

# PRESS RELEASE

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Engineering and  
Machinery Alliance

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## **Access to Single Market and Skilled Workers Top Two Brexit Priorities** Reduced regulation – third priority and a Brexit Benefit

Post Brexit, mechanical and electronic engineering companies are looking forward to reduced regulation, but believe that access to the Single Market and skilled workers are more important issues that need to be maintained according to a survey conducted by the 14-strong trade body, the Engineering and Machinery Alliance (EAMA).

Exports make up a sizeable proportion of machinery and equipment sales, EAMA members' core offering. According to HMRC trade data the machinery sector (SIC 28) exports totalled £26 billion in product terms in 2015. EU markets took 37% of those sales with the US the biggest market by far (£4.9 billion) followed by Germany (£2.5 billion).

Martin Walder, EAMA chairman: "For all practical purposes the Single Market is our home market so maintaining frictionless access to it for UK goods and services is bound to be high on industry's list of priorities for Government's negotiations with the EU.

"The same goes for the other priorities: access to skilled workers and free movement of people between the UK and the EU. If the skills and talent aren't available here, companies have to be able source that talent and expertise from elsewhere otherwise the added value they could be offering in export markets won't be realised and the UK balance of payments loses out.

"We recognise that these are sensitive topics. The credibility and fairness of the immigration system has

to be established and maintained, but the numbers involved are likely to be relatively small – the sector comprises less than 8,000 companies. Maybe the Government could audit the requirements and establish a simple, transparent framework for work permits that will meet voters concerns and exporter' needs."

Roughly a fifth of the 2,000 companies that come under the EAMA umbrella gave their views on the three key priorities for Government's negotiations with the EU once Article 50 is triggered.

Martin Walder again: "The high turnout shows how important the issues are commercially for the sector. It also enabled us to compare the views of firms that manufacture here in the UK (58% of participants) with those that don't but who also serve UK manufacturers and exporters (42%).

"Basically manufacturers and non-manufacturers said access to the Single Market was their overwhelming number one priority with support around 80% and nothing else scored even double figures. Both also agreed that access to skilled workers was their second most important priority.

"The third priority overall, reduced regulation (28%), was particularly favoured by the non-manufacturers, scoring 37% with them. Manufacturers on the other hand placed this behind being able to influence standards used in the single market (21% vs 24%)."

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ENDS  
survey attached

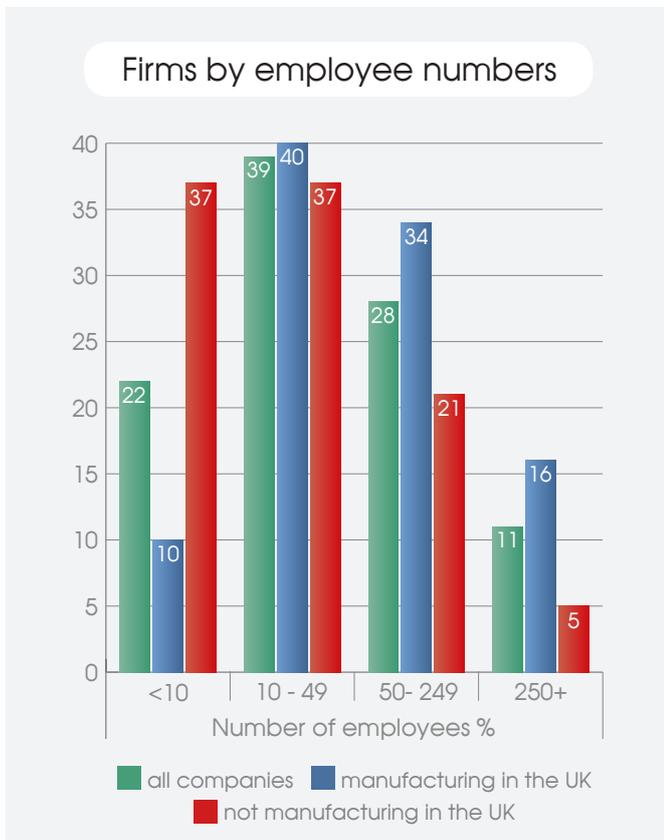
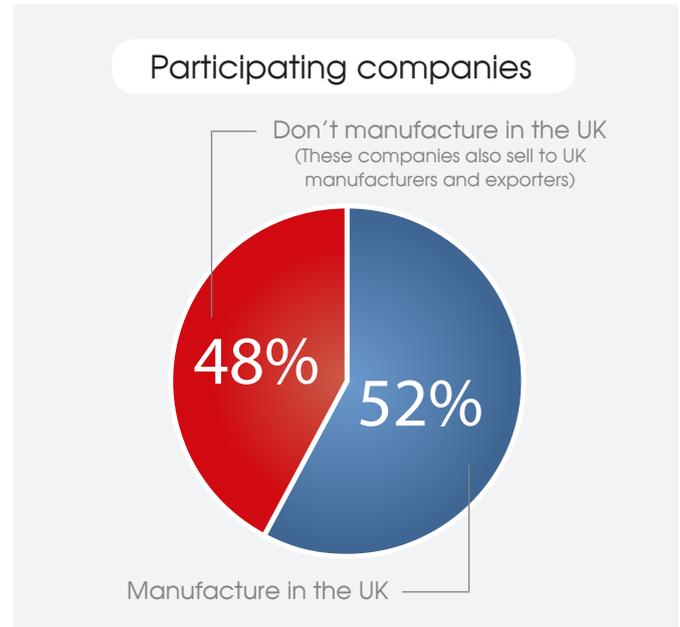
# BREXIT NEGOTIATION PRIORITIES SURVEY

