

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 32 - 56

Witnesses

[II](#): Chris Walker, Chair of the Trade Policy Unit, Federation of Small Businesses; and Peter Ellingworth, CEO, Association of HealthTech Industries.



Examination of Witnesses

Witnesses: Chris Walker and Peter Ellingworth.

Q32 **Chair:** Good afternoon, Peter and Chris. I will let you introduce yourselves on your own terms—name, rank and serial number.

Peter Ellingworth: I very much appreciate being asked, and I very much enjoyed the session I had with you last summer. To remind everyone, the Association of British HealthTech Industries looks after medical technology, diagnostics and digital health. The industry itself is the biggest employer in life sciences: about 127,000 people and something like 4,000 companies. Interestingly for this discussion, which will characterise my remarks primarily, the vast majority, 98%, are small businesses in the UK. I have the privilege of leading that organisation, I am the chief executive, and I am looking forward to this discussion. Thank you, Chairman.

Chris Walker: Good afternoon, ladies and gentlemen. I am Chris Walker, the chair of trade policy at the Federation of Small Businesses. We represent 160,000 small businesses around the country of all types, sizes and denominations. I also run my own small business, which exports to 22 different countries and grew significantly last year.

Q33 **Chair:** Thank you both very much. You both mentioned small businesses. According to the British Business Bank, in 2018 SMEs accounted for 32% of all UK exporting businesses. In 2008 it was 50%. Why has there been this change to SMEs doing less of the exporting? Are there very obvious reasons? What do you think?

Chris Walker: I question the statistics a little bit because, according to HMRC, the number of businesses exporting, as far as I can tell, from 2015 to 2019 grew from 145,000 businesses to 160,000 businesses. One of the factors we are seeing here is that the number of larger businesses is growing in their exports and the smaller businesses do not necessarily keep up. One of the things we see in our statistics from members is that there is a lot of occasional exporters, people who are reactive to export enquiries or who deliver an export for a short period of time, maybe a year, and then it falls off and they do not persist in exporting. That could be a factor.

Peter Ellingworth: I am a bit surprised that it has gone down, to be honest. I do not have statistics to hand, but the companies I talk to, if they are small to mid-size, the only way you can be successful is by exporting. The NHS is a good customer to some extent, but it is not easy to do business with, and the UK is relatively small in terms of the overall global market. A successful mid-sized business is probably exporting to tens of markets, maybe 50 or 60 markets worldwide, if they are an established exporter, and that will drive a large proportion of their business. For earlier stage companies, and no doubt we will come back to this, export is their opportunity to grow.



HOUSE OF COMMONS

Q34 **Chair:** Peter, to what extent do you think a lack of export finance is a barrier to small businesses seeking to export? Is there anything there?

Peter Ellingworth: The obvious answer is yes. However, let me be candid, Angus. Until this review came up, UKEF was not a subject that we regularly had raised on our international trade forums internally. It was not a subject that had really come across my desk.

Q35 **Chair:** Is that because of lack of knowledge of UKEF and its offer?

Peter Ellingworth: Some of it is about lack of knowledge, and that has certainly come through. When we have gone out and talked to members, some of it says—you have heard from the previous witnesses that other sectors have predominated. Life sciences does not appear in the statistics really. You have seen big projects, not small businesses, and you have looked at oil and gas, defence, construction.

It is a challenge and where companies have gone is to look at how they can leverage their working capital, and they have traditionally used established banks that they are dealing with. It could be done and it has been helpful when looking at high-risk markets—for example, I talk to my chairman and his business, a long-established medical company. They remember using UKEF in Romania in the 1990s. It is not up there front and central now. We talked to another company on a contemporary issue, a UK company making ventilators. UKEF has not really worked for them. Their orders will be sub £1 million. It might be a £5 million deal. The sum total may be £20 million, but they cannot really find it in terms of speed nor appetite from UKEF to have this long continuum of export deals. They are not so much one-off. This is not a big construction project or a big capital project in terms of trains, as we heard earlier, or wind farms.

