House of Commons

International Trade Committee

Oral evidence: UK Export Finance, HC 700

Wednesday 20 January 2021

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Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Sir Mark Hendrick; Mark Menzies; Taiwo Owatemi; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Craig Williams.

Questions 1 - 31

Witnesses

I: Jonathan Brenton, Head of Trade Policy, CBI; and Susan Ross MBE, Vice President, British Exporters Association.

Examination of Witnesses

Witnesses: Jonathan Brenton and Susan Ross MBE.

Q1 **Chair:** Welcome to the International Trade Committee's first evidence session on UK Export Finance. We have two panels today: Jonathan Brenton and Susan Ross on the first panel, and Chris Walker and Peter Ellingworth on the second panel. I ask the first panel to introduce themselves on their own terms—name, rank and serial number.

Susan Ross: Thank you very much for inviting me to this meeting. I am Susan Ross. My day job is as an export credit insurance broker in what UK Export Finance call the private market. I also do a lot of voluntary work at BExA, the British Exporters Association, where I am a vice president.

Chair: Exporters are much in focus at the moment, and we might come to that in a moment or two.

Jonathan Brenton: Good afternoon. I would like to repeat Susan's thanks for the chance to give evidence today. My name is Jonathan Brenton. I am the head of global trade—or we like to call it non-EU trade—at the Confederation of British Industry.

Q2 **Chair:** Susan, just before we kick off, export has been in the headlines in the last couple of days. Are you hearing much at the British Exporters Association about exports to the EU at the moment? Of course importers will have their own problems in six months' time, but is there much coming forward on the export side? It is a bit off-piste for today's Committee, but it is around there.

Susan Ross: It is, and it is a huge concern. We are seeing the problems with groupage, the smaller consignments, where hauliers are physically not able to do all the required customs entries so they would rather not take the smaller consignments. Of course that has a big impact on things like Scottish fish, because you are not really going to fill a whole 20-foot container every time you want to make an export. We are seeing companies disappointed that they cannot get stock quickly. They are worried about the perishables.

There are also problems across the Irish Sea, which I cannot quite fathom. I believe that if exports go through Dublin, which is quite normal, and then transit Europe to go further afield, such as to Russia, there is quite a lot of complicated paperwork for that. That is slowing matters, so customers are not getting the products that they think they have ordered in good time.

Q3 **Chair:** Thank you for that. Back to today's evidence session about UK Export Finance. Susan, could you briefly summarise how you feel UK Export Finance supports UK exporters, particularly given your role in the British Exporters Association?

Susan Ross: UK Export Finance was set up after the first world war to support exports, to support our industry and also because trade relationships are such a good starting point for diplomatic liaison. In practical terms, UKEF insures against non-payments and contract frustration, so that is when a contract falls apart. It also guarantees banks, so banks can provide finance support for exporters.

Q4 **Chair:** Thank you. Jonathan, turning to you, what do you consider are the main strengths and weaknesses of UK Export Finance's product range?

Jonathan Brenton: The feedback on the product range from our members is pretty good. The strengths of UKEF are that it is more flexible—and this isn't particular products, it is across the board—on UK content. That is really important, given the multinational nature of supply chains now. UKEF offers a 100% guarantee to banks, compared with 95% on EU ECAs. There have been improvements, which we will probably come to in more detail, particularly the moves to allow financing of working capital. The support is not just targeted on a deal but on an exporter. That is critical because if we are to build a culture of export in this country—I think that is a fundamental part of UKEF's mission—you need to give continuity and the chance for business to plan. Those are strengths.

There are particular areas—and Susan may want to come in—where members would like UKEF to do more. For example, in developing countries there is the need for concessional lending and that is critical at the moment with the FCO having merged with DfID. What are the opportunities now to link up UK development activity with commercial activity? What we hear from our members is that the French, the Germans and the Americans are doing this: why aren't we? There are also requests to allow flexibility in some of the programmes to give revolving credit facilities so that you can call in money when you need it. I do not want to go through too much of a long list, but we have members who think there should be more use of non-traditional bank financing, like invoice financing, which has been very useful in the crisis.

Stepping back from the detail, the biggest thing—and I may be talking for too long, so we can come back to it—is marketing these products, explaining them and making them comprehensible to SMEs. The product range is good, we really applaud the changes, which can go further, but it is the marketing issue. I will pause there because Susan may want to come in on this.