## NOTES TO EDITORS:

**EAMA's 14 trade associations** represent **2,000** firms:

- Agricultural Engineers Association
- British Automation and Robot Association
- British Compressed Air Society
- British Fluid Power Association
- British Paper Machinery Suppliers Association
- British Plastics Federation
- British Turned Part Manufacturers Association
- Gambica
- Gauge and Toolmakers Association
- Manufacturing Technologies Association
- Printing Industry Confederation
- Processing and Packaging Machinery Association Solids Handling and Processing Association
- UK Industrial Vision Association

## THE COMPANIES



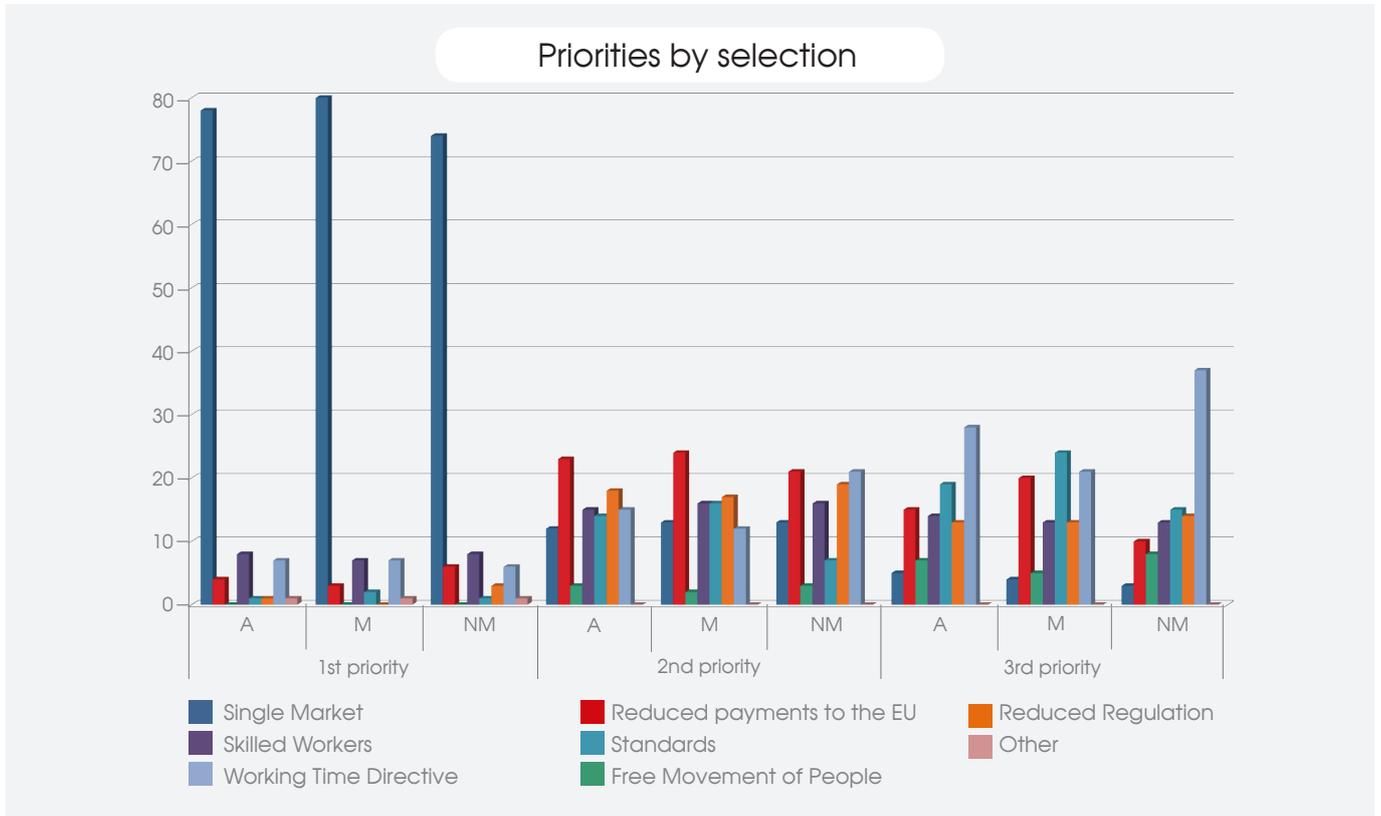
	Size by turnover (millions) %			
	<£1.5	£1.5-8	£8-40	£40+
All companies	22	40	26	13
Manufacturing in the UK	16	40	27	17
Not manufacturing in the UK	29	40	26	5