Q36 **Chair:** Chris, are you feeling that there is a similar problem, that the lack of export finance is a barrier to small businesses looking to export, given the numbers? It was 140,000 or 160,000 companies I think you mentioned.

Chris Walker: There are two issues. There is an issue of lack of understanding, a lack of education, in terms of how to do business in international terms, so the way to mitigate risk in small business is either to look at financing in some aspect or to look at other routes to mitigate the risk of non-payment, for example, or currency risk. Small businesses are working very hard on the business. There is not very much time to get an understanding of how to operate and reduce risk in an international environment, and that is an education piece.

The second thing is that we see there is a lack of awareness of UKEF. UKEF is something that probably most of our members think is not for them, because they perceive it as being for big business. Because the majority of UKEF products are directed through the banks, we have been in discussions with the big five banks about how they operate in terms of working with UKEF.



They have told us that to look at a deal with UKEF or to underwrite any particular deal probably costs them about £15,000 to £25,000-worth of cost in order to evaluate the risk. When you are a small business, if you are trying to raise £10,000 or £20,000, obviously the bank is not going to invest £15,000 or £25,000 in trying to mitigate risk on a deal that is only £15,000. The small businesses have less exposure to risk, and UKEF is in a challenging position because it is trying to show that it is doing business and helping small businesses but, in fact, it is constrained by the rules and regulations of the banks.

Q37 Taiwo Owatemi: A recent report by the National Audit Office noted that UKEF is required to have 20% bank participation in its SME support but that there was a lack of appetite among commercial lenders to support SMEs to export. Chris, does this reflect the experience of some of your members?

Chris Walker: Yes. Three years ago UKEF launched—and this was mentioned in the previous session—an initiative to give a quick turnaround on deals and a quick answer on whether they could support a deal or not. One experience we have is a company that was looking to raise £70,000 of equity for cash flow to expand in the Middle East. It went to UKEF and was referred to the bank. The bank came back after three months saying, “We do not deal with businesses that have a turnover of less than £2 million.” The rules between different banks vary, but some of them have a £5 million threshold and some of them have a £2 million threshold. You are precluding a huge amount of the SME businesses in this country if you are saying, “We won’t deal with businesses under £5 million.”

Q38 Taiwo Owatemi: Peter, is that equally shared within the healthtech space as well?

Peter Ellingworth: Yes. I would largely echo what Chris said, but to add to it, what companies are looking for is a stream of finance support. The one-off does not really work for them. With the substantial amount of work that goes into preparing, whether it is with their own primary bank or, as we have been told, whether they have tried it with UKEF, if they are a small business their time is limited and it is about the resource they have available to do this. If they can do it once and there is a stream of funding or a stream of support across a period of time, that seems like a more sensible approach. Sometimes they also find that mixing high street funding with Government funding does not always fit together so easily.

Q39 Taiwo Owatemi: Given that the lenders—as Chris has said—have in some instances told small businesses that they are only willing to invest if they are above £2 million or £5 million, what do you think UKEF or the Department for International Trade can do to encourage lenders to consider supporting SMEs?

Peter Ellingworth: From the life sciences point of view, our Department for International Trade has some very good people there. They



HOUSE OF COMMONS

understand the life sciences sector. They are heavily engaged in the life science strategy work led by Sir John Bell. They co-operate broadly with the Office for Life Sciences, so they get the sector.

Listening to companies, my sense is that UK Export Finance does not understand life sciences like that. Perhaps that is an obvious statement, given where we have heard most of its work has been. I took a look at the website and it talked about markets to export to, those high-potential markets. I was a little disappointed. I clicked on life sciences. It sorts it out, lists the top 17. The US is in there, great. Ireland is in there. It is a common mistake because there is a huge amount of manufacturing in Ireland and a lot of that is intercompany transfer of product. It is not actually a massive export market.

Then it listed Hungary, Mauritius, Panama and Trinidad. These are all going to be very interesting markets for companies to go to, but I would not say they are up there among the high-potential ones simply from a scale point of view. It listed Mexico. We are under the UK Bribery Act and Mexico, along with a lot of Latin America, is quite a high-risk market for small companies to become engaged in. They are interesting markets.