Susan Ross: Jonathan is absolutely right, and certainly we need to have UKEF more visible on the ground, particularly for SMEs. I think larger companies know about UKEF, but smaller companies need help. An experienced exporter needs to be on hand to guide them on how to go about all the various aspects of export, of which payment is a huge part.

Chair: Turning to one of the MPs who is very keen and is one of the driving forces behind this inquiry, Mark Menzies.

Q5 **Mark Menzies:** This is to both panellists. In 2020, UK Export Finance introduced two new products: the export development guarantee and the general export facility. What effect do you think these products will have on exporters in the UK?

Susan Ross: I think this is a really enlightened move. In the past UKEF had to see one export contract at the end of every transaction that it was financing, and now it can do developmental work through the GEF, which is for smaller companies, and the EDG, which is for a £25 million-plus loan.

There is one downside that is a bit glaring. It can be really difficult for a small company to find the 20% of unencumbered assets to support the facility. We would like to see UKEF covering 100%, guaranteeing 100% of the loan. After all, you can get the lovely bounce back loans, £50,000, at 100% protection from the Government, and a bounce back loan is for survival. We are talking here about loans to help companies develop, grow and then be able to pay more taxes in future.

Q6 **Mark Menzies:** Susan, that is actually the second part of the question: are there any other products that you think would benefit UK exporters that are not currently offered by UKEF? A 100% loan facility. Anything else?

Susan Ross: Yes, I have a little list. Jonathan has mentioned several of them. I would like to add tender to contract exchange rate cover. I will call it TTC. This is where a company is bidding in foreign exchange and does not know at that point if it will win the bid, so it cannot take out a finance facility to set the exchange rate. We need UKEF to provide TTC so that an exporter can make a fixed contract bid, then if it wins the contract that rate of exchange is protected. A lot of companies have said that exchange rates are the reason they do not export, so we would like to see TTC do that. It was there in the past; we would like to see it again. Can I add a few more to the list?

Mark Menzies: Yes, okay.

Susan Ross: One is pre-credit, which is particularly for bespoke solutions. If we are thinking about offshore wind farms, they are exactly what UKEF wants to be covering, but the policy wording is not adequate at the moment. It does not sufficiently cover the risk of contract frustration, which includes things like repositioning the heavy lifting equipment if the contract falls apart partway through. It would be lovely to change the wording. I will mention one thing, if I may, and that is fixed interest rate funding for the medium term. It is available with direct lending, but it needs to be available more widely for capital goods on standard buyer credits.

Q7 **Chair:** Just briefly on the stuff that was mentioned there, do competitor states do tender to contract exchange rate cover? Is the UK unique in not having it, or are there others that do not have it? What is the situation roughly?

Susan Ross: Logically, we need it more because we are not in the euro and we have to contract outside the UK. We are often contracting in dollars or euros. Bpifrance issued 75 tender to contract arrangements in 2019, and they contract in euros.

Jonathan Brenton: I absolutely agree on the foreign exchange point. That really matters to our members. A couple of points on the export guarantee scheme and the GEF. I absolutely agree with the point about this being a cultural change, the importance of working capital, and there has been very positive feedback from companies like JLR, for example, who were part of the pilot.

It is worth remembering that the support for big companies has an effect through the supply chain. We will come back to how UKEF can reach SMEs, but when you look at a Rolls-Royce or an Airbus, for example, they have 2,000 smaller firms supporting them, so support for big framework companies really matters for the wider economy.

GEF is also much welcomed. It is early days. I was speaking yesterday to a member in the engineering sector, and he said, "What is happening with this? It was announced in December. Is it moving forward?" There is definitely a need for speed here. I agree with Susan about catch-22s. If you are an absolutely new exporter, you cannot use GEF because you need a three-year track record of exporting. There is a gap there that UKEF could address.

Chair: Thank you for that. You mentioned the old three-year track record, which is causing us an awful lot of bother at the moment in many aspects. I will move swiftly onwards to Mark Garnier.

