

## **Association of Innovation Research and Technology Organisations (AIRTO) – Written evidence (EUF0008)**

AIRTO, the Association of Innovation, Research & Technology Organisations, welcomes the House of Lords Select Committee's follow-up investigation on EU membership and UK Science. I see that the Committee has included in the volume of evidence (published on its website) AIRTO's written evidence submitted to the Committee in November 2015.

However, since June 2016 the outcome of the EU Referendum has significant implications for UK science and innovation. Our immediate concern as the representative body for the UK's £8Bn<sup>[1]</sup> Innovation, Research and Technology (IRT) sector is to limit any negative impact on both the sector, and on UK science and economic growth more widely, and ensure that UK science and innovation remains well-resourced - both in terms of ability to access established partners and sources of finance. AIRTO is keen to assist in this process and to provide any necessary understanding of the vital issues now likely to affect innovation, jobs and the economy, together with the continuing strength and competitiveness of the UK's IRT sector. Attached is a summary of key topics of particular immediate importance.

### **IMPACT OF LEAVING THE EU – Key threats and opportunities identified by AIRTO**

#### **Collaborations**

There will be an impact on the UK's capacity to partner with: i) other Research & Technology Organisations (RTOs) and academic institutions in the EU; ii) large business partners; iii) SMEs. In the long run, there will also be an impact on key regions through lost opportunity to leverage EU structural funds. **Action: the UK needs to plan additional outreach activities to EU partners, e.g. via UKTI, to ensure that the UK continues to benefit from collaboration, especially in large consortium opportunities.** The UK government guarantee to underwrite funding for those participating in EU projects at the point at which the UK leaves the EU is welcome, **but needs to be well communicated to EU partners. Arrangements for permitting continued participation in new projects thereafter need to be clarified very soon if a damaging hiatus in UK involvement is to be avoided. Clear guidance is urgently needed on whether UK organisations should be planning further funding applications to the EU ahead of the anticipated invocation of Article 50. The risk to businesses of engaging in new activities without clarity and assurance of continuity are mounting. This all needs as much clarity as soon as possible and deeds from government, as well as encouraging words.**

#### **The exploitation of results and outcomes from collaborations in the research arena**

This also needs careful attention. Without access to the single-market and agreements on passports and/or equivalence of regulation and certification procedures, it is likely that the UK will be unable to exploit collaborative research outcomes fully and will find itself barred

from significant procurement opportunities from within the EU. This will be particularly damaging to strategically important high technology, high value adding products and service businesses. The complexity, cost and time required to set up the necessary arrangements and regulatory systems from outside the single market should not be underestimated.

### **Free movement of researchers and students**

The scarcity of skills to underpin innovation is a major challenge for the UK. The free movement of people is currently a benefit of EU membership, but may be negatively impacted, and this would be very detrimental to IRT sector organisations wishing to attract EU talent. This would impact negatively on our capacity to work collaboratively with many of the world's leading EU partners. **Action: the UK needs to ensure the continued free movement of people coming to the UK to study and work in UK science and industry. In addition, the UK needs to see free movement of British nationals across EU borders for the purposes of study, research and innovation endeavours.**

### **Continued access to funding and EU-funded research facilities**

Continued access to, or replacement of, EU multi-annual Research and Innovation Framework Programmes must be ensured. The UK currently benefits by receiving over £1bn per year from these programmes, getting back far more than it contributes via its membership subscription. This incoming funding from the EU also leverages vital UK private sector investment in research & development which will almost inevitably diminish further without access to such programmes.

There is a very immediate concern for clarity in the transitional period leading up to exit; AIRTO's members are seeing that European partners are now reluctant to engage with UK-led projects given the future uncertainty over relationships. This is damaging and could start to threaten jobs in the IRT sector. **Actions: to sustain the capacity and vibrancy of innovation in the UK either: i) the new arrangements being negotiated with the EU must maintain access for the UK to Europe's Framework Programmes; or ii) some of the EU subscription money reallocated on exit to UK national priorities must go to support innovation, ideally via Innovate UK. An opportunity exists to capitalise more advantageously on deployment of such UK national innovation funding by dropping the EU's state aid and procurement rules.**

### **Science, research and innovation should be high on the list of priorities for the UK government in negotiating a new relationship with the EU**

In the short term, barriers to accessing EU research and innovation funding for UK organisations with current applications and those wishing to submit new applications must be assured – as noted earlier, guidance and clarity is needed to avoid uncertainty in the way these will be handled by the EU and to give confidence to potential collaborators. Damage is already being done and repeated positive statements about the UK's continued engagement are needed to reassure the UK's European industrial and research partners and to ensure that applications are being fairly assessed and progressed by the Commission officials and expert examiners. The quick response of government to these difficulties by promising to underwrite the cost of participation in Horizon 2020

incurred up to the point of exit is very welcome; it will be important this is followed through and that implementation does not fall short of participants' expectations.

