



Business, Innovation and Skills

Oral evidence: Exports and the role of UKTI, HC 741

Tuesday 1 March 2016

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Members present: Mr Iain Wright (Chair), Paul Blomfield, Richard Fuller, Peter Kyle, Amanda Milling, Amanda Solloway, Michelle Thomson, Kelly Tolhurst, Craig Tracey, Chris White

Questions 68 - 152

Witnesses: **Simon Moore**, International Director, Confederation of British Industry, **Mike Cherry**, Policy Director, Federation of Small Businesses, **Dr Adam Marshall**, Executive Director for Policy and External Affairs, British Chambers of Commerce, gave evidence.

Q68 Chair: Gentlemen, good morning. Given that everybody is here we should make a start earlier than planned. Welcome to the Business, Innovation and Skills Select Committee. We are grateful to you for giving us evidence on our inquiry into exports and the role of UKTI. Could I ask you to begin by telling us who you are and which organisation you represent?

Simon Moore: Thank you, Mr Wright. My name is Simon Moore. I am the International Director of the CBI.

Mike Cherry: Mike Cherry, Policy Director at the FSB.

Dr Marshall: Adam Marshall, Executive Director for Policy at the British Chambers of Commerce.

Q69 Chair: The Government has two targets of increasing the export value to £1 trillion and to increase the number of exporters to 100,000. Will the Government hit those targets?

Simon Moore: On the first mathematical target of the £1 trillion by 2020, the general consensus is that the Government will miss by about £300 billion. On the question of the number of exporters, that is less clear. A number of steps could happen that we might mathematically hit that. It is possible.

Q70 Chair: Mr Cherry, will the Government hit those targets?

Mike Cherry: We do not believe that the Government will. They were always an aspiration and I believe that they need to do far more to encourage more small and micro businesses to undertake some exporting.

Dr Marshall: My answer would be no. Our latest estimates suggest it will be 14 years, or 2034, before the £1 trillion target will be hit, and, given that there is still some difficulty in counting the number of exports, in terms of the volume target it may take a while longer to clarify that.

Q71 Chair: In our earlier oral evidence sessions an emerging theme started, which is the two targets could be mutually contradictory, as it were, in terms the Government should be focusing on export value rather than the number of exporters or vice versa. What is your view on that? Should Government, given their limitation in how they can move the needle on this, be focusing on those export superstars or in terms of making sure that there is a wide and shallow pool?

Dr Marshall: It is good to have an ambition, both to increase the value of exports and the number of exporters that are out there. The Government do need to concentrate their attention. We were pleased to see in Lord Maude's submissions to this Committee an intention to focus on higher-value exporters with direct support from UKTI. It is our view that that is where Government support is often strongest. We call it B2G—business-to-government support. That contrasts with B2B or business-to-business support, where in fact other organisations, my own and Chambers of Commerce included, can often do a lot more.

Mike Cherry: We believe that you need more smaller businesses encouraged to export over a longer period of time. That will require cultural change. While it is good for the Government to be focusing perhaps on the medium-sized companies that do not currently export but have the propensity to do so, we do feel that over the longer term there needs to be more recognition of what small micro businesses have to offer on the volume side to give you the value side ultimately.

Simon Moore: There is a place for supporting the “superstar” exporters in terms of the macro impact on the UK economy, but the real potential for the UK economy sits in the mid-market. The evidence that we have gathered is that that is where the real potential for growing GDP, growing number of jobs, growing revenues, growing tax returns, growing dividends back to pension funds and so on will come from—the mid-market. That then raises the question about ambition in the mid-market and indeed in the small market, as Mike has talked about. It is not so much a simplistic approach that there is no ambition. It is much more about awareness and understanding and having confidence to deal with some of the challenges overseas with those mid and small companies.

Q72 Chair: Mr Moore, that brings me on to my next point, because if we park Government involvement for one moment, you represent hundreds of thousands of businesses—fantastic, successful, innovative businesses that could have markets anywhere around the world, but they do not export. Why do they not? Is it just about awareness? Why do your members not export as much as they should be?

Simon Moore: This is a complicated question. I will try to keep my answer simple, but I do not think it is not answered with simple points. We have to recognise first of all there are a number of successful UK businesses, particularly in the small and mid-size patch, that will never export. They see the UK as providing all the solutions they are looking for. It is easy to deal with the UK. You deal with a currency you understand. You deal with a legal system you understand. You deal with a language you understand. You do not have to deal with transport issues overseas, etc. If you do not need to, you do not. We have to recognise that will always be the case. There are a significant number of particularly mid-size companies that would like to export but cannot get their head around the complexities, such as the ones I have just mentioned, and having to deal with it. That is when you get into areas where Government could start to provide some of the solutions.