Q8 **Mark Garnier:** Jonathan, I will carry on with you on the supply chain. My question is to do with the number of businesses that are customers of UKEF. The National Audit Office told us that UKEF is looking to support 270 businesses this financial year. It strikes me as being an extraordinarily small number. Am I missing something or is it, for example, being caught in with this wider supply chain—as you suggested—with lots of other businesses? What do you think is the appropriate number? Why only 270?

Jonathan Brenton: I think this is the number for businesses directly supported with UKEF products. Of course there is a wider picture with companies who benefit through the supply chain, which is difficult for UKEF to track but it is an important part. There are companies that UKEF supports that it does not provide services to, by referring companies on to private sector support. It is absolutely right that UKEF is not there to compete with the private sector. For many of our members, if they can get private sector services, it will suit them because it tends to be faster and cheaper.

But is this number—which is a decrease of 46% from the year before—ideal? No. This goes to the wider role of UKEF. As we think about the export challenge facing the UK, it needs to scale up. You will probably hear this from the FSB later. The smaller number suggests that it will probably concentrate on bigger firms, because it has targets for the total amount of support given financially. No, it needs scaling up.

I understand the difficulties that UKEF faces at the moment, the difficulties we all face with Covid, but what is the plan to scale up that number, not just in the next three years but five years, 10 years? Given the scale of the export challenge facing the UK, if it is 270 targeted in 10 years' time, we are not succeeding.

Q9 **Mark Garnier:** As you know, when it was part of the European Union, the UK was the second worst performing export nation in value of exports as a percentage of GDP—which was around 28%, from memory—and that compares with Germany at around 48%. I take your point about it presumably being easier to go for a hypothetical aeroplane manufacturer who will take several billions' worth of credit guarantee and, therefore, have a long supply chain, but none the less you do one deal for a lot of money rather than the same amount of money for a lot of smaller people. That is essentially the point you are making, isn't it?

Jonathan Brenton: I do not want to knock larger companies. This morning when I opened my inbox I had an email from DIT saying that UKEF has backed a £1.7 billion deal with Bombardier in Derby to export trains to Egypt. I think this is the first time in 15 years that we have exported trains from the UK. This will help to secure 2,000 jobs in Derby. This is good news and we absolutely welcome it, but, you are right, it needs to be a spread.

We need more information in UKEF performance reports about the number of small companies it is supporting, because the actual figure for the volume of capital given to those smaller companies is much lower, and more information on the small size of deals.

There is a perception from many of our members that, if it is beneath £1 million, it is very difficult to get anything out of UKEF. That is understandable, and it is also something you hear about banks, but if we are to get SMEs to export they need to get into that more micro space.

Susan Ross: I absolutely agree with Jonathan about the supply chain. It is vital that not every small company tries to export, because they might do it wrong. If there is a big company that will lap up their supplies and do the exporting of a massive aeroplane or a bridge or whatever, all the better.

I want to delve into the 270. In fact, 339 companies were supported in 2019-20. If you look at the figures applied to the private market, 140 suppliers on a UKEF supported project and only 135 directly supported companies. The reason I am pointing that out is twofold: one is because it picks up Jonathan’s point about SMEs. There should be more SMEs there.

Secondly, that is the figure it quotes to compare with other export credit agencies. For example, Spain supported 158 exporters in 2019; Bpifrance provided 586 facilities of the standard sort, including the 75 on tender to contract, plus 1,500 prospection insurance, which it is very good at and that is a whole other subject; the Netherlands, 128 clients and—I think this might come up later—€52 million in premium income, where UKEF’s is three times that.

Q10 **Sir Mark Hendrick:** My question is directed at Susan. The UK is the world’s sixth largest exporter of goods and services but, according to your recent benchmarking report, the value of support that UKEF has given to exporters has considerably and consistently lagged behind that of countries such as Sweden, Germany and Italy. Why do you think this is, and what do you intend to do about it?

Susan Ross: To me, there are three aspects: marketing—which Jonathan has mentioned—accessibility and risk appetite. On marketing, you mentioned Sweden, which has a programme to work with banks to educate frontline banking staff. Sweden does very well. It had 445 clients in 2019. Germany and Italy have a long history that industry goes to the export credit agency. If I might mention France again, it changed its name a few years back but it is still known as the place to go for exports, and we seem to have lost that with UKEF.