In the medium term, continued access to key programmes such as Horizon 2020 is essential.

### **Science and technology-related legislation, regulations and projects will need to be reviewed in the run up to the UK leaving the EU**

The ability to shape and influence EU regulations remains extremely important as our members and their clients seek to collaborate with and export products and services to the EU. Some AIRTO members are Notified Bodies and are very concerned that the decision to leave the EU will potentially affect their businesses, because Notified Bodies need to be based in an EU state to operate with EU clients. We are already aware that some customers are already contemplating their long term certification partners and are considering transferring to Notified Bodies outside of the UK. Some members are having to set up operations outside the UK at considerable cost. **Actions: every effort needs to be made to ensure that the UK has a voice in shaping relevant EU regulation going forward. BSI must act to ensure routes are negotiated by which non-EU countries can host (and retain) EU recognised Notified Bodies, as a matter of urgency.**

### **Assurance of the status of overseas researchers, scientists and students working and studying in the UK when the UK leaves the EU**

The UK needs to ensure the continued free movement of people coming to the UK to study and work in UK science and industry. All those EU nationals currently working or studying here should be given reassurance about their continued ability to do so. **In addition, the UK needs to ensure free movement of British nationals across EU borders for the purposes of study, research and innovation endeavours.**

### **Opportunities that the UK's exit presents for research collaboration and trading with non-EU countries**

There is the potential for the UK to benefit from being exempt from EU state-aid and procurement rules. This could give the government much more flexibility to support business and industry, and indeed innovation, including through public sector procurement. **Action: the government should identify what opportunities will now exist to use public procurement to support innovation. Dropping EU state aid and procurement rules could allow much more flexibility and this potential advantage should not be sacrificed in any deal to retain complete or partial access to the single market. AIRTO's non-university members already do twice as much business with the rest of the world than they do with the EU. There are opportunities to build on this and to create a UK IRT sector strategy to channel innovation support into extending still further this reach beyond the EU in order to capture new areas of the global marketplace for science and technology based products and services.**

## **Other steps the government should take to keep UK science and research on a sound and adequately funded footing after an EU exit**

The changes ahead will make generating research revenue harder for UK institutions, including Catapult Centres, RTOs, and Public Sector Research Establishments (PSREs) and their industrial partners and clients (e.g. both large businesses and SMEs) who benefit from EU funding opportunities. The government was already planning to introduce alternative funding arrangements to replace some grant funding from Innovate UK with loans. This too will put pressure on some partners wishing to enter into collaborations, placing even greater strain on their financial resources for engaging in such activities. **Action: the UK government needs to make more national funding available via Innovate UK to compensate for the fall in funding available from EU sources. Consideration should also be given to delaying the introduction of alternative loan-based financing mechanisms via Innovate UK until there is greater certainty in the overall funding landscape for research and innovation.**

The UK government is already in the midst of reorganising much of its strategy for stimulating research and innovation with the advent of UK Research & Innovation (UKRI). There is a risk that key staff in BEIS and other departments will be overburdened by the implications of the referendum vote. **Action: the government should ensure that additional resource is drafted in to avoid delays in the development of the National Innovation Plan and the establishment of UKRI.**

*5 September 2016*

### **Declaration of interests:**

This submission is made by the Association of Innovation, Research and Technology Organisations (AIRTO). The organisation represents research and technology organisations operating in the space between the academic research of universities and the commercial needs of industry. AIRTO members undertake research and development, and knowledge/technology transfer. This submission does not necessarily represent the views of individual member organisations. AIRTO currently comprises organisations employing more than 40,000 scientists and engineers, with a combined annual turnover in excess of £5Bn (AIRTO Ltd is a company limited by guarantee registered in England No 1217006. Registered office address: National Physical Laboratory, Hampton Road, Teddington, Middlesex, TW11 0LW. AIRTO is a not-for-profit organisation funded by membership subscriptions, and managed under contract by NPL Management Ltd). The members of AIRTO currently are

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Transport Systems Catapult

TWI

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WMG

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[\[1\]](#) The impact of the Innovation, Research and Technology sector on the UK Economy; Oxford Economics, November 2014