



EUROPEAN MANUFACTURING & BREXIT PREPAREDNESS

*18h00 - 22h00 Roundtable Dinner Debate
Wednesday 23 January 2019*

European Parliament





Danuta HÜBNER MEP, (EPP, Poland), Chair of the Constitutional Affairs Committee

Danuta Hübner MEP welcomed MEPs, European manufacturers and the European Commission to the Roundtable Dinner Debate on European Manufacturing and Brexit Preparedness. In particular she expressed gratitude to Dorthe Christensen from the European Commission for finding time in her very busy schedule to make the first presentation.

In her introductory remarks, Danuta Hübner stated that an Article 50 extension was possible, but it could not be a blanket request. It needed to be very precise, ie for how long and to what purpose.

She was sad that there was no movement on the UK's red lines and questioned whether 29 January was 'the last moment'. On 30 January, during its Plenary, the European Parliament could already start procedures.

The probability of no deal was higher than it had been, but the EU rules are flexible in dealing with no deal. Everything will be ready by mid February regarding delegated acts. Much is still in Member States' competences – not with the EU institutions.

She stated that they were better prepared for no deal, better prepared for any future negotiations. Regarding any extension of Article 50 and the European Parliament elections, if the extension finished before 26 May there would no problem. If it was after the European Parliament elections, then it would revert to the current allocation of seats.

Dorthe CHRISTENSEN, EUROPEAN COMMISSION

As Head of the Brexit Preparedness Group, she is not involved in the negotiations; the Article 50 Task Force and the Brexit Preparedness Group are separate entities working in parallel and closely together. The primary objective remains to have the Withdrawal Agreement ratified by the withdrawal date. Preparedness and contingency work for a Member States' withdrawal is new.



There have been three Communications.

The first in July 2018, repeating the call from the European Council for everyone to prepare. This starts with businesses, operators, citizens, national administrations and then the European Union to act. All operators are invited to see now how the withdrawal, in any form, will affect them, e.g. as regards supply chain, transport, tariffs, delivery time etc.

The second Communication reflected that there had been no decisive progress and set out the Commission's Contingency Action Plan.

The third Communication related to the implementation of the Contingency Action plan. The first priority of the work was to inform stakeholders: 88 notices have been issued and are on the website. They cover a wide range of sectors and aim at guiding operators to take appropriate measures.



Screening of the EU acquis has been done to see what required adaptation; the rules are relatively robust and are, for the vast majority, still valid when a member state is leaving. All references to the UK will be considered obsolete.

Eight legislative proposals have been necessary for preparedness purposes – five have been adopted or are close to be adopted by the co-legislators and three are on the way.

The Commission has also worked intensively with Member States to inform, coordinate and discuss. Slides from Preparedness seminars can be found on the website.

Other issues: The UK will be disconnected from IT systems and databases. The two London-based agencies will be moved.

We have kept both scenarios alive in our preparations, but preparations for a no deal scenario are becoming increasingly relevant due to the lack of progress.

The EU can only do what it has competence to do. The Commission will only act on those issues where disruption is likely to be most significant.

- For the contingency measures, the Commission is keeping some principles in mind: measures have to be in the interest of the EU 27, and will not replicate in UK membership or the Withdrawal Agreement
- Measures are temporary (in principle until end 2019) until a more organised relationship exists with the UK
- Measures will not compensate for the lack of preparedness of operators.

The citizens affected by the withdrawal are the most important – there is need to protect their rights. For citizens' rights falling under Member States' competence, the Commission is to seek to coordinate their approach.

Some measures have been taken in relation to financial services to allow temporarily the continuation of certainty – there is not a need to allow their services to be provided in the city of London- only temporary.

Transport: where activities could come to stop such as air transport, a legislative proposal has to be adopted to allow UK planes into the EU provided the UK does the same. Similarly for road freight transport - to continue for a limited time.

In other areas where there are provisions already for third countries, e.g. re customs, rules already exist, and the focus is on discussions with Member States to have infrastructure and human resources in place to carry out controls.