For me, what that says is that there is a mismatch between what our Department for International Trade knows are the priority markets around the world, where it is focusing its time, and what is on its site. I may be misreading it, but I would suggest perhaps a deeper understanding of the life sciences sector is required.

Q40 Taiwo Owatemi: Definitely. Chris, what do you think UKEF and DIT can do to encourage commercial lenders?

Chris Walker: First of all, DIT and UKEF should work closer together. It is not clear to me. I believe UKEF is part of DIT, but you do not very often get international trade advisers referring people to UKEF and vice versa. It goes back to this education piece. For example, if I am a business, any business, it does not matter how big I am, and I think there is a risk of non-payment, I have a number of options. I do not have to offer credit terms; I can offer a pro forma invoice and get the payment in before I ship the goods. That is something that does not involve any other company. Small businesses are not particularly au fait with these other mitigating ways of reducing risk. The ITAs need to work more closely together to do a better job of educating small businesses, and UKEF needs to work together with the ITAs.

The other thing is that there is perhaps a lack of openness or admission from UKEF. I believe it is in a difficult position because it is constrained, in the most part, to working with these large banks. It wants to appear to Government to be saying that it is helping SMEs. It is aware of the constraints of the large banks, but it is still publicising the fact that it helps SMEs. The last time I analysed the figures for UKEF, in 2018, it did around 200 to 300 deals. It has 25 people on the ground as salespeople



or representatives of UKEF. That is four deals per business, so I think the target there is not really stretched.

Q41 **Martin Vickers:** It is already coming through fairly clearly that you feel there is a lack of understanding from UKEF about the needs of SMEs. In fact, Peter, you used the word “understanding” in your previous reply. What specifically do you think we should be asking them to focus on that would encourage more SMEs into exporting? What in their product range needs to be expanded or, indeed, introduced?

Peter Ellingworth: The first thing is that we should probably be asking UKEF to do a deeper dive on the industry and more consultation. DIT does this all the time. It works very closely with the companies in my sector. I think there needs to be that deeper dive to understand life sciences, to understand the nature of the export business they have. These are small, multiple deals, ongoing contracts, rather than big, one-off deals.

In terms of the product, it was certainly encouraging when it came up with the smaller deal scheme that was there for Governments in export markets. On some of the requirements—I understand the sensitivity—there is very heavy due diligence on that. In some markets, that product simply will not work because we are not selling to Governments, remembering that healthcare in many markets is not a Government-funded system. The product does not work directly in that sense.

I am going to come back to it and say that I think it is a deeper dive and understanding, and then more interplay and interrelationships. With DIT, again, there is constant dialogue, and it really gets under the skin of what the companies want.

There are other things, and this becomes a broader question. Where do the Government put their money to support these sectors in trade? We heard from one of the earlier witnesses about a lack of support for some of the bigger international trade fairs—albeit they have been paused at the moment, but they will be coming back—and some of the rules that apply there where, if you have previously been supported, you cannot be supported again. Well, business is not like that. It is not a one shot and then you do not get help.

The international comparisons is another one. We probably need to do a lot more on that to understand where we are going wrong versus the international competitors.

Chris Walker: I will draw an analogy with the Covid relief. When CBILS was announced, it was basically the equivalent of what is being offered at the moment by UK Export Finance. CBILS did not really fit a lot of small businesses. We had anecdotal evidence that our business members were being denied CBILS loans because 90% of their business was exports, for example, so CBILS did not get a lot of traction with SMEs initially. The



HOUSE OF COMMONS

reason for that was because the banks, again, had to do a lot of due diligence and they were carrying a lot of the risk.

As soon as the Government introduced the bounce back loan—where the Government underwrites 100% of the risk up to £50,000—the bounce back loans went through really smoothly because the banks were guaranteed to make money, guaranteed to get their fee for the first year, guaranteed to get their interest on the money for the first year, and guaranteed that if the money was not repaid the Government would underwrite it. That went through much more smoothly and has been a much more effective method for small businesses.