There probably is also a lack of ambition. Those who are just comfortable clocking along doing what they are doing and they do not really want to grow their businesses too much. I do not see that as the answer to the question that you raise. That is a very small part of it. It is much more to do with information, awareness and opportunity as well.

Q73 Chair: Is that a fair summary, Mike?

Mike Cherry: I would say that Simon has given a fair summary. Just to give you some statistics from our own side, we have nearly a quarter of our members who do export. In the last quarter 9% were very much increasing their revenue through their exports, but we have about three-quarters who say either they will not or they are unable to have a product or service that is suitable for exporting. Clearly exchange rates, finding leads or finding customers and the legal/regulatory problems that businesses encounter when they look at overseas markets are some of the main issues.

Dr Marshall: When I look at Chamber membership, over one third of Chamber members do export. You compare that to about a fifth of businesses nationally. Uniquely, we service 22,000 goods exporters who are sending their goods outside the EU and have to deal with customs procedures. Add to that thousands more services exporters and those exporting goods inside the EU. We touch quite a lot of exporting businesses. The answer to your question is the problem does not lie with businesses that join membership organisations. Indeed, it lies with those businesses who do not know about the help and support that is available out there, whether that comes from the private sector or the Government, and coming back to Simon's point, perhaps display a lack of ambition to take advantage of opportunities in markets overseas.

Q74 Chair: I do not want to put words into your mouth, gentlemen, but is it a case of a large number of businesses would say, "I make a good living domestically. I do not want the hassle of trying to find markets overseas and then maybe encountering difficulties and complexities in regulation, currency fluctuations and the risk of not getting paid from somewhere overseas. Why would I want the hassle?" Is that a fair summary?

Simon Moore: My reply to that is that that is part of the summary or the answer. It is absolutely not the whole summary but there is a certain element of that. There are businesses that go through exactly that thought process, but it is only a piece of it. It is not the whole thing by any means.

Q75 Chair: Is the hassle factor a big thing, Mike?

Mike Cherry: You have to look at those three-quarters of our members who say that they are either unable or unwilling to look to exports for their growth. There is a role. If you look at our 2013 survey just under half of our members were aware of UKTI, for instance, and the services that it offered and only a fifth of those use those services, so there is an education and information gap. One of the fundamental problems that we have from the micro and small business side of things is they do not know how to and, whenever you see whatever Government are communicating to them, it is all about big businesses or medium-sized businesses. There is very, very little to show a peer-to-peer element in that and that small businesses are very successful once they get the opportunities.

Dr Marshall: Coming back to your question, Chairman, it is wrong to put it all on the hassle factor. It is right to say that there are lots of businesses for whom the domestic market offers them a huge amount of growth potential, so they have no desire nor indeed any motivation to look past that, their interest being, “I can make more money or keep more of any marginal pound I invest in my business by growing my market here”. It is only when they hit the limits of that that many of them think about exporting. That contrasts to some businesses that are born exporters. I think about digital businesses, for example, that will be looking overseas from day one. You have both of those types of attitudes that exist, so it is a complex picture. Yes, there are those who simply have no interest, but then there are those who have no interest in selling here in the UK as well.

Chair: We are very interested as a Committee in terms of identifying those potential barriers to export growth and seeing what can be done by businesses, by member organisations and by Government to help remove those barriers and coming up with practical recommendations. Chris, you want to talk about this.

Q76 Chris White: Between the three of you, you must cover the vast majority of businesses small and large in the UK. The answer you gave initially, Simon, was to say the Government can provide some of the solutions. I was just wondering what your collective ambition is and what your bodies are doing to encourage and support business to export?

Simon Moore: We are gathering our members together and introducing them to senior members of Government to talk to them about what it is that they want from Government.

Q77 Chris White: I am not letting you get perhaps do that. You are answering the question by saying what Government are going to do about it. What are your organisations going to do, rather than perhaps just arranging a meeting with Government to find out more information?

Simon Moore: It is not so much arranging meetings with Government. I was going to go on to say that in order to help Government answer the questions about what businesses are really looking for, we see ourselves as a convener of businesses to bring them together in front of Ministers and chief executives of various Government Departments in order to achieve that. What we are also doing is supporting businesses on the ground. My offices are in Beijing and Delhi and Washington, but we cover most of East Asia, South Asia and North America through those offices. Those three markets are the ones that I take a particular interest in.