### Comments

1. 332 Participating companies
2. Seven trade associations
3. Segmentation:
  - a. Manufacture in the UK 58%
  - b. By number of employees:
    - i. SMEs 67% (M: 74%; NM: 58%)
    - ii. Micro businesses important feature of the non-manufacturers (37%)
  - c. By turnover
    - i. SMEs 66% (M: 67%; NM: 66%)

Note: "Don't manufacture in the UK" doesn't mean the company doesn't manufacture some where

# BREXIT NEGOTIATION PRIORITIES SURVEY



	1st priority			2nd priority			3rd priority		
	A	M	NM	A	M	NM	A	M	NM
Single Market	78	80	74	12	13	13	5	4	3
Skilled Workers	4	3	6	23	24	21	15	20	10
Working Time Directive	0	0	0	3	2	3	7	5	8
Reduced payments to the EU	8	7	8	15	16	16	14	13	13
Standards	1	2	1	14	16	7	19	24	15
Free Movement of People	1	0	3	18	17	19	13	13	14
Reduced Regulation	7	7	6	15	12	21	28	21	37
Other	1	1	1	0	0	0	0	0	0

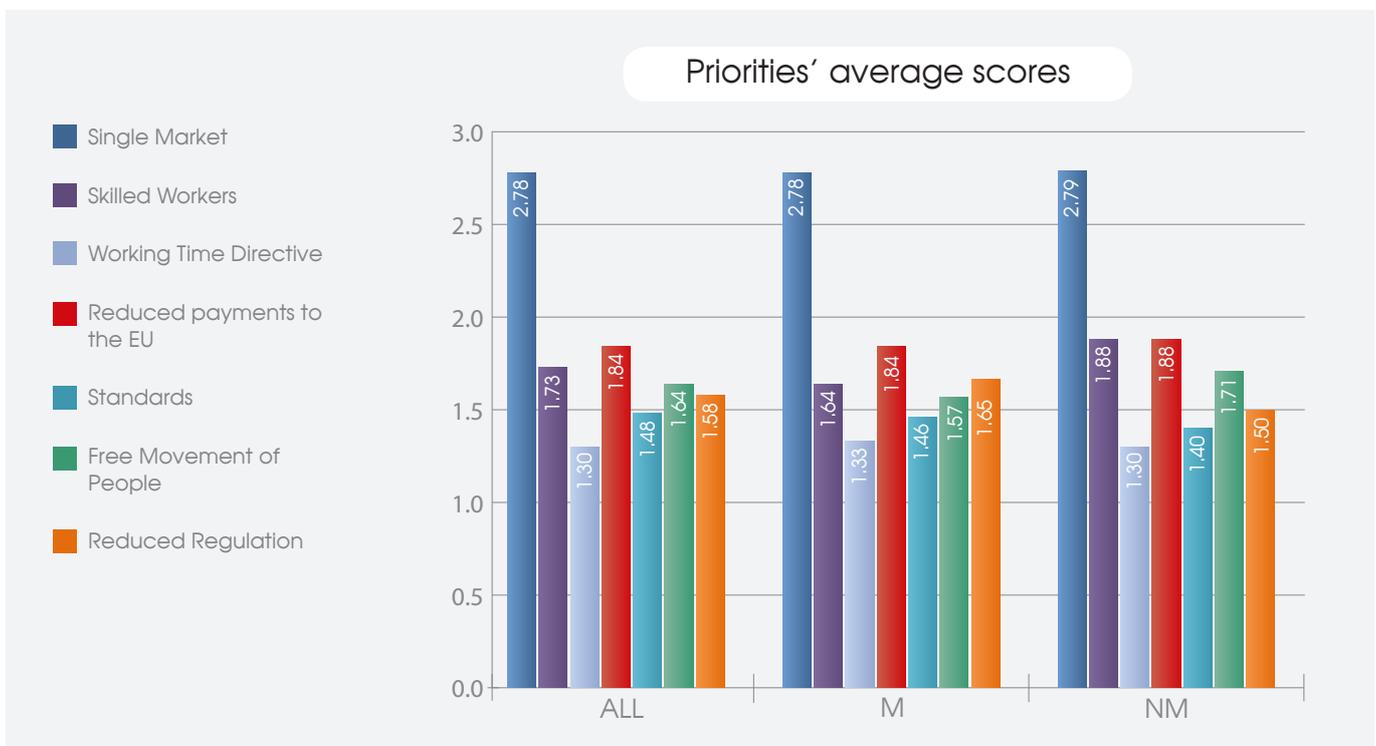
## COMMENTS ON THE PRIORITIES

1. The table clearly shows that respondents were 'prioritising' their responses
2. In the table, all options scoring more than 20% are highlighted (yellow for the highest segment score in that priority, green for a score of 20% or more)
3. For the first priority only one option scores double figures
4. The second priority "Access to skilled workers" is five points ahead of "Free movement of people", the next highest overall.
5. For non-manufacturers "Reduced regulation" scores equally well (21).
6. Reduced regulation, the third priority overall, registers 37% amongst the non-manufacturers. That's the fourth highest score for any of the options.
7. Manufacturers votes on the third priority are dispersed across three options with "Influence on standards used in that market" registering 24% the sixth highest on the table.

# BREXIT NEGOTIATION PRIORITIES SURVEY

## AVERAGE SCORES

	ALL		Manufacturers		Non-Manufacturers	
	Score	Place	Score	Place	Score	Place
Single Market	2.78	1	2.78	1	2.79	1
Skilled Workers	1.73	3	1.64	4	1.88	2=
Working Time Directive	1.30	7	1.33	7	1.30	7
Reduced payments to the EU	1.84	2	1.84	2	1.88	2=
Standards	1.48	6	1.46	6	1.40	6
Free Movement of People	1.64	4	1.57	5	1.71	4
Reduced Regulation	1.58	5	1.65	3	1.50	5



	1st priority	2nd priority	3rd priority	4th priority
<b>Priorities-led</b>	Single Market	Skilled workers	Reduced regulation	Standards
<b>Average</b>	Single Market	Reduced payments	Skilled workers	Free movement

## COMMENTS

1. Averages derived from weighting choices 1-3 so that higher scores indicate higher preferences. Highest score of 3 for "Other" due to the fact that it is an additional option and therefore only used by those who have something to add. The average only counts those who scored it as their first choice.
2. So in the averages table "Single Market" scores high as a first choice, but the sharp focus of having to choose each priority is diluted as every first, second and third choice adds to each option's score.