Small businesses need small interventions, and small interventions need a lower administrative burden. They represent less risk, but if you are starting with a small intervention of £5,000 or £10,000 to underwrite a new exporter with a small start-up business, that might pay dividends when the company grows to be a much larger medium-sized business later on in the year, rather than supporting a large business that already knows how to export. You do not get to be a medium-sized business without doing export.

When I worked in large business, we had export managers, international managers, who had expertise. We knew how to underwrite risk. We did not need support from UKEF to decide whether it was worthwhile doing a deal in Brazil, for example, because the way we had got to being a medium-sized business was by starting off doing international trade.

Q42 **Martin Vickers:** In response to a question to the previous panel, it was suggested that when talking about trade delegations, for example, a representative for SMEs would be helpful in the planning stage. Has the FSB ever been included in planning a prime ministerial or Cabinet trade delegation and, if not, would you welcome that?

Chris Walker: In my experience and our experience of what happens, yes is the answer. What happens typically is a prime ministerial visit is planned and it may be three months away; typically, quite long term. Then the Prime Minister pulls in all the key players, all the prestigious players like the BAE Systems, the Babcocks, the people like that—the large players—and then at the last minute small businesses might get a chance. Then they are given two or three weeks' notice of a trip to South Africa or South America for a five-day visit. Five days out of the business could be very valuable to a small business visiting an export territory, but not if it is three weeks away and you have planned your schedule or you have an event coming up. I have six people in my business, and if one of them is out, that makes a material difference to our effectiveness in delivering our products to customers.

Peter Ellingworth: Planning is critical, because the resourcing is not to be underplayed. Companies are very stretched. If you give them short notice, they may be on the other side of the world already exporting somewhere else and they are not able to come back for that particular



HOUSE OF COMMONS

trip. DIT is doing a better job more recently at inclusion of businesses and the scale of the businesses. It could be done more, and it would be nice to see trade missions that are not just focused around signing off a large deal.

With respect, the headline that says the Prime Minister has visited and a deal has been signed for X billion, that is not where our sector is and that is not where the small businesses are. Seeing the Prime Minister and other Ministers—and some in DIT do this—out supporting companies, being seen to be standing alongside them, would be very helpful and greatly encouraging.

Martin Vickers: Excellent, thanks very much.

Q43 **Mick Whitley:** Good afternoon, Peter and Chris. UKEF had extended its offering in response to Covid-19. Is there any more that UKEF can do to help small and medium-sized businesses to continue trading during the pandemic?

Peter Ellingworth: They can help them post pandemic, and this is going to be one of the critical areas. Right now the businesses in our sector fall into two places. If you have been involved in the supply of product—and there are many cases where companies have been—for vaccinations, for testing or for intensive care, your business is in good shape. If you have been supplying product into the elective care work, such as orthopaedics or cardiology in some cases, your business has probably been adversely affected and your balance sheet will be under stress. Intuitively, you would say, yes, UKEF could be very helpful in that case.

Looking beyond, so how we come out of the pandemic and start to grow our businesses, a re-energising or refocusing of products in UKEF could certainly be very helpful. A lot of these companies are coming out of the pandemic with balance sheets stretched and cash flows heavily impacted, and their own risk profile will be higher. Certainly, looking at three years' books after a very bad year of not being able to sell to the NHS is not going to be helpful because it is going to skew the risk. We have to go back—I am sorry to repeat it—to look at the products and services, to look at the process that has been done, to make sure it is fit for the purpose of re-energising the industry and starting to make this a great place to export from.

Chris Walker: I would echo what Peter said. We have welcomed the expansion of measures to support UK businesses from UKEF, including the export insurance policy, which is helping businesses in countries such as Switzerland and so on. Fundamentally, the system is still set up for supporting medium and large-sized businesses. There is a language issue as well when we talk about SMEs. SMEs cover a wide range of businesses. When UKEF tends to talk about supporting SMEs, it is talking about the larger medium-sized businesses rather than the small businesses, whereas the vast majority of businesses are micro and small businesses. They need smaller interventions, less administration, as I



HOUSE OF COMMONS

already mentioned, and maybe even vouchers to support their export activities.