Taking China as an example, about 500—maybe a few more than that—UK companies invested and are trading in China. We bring those companies together on a formal and informal basis. We bring that peer group support together to understand what is happening. We come back here and we brief companies over here about what is going on in China. Right now we are talking about what the corruption campaign in China means and getting a true understanding of it. We do something very similar in India in particular, which is another complicated market to deal with. What we are doing is we are taking companies to market, helping them understand what is going on in markets and introducing them to people on the ground who understand what is happening. What we do not do is solve the commercial challenge. We are not trying to provide the contracts the companies are going to engage in. What we try to do is introduce people and make it easier to take away some of those problems the Chairman mentioned.

Mike Cherry: I sit on, for the FSB, the board of Open to Export, which is the web-based portal that offers webinars and information to potential exporters, so that they can just go online to that portal, which is part-funded by UKTI. It is purely an online offering, as I say, and it does give basic information for exporters or potential exporters to get peer-to-peer information on, “What do I do about finance? What do I do about regulatory burdens?” There is someone there who can give them that factual help as well signposting members to the international trade advisers that UKTI has on the ground in the regions. We do quite a lot of regional events through UKTI and other Government Departments, which will help potential exporters to look at possibilities.

Dr Marshall: We in the Chamber network are putting our money where our mouth is, effectively, and we are building what we call a global business network. We have entered into arrangements with 40 markets overseas, and in those markets you have the British Chambers of Commerce and business groups. What we are trying to do there is provide a really strong landing service for any business that ends up in an overseas market and needs to take those first steps into market with some very practical support. If you were to land in Bangkok, the British Chamber of Commerce in Thailand would be able to offer distributors, the first contacts in your sector, tips on how to deal with the business climate in Thailand, etc.

We have a landing service overseas and here in the UK we have strengthened our international trade services in the Chamber of Commerce through our accreditation process. Chambers have to pass strict tests for types of trade services that they offer. That includes everything from face-to-face advice and support right through to things like commercial products that might help them, like insurances and things like that and signposting to all the of the Government support schemes that are available. For us, doing the practical business of international trade is very much part of our bread and butter.

Chair: We have talked about what you can do as member organisations to help boost exports, but we are also very interested in the role of Government and to what extent they can help shift the needle and particularly whether UKTI is helping as much as it could. Amanda, you wanted to talk a little bit about this.

Q78 Amanda Milling: Morning, gentlemen. I have a list of questions that could go on for a long time, so I will try to collapse them into a small number. The first one is looking at the improved online platform. I am just wondering if you can explain what you believe the

role of this platform would be and how it is going to address barriers to exporting. Mr Moore, it makes sense to start with yourself.

Simon Moore: Absolutely, Amanda. The answer I would probably like to leave you on that question goes back to the question the Chairman started with at the beginning as to how businesses understand what offering is out there. The answer to that at the moment is quite a complex myriad of different solutions, and a point that Mike mentioned earlier on—a low level of awareness. He mentioned UKTI, but I would add to that UKEF as well. There is a complexity of information currently facing businesses, which is particularly an issue for small and mid-sized businesses. The solution is delivered by a really good portal. There are some excellent examples around Europe in particular, but in Asia too—Singapore comes to mind—where the one-stop solution can provide both opportunities and answers to questions; lots of myriad different complexities are there in the exporting markets. If the delivery of those answers is simplified so it is easy for businesses to access them, that will solve a lot of problems and take away a lot of time.

Q79 Amanda Milling: Can I just pick up on a couple of things related to that? When you first spoke you mentioned the word “complexity”, and it was ringing alarm bells in my mind because I was going, “If it is so complex, can an online platform address those issues?” You cited an example where you feel that you could potentially learn. Is that right?

Simon Moore: I take your point entirely that you cannot solve all the problems by looking at a computer screen. What you can do is you can bring together the various different solutions available to you and raise the awareness of the solutions that are available to companies. If we take the example of the UKEF, what the UKEF is doing is really interesting and really creative, and very, very few companies have even heard of them, let alone used their services. These guys would have better evidence of that than I do. Take the example of the UKTI. If you have a simple, well-designed platform that delivers the solutions to companies, it just improves that level of awareness. What that does not do is take away the role of individuals on the ground, so the OBNi network that Adam was talking about, for example, overseas is really effective, particularly in some of the markets, at delivering great advice. The UKTI’s people on the ground—in post, as they call it—are extremely effective. Our members report back they are absolutely excellent. The offering delivered within the UK is really difficult because there are not enough individuals, but there is still a role for face-to-face conversation. What I am suggesting is that a one-stop IT or web-delivered solution is a very positive step forward in simplifying information, but it is not the whole answer.