On accessibility, UKEF is not the easiest or the fastest. For big ticket projects it is fine to be slow as they are very involved, but for short term you need to be quick and light of foot to be able to work with the exporters to help them deliver. We would love to see UKEF empowering frontline staff to take more decisions, so not have the referrals upline that we see all the time and that take a lot of time, particularly now.

On risk appetite, it is expensive. I had a quote this morning for a client of 3% to 4% to export to Ukraine. If you think a standard mark-up is, hopefully, 15%, maybe 20% for export, we are starting to eat into that hugely if the premium needs to be 3% or 4%. UKEF is the insurer of last resort, but there needs to be a balance and it should take more risk. SMEs really need to have the support. The commercial market has lots of other considerations and is not set up to do smaller value individual contracts. The commercial market is set up for portfolios and for bigger single risk contracts. It is risk appetite, accessibility and marketing.

Q11 **Sir Mark Hendrick:** Is the main ingredient risk appetite? You mentioned earlier that the exchange rate is an issue. If we had been in the euro and stayed in the European Union, things would have been a lot different. On the appetite to export, I remember years ago looking at export to China when a lot of firms were frightened of exporting to Europe never mind China. Is it the island mentality we have here that means we tend to shy away from any risk, even if potentially there is support from organisations like your own?

Susan Ross: The smaller companies I have met have a very invigorated view of export, and they take it in their stride. It is very impressive. The problem with UKEF's approach is that it either isn't able to or does not underwrite some of the risks, so a lot of small exporters are taking the risk themselves. As an export credit insurance broker, I would prefer—if the insurance is available—for small companies to be able to transfer that risk to an insurer.

Q12 **Sir Mark Hendrick:** Is it the nature of the goods and services that we offer? For example, Germany does very well and is very good at things like heavy machinery and things of that nature. Is it the fact that we are not the industrial nation that we were decades ago that is affecting how well we export or the volume of exports we are getting?

Susan Ross: That is a good question. There are opportunities for UKEF to underwrite a broader spread, more services and—I mentioned pre-credit risk—more bespoke projects. It would be fantastic if it could do so and get a wider name among a wider range of companies of all sizes. I do not think it is difficult to get its name out there.

Q13 **Sir Mark Hendrick:** Are Government partly to blame? I have seen over the years the President of France travelling with big delegations, and lots of major companies travelling with a president or a prime minister in different cases. We do not seem to do as much of that in the UK. Is that a problem? Are politicians or Ministers pulling their weight?

Susan Ross: What we are hearing is that on the ground, in the embassies, the commercial sections over the last decade have really sharpened up. That has been fantastic. It is possible that the trade missions are not being as well supported and also the trade stands at overseas events, which obviously are not happening at the moment. Possibly it would be better if we could make it easier for companies to join those. In the 1980s UKEF was absolutely the go to. Around the millennium it lost its name because it was only supporting capital goods, and in the last decade it has grown tremendously, but there are so many more corners for it to help to find the exporters that need it.

It needs to be proactive, a bit like Sweden is going out via the banks and employing staff to meet with SMEs. UKEF could do well to spread its reach in that way.

Chair: Just in case it is picked up wrongly, the aspersions on island mentality, as an island MP I can only say that an island mentality is a very good thing indeed. Moving now to Craig Williams in Wales, and he has an equally good mentality.

Q14 **Craig Williams:** There is no island mentality here. Can I build on the points you were just exchanging with Sir Mark and look at the sectors, rather than the small or large exporters? Do you think there are particular sectors that UKEF goes after, only focuses on, rightly or wrongly? Which sectors do you think benefit the most?

Jonathan Brenton: You will find the sectors set out in the UKEF report and, historically, there has been a stress on aerospace, energy, carbon fuels and construction. You can see the shift with some of the resources that have been allocated towards low carbon—that is very welcome—in some of the recent contracts in, for example, Taiwan, but there are clearly areas where it does not do enough.

I support what Susan said about services. UKEF does service work. Their recent contract with Airbus in Turkey also involves support for the satellite launch. Services are in all parts of the economy, and they are also aligned with manufacturing, but if you think the UK is likely to export more than 50% of its total exports in services by the end of the decade, there is a gap there. To put this in context, there is scope for more proactivity in the marketing of services for UKEF but, fundamentally, this also has to be business driven. It is quite tricky for UKEF to target some sectors. It generally needs to market its services better, particularly to smaller companies.