Mick Whitley: Thank you for that.

Peter Ellingworth: Angus, you are on mute.

Q44 **Chair:** It always happens once in a broadcast, doesn't it? It is all the scolding I do beforehand; it is karma that comes my way and makes that happen. It was the best question of the afternoon, and I do not know if I can repeat it as well as I just said it.

Chris, in your written submission to the inquiry you said that new products should be carefully designed to deliver for small businesses. What do you think UKEF should do to ensure it takes into account the needs of small businesses in designing its products? Let there be light; at least your microphone is working.

Chris Walker: I am being sustainable. Anyway, the short answer is that if you look at the people who are working in UKEF, a lot of them have business backgrounds in large banks. I think it would benefit—

Q45 **Chair:** Do you think there is a blind spot there?

Chris Walker: Yes. I think you need people who understand the needs of small businesses to be working within UKEF to understand the demands on small businesses and how important it is to reduce administration. If I have to fill in a 20-page form, for example, I am weighing up whether I fill in that 20-page form or pay the salaries of my people at the end of the month or pay my suppliers.

Q46 **Chair:** What about the FSB seconding a person or persons to UKEF for these strategic points? Do you think there is any merit in that, or has it been done?

Chris Walker: I have not considered that idea, but yes.

Chair: It only came to me as I heard you talking.

Chris Walker: It has not been done to my knowledge. It has to be a driver from Government. As I said to you before, UKEF wants to prove to the Government, who are telling it to work with small businesses, that it is working with small businesses. We have to have an admission that when we talk about small businesses, SME businesses, we are talking about medium-sized businesses, or which area of that large group of 5 million companies in the UK we are talking about.

Chair: Okay. At least we might have an idea out of this afternoon's session anyway.

Peter Ellingworth: Yes, it is a very interesting idea. We have seconded one of our staff into OLS, for example. Given the diversity here and the unique knowledge step, it is very difficult and I would not want to criticise the staff in UKEF for not knowing what they do not know. Let's start with



HOUSE OF COMMONS

maybe having an advisory board so you have the variety of companies in there. I am selfishly going to talk about life sciences and healthtech, but let's get two or three different companies in there, giving them some advice, helping them understand so they can then design better. It is the basics of any business: understand your customers' needs.

Q47 Mark Menzies: Before I go on to my question, to follow up on the point that I think Peter made about trade delegations and the ability to participate in them, I completely understand that frustration from a small business point of view.

One of the things that has come out of Covid is living in a virtual world. I am the trade envoy to Chile, Colombia, Peru and Argentina, and in the middle of last year we did a big event. It was organised by ProColombia but it was virtual. They went from normally 400 people participating to about 2,500 people participating because of the ability to do virtual. I wanted to get your thoughts as to how we could help SMEs to engage and stick to an export market by doing virtual events or virtual tradeshows or whatever. You do not have the cost and the time barriers of getting out to, say, Latin America if you can do it from your front room. What are your thoughts on that?

Peter Ellingworth: Absolutely, Mark, I completely agree there is an opportunity there. DIT has been running a number of these. We work in the US quite extensively. In fact, we support 30 companies directly in an accelerator programme in Austin, Texas. We have been able to sustain that programme during the last 12 months by doing it virtually, just as you say. It is possible. In the fullness of time, you need to build those personal relationships.

What we have also worked on, and DIT has been helpful, is we have created exactly what you suggested, a virtual pavilion. It is not like turning up at Arab Health or MEDICA perhaps, but it is there. Thank you for asking the question because we launch it live on Monday.

Back to your point about the trade missions, where we have found it really helpful—yes, it would be terrific to have the Prime Minister and Ministers out there—is that, for our sector, NHS leaders make a big difference. In the work we have done, we have tended to take system leaders, chief executives from the NHS. In fact, I would have to call out Lord Prior as being incredibly helpful. He is very well received when he comes out and supports the work we are doing. I think that works.

On this virtual pavilion, we have interviewed a number of Ministers and a number of health executives, and we have certainly made it right across the country. We have Ivan McKee from Scotland and the Innovation Minister on there. We have Invest Northern Ireland on there. It is a huge opportunity, and I am certainly happy to share that with your staff afterwards.