The same will apply to phyto- sanitary controls for live animals and animals products which may be imported, provided the UK fulfils the applicable criteria. A proposal has also been adopted to generally allow the export to the UK of dual-use items. Two proposals relate to fisheries have just been adopted.

We are working closely with our EU legislators to have the acts in place by the withdrawal date. Still to do: preparedness at all levels. Implementing acts will be submitted to the committees by



15 February. We continue to monitor the situation and talk to Member States and businesses. We remain hopeful that the Withdrawal Agreement will be in place and that therefore the contingency measures will not be relevant, but for now we continue the work.

Bart Vandewaetere, NESTLÉ, Vice President Corporate Communications & Government Relations Europe, Middle East & North Africa

We support a future relationship between the UK and EU that is mutually beneficial, allowing businesses to trade freely and providing consumers with access to a wide choice of high quality and safe food and drink products.

The prospect of the UK leaving the EU without such a relationship in place is concerning and would present a major challenge for the food and beverage industry.



What are companies doing in preparation?

The current political situation implies a lot of uncertainty for businesses.

Nestlé has put contingency plans in place to try to minimise disruption for our consumers regardless of the eventual settlement between the UK and EU. A no-deal Brexit could have a significant impact on the food and beverage industry, affecting the availability of raw and finished materials.

We would however welcome unilateral contingency measures from the European Commission specifically for the food sector to mitigate the impact of a “no deal” on consumers and the whole food supply chain including farmers. This would allow consumers to continue to have access to indispensable food products and farmers to not lose their market. For its part, the UK could foresee reciprocity to these EU unilateral measures to have a level of inter-dependency between respective contingency plans.



Maurus Unsoeld, BMW GROUP, Manager Governmental & External Affairs

The UK is the fourth largest market worldwide for BMW Group, with over 240,000 BMW, Mini, and Rolls-Royce Motor Cars vehicles sold every year. UK operations make BMW Group the third largest UK vehicle manufacturer with production facilities in Oxford (Mini production) and Swindon (pressings and tooling equipment), Hams Hall (engines) and Goodwood (Rolls-Royce Motor Cars manufacture).

More than 75% of Minis and more than 85% of Rolls-Royce Motor Cars are exported. Nearly 60% of the engines produced in Hams Hall are exported to BMW Group plants outside the UK. About 80% of parts and components used to build an average Mini are imported from the EU and the rest of the world.

In summary, operations in the UK, the EU and rest of world are deeply integrated within the BMW Group production and sales network. The European production network thereby has been set up and relies heavily on the EU Single Market.



BMW Group directly employs about 24,000 people in the UK and supports nearly 50,000 UK jobs in total.

The current political situation around Brexit creates significant uncertainty for the automotive sector. As a responsible company, we are looking at our options and taking steps to make sure we are prepared for a worst case scenario – a no-deal Brexit. Our preparations permeate all the key areas of the business and we have a number of taskforces working in areas such as customs processes, IT and logistics. To give a few examples:

- We have identified potential warehousing capacity on both sides of the Channel to give us a buffer zone for parts supply at our manufacturing plants (1-2 days buffer only)
- We have explored the need for additional lorry parking capacity to help buffer possible delays in component delivery schedules
- We are adapting our existing systems and processes in customs and logistics to deal with any potential tariffs and possible additional volume of customs declarations that may be needed
- We have invited several thousand suppliers and have held supplier days both in the UK and in Europe to make them aware of the many challenges that we both face in order to be Brexit-ready. During these events, suppliers were coached for the probably necessary customs processes for import and export
- We will rent small airplanes as an emergency option to ensure the supply of our UK production plants with critical parts and components
- We have scheduled this year's maintenance period to start at the point the UK exits the EU, to minimise the risk to our business of unintended production stoppages which could be caused by possible short-term disruption to cross-border movement of parts through the channel ports. Planned annual maintenance periods are common practice at BMW Group production sites worldwide. They allow essential updating, equipment replacement, cosmetic improvements to be completed over several weeks, while there is no production taking place. The length of the maintenance period is determined by the duration of maintenance works as well as by investments we are making. In 2019 the company has decided to schedule these periods in the spring, beginning on 1 April.