The feedback from business is that UKEF is easier for those companies that are already initiated. If you need to be initiated, it is not exactly the most customer-friendly process.

Q15 **Craig Williams:** If you look at the reports you are alluding to, 45% of the support to date is going to the manufacturing sector. Do you think it is a case of engaging with perhaps services or sectors that are not traditionally aligned to this, or is it advertising—as I think Susan alluded to before—more generally about UKEF? Why do you think there is that focus on 45% manufacturing, or is that not a problem in your view?

Susan Ross: I think it is quite fundamental. Manufactured exports are tangible; you can see them. You know when they have been dispatched. Services and complex contracts can involve, for example, third-party sign-off. You might need a QS to sign off. What are the issues around that? There are a lot. Dutch State Business has wording to cover that, as does Germany; UKEF does not.

Q16 **Craig Williams:** Do you think it is a standout problem that could see a transition to services quicker?

Susan Ross: It is not an easy thing to do. It will require a bit of investment in understanding what is required but, yes, I think it would make a big difference.

Q17 **Craig Williams:** I want to focus on export destinations as well as sectors. In your view, is UKEF overly focusing on certain destinations around the world, that we could all probably give you a list of right now, or do you think it is just the natural flow and ebb of trade as it stands? Do you think we have been overly focused on particular destinations?

Susan Ross: By volume, of course, the big projects tend to be in more medium-range and closer-to-home destinations. The riskier end tends to be smaller contracts, SME contracts, individual contracts that cannot be covered in a portfolio. By volume it is always going to be that, but I would like to see much more distant countries coming on to the list, maybe in small quantities but more regularly.

Jonathan Brenton: There are some understandable reasons why certain countries come back again and again, but there is a risk of sticking with what you know. I think new products—we talked about concessionary lending—would certainly help in areas like Africa. I think more marketing outside of the UK so that countries that do not traditionally think of the UK as a source of export credit, or companies that wouldn't see UK companies in their supply chains because they do not think they would get export credit, would see it. There are also constraints.

One of the effects that could be beneficial from the Covid crisis is that UKEF has been able to expand its coverage to OECD countries. We welcome that and very much hope it can continue for as long as possible, but those constraints mean that many of our members who have traditionally said, "They can't help us in Europe", that has not been possible because of EU competition rules, for example.

Chair: Thank you very much. Now standing by on Merseyside, I think, or maybe he is in London—no man is an island anyway. Mick Whitley, a good socialist, would subscribe to that, to keep our island theme going.

Q18 **Mick Whitley:** Down here it looks like another island. Good afternoon, Susan and Jonathan. UKEF's latest annual report shows that 49% of its customer support went to businesses in London and the south of England. Should UKEF be seeking to better support exporters in the rest of the UK, and how could that be achieved?

Jonathan Brenton: I absolutely agree with that. It does seem odd if you think that the slant of UKEF support is towards goods, and London is not necessarily the first port of call for manufactured goods. We welcome the efforts made by UKEF to expand its network in the regions, but when I talk to my colleagues—we have offices in the CBI across the UK, and I have been asking this question in Scotland, the north-east of England and the Midlands—the knowledge of UKEF is relatively shallow. I think more marketing could be done. One of its export finance shows has been in London most of the time. This can also be related to a wider strategy, and it comes back to links with DIT.

We look across the UK. I was talking to a local enterprise partnership the week before last, which was saying, "7% of our companies export and it should be 9%." What is the link between the strategies to raise exports across the UK, to take advantage of trade deals, to provide finance and to monitor? I think there is a big space there. If it is not a target, it does not always get done. UKEF could be asked to explain what it is doing and to have targets for raising regional participation.

Susan Ross: I am absolutely with Jonathan. If in every LEP up and down the country one company had used UKEF and it was a slick operation, they had fantastic service, they may even have had a claim, they will tell everyone else in the LEP about it.

Q19 **Lloyd Russell-Moyle:** You have both mentioned the balance between responsibilities to try to support more exports and the return. Do you think that the responsibilities to the taxpayer and the support for exporters in risk and the risk appetite is about right compared with your competitors?