Q80 Chair: Has the revamped strategy got the balance right between being proactive and reactive, allowing firms to see something on a one-stop, online mechanism but also having international trade advisors?

Simon Moore: That is a really, really interesting question. There is a huge cost implication. We have a number of people on the ground; how much do you solve by reducing the number of people, and changing how much you can invest in your web pool? I do not necessarily know what the answer to that question is, but what I would say is you need to get a balance right between the IT solution we were just talking about and that ability to deal with people face-to-face on the ground.

Dr Marshall: It is very much the case that digital is not a panacea. It is seen sometimes as being a replacement for face-to-face support at the volume end of the spectrum, and all of our work over many decades with small and medium-sized companies suggests that there is no substitute for direct face-to-face working with many of these companies in order to help them into market and to ensure that they achieve success in the market as well. If it is a trade-off between digital and face-to-face, the answer is digital is not the solution. If it is digital and face-to-face—and face-to-face can be provided by a lot of people, not just by Government—then you might have the best of both worlds. You have an information clearing house that businesses can access if they want to and you have some of the direct advice and support that they really need.

Q81 Amanda Milling: Just on that, in terms of it might be other organisations that provide that face-to-face, do you believe that you, the Chamber, have a role to provide that face-to-face advice?

Dr Marshall: We certainly do. We have done for a very long time. Sometimes in partnership with Government and sometimes as purely a private sector organisation. We have every ambition to increase what we do in that particular area. We are often constrained, as many organisations are, by the amount of resource that we can devote to it, but it is part of our DNA and it is part of our life's work, really, to help businesses access trade opportunities internationally. We will be doing it long after current Government initiatives end and others begin because it is something that is very much the core of what we do.

Q82 Amanda Milling: Can I just add: does that mean that maybe UKTI shifting towards an online offer is the right way, because there are other organisations that could provide the face-to-face advice?

Dr Marshall: There are organisations like ours that do provide that face-to-face advice. A model would have to be worked out whereby that face-to-face advice could be sustained over time. Right now Government pays for face-to-face advice via an international trade adviser network, which suggests to me that the market is not 100% mature in that particular area, so there may be a case for continuing some support for face-to-face advice for a period of time. In the long term, what we would like to see is companies proactively accessing private-sector support and private-sector advice on a face-to-face basis.

Amanda Milling: Mr Cherry. There are so many different questions in there. I have a specific question that I will ask you in a second.

Mike Cherry: May I come back on your website offering, first and foremost? We see that as being too general and not micro and small specific, and there needs to be an element of that. If you go in there at the moment, there are about 800 or 900 offerings, I believe, of companies looking for UK suppliers. It does not work in the opposite direction whereby a small or micro business can put what it offers on there and seek possible leads. That is a fundamental bit of the offering that micro and small businesses need. If they can see a lead we have always believed that they will go and do the business, then they will seek the help, but what they want is concrete needs in the first place. The digital platform has the opportunity to open that up, if that is the way UKTI are moving. What we are unclear about at the moment is whether they have got the balance right, because we believe there needs to be on-the-ground support as well. With the changes at the UKTI at the moment,

their support for international trade advisers on the ground is unclear. We are continuing to engage with UKTI on that.

Q83 Amanda Milling: Do you feel there has been sufficient engagement with organisations like yourselves in the development of the reforms within UKTI?

Mike Cherry: UKTI have gone ahead and done the reforms and we still need to be working more closely with them to try to make it work better.

Q84 Chair: Just on that, were you consulted beforehand in terms of, “You are major players in the business field and what do you think a revised UKTI strategy should look like?” What do you think a revised strategy should look like? Were you consulted?

Mike Cherry: We have been engaged in discussions with them, but quite frankly they have gone ahead and done what they needed to do, partly, I suspect, because of financial constraints. We will continue to work proactively with them in a constructive way.

