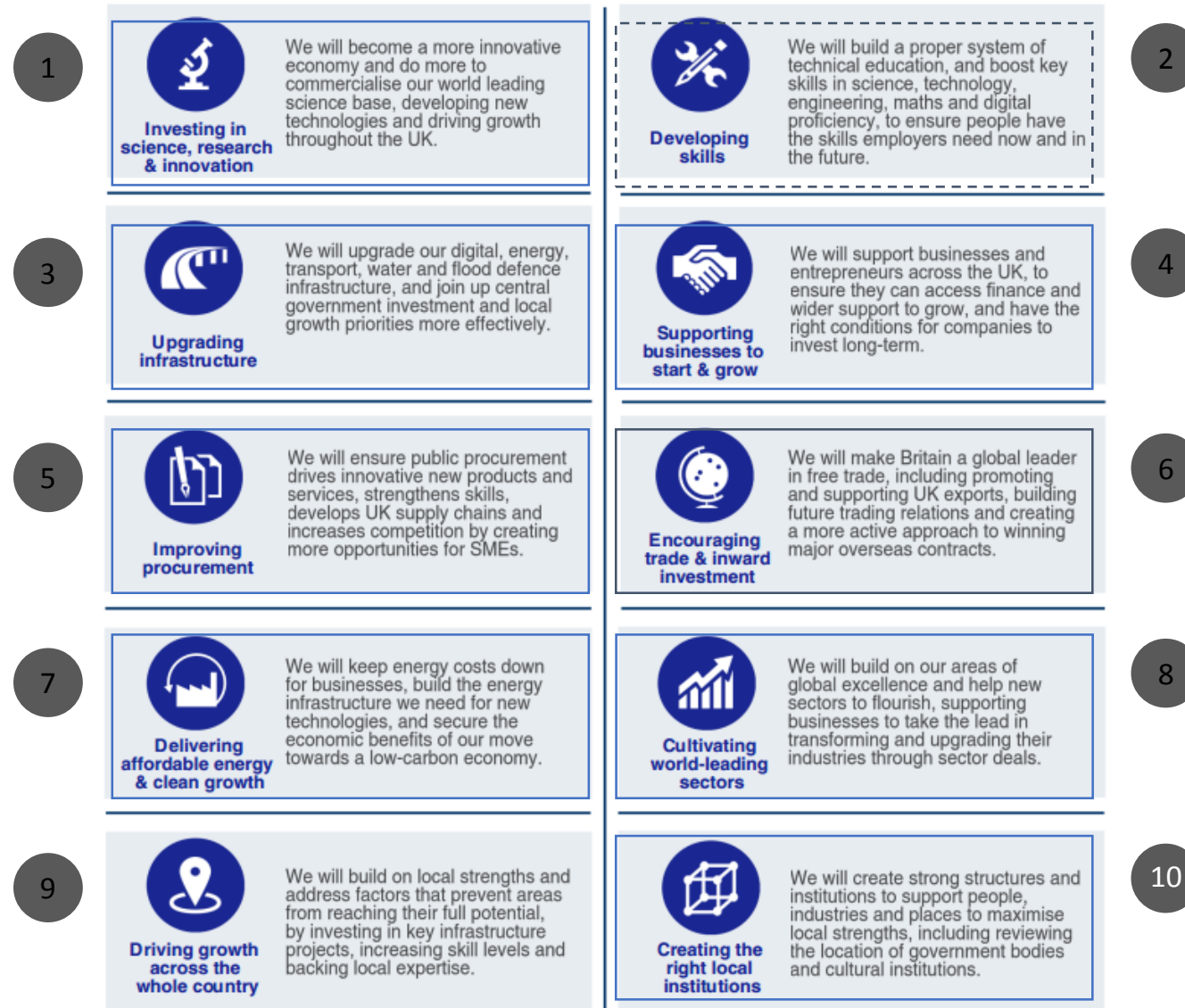


# Industrial Strategy Green Paper – overview

- Issued in January 2017
- Critical part of the plan for post-Brexit Britain
- Major consultation – endorsed by the PM
- Improve living standards and economic growth by increasing productivity and driving growth across the whole country
- Aims:
  - build on strengths and extend excellence into the future,
  - close gaps between the UK's most productive companies, industries, places and people and the rest, and
  - make the UK one of the most competitive places in the world to start or grow a business
- Regional emphasis
- White paper expected in H2 2017