Susan Ross: You probably saw in our benchmarking that we have done some research on the claims to premium ratios. It is really important that UKEF continues to operate at no net cost to the taxpayer. It has been doing that for a few years, maybe a decade, and doing it rather well. It has been charging a lot for premium. Exporters are often quite shocked at the pricing. It has not really been paying claims, although we hear it may have some claims in the wings at the moment. It should have a strategy of being able to generate cash for the taxpayer but, at the same time, supporting companies so they grow, so they can generate wealth, employ more people and pay more tax. It is a really interesting balance.

Q20 **Lloyd Russell-Moyle:** Should the desire be to make sure that there is never a burden on the taxpayer, or should it be that these are expected things that sometimes the taxpayer needs to pick up and you take a riskier strategy? Where do you think that balance should lie?

Susan Ross: Insurers like to be sure that every year they have a balance of some sort. UKEF has the ability to take a 10-year look. I would say that over 10 years, as long as it is generating for the taxpayer, all in. There are opportunities out there for it to be able to use reinsurance to balance its books. It is not alone in being an insurer of big ticket items. The smaller items should balance themselves out.

Jonathan Brenton: On the general principle, it is worth remembering that there are constraints through OECD rules. They are under strain from the activities of non-OECD countries, like China, that have a massive export support programme. There is also a question about: if there was no obligation to keep value for the taxpayer, would it be chasing unviable contracts? I agree with Susan when she says with some finesse, no net costs, it is doing rather well. It is a small profit centre to the UK Treasury. Obviously, we do not want an irresponsible or high-risk policy, but it probably could afford a bit more risk.

There is a question for UK Export Finance about how risk is differentiated for SMEs. Does it have a policy where it is consciously taking on bigger risks in small contracts to move that bit of the UK economy? That also flows into the UKEF rhetoric. It is probably very difficult to write official communications to UKEF that do not major on the need to protect the taxpayer. I understand why that is the case, but I think it could dial that down a bit and dial up "we are here to help." It is a nuanced question, but it could be done.

To go back to overall risk appetite—this is not the same issue but is slightly related—it is worth remembering that the figure in 2015-16 for overall capacity for support was £21.4 billion. It is now around £32 billion, so the risk appetite is increasing and we want that trend to continue. But, as we quoted in our report, Germany has something like £140 billion available, the UK has a maximum of £50 billion. Our economy is 70% of Germany's, so there is a big gap there.

Q21 **Chair:** Susan, in the graph in your annual benchmarking report it was fascinating to see the premium to claims ratio. You use two scales. You use the scale for all the other countries—Germany, Austria, the Netherlands, Denmark, Sweden, Spain—on one side, and the UK's one is quite different. You said at the beginning that you do not want net cost to the taxpayer, and I think people on the whole would agree with that most of the time. Jonathan said something very interesting there about the risk being consciously different for different sized companies or different sized contracts. Risking £1 million is different from risking £100 million, obviously.

Do you think the margin is too great? Secondly, how many companies may be losing out because of this aversion to sealing a tighter turn? There seems to be a lot of space in that ratio to be able to do that and to help more and, therefore, to help the economy more. Is there almost a love of the return on that ratio being so good and an aversion to helping other companies? I know you can argue this either way, different people can, but it seems to stand out that you had to use the two scales on the graph.

Susan Ross: It was disappointing to have to use two scales but, if we didn't, you could not see the rest of the ECAs. They disappeared because they averaged, over a period, for every €1 of premium—sorry, for every €1.5 premium in total over a period. For every £1 of claims, UKEF is collecting somewhere between £20 and £50 of premium. I work in the commercial credit insurance market. An insurer that is not paying claims is not doing its job.

Q22 **Chair:** The last year you have here is 2019. Denmark received €250 back for every €1, and the UK received £46 back for every £1. That is what you were saying about the graph, you would need to extend the A4 pages to have that graph on it. There is a huge difference there. There must be a cost to companies in the economy that are not being supported. If you are in Denmark and you go and pitch yourself to the Government and look for the equivalent of their export finance support, you would feel that companies that would be dismissed in the UK might be entertained in Denmark, even though Denmark is the next highest on your graph. Therefore, surely, a lot are missing out on the next step of their development.

Susan Ross: To me, it is just that UKEF charges too much for small companies and it should be writing more policies for more companies. We do not really want them to be paying more claims, per se, but it should be aiming to provide more cover for companies even where it is marginal risk. The other export credit agencies perhaps do not charge as much. Sweden has three times as many exporters supported and a lower total premium.