Stacey Bernards, HONEYWELL, Vice President Government Relations Europe, Middle East, Africa & India

Honeywell is a Fortune 100 company that delivers industry specific solutions that include aerospace; control technologies for buildings and industry; safety solutions for workers; and performance materials. Our technologies help everything from aircraft, buildings, manufacturing plants, and workers become more connected to make our world smarter, safer, and more sustainable.



Europe is a key region for Honeywell. In 2017, our global revenues were more than \$40 billion



and we employed more than 100,000 employees around the world. More than a quarter of those revenues and employees are in the European Union.

Honeywell also has a significant footprint in the UK, and each of our four business divisions have goods, including certified goods, crossing the UK-EU border in both directions. We have been analyzing the potential impact of the UK leaving the EU without a deal since 2017. In June of 2018, given the continued uncertainty, Honeywell stepped up its planning.

Manufacturers are required by regulations to have valid EU Type Examination Certificates for certain product categories issued by third parties called Notified Bodies, which are authorized by the government where the body is legally established.

Following Brexit, in the absence of a transition or other agreement, the EU has stated that certifications issued by a UK-based notified body are no longer valid and must instead be issued by an EU based notified body. One way of doing this is for current UK notified bodies to set up an EU entity. Only once that new entity is approved can the body reissue certificates to companies for the EU market.

That process is of course dependent on how quickly the conformity assessment bodies can get the relevant approval to reissue certificates from new EU entities.

There is an alternative option to move certificates to already established EU-based notified bodies, but the additional time and expense precludes this from being a preferred option in many instances.

Once companies receive certificates they need time for internal engineering actions such as re-labeling.

A transition period for legacy approvals and product markings, and expeditious registration of notified bodies on the Nando database would seem reasonable, especially given that if a notified body goes out of business a certificate is not invalidated overnight – products are still considered safe and allowed on the market – and manufacturers are given a reasonable timeframe to transfer certification to a new notified body.

Alternatively, certificates could remain valid until expiration in the case of a no-deal Brexit.

Marian HARKIN MEP, (ALDE, Ireland), Employment & Social Affairs Committee

The Brexit related issue that is convulsing Ireland today is - what happens to the Irish border in the event of a No Deal Brexit. As the clock ticks down towards 29 March and no agreed position is emerging, the spectre of a No Deal Brexit is looming - not looming large, but casting a long shadow nonetheless. I always said that no British PM would allow the UK to fall off the cliff.

However, this morning our Minister for Agriculture was pushed again and again on the question - where will the veterinary checks on animals take place, who will check the contents of that tanker load of milk as it crosses the border several times daily - and because he would not answer the specific questions - the interviewer said to him, *“Many people*





listening to you this morning might think you are treating us all as if we are stupid” - and let me tell you as the day went on the debate did not improve.

Last night our Taoiseach Leo Varadkar said:

“Both the UK and Ireland will have an obligation to honour the Good Friday agreement, protect the peace process and honour our commitment to the people of Ireland and Northern Ireland, that there won’t be a hard border,” he said. “We’d have to negotiate an agreement on customs and regulations that meant full alignment, so there will be no hard border.”

Yet Michel Barnier said today:

“The European Union will have the obligation to check goods travelling from Northern Ireland to the Republic in the event of No Deal Brexit.”

This was also clear from listening to our colleague from the Commission today.

Asked what would happen to the backstop if Britain leaves the EU without an agreement, Mr Barnier replied,

“We will be forced to take unilateral emergency measures, and in this precise case (of Northern Ireland automatically leaving the single market) we will have the obligation to carry out controls on products arriving in the Republic of Ireland.”

Mr. Barnier did not say what would happen if the Irish Government refused such border checks.

And so it turns, every hour, every day, we await to hear:

1. What is being discussed/decided in the House of Commons,
2. Will the EU remain firm or as the pressure increases - will fault lines or fracture lines appear and for us in Ireland - will the thing we want most - no hardening of the border - be the very thing that propels us towards a hard Brexit and a consequent hardening of the border.