# The 10 pillars of the Industrial Strategy





# 1<sup>st</sup> pillar: investing in science, research and innovation

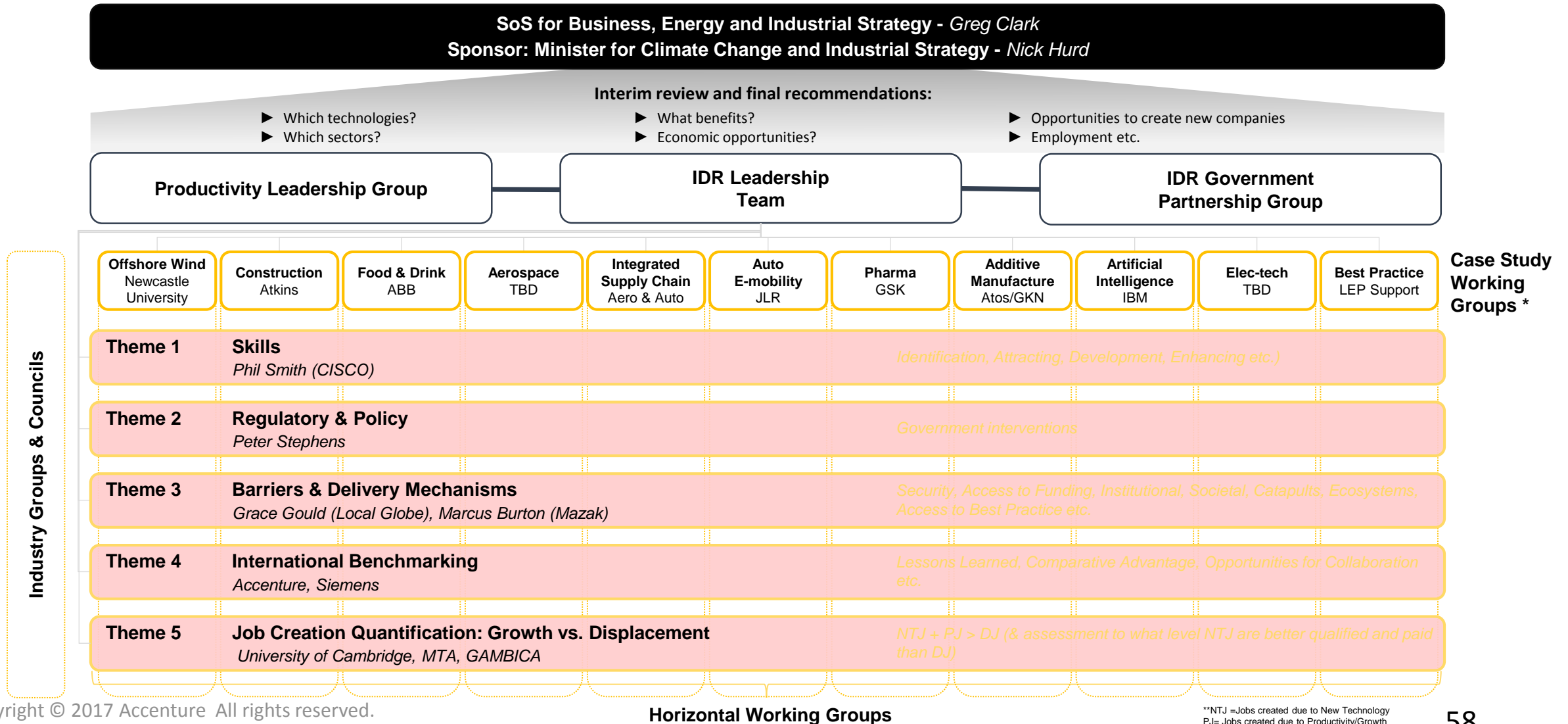
- Creation of UK Research and Innovation (UKRI), bringing together RCs and Innovate UK
- Additional £4.7 billion of funding by 2020-21 – an increase of around 20 per cent to total government R&D spending; biggest increase in any parliament in almost 40 years
- Industrial Strategy Challenge Fund (modelled after US DARPA)
  - R&D focused challenges (mission-driven) across emerging and incumbent sectors
  - £2 billion, of which around £1 billion has already been allocated to six challenges (wave 1)
  - Proposals for further challenge areas (2018/19 onwards) are being prepared and will be presented to ministers in September 2017
  - Support from business should include material financial support; partners need to put ‘skin in the game’ and share risk
  - Challenges will be led within UKRI by Challenge Directors