Chair: You have said a lot in that answer that we can unpick later.

Q23 **Mark Garnier:** Susan, I have a very quick philosophical question about UKEF and how it relates to the independent and private sector market. I completely accept every point you have just made, but if it was too good would it not be pinching business from the private sector and, therefore, undermining that provision from the private sector? Is that a consideration that you think about?

Susan Ross: That is a really good point but, in essence, a company should not be able to have UKEF cover if it is available in the private market. There is not a financial pricing issue involved.

Q24 **Mark Garnier:** Therefore, they are not trying to drive it away unless you really cannot do it. It is just the wrong price. That is really helpful, thank you.

I want to come on to how UKEF collaborates with the Department for International Trade in supporting exporters, or DIT agents in one form or another pushing towards UKEF. One thing you mentioned earlier was the banks and how the high street banks can do this. When I was a Minister the very first event I was involved in was signing a memorandum of understanding between DIT and banks to deliver this facility up to £4 million—I think it was—on the same day. I do not get the impression that the banks are doing a particularly good job, and then you have international trade advisers that are delivered through the chamber of commerce network. How do you think this collaboration is working between its various bits, such as banks, ITAs and the agents working in post in the destination countries?

Susan Ross: What we are hearing is that the agents in post are generally good. Some countries might need a bit of encouragement to get back the enthusiasm of yesteryear, but generally that is good. The international trade advisers do a fantastic job on the ground as far as they can, but their role seems to be relatively reactive rather than proactive. They are not going out to find companies that could export, or to seek companies that could deliver our aid objectives, for example. They are not searching out the companies in the UK, and that is something that could be done in Covid times.

Mark Garnier: Independent ITAs would be—

Susan Ross: I was thinking of the DIT ones, UKEF and DIT.

Q25 **Mark Garnier:** The dynamic is that, if you are working for the

Government, you get paid by the Government and your target is to help people. If you help enough people that is fine. If you are independent and you do not find customers, you do not get to pay the mortgage or eat, so there is an economic imperative for you to go out and create that marketplace. While helping, can DIT get in the way, creating a slight market failure within the independent market?

Susan Ross: I am afraid I do not know the answer to that.

Q26 **Mark Garnier:** No, fair enough. Something else you mentioned is the speed of delivery, how fast UKEF is in pulling together these deals. It is the second time today I have heard this comment. Do you want to expand a little bit on that?

Susan Ross: For medium-term trade for projects, you would expect everything to take time to pore over and analyse large documents. For the short-term, smaller contracts—the £1 million, the £5 million, the £50,000—you need a much shorter timeframe. Going to UKEF with a single deal might need some special consideration. It will need individual pricing. For example, UKEF does not have a premium calculator on its website. It used to, but it does not have one now. You have to go, even to get a price, to put in your final pricing, your final bid, and every length of the process involves people and then referrals upwards. Every change in the wording has to be referred up.

Q27 **Mark Garnier:** The MOU we signed with the banks was for them to be able to do same-day agreement up to £4 million. That does not seem to be happening.

Susan Ross: I am so sorry; I wasn't talking about the banking. I believe that is working. I was talking—

Mark Garnier: Sorry, I am jumping from one thing to another. My apologies, it is me trying to tease out information. You are right. Getting back to where UKEF is doing it itself, yes, I have heard that. It is internal processes that are causing problems.

Susan Ross: Yes. There are some really good people there, and if it empowered them to be able to take certain decisions without referral, because they have the framework in front of them, we could speed up the process very well. It would be a much more approachable arrangement for small exporters.

Q28 **Mark Garnier:** Jonathan, do you want to add anything on this relationship between UKEF and DIT and whether it is working well?

Jonathan Brenton: Can I say something about speed first? When you look through—as I am sure you have—all the submissions to this inquiry, speed comes up again and again. One of the companies wrote, "UKEF does not compete with the private sector but it does compete with other export credit agencies." I think some of the suggestions are worth bearing in mind, "Why are there no service level agreements for turnaround times?" Somebody commented that you can get an expression of interest from another export credit agency in 24 hours but not from UKEF. "How easy is it to track applications?" When you talk about the banks, UKEF can track how an application is doing when it has gone through a bank, but I am not sure it is putting that information out to customers, and that is very important for building the confidence of business to deal with UKEF.