So we come to this evening’s discussion on Brexit Preparedness.

One of the best know quotes of the last 20 years in Ireland came from an Irish footballer who distinguished himself playing for Ireland and Manchester United - Roy Keane. Prior to Ireland’s disastrous showing at the 2002 World Cup, while preparing in Saipan - he famously/infamously walked out of the Irish camp - he said very succinctly: *“Fail to Prepare, Prepare to Fail”*.

I have always believed in the absolute truth of that statement - and still do - but Brexit tests it. Because the ground keeps shifting and because so many different players and political parties have so many agendas right to the most basic - their very survival as a party and this is as true for the DUP as it is for the Conservatives and maybe even Labour.

Because the complexity of the situation is the result of over 40 years of integration on everything from:

- Aviation safety rules to the Working Time Directive
- Fishing quotas to controls on veterinary medicines



- State Aid Rules to the Banking Union.

Because of this complexity, it is almost impossible to envisage any comprehensive package that could be described as Brexit Preparedness - and yet, and yet - Roy Keane's words ring in our ears - Fail to Prepare, Prepare to Fail.

Before I look at some of the measures in place or being planned, I want to very briefly give you a quick overview of some of the unique aspects to the British Irish situation.

A few figures on trade

In 2017, 27% of Ireland's exports went to the US, 12% of Ireland's exports went to the UK. 11% to Belgium, 8% to Germany, 5% to Switzerland and the Netherlands with 4% to France and China each.

So while the UK is a very important trading partner - the situation has changed fundamentally from that day back in 1973 where we joined the EU with the UK and Denmark. Almost 55% of exports went to the UK at that point. There are many who would say Ireland only really gained Independence from the UK when we joined the EU - this is going to be tested now.

In 2017, as the UK imported 16.5bn worth of goods from Ireland we imported 18.8bn worth of goods from the UK - the UK has a trade surplus with us.

But like any figures - you have to look at the detail. 40% of our agricultural exports go to the UK. 40% of beef, 80% of cheddar cheese. Any introduction of tariffs would be catastrophic and any delays would be highly problematic for fresh produce.

Also, because of our geographic position - an island behind an island off the coast of Europe - much of what we export to the EU, travels across the UK land bridge - so that 11% to Belgium and 8% to Germany comes into play and our road hauliers and indeed Irish industry cannot ever begin to contemplate a Hard Brexit, even a Soft Brexit will have massive consequences.

It is important to say that over the last 20 years we have developed an All Island Economy and I can provide you with two examples of this.

The first example is the many huge dairy processors dotted along the border. By putting both Ireland's and Northern Ireland's two industries together it is currently the 2nd largest exporter of baby milk formula to China.

The second example is that of our All Island Approach to Healthcare. For example the all island pediatric cardiology service is based in Our Lady's Children's Hospital in Dublin. The new radiotherapy unit at Altnagelvin in Derry provides access to radiotherapy services for more than half a million patients on both sides of the border.

Ireland is now the largest net exporter of pharmaceuticals in the EU accounting for more than 50% of all exports from the country. What will happen to the cost of drugs in Northern Ireland if tariffs are imposed?

And in the last three years, more than 4,400 applications have been approved in the Republic under two EU schemes to access healthcare - approximately 50% of those were for treatment in Northern Ireland.



So - I cannot say that is the context, it is just some broad brush strokes to give some indication of the challenges ahead. And of course I fully understand that every Member State will have its challenges - some sectors more impacted than others - but I was asked to approach this from an Irish perspective.

So the Commission Representative Madame Christensen reminded everybody this evening to be prepared at ALL levels, only so much the Commission can do. She was very stark when she said the Commission cannot remedy all consequences and her message was clear to those actors who fail to prepare.

We will not bail you out. Bart from Nestlé, a large company, has spoken about measures they have taken. BMW told us 250 staff - hired small planes. But what happens to smaller less well resourced companies in terms of transport, medicines and social security – there needs to be some support in place.

