7 August 2017

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Jo Johnson MP
Minister of State for Universities, Science, Research and Innovation
BEIS, 1 Victoria Street, London SW1H 0ET

Copied to:
Gareth Davies, Director General for Knowledge and Innovation
Jenny Dibden, Director Innovation
David Legg, Assistant Director, Partner Organisation Sponsorship

Dear Minister,

Re: Evidence of Discrimination towards UK companies for EU Collaborative R&D

You have called for evidence to be provided to you of discrimination against UK companies in the field of EU funded collaborative R&D (CR&D) programmes and projects.

AIRTO is the trade association for the innovation sector, representing over 60 member companies. The sector employs 57,000 skilled people in the UK, and collectively has turnover of approximately £7bn per annum, contributing £34bn GVA to the UK economy. On behalf of the sector, we want to relay this evidence to you in the strongest possible terms; UK companies are being excluded from EU collaborative R&D contracts that are run by agencies outside of the EU Framework Programme, and we have specific examples of this occurring in the sectors of Agritech and Space/Satellites. In addition, evidence is now emerging of our members having seen dramatic reductions in success rates for EU CR&D projects since the Brexit referendum result in June 2016.

Agritech: Our member, NIAB, has recently been notified that EU variety testing contracts commissioned directly by the Community Plant Variety Office (CPVO) and which might last beyond the envisaged Brexit date of 30 March 2019 would no longer be awarded to the UK. This constitutes direct discrimination, which will impact NIAB by approximately £600k per annum on this one programme alone, despite being the only entrusted examination centre in the EU for 678 plant species, representing 78% of the total plant species involved. In addition there are potentially much wider implications regarding CPVO recognition of UK plant variety testing reports post March 2019.

Space/Satellites: Through one of our members and others in the industry, there is evidence that UK organisations have been subjected to unacceptably onerous contractual terms for projects involved in the Galileo and Copernicus programmes. For example, the EU funds procurement contracts for developing Copernicus services through the ECMWF (itself not an EU agency) but is insisting on discriminatory clauses in contracts for work that is paid for from EU funds. These clauses refer to a breach of contract if the UK leaves the EU from 29 March 2019, which will render UK participants liable for repaying all grant costs up to that point and expulsion from the programme. As such, it is impossible for our members and other organisations to enter into any agreement which is subject to these conditions, which is discriminatory. To estimate the scale of impact, UK job losses could run to hundreds if the

UK does not remain part of the Copernicus programme. We understand that you are aware in this instance of these problems being faced by the space sector.

Other: We are currently assessing the extent of similar discrimination and actions being taken against other of our member organisations and will pass on additional evidence when we have it.

In both of the above instances, UK expertise is being unfairly excluded from EU collaborative R&D and procurement programmes. These are both technical areas where the UK has world leading expertise, and, as such, both the EU research and procurement programmes and our UK members and industry organisations will be negatively impacted by this discrimination. This is now a business-critical issue for the sector as it fights to retain the 57,000 skilled jobs in the innovation industry. We appeal to you to intervene for either a resolution directly with the EU or a public statement from the UK government reinforcing that the UK will remain a participant in the relevant EU programmes beyond Brexit. The risk to our members if this is not resolved urgently is that jobs could be lost in this highly skilled and essential part of the UK economy.

In addition, we now have evidence that the UK success rate within the current framework of Horizon 2020 has fallen significantly since the UK referendum result. These programmes provide substantial income streams and build strong networks for our members. One well established and successful member company, TWI, has seen its success rate fall from approximately 23% pre-Brexit referendum to 16% post referendum. Over many years, TWI has consistently performed well in EU funded CR&D competitions, and this fall in success rates is real, substantial and statistically significant, albeit there may be other factors affecting this result, other than just the referendum result. This loss of access to Horizon 2020 funded projects has been seen also by other members: one national laboratory has reported to us a fall in the rate of successful bids from 17% pre-Brexit to 9% in the past year, coupled also with a sharp fall in the number of bids being submitted; another medium-sized independent organisation has reported that their rate of winning bids has dropped from 20% pre-Brexit to zero in the past year, and they too have seen a big reduction in invitations from other EU member states to join consortia.

We should be pleased to meet you at your convenience to discuss options for a resolution to these matters.

Yours sincerely,

Professor Richard Brook OBE FREng
President, AIRTO