Q48 Mark Menzies: Yes, that is great. Again, that is obviously something



HOUSE OF COMMONS

UKEF can take part in. Could I briefly turn to my original question? To what extent do you think that UKEF's application process is appropriate for the needs of SMEs?

Peter Ellingworth: I am struggling to add anything new to what I have said here. There are sets of products. If I could turn it back slightly to where we are in Covid, coming out of this, with also being a sovereign nation now, we need to start investing with a new mindset. In the first panel, we heard how exporting was great after 1919, it was part of diplomacy. As we want to build our place on the global stage again, and this is a seminal point, we have the chairmanship of the G7 and we are hosting COP 26. This is the year we need to get behind it and provide that energy.

One of the things—and it may apply to UKEF; I certainly know it applies broadly across Government—is in-year funding. Business has been disrupted and we can no longer say that plans in Government in the financial year up to the end of March are all being fully executed. Some of them are going to be moved over into the new financial year. We are already starting to see that. Arab Health, for example—Mark, you will remember this—is typically in January. It is going to happen twice in one Government financial year. Consequently, one of them is not receiving funding. It does not mean we are not having companies wanting to go out there. It does not mean we are not going to do business. Flexing Government rules will be important here, and I appreciate that is a huge task for the Treasury, but I have to ask.

Chris Walker: Can I go back to your first question? I would love to see more meet-the-buyer events organised by DIT in the international arena through trade associations in specific market sectors. DIT, for example, participates in GTR, the Global Trade Review, which was virtual this year. They are experts at doing events like that, but others exist and that will be a good thing to do. It will be a good opportunity for us to take a leadership position on the global stage and show best practice globally and internationally.

Regarding the appropriateness of the application process, as far as we get feedback from members the application process is very onerous and quite heavily administrative, if you even get to that stage. The first point of reference is being referred to your bank, and if you get turned down by your bank, you do not even get to the UKEF application stage. Cut administration and make it simpler.

Mark Menzies: Okay, that is great. Thanks very much, both of you.

Chair: The afternoon is nearing a close, not quite coming to a close, but before that we have saved the best until last, like the wedding feast at Cana. Mark Garnier is taking over now.

Mark Garnier: I am almost speechless at that introduction, Angus, thank you. I sense you want me to get on with it and not—



HOUSE OF COMMONS

Chair: Send me a bottle of wine and we can call it quits.

Mark Garnier: I will trade a bottle of wine for a bottle of fine Islay malt.

Chair: There you go.

Q49 **Mark Garnier:** Anyway, back to business. Chris, we will start with you on this one. You were just talking about the banks and your relationship. You start off with UKEF, they refer you to your bank, and so on. As you know, in 2017 UKEF signed this MOU and the partnership agreement with all these high street banks to deliver exactly these products. Is this working, or do you get the sense that nobody really knows about this? When I say nobody knows about it, I do not mean your members; I mean the banks at a high street level. Is it an efficient system?

Chris Walker: First of all, in our experience, the banks do not really have people on the ground to engage, particularly people who have international business experience. If your strategy as a bank is not to engage with businesses with a certain turnover, you are not going to have those resources to dedicate to directing people towards products. As FSB we have had discussions with the five major banks—which I think I referred to before—so I know that the banks are aware of the due diligence processes that are inhibiting some deals being done, and I know because we have had that same discussion with UKEF that that is also the case. It has not happened for maybe 18 months or so, but I know there is a certain frustration within UKEF that this is a limitation. At the moment, I do not think it is being addressed.

Q50 **Mark Garnier:** The banks are meant to give you a same-day answer, or 24 hours maybe, on applications on a UKEF thing. Your face says it all. That is a laughable claim, is it?

Chris Walker: If you can get past the customer service representative in 24 hours as a small business, you are very lucky.

Q51 **Mark Garnier:** It sounds like there are two issues here, one of which is the efficacy of banks to look after SMEs and the other is how it relates to UKEF. I want to disaggregate those two things. Basically, it is not working probably because of the banks?