3. In contrast, in the priorities-led table there are four clear priorities for manufacturers and perhaps only three for non-manufacturers.

## 332 VIEWS SUMMARISED IN 25 COMMENTS

### TACKLING UNCERTAINTY

1. The company owners seek confidence that their investment is safe and that access to the single market is guaranteed. 79% of our turnover (June) is achieved within the European Union (medium sized manufacturer)
2. It is essential that we carry on as normal and don't convince ourselves that a recession is inevitable. (small manufacturer)
3. A clear and concise government plan would help to reassure the business community and allow us to make decisions based on that. Uncertainty is far more damaging to confidence. (small manufacturer)
4. Currency stability is now the biggest concern as a UK part of a global business. (large manufacturer)

### MARKETS – COMPANIES' PERSPECTIVES

5. Access to the Single Market is THE top priority - at any cost. As most of our skilled labour is Eastern European we want to see continued Free Movement too. (small manufacturer)
6. We need simple procedures in place to handle movement of goods, it is not just about tariffs, it is also about the handling of VAT, and the need to reduce documentation for handling imports and exports between UK and EU countries. (small non-manufacturer)
7. I will be trying to enter into a pan-European distribution agreement for our instruments while the outcome of the negotiations is unclear. This will probably make doing such a deal more complex and reduce the chances of achieving a successful outcome (micro manufacturer)
8. EU regulations are largely very good things. Good for consumers, good for manufacturers and good for the instrument business. They generate new markets for higher-value-added goods or services - such as low emission indoor or in-car products. This in turn stimulates R&D and helps reduce the competitive threat from cheap Asian imports. Why should British consumers not get the best clean/low-energy products and why would UK companies not want to take advantage of the new market opportunities these kinds of regulations create? New regulations should be seen as a business/market opportunity to be embraced not a threat to our independence or common sense. So often in the UK - we focus on the perceived negatives and overhead of change without waking up to the opportunities created. (medium sized manufacturer)
9. Our European clients need assurance that Brexit will not affect our ability to trade with them. (small manufacturer)
10. Persuade those outside the EU in particular that UK is still open for business. UKTI has to earn its corn in the next six months. I'll help!!! (medium sized manufacturer)