With that stark warning ringing in our ears - how are we preparing? There is preparedness - i.e. measures we will need to take whether there is a withdrawal agreement or not - for example if a product is licensed by a UK authority Irish cheddar cheese producers - diversification is essential into other types of cheeses etc. Colleague from Holywell mentioned some proposals around authorised economic operators and that UK notified bodies should set up EU entities

Also have contingency - short-term planning under the assumption that there is a No Deal Brexit - for example how to avoid queues at border checks etc.

Ireland's Brexit Contingency and Preparedness update - 17 different Bills focusing on the broad themes of protecting the citizens and supporting the economy, enterprise and jobs. These proposals include healthcare arrangements, taxation, Single Electricity Market, Public Transport Regulation, Social Welfare etc.

We have a Common Travel Area that pre-dates EU accession - this means Irish citizens can move freely to live, work and study in the UK on the same basis as UK citizens and vice versa. It also provides for associated rights and privileges including access to employment, healthcare, education and social benefits. CTA is recognised in Protocol 20 of the EU Treaties.

Measures have been taken by the Department of Health to try to ensure availability of medicines and industry including pharmaceutical companies and wholesalers have been engaged in extensive planning.

Our Transport Minister's preliminary assessment is that sufficient capacity will be available on direct routes to continental ports from March 2019 - I hope he is right.

A number of schemes are in place in Ireland for business and industry such as:

- Be Prepared Grant - up to €5,000
- A Strategic Consultancy Grant
- A Market Discovery Fund
- An Agile Innovation Fund



We also have an operational excellence offer - which is a single integrated application process that allows eligible companies to access financial support for various different initiatives and transformation projects.

Some of the actions undertaken by the Irish Government focus on business and industry.

What is the last plan standing? What about the Liberal Democrats call for a 2nd Referendum?

We need to work with the UK to craft a solution that allows them to leave with dignity but equally - we cannot have 'cakeism'. The UK cannot be allowed to have the cake and eat it

Lieve WIERINCK MEP, (ALDE, Belgium), Industry, Research & Energy Committee

65 days, 3 hours, 30 minutes and 10 seconds (on 23 January 20h30). That is how much time is left to negotiate a Brexit deal. With the historical vote of the House of Commons on the 15 January, our confidence in reaching a Brexit deal has plummeted. With plan B still unclear for the moment (at the time of writing), the European institutions remain firm in their statements: we have reached a Brexit deal after months of tough negotiations. Therefore, we cannot open "the box of Pandora" for new negotiations. The British House of Commons have the opposite reaction: a no deal is better than a "bad" deal.



On the one hand, we have all heard of what would happen if the UK would leave with a no deal. From the other side, we hear stories of why it would even be desirable. Let's take a quick look at the facts.

Let's take one industry, one sector and one product and what it would mean in continental Europe. Let's take my region, Flanders for example. In Flanders, we have a strong expertise and knowledge in the development of biosimilar medicines. Every month, the UK exports 44 million medicines to the 27 European Member States. Every month, the UK imports for 37 million medicines from these 27 Member States. What would happen if a no deal takes place? What would happen if the very best bad scenario will be laid out and we will have a transition period of 2 years?

If there is no deal on the 29 March, major supply chain challenges will bump into your head before you will have had your first coffee the next morning. For all the biosimilar medicines, the pharmaceutical industry will face a high administrative burden and it will take a lot of time and money to set up new logistical centres at the border of the UK and Belgium. The British and EU pharmaceutical companies should have to have a stockpile of at least 6 weeks to overcome the worst of a no deal scenario. This means that we "still" have three weeks left to prepare ourselves for the worst-case scenario. If the pharmaceutical sector would get more time during the transition period, I would plead for continuity, as former Brexit Secretary Dominic Raab suggested, medicines that have been tested in the EU should be accepted in the UK without further delay.

What about the investments and our global competitiveness? The larger European companies have already spent millions of Euros or pounds, thousands of hours on getting ready for a no-deal and a Brexit scenario. All companies will face higher tariffs than their competitors on the European continent will. Moreover, I have not even mentioned our numerous SMEs, present all over the EU and the UK. Do they have the resources to assess the potential of the impact of a no deal or a transition period scenario?