Chris Walker: Unfortunately, they have been linked together in this UKEF thing because the memorandum of understanding has been signed with these five major banks. They are inextricably linked in this regard.

Q52 **Mark Garnier:** Peter, is it the same experience with you guys?

Peter Ellingworth: Yes. Chris mentioned the CBILS loans earlier, and we have talked to Ministers in BEIS about this. The interest rates that the high street banks were trying to exercise on those were exorbitant. They were 9% in the current market. This is ridiculous.

We just have to look at whether UKEF is going to be the driver. It can certainly help, and when we look at some of the higher-risk markets, new markets, not the established ones like the US but maybe in sub-Saharan



HOUSE OF COMMONS

Africa and Asia-Pacific, they could be very helpful there. I am not sure about this relationship with the high street banks and whether there is more that can be done to make sure they are approaching it, dare I say it, with a lower profit motive than the current interest rates we saw under the CBILS loans.

There is one point here that I ought to make. It really is about understanding the sector. When you look at digital health, for example, it is utterly different from anywhere that anyone has ever been before. That is a huge advantage for us. In getting them to flex, we have to think about these different industries.

Q53 Mark Garnier: Carrying on with how UKEF can help, the evidence we have had suggests that UKEF's approach is very much reactive rather than proactive, almost waiting for people to come along, whether that is through high street banks or whether it is through people getting in touch with UKEF directly. The impression we are getting from people writing in to us is that it is not necessarily spending its marketing budget in getting out there. Does that accord with your members? I suppose the second part of that question is how well known UKEF is among your members.

Peter Ellingworth: It is not, Mark. The established companies know about it and, as I said earlier, they might have used them 20 years ago if they have been around a while. They may have had some experience, but it is not something that is being echoed back. One of the things in business is whether you hear an echo about things. It is not there. I think there is more to make companies aware of it, and probably, as I said earlier, greater focus on understanding the market, understanding the markets to export in, and perhaps working more closely with DIT in the delivery of that.

Q54 Mark Garnier: Chris, the same question to you. The FSB is a big organisation. I have been to your dinner on a number of occasions and what a jolly event it is, too. Among your members, do you get the same impression that UKEF is not very widely known? I want you to develop your answer into how DIT and UKEF are engaging with your organisation as a whole. You have several thousand members, from memory, and it strikes me that getting you guys at the FSB to do the marketing for UKEF and DIT would be a very simple thing. What relationship do you have with DIT and UKEF in terms of pushing their products among your members, or does it not happen at all?

Chris Walker: To the first point, awareness of UKEF is not very high in terms of what it does. My personal experience is that there is quite a lot of UKEF engagement in terms of marketing communications materials but, if you do not know how it applies to you, you would not necessarily recognise it and, therefore, it would not be in your consciousness and awareness as something that is appropriate.

The other thing is that the people who have tried have had poor experience of working with UKEF. We have a constant dialogue with DIT



HOUSE OF COMMONS

and UKEF in terms of forming policy and putting policy ideas forward. We have been pushing the idea of vouchers for supporting export with DIT, for example.

This is not directly related to your question, Mark, I apologise, but I go back to something that was mentioned in the last session. We have a significant number of members who are independent trade advisers, who make their living by giving good advice to businesses. If they do not give good advice to businesses, people do not come back and they do not get paid. I feel that with the ITAs there is a slight lack of accountability, because you can talk to ITAs on one particular matter, for example, "Help us with business in France," and they will put you in touch with the French embassy and then that is it. It is gone, there is no more interaction.

Mark Garnier: That is the DIT ITAs?

Chris Walker: That is the DIT ITAs, whereas if you did that as an independent business, you would not have any repeat business. You probably made that point before.

Q55 **Mark Garnier:** It is a really interesting point. I will tell you where I was slightly going on this. As you know, I was a Minister in the Department, and one of the things we were trying to promote was the idea of exporting. It was very frustrating when you would have a room full of 100 people to discover that only three people were actually exporting and only four were thinking of it. The rest were not thinking about it at all. The question behind this is: how do you generate that interest in exporting? It is not easy. As you know, you have to have freight forwarding, paperwork and all the rest of it.