Simon Moore: The CBI’s perspective, Chairman, is yes. One of the challenges is I have been doing this job in this role for three years and I have had four chief executives and four Ministers to deal with, and I know these chaps have had even more than that. Engaging has been quite challenging, but what we have done, in answer to Chris just now, is bring together my members and put them in front of those various Ministers and particularly the chief executives at UKTI, and ensure that those people understand what business is looking for from the reforms. What we have done is acted like a critical friend, and said, “This is how business sees the challenge. This is what we are expecting from it.” What we have not done is helped UKTI design the solution to the problem. What we have done is discuss the challenge and focused on the outcomes of what that restructuring should like.

Dr Marshall: We have constant engagement with them on strategic questions. I have been in this role for almost seven years now; my count is that I am coming on to my sixth Trade Minister and my fourth chief executive of UKTI. What that means in business terms is that they are in a constant period of strategic change. In fact, we are almost always working in some way, shape or form with them on strategy changes as there is constant reorganisation in the system. I operate a principle that I call the “one, five, 10 year” rule. It takes businesses a year to hear about something, five years to engage with it and 10 years to feel comfortable with it. Most Government initiatives fail my rule because they are so quick to come and go, but in an area as important as this one a lot of businesses do want to see some strategic consistency and continuity over a long period of time, so that they start to use the services that are available to them more. There has been a “stop, go, stop, go” approach for a very long time.

Q85 Chair: Doing more for less is a good and positive thing. We do not want to see taxpayers’ money wasted and if we can squeeze out more efficiencies, again, that is a positive thing. Is the current revamp strategy with a move towards digital platforms more about saving money than boosting exports?

Simon Moore: No, I do not think so. I agree with Mike’s earlier point that the export targets create a challenging ambition, and I genuinely believe that the UKTI leadership is working towards succeeding in achieving a challenging ambition. There is realistic

recognition, as you suggested at the beginning, that they will not necessarily hit the mathematical targets but what they will do is, to again use your expression, turn that needle and achieve more than we are achieving at the moment. They have a bit of a challenge in how they measure exports. We do tend to exist in the old world, understanding that what goes on a ship or a lorry is an export. It is much more sophisticated than that these days.

I was with Rolls-Royce in Singapore the other day. Rolls-Royce manufacture engines for aircraft in Derby and that is obviously an export when it gets shipped, but they also manufacture those engines in Singapore, and that does not count as an export, but for them, thinking as a business, it is more efficient to invest in that country and trade and build over there. They also make most of their money from 20-year maintenance contracts rather than the one-year production. That does not necessarily hit the export figures either. One of the challenges here is measuring this whole challenge properly, particularly in servicing and even more particularly when servicing is on manufactured goods.

Chair: Thank you. I will move on. Given that you have talked about Rolls-Royce and Derby, I might move on to you, Amanda.

Q86 Amanda Solloway: I would just like to explore the Chambers of Commerce a little bit more and then maybe open it up. One of the things I am really interested in is the fact that the Chambers of Commerce have asked for more money and a greater role in exports. I wonder what is it the Chambers believe they can offer that UKTI cannot.

Dr Marshall: First and foremost, in terms of finance, the thing that most requires support is the development of British Chambers of Commerce overseas. These are independent organisations. Each of them is an independent business. Many of them have existed for many decades. What they have not been able to do is provide the landing service, which I have described previously, in some markets, and it takes them a while to build up to that. That is the vision that we have had for them and that Lord Green when he was Trade Minister also had for them. They become the place in the market where you could build up.

It takes a while, though, to get to a point of sustainability. If you look, for example, at the German overseas chamber network many of them took a very long time to develop and now they are the ones that are the powerhouses of the world. Incidentally, they are also private sector and voluntary bodies, unlike the German Chambers of Commerce, within Germany itself. You need to invest in that overseas network over time if what you are going to deliver is that launch point for so many British businesses into a particular market, be that Singapore, South Africa, Thailand, etc. We have great, very dedicated people on the ground working to do that, but they could always use a bit more support.

In terms of the role that we believe Chambers can play, it is in this volume space that we talked about when talking about the targets. I believe Graham Cole in his recent review of exports looked at this in detail as well. When you are dealing with business-to-business transactional issues—the practical issues around international trade—that is where the Chamber network really comes into its own, because it has people who have been through that particular process. One of the things that we do is to buddy up existing exporters with new exporters so that they can learn from peers' experience. It also provides the wraparound services—navigating bureaucracy, getting your customs right if it is a goods

export, etc. That then leads to a successful outcome. We have a long experience of doing it and we see ourselves intensifying that work in the years to come, particularly now that, when you get into market at the other end, you will have someone to support you there as well.