I absolutely agree with Susan about a website that tells you more about the product, so you do not have to go straight into an email to UKEF, but also a signal about what you can expect in a particular time.

On the link to DIT, I agree with what Susan said. It is good in the global networks, some of the initiatives it has taken for staff training are good and I know that Antonia Romeo was talking to the Committee about that a few months ago. It is less good in UK regions and, I think, less good on overall strategy. Part of that is whether DIT is pushing UKEF to be part of a winning package for UK exporters. How far is it analysing how UKEF is doing against its competitors and where we can do better as a country to get deals over the line?

Q29 **Mark Garnier:** Interestingly, of the 10 international indicators that we have looked at, the only one UKEF does not deliver is the currency guarantee, but the point is presumably the quality not the quantity of the product. It is a qualitative analysis, and it is these details against the other countries that presumably you are referring to.

Jonathan Brenton: It is the speed. If you have different companies bidding in, say, Ghana and the other consortium can say, "We already have export finance for this" and UK Export Finance is still making up its mind, who do you go with? There is a contract race that needs to be supported.

Mark Garnier: Yes, a very interesting point. Thank you.

Q30 **Martin Vickers:** Jonathan, what do you think about UKEF support currently? What more could be done to help businesses through the present pandemic and, as we emerge from it, to encourage them back into a bigger share of the export market?

Jonathan Brenton: There are lots of things that UKEF has done in the crisis that we welcome. It has taken on an extra £10 billion of risk by talking to the Treasury about adjusting some of its risk management. It has clearly followed the EU decision to open up exporting insurance to other countries. I think there has been some expectation from some of our members that UKEF might have been a bigger source of liquidity in the crisis. That slightly misunderstands the mission of UKEF, how most of its products are tied to contracts.

It brought in working capital for SMEs, which we very much welcome, but it has only just arrived. There are one or two products that I wish had been in place before the crisis. It is trying them through the crisis. Let's see them being used better in future, and let's hope that some of the innovations and some of the changes can be kept.

When you look at the crisis, and the shock to business is enormous, I should put on record the extraordinary things that Government have done—I know CBI is asking for more—through the amount of support for business through the other schemes. It is natural that most of our members have gone to CBILS and all the other financial products rather than UKEF.

Q31 **Martin Vickers:** Thanks for that. Susan, you have already highlighted a number of things that you think would be particularly advantageous to SMEs. I am particularly keen to encourage more of them to consider export. As you rightly said earlier, trade stands, trade delegations and so on are not possible at the moment but, when we are in a position to resume them, I tend to think that, understandably, when the PM or somebody goes along on a trade delegation, it is the big boys who already know the workings of international trade who are invited along. We need to ensure that a representative perhaps of the SME sector is included in these things. Since this is the last question, you have an opportunity to leave us with two or three bullet points that you would like to emphasise.

Susan Ross: That is a fantastic lead-in to support for SMEs. If I might just go back to something Jonathan said about Government support, the HMRC facilities have been fantastic for business generally. We hear from exporters how much they have benefited. The furloughing, the restaurants and all those schemes have done the country really well. We need a little leaf out of that book for UKEF and DIT to work together for SMEs.

Trade delegations and trade fairs are really important. We have the three-year rules. We have companies only getting financial support from UKEF or DIT if they have—new or old, there are too many rules. Principally, the fantastic thing about being part of a British delegation is that the individuals can spend time with the huge exporters that have been there, done that and know the pitfalls. There is a lot of correspondence between the people who are on the tour together.

As well as learning from experienced staff and needing a bit of financial support to get there, it would be great if SMEs were in on the planning stage so that they knew who was going to be invited for them to meet so they could research them, so that they could guide the direction they would like the tour to go.

Martin Vickers: That is very good, thanks. Mark, you wanted to come in.

Mark Menzies: In the interests of brevity, I am happy to leave it there because the points I was going to ask about have been covered.

Chair: Excellent. Thanks very much, and thanks for the emphasis on brevity. I thank the panel, both Jonathan and Susan, for coming along, for their preparation and for their time. It was a very useful start to our inquiry.