The question is: do you do these voucher schemes, which then subsidise the interest in your independent people, or do you try to provide DIT staff to do that but, therefore, possibly undermine the market? At the end of the day, it strikes me that what is needed is lessons in how to do export so that these independent international advisers can come forward and promote it. I am very interested in your thoughts on that, Chris.

Chris Walker: First of all, we should be promoting the idea of international trade from the get-go when a business is started. As part of your business plan as a small business starting up, or even an aspirant large business starting up, you should be considering international trade. It is not going to be for every business, but at least put that in your marketing plan. That is one thing we need to promote as a nation. If you go to the Netherlands or smaller countries, their home market is so small that they have international trade by default. We need to encourage that with our businesses in the first instance.

The second thing is that, as you start growing as a business, you do not necessarily have the resources to appoint an export manager, a customs specialist or a freight forwarding specialist. You need to find people who can do an effective job for you and perhaps help to lead your export



trade plan. ITAs in general, regardless of whether they are Government or independent trade advisers, can do a great job of acting as your export manager and driving new business development. It has to have a result. It has to have a tangible result, because otherwise you will not persist with that expenditure. It has to have a value. The other thing about having ITAs in the marketplace who are Government-funded and free is that, if they give a poor service or do not have accountability for their actions, they undermine the whole idea of having independent trade advisers.

In summary, the ITAs that we have under DIT need to have accountability for delivering results, and they also need to be open to working with independent trade advisers. In the fundamental essence of things, Government are playing in a market that already exists, and the danger is that it muddies the market, muddies the waters and undermines the whole idea of having export support.

Q56 Mark Garnier: It is very helpful to have somebody talking on behalf of those independent advisers. It is very useful.

Peter, I will come to you for the last word. What more can UK Export Finance do to promote itself and get it out and about? As I say, I would probably tie that with what more DIT can do, because I think the two things are quite linked.

Peter Ellingworth: For UK Export Finance, understand the sector, as I said before, get to know the small businesses and what makes them tick, and then craft the products accordingly. DIT is doing a great job at the moment. There is a lot more activity. In answer to Mark Menzies's question earlier, I mentioned its support for digital and virtual pavilions. I think that is good. We probably have to make some hard choices so that we have the right funding in the right places, rather than trying to spread the money too thinly. Prioritisation is absolutely critical.

There is a need to have a more creative look at products. One of the barriers to entry for any new market is its regulatory system. For early-stage companies, that is a huge expense and a risk. So, advice on regulation. We have a great asset in the UK, our Medicines and Healthcare products Regulatory Agency. That can do wonders for us, certainly now as we are post-Brexit. On a local basis, Chair, I have seen the great work that is going on in Scotland with Scottish Development International, Scottish Enterprise, and Highlands and Islands Enterprise. It is getting out into the regions, making sure that it is not just in London, and doing it there. That is where the companies are, and that is where we need to be supporting them. Thanks for your interest, Mark.

Mark Garnier: Thanks very much. On that note, Chairman, I will hand it back to Barra.

Chair: Thank you very much, and I am very grateful for that. Talking of islands, no man is an island, but the son of our islands here in the Hebrides is about to cease, in the next few minutes, his term as President



HOUSE OF COMMONS

of the United States, and a great-great-great-grandson of Ireland is about to take over. Unfortunately, for us in the Hebrides, there is no great pride in the last four years of Donald Trump, but let's hope there is in the next President. That is a view from the islands for you, Mr Garnier. On matters global, as ever, our view is expansive.

I thank you both for being on today, Chris Walker and Peter Ellingworth. It was fantastic to see you again. You have contributed a lot. This is a big area. There is so much to get right, and there is so much on which to get the temperature correct. Anyway, the temperature seems to be cooler in Washington DC than in Barra. By the look of the place outside here today, Barra looks nice and warm, honestly. It is the place to be. Without further ado, I wish you all feasgar math, good afternoon, and have a nice evening and rest of the week. Thank you.