Q87 Amanda Solloway: Just for my clarification, do you see that as running side by side with UKTI or in competition or instead of?

Dr Marshall: I certainly see it as working in close partnership with UKTI. I said before that we see that UKTI is extraordinarily good at helping with business-to-Government issues, and also with Government-to-Government issues where we need to get free trade agreements in place, for example, or where we need to solve bilateral issues that then enable our businesses to trade. The UKTI and FCO personnel focused on those tasks are truly excellent and they can do an incredible job in that space with great results for the economy.

When you get to the volume space you need something more. You need a business-to-business service. That is why we say that we can work alongside them. If you look at the overseas Chambers in market they work alongside the posts in market to try to get good outcomes for business. If a business comes and has a purely business problem, the Chamber handles it in market. If, on the other hand, they have a problem with the local Government they work closely with posts to get it resolved. There is a harmonious relationship that can be achieved there.

Q88 Amanda Solloway: Following on from that, is there anything else that you feel that you do not do at the minute that you would like to do in terms of exports?

Dr Marshall: Help more businesses to do it. It is a question of really helping as many as we can. So many do come through our doors. We need to do an even better job ourselves of saying, “We are here. We are ready to help.” That is something that we have known for some time. Really it is about getting more through the doors and working with our colleagues in other organisations as well, who are also keen in that space to ensure that any business that wants to get a crack at getting into an overseas market gets the help it needs.

Q89 Amanda Solloway: To open that up to the rest of the panel, how do you see the role of the Chamber going in the future of exports?

Simon Moore: I will answer that question but I want to take a very slightly different tack on your question, which is about the role of UKTI in this process. My view or the CBI’s view is that UKTI has a very, very strong tactical role to play here and can provide excellent operational advice, excellent operational services and we can continually challenge that, and that is absolutely fine.

The export challenge defined in a modern way, as we were talking about just now, is something that will not go away. There is a strategic and long-term strategic challenge that faces us here today that the UKTI is not necessarily equipped to deal with, which is why in that best-in-class report that I think the Committee has seen, which the CBI produced a couple of months ago, we recommended a national export commission. The reason for that is because we think a long-term strategic view needs to be taken on the export challenge,

and UKTI does not necessarily feel equipped to be that body that creates that set of thinking. What it does do is provide the secretariat for it and the delivery of the outcomes for it, and it is fantastically well-equipped to do that. I hugely support the current leadership.

We suggested that because the evidence that we have from CBI work over the years to deal with low pay in the 1990s was to create a Low Pay Commission, which Government took and has created, and it has created a long-term, non-political body that has looked at this from a long-term strategic perspective. The same sort of thinking is going into the National Infrastructure Commission today. That is a long-term strategic challenge for the UK without which we will not grow this economy properly. We believe that exports are in the same place. Exports are a long-term strategic challenge for the UK. We have to deal with it over that way of thinking. Therefore, our proposal is that we should set up a commission that is non-political, that is there for the long-term, that provides strategic broad thinking about how we deal with these challenging questions and then works in harness with the export delivery taskforce and with UKTI to provide the execution of this advice on the ground.

That is the way I would like to think about it, and the Chambers and other private sector bodies clearly will come into that. To deal with your question more specifically, it is not necessarily obvious to me that the Chambers provide the whole solution. In my part of the world—you come from the Midlands; I come from the West Country—in the West Country, which is a huge geographic patch, it is quite difficult for the Chambers to deliver. It is not necessarily obvious to me that Business West has a better solution than, say, the Devon and Cornwall Business Council in Devon and Cornwall or the Plymouth Area Business Council or indeed the private sector companies provided particularly by accountancy firms. There are a number of different bodies that should do it. The question is: are they equipped to do it? Can UKTI provide a qualitative contract that they can challenge them about and hold them to account for and deliver in that sense? The Chambers are an excellent part of the solution but there are other people as well that can do that.

I go back to this idea about the export commission to provide strategic thinking in this area and I would encourage the Committee to consider that idea.

Mike Cherry: It is interesting because we believe that the UKTI has a fundamental role to play as being the place for potential exporters or existing exporters to go. We see other providers, including the Chamber, as being part of the solution but not the sole solution to this problem. I totally agree that for those businesses that need support in overseas markets there needs to be something on the ground for them to go to and if the Chamber can offer that in overseas markets that in overseas markets that is absolutely fine, but there are also other players out there.