## 8<sup>th</sup> pillar: cultivating world-leading sectors

- Challenges and opportunities in particular industries and sectors, informed by practice from e.g. automotive and aerospace sectors
- ‘Sector deals’: open door challenge to industry to come to Government with proposals to transform and upgrade their sector
- Arrangements must be open to new entrants and challengers to existing incumbents; invitation applies to both established and emerging sectors, and to businesses of all sizes
- A sector deal will need to provide evidence of how Government support could increase likelihood of success:
  - helping align government policies around a sector
  - addressing a regulatory issue or deregulating
  - promoting the creation and diffusion of new technology and good practice
  - helping address market access barriers with other countries
- Five early sector deals: life sciences, ultra low emissions vehicles, industrial digitalisation, nuclear and creative industries, making smart low carbon systems.

# Industrial digitalisation overview

- THE WORKING GROUP FORMED TO TACKLE THE STUDY IS ORGANISED AS SHOWN BELOW.

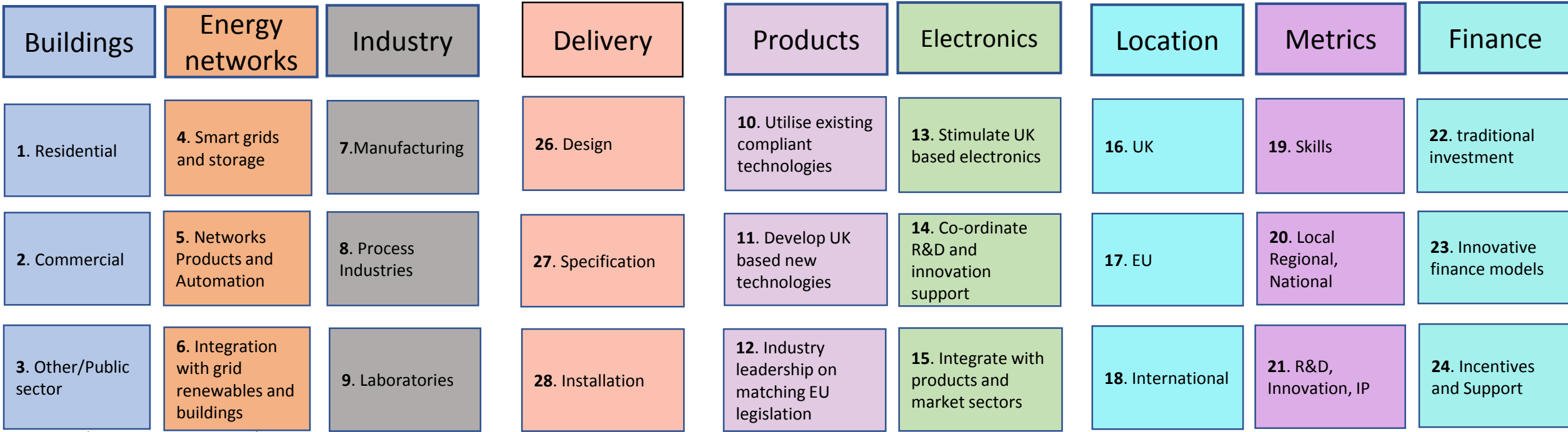
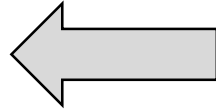