### INVESTMENTS

11. Increased investment in UK manufacturing is going to be a key component in the UK's ability to mitigate the possible adverse effects of leaving the EU. UK central government needs to prioritise putting in place the right incentives to make sure this happens. (medium sized non-manufacturer)
12. In general our position will be to defer any new investment until a clearer picture emerges as to the effect of the Brexit negotiations (large non-manufacturer)

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## EMPLOYMENT/SKILLED WORKERS

13. Mainly investing extra effort and commitment into our EU workforce in order to stabilise and maintain their morale and loyalty. Namely making every effort to underline how important they are to us and how our company did NOT back Brexit. In addition to this we have seen the Brexit shockwave severely impact on new tooling orders, customers have taken time out to consider their budgets and this has seen an immediate reduction in new work coming in, therefore we now have to invest further in sales and marketing. (small manufacturer)
14. We need clarification of the status of skilled EU nationals now working in the UK industry (large non-manufacturer)

## COMPANIES' REACTIONS

15. Investment in the UK operation will be frozen, this to include employment. 2. We shall investigate the possibility to move some operations into the EU. 3. Ascertain what assistance can be given to EU nationals who are employed by us to gain UK citizenship, thereby protecting their status. (medium sized manufacturer)
16. We would prefer to retain manufacturing in the UK, but we have a 50% share in an EU based factory, depending on projected sales volume, tariffs and cost to manufacture there may be a business need to move manufacture inside the EU instead of UK (medium sized manufacturer)
17. Capital expenditure to be reviewed as negotiations progress. Increased activity to promote manufactured instead of factored goods. Reassign sales staff to export of manufactured goods. (medium sized manufacturer)
18. No investment can be considered until the results of leaving and the reaction at the time -- staff very worried and staff from overseas considering leaving as they do not feel safe (small manufacturer)
19. As an importer of products our gross margins will come under threat due to the depreciation of GBP. (medium sized manufacturer)

## COMPANIES AND THEIR STRATEGIES

20. Despite the result being unfavourable for our current business model we are confident that the advanced technologies we offer will still allow a strong market penetration across all geographic and political boundaries. Business as usual (small manufacturer)
21. Of course, if continued market uncertainty causes further slowing down of the UK economy, and additional significant changes in exchange rates (specifically a weakening of sterling), this may necessitate increased concentration on exporting. (small manufacturer)
22. We need to improve the training of our workers, and invest in automation in case our access to low (cost) labour is reduced (large company)

## RESEARCH AND INNOVATION

23. Review involvement in EU funded research projects - e.g. Horizon 2020 - as we are already seeing a negative impact on the desire for pan-EU R&D applications to include ANY UK based firms. (medium sized manufacturer)
24. May switch some R&D out of the UK due to skills shortages. (large manufacturer)
25. Ultimately jobs will be lost in manufacturing together with a loss of funding for research and development for many of our universities and institutions (large manufacturer)

## THE QUESTIONS

1

What do you think should be the **priorities** for the UK Government in negotiations with the European Union? (Please rank up to 3 options in order where 1 is the most important, 2 is the next most important and 3 is your other priority).

Access to the Single Market	Single Market
Access to skilled workers	Skilled Workers
Continuation of the derogation from the Working Time Directive	Working Time Directive
Eliminate (or reduce) the UK's payments to the EU budget	Reduced Payments to the EU
Influence on standards used in that market	Standards
Free movement of people between the UK and the EU	Free Movement of People
Reduced Regulation	Reduced Regulation

2

Are there any **specific actions**, in areas such as employment, investment or business operations, that you expect to have to take within your company as a reaction to the outcome of the Referendum:

- In the next few months before Article 50 is triggered?
- During the subsequent period of negotiations

3

Are there **any other issues** you regard as priorities that haven't been covered?

## COMMENTS

1. Simple questionnaire to encourage response
2. Constructed with statistician to gain maximum info from the way the data is framed
3. In the tables and charts that follow the questions have been shortened to make data clearer