The fundamental thing, though, if we are to achieve the volume we need to come back to making sure that micro and small businesses have an offer that is designed for helping them. There is too much of this generality at the moment that is out there that is not specifically aimed at supporting micro and small businesses and indeed trying to encourage that three quarters, who say they either will not or are unable to, to look to exporters as a potential way of growing their businesses. It can be incredibly rewarding if

you get it right but you do need the support out there and UKTI have a major role to play in this at the present time.

Q90 Richard Fuller: May I pick you up, Mr Moore, on the suggestion you have just made about a commission—the CBI’s commission? Commissions are very much in vogue. You have mentioned the Low Pay Commission and the National Infrastructure Commission, and you say that they are non-political but does that not really just mean that they are not subject to democratic oversight and control, and should the people not really know where their money is being set and where the direction of their country is being set, through their Government and their elected representatives?

Simon Moore: Democratic oversight is absolutely essential. What is equally essential is that the Commission should not be regarded as a “one Parliament led by one party” approach. It is absolutely essential that it is long-term, it is strategic, it is non-political and that it does have democratic oversight. I did not mention that but yes, I completely agree with you. Graham Cole, mentioned by Adam just now, led the Cole Commission. While I am a huge supporter of what Graham is trying to do, one of the challenges he had from the day it kicked off is it has been set up by one political party and not by a broad consensus, and that was a challenge for it. That does not mean I disagree with its conclusions, by any means, but it became a challenge for it. Democratic oversight of a neutrally-based commission, like the Low Pay Commission, and hopefully the National Infrastructure Commission will prove to have too, is the kind of solution we are looking for here.

Q91 Richard Fuller: In an earlier evidence session we heard a slightly different perception on the UKTI from the Adam Smith Institute, which said that essentially what Government can do on exports is provide connections and access at the top level, but other than that you should just fire the lot, get rid of the rest of the UKTI and leave it to companies and exporters to do their bit. I have not really heard anything like that from the three of you. Do you have any sympathy at all, any of you, for that point of view? You have been very sceptical about the Government meeting their targets. You have said that no one knows about the UKTI. Are we just essentially throwing money away with the current approach?

Mike Cherry: Does this not, though, come back to so much of what Government tries to do, which is initiative based rather than consistent long-term support?

Richard Fuller: I am asking you the question. I am happy to have an evidence session with me.

Mike Cherry: I will make that a statement. The FSB very clearly feels that there are too many Government initiatives, there is not enough long-term support available for micro and small businesses, particularly in the export market. We have already mentioned the chop and churn at the top of UKTI. We really do need to focus on some consistent—

Q92 Richard Fuller: Are you supporting what was being said, then, because you have not constrained it to this Government?

Mike Cherry: No.

Q93 Richard Fuller: You said there are too many initiatives from Governments, and the point being made by the Adam Smith Institute was, “Yes, that is what you get when you ask Government to come up with whizz-bang ideas and the UKTI consistently comes up with whizz-bang ideas but does not have any impact”.

Mike Cherry: No.

Simon Moore: It is an intellectual question here, which is whether Government have a role in this game, and one of the potential arguments, which I think is what the Adam Smith Institute is putting forward, is that Government should just close itself down, get out of the way and let business get on with it? I do recognise that is an intellectually coherent argument and there is something to it.

Richard Fuller: I hope so; you are from the CBI.

Simon Moore: The evidence from my members is that, particularly on the ground in complicated and difficult markets, there are some fantastic services delivered by UKTI officials who have been incredibly helpful and have made life much easier for British businesses. We supported a Government-led trade mission to Brazil in 2013 when I first started this job. I met one of the companies that had been on that trip in Washington a couple of years later and I said, “Tremendous. How was it? Did you get any business out of it?” He said, “No, but what I did do is I saved probably two years of work by meeting all the relevant people I needed to meet”.

Q94 Richard Fuller: Precisely. That is exactly what the Adam Smith Institute said: “That is what Government is good at, but beyond that it is ineffective”. Your example has just reinforced that point of view. That example is very pertinent.

Simon Moore: It is very helpful and it is very useful, but I come back to the evidence from my members that they do more business because of some fantastic by officials from UKTI, in the field in particular.

Dr Marshall: In direct answer to your question, no, I do not believe we should sweep everything away and simply focus on that one element. I have already mentioned that business-to-Government support that UKTI provides is incredibly helpful. That is not about meeting people. What that is about is breaking through barriers when a firm is trying to do a deal in a market around the world. That is an incredibly important thing. It helps some of our biggest household names as well as firms that many of us will never have heard of, so there is an important role there. If you look at what the market is telling us and what the businesses are telling us, though, they are saying that sometimes some of the things that Government does could be better focused, for example being faster at finding out which markets are growing quickly and where the opportunities are; we have to get faster at doing that.