# Making Smart Low Carbon Systems

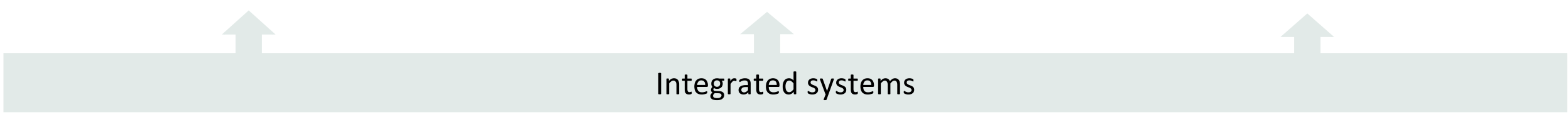
UK MARKET SECTORS

TECHNOLOGY

BUSINESS DEVELOPMENT  
and TRADE



25. *Electric vehicles*



# Making Smart Low carbon systems

And relationships with connected sector deals

## INDUSTRIAL DIGITALISATION

Adopt new technologies that will boost productivity and create new high tech jobs across manufacturing and industry

Increasing productivity  
Creating jobs

Design,  
Manufacture and  
Delivery of Digital  
Technology  
products and  
systems

## MAKING SMART SYSTEMS

- Deep , multi-partner sector
- Delivering the industry leadership to realise the potential
- Household savings of £250
- Energy Bills for Businesses reduced by 20-30%
- Industry fiscal savings of £4-10 Billion
- Cost effective measures delivering 200TWh of savings in 2020
- Equivalent to 22 new power stations
- UK leadership – increased UK manufacturing – exports to the world-based on UK experience, development and deployment
- Connections to other relevant sector deal: Construction – Industrial digitisation and Electric vehicles

Developing and delivering Low carbon and Smart tech products as part of the Construction process

- Improving the efficiency of construction
- Stimulating intelligent planning and delivery
- Implementing BIM

## CONSTRUCTION

## ULTRA LOW CARBON VEHICLES

- Smart charging
- EV infrastructures
- Grid re-enforcement

Reducing air pollution  
Boosting UK production

Expanding the Electric vehicle market in UK  
Establishing a EV battery market in UK



## Discussion on Industrial Strategy...

- Is this a zero sum economic exercise?
- Why should national governments get involved?
- UK approach is intended to be industry led
- Industry has to make the best of political developments
- Role in stimulating new enterprises and embracing change and ensuring markets are competitive
- Just as sectors need to align to be efficient nationally, so there is a role for collaboration across Europe



# Orgalime General Assembly

**Europe and industrial strategy**  
Windsor, 8 June 2017

**Tomas Hedenborg**



# EU and industrial strategy

- We thought we were there in 2012: the Commission launched its industrial strategy. This was approved by the Council (national leaders) who agreed to “mainstream” industrial competitiveness into all policies
- Commission’s strategies now being implemented: Climate and Energy, Digitisation of European Industry, Internal market, Circular Economy, ...
- In general many of these are in line with the views we expressed in our “Vision paper”
- So no major damage to date, but no focus either on putting industry at the core of policymakers thinking, but the Council insisted in May on the Commission “mainstreaming industrial policy into the EU strategic initiatives” and producing a policy for spring 2018



# Orgalime vision....

- Updated vision paper with clear messages issued end of 2016:
  - We are strong supporters of Europe
  - We like a certain number of policies the EU has enacted (notably energy and some of the digitisation policies)
  - We are unhappy with the defence of the internal market in environmental policy and trade negotiations: we don't want a re-nationalisation at the expense of the internal market
  - There are still things to do, and most of all a need to "join up the dots" and make a coordinated industrial policy the core means to achieve the EU's headline agenda of jobs and growth
- Why? Because manufacturing has a strong role to play in the future of Europe and our society : we provide jobs, we provide growth: these are basics towards making people contented



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