I have taken only some examples. I can easily give 10 other examples of how the Brexit will affect the well-being of British and European citizens. Take Horizon 2020 and its successor Horizon Europe. Within the current framework programme, 5 out of 10 universities involved in the selected projects are coming from the UK. What will happen with these collaborations? We will have to wait and see how the new relationship between the UK and the EU will look like. I fully support the European Institutions in their approach to focus on reaching a fully-fledged agreement without any cherry picking. When we will be negotiating, we will have to keep in mind what is important for the future of our citizens, our companies and our competitiveness and “attractiveness” factor for third countries.

If I could give two suggestions for the future relationship between the UK and the EU, I would plead for the UK still being part of the Customs Union. Besides that, I would urge for a solid solution for the new borders in order to ensure smooth import and export procedures. More importantly, investors and our companies need clarity. As the most negatively affected from the Brexit, our businesses, our young people, the EU and UK citizens living in the EU, they deserve a clear and concise approach on the withdrawal agreement. As my party leader, Guy Verhofstadt, mentioned a few days ago: “lock them in a room until they agree”. The time is now.



Georgi PIRINSKI MEP, (S&D, Bulgaria), Employment & Social Affairs Committee

Bulgaria-UK trade turnover in 2017 amounted to €1.126 bn with major export items from Bulgaria being pharmaceuticals, furniture and oilseeds, while imports from the UK were led by vehicles, nuclear power generation equipment, as well as alcoholic beverages. In trade in services, for 2011-2015 exports to the UK make up 9% of overall volumes of total exports from Bulgaria. Most important are various kinds of outsourced activities.

The UK is the fifth largest investor in Bulgaria with a total volume of €2.6 bn over 1996-2015. Since 2014 there have been only 4 investment projects in various sectors of administrative services and information management that have been certified for support under the Foreign Investment Law, amounting to a total of no more than Bulgarian lev 8.9 bn and providing 1049 new jobs.

There are between 84 and 89 thousand Bulgarian citizens residing in the UK, out of which between 69 and 73 thousand are in employment. As of end-year 2018 there are reported to be 4,279 British citizens residing in Bulgaria, of which 1,248 are registered with the national health insurance institution.

The Draft Agreement endorsed by the European Council on 25 November 2018 provides the necessary safeguards regarding Bulgaria’s interests, since it offers the greatest possible degree of continuity in most sectors of importance to the country. These include future trade within a free trade zone upgraded into a fully operational customs union, together with equal treatment for economic operators regarding taxation, competition rules, state aid and environment regulations. This includes the arrangements envisaged regarding labour laws.

In case no agreement is reached, there are temporary measures envisaged. As to personal rights, the British government has announced that it is ready unilaterally to observe the respective stipulations of the Draft Agreement, though there is still no legally binding commitment in place.

In its Communication of 19 December 2018 the Commission outlines contingency measures in case



of no agreement in the areas of personal rights, right of residence, social security rights, together with such measures regarding financial services, trade, etc. It is the Commission's position that Member States are principally responsible regarding personal rights.

Future development of both trade and economic relationships as well as overall close cooperation between Bulgaria and the UK should aim to fully make use of all existing possibilities and potential in line with both countries long-term priorities and interests. As to Bulgaria, this prominently includes the implementation of a national reindustrialization strategy in line with Industry 4.0 and the digitalisation of all spheres of business and society.

DANUTA HÜBNER MEP, (EPP, Poland), Chair of the Constitutional Affairs Committee

In her closing remarks Danuta Hübner noted that many SMEs had never functioned outside the EU.

She emphasized the importance of a close and dynamic relationship.



Antony FELL, EUROPEAN FORUM FOR MANUFACTURING, Secretary General

Antony Fell concluded this EFM Roundtable Dinner Debate by thanking all those who had participated and helped in its organisation.

He announced that the next EFM Roundtable Dinner Debate on 'Smart Equipment for Sustainable Agriculture' would take place on Wednesday 20 February in the European Parliament. The high level speakers include European Commissioner Hogan and manufacturers in the agricultural machinery industry from across Europe.