That is not something that the private sector is magically going to do. That is something where the network of Government posts around the world has an important role. Similarly, in going back to Ministers here and saying, “Look, what the businesses are saying to us is we need improvements to the free trade agreements, customs processes or to the bilateral regulatory environment between these two countries if we are to boost exports”, those are the sorts of things that can also be successfully done. I would not agree with the Adam Smith Institute’s conclusion. However, they make an important point, which is there are some things that do not necessarily work and could be changed.

Q95 Richard Fuller: Could I just pick up on the point Dr Marshall made about growing markets, etc? I just looked at the statistics for exports by country for 2015, and the five highest declining markets were Russia, the Netherlands, Sweden, Norway and France. The growing economies for our exports were the United States, China, Saudi Arabia, South Korea and the UAE. Obviously there will be in-year substantial issues on exports and there will be currency fluctuations that probably affect that. Not getting into the issues of Europe versus the rest please, but do you feel that the UKTI's allocation of resources by country is reflective of where the growing demand is going to be for our exports? Do you think the Government is ahead of the game on that or do you think it is lagging behind?

Dr Marshall: This is precisely the point that I was just trying to make. We in the UK tend to put resources into individual markets perhaps when the peak has arrived or has just passed for that particular market. When I say that we need to be more fleet of foot, we need to be better at spotting the opportunities earlier. You mentioned, for example, the UAE where we have a really excellent presence. We could have spotted that potential a bit earlier and perhaps gone in earlier, because one of the anecdotes that we always get back from businesses is, "When I got there the Germans and the French were already there". That is where that intelligence and support network could operate in a more agile way and more quickly to make sure that our businesses get in faster.

Simon Moore: There is something in what you say. Building on Adam's point, I have just spent quite a bit of time looking at the opportunities in Iran at the moment. In fact, the chargé d'affaires came to see me yesterday. I went to Iran with the Foreign Secretary last summer. That is a hugely important strategic market with immense opportunities and uniquely placed to be a new market that is freshly open in our generation. The Americans are not there but the Europeans are there in force. UKTI have just put their first person into what is our embassy in Tehran. They are beginning to invest and putting their people where these opportunities are emerging. There is a little bit of risk that some markets are seen as more fashionable than other markets and tend to get a lot of the resources. The numbers you quote are about growth rather than absolute trade figures.

Richard Fuller: They are all the top 25 countries.

Simon Moore: For growth in trade, and clearly they are hugely important. Some of the less fashionable countries—and I am thinking some of the south-east Asian countries and the growth potential in ASEAN is absolutely enormous and potentially very exciting for British companies. We have done quite a bit of work in Africa. There are a lot of people who think Africa is potentially the next Asia where enormous growth will come from. Adam's point that UKTI possibly is following rather than leading where the future growth will be is possibly supported by that analysis. I would not want to draw too many conclusions in this area, but it is an area that is well worth exploring in some detail. You are definitely onto something there and there is more work to be done on this.

Q96 Peter Kyle: Mike, if I could bring you back to some of your earlier statistics about three quarters of your members not exporting—they do not or will not or cannot—it is worth understanding: do you have international comparators for this? Is this in line with what you experience in other similarly sized countries?

Mike Cherry: No, we would not have the breakdown of those statistics. The thing that I do find when I talk to members is the fantastic diversity of those business that are exporting

and the opportunities that they have taken, whether it be in goods or in services. One of the things I highlighted earlier is if you can show another small business, someone who is already doing it that it makes it easier for them to say, “Yes, I am going to start exporting”, and therefore signpost them to where they can get that support, that is fundamental for the micro and small element of this marketplace. They will not go out and put resource into overseas markets in the same way that medium-sized or larger businesses would look at an export market and say, “We are going to invest there”. They do not have the resource, particularly around time, to do that necessarily. Trying to co-join them with prospective agents or distributors is a fundamental thing to helping them to grow in overseas markets.

Q97 Peter Kyle: But we do not know about how we compare internationally on those. Regarding the reason why they are not, we focus on the export but perhaps we should be exploring more about the business behaviour that sometimes leads to exports. I have seen statistics that show that for small and medium companies in this country by proportion about half of them will be using the internet to trade compared to the United States. If you are trading on the internet, by definition the market is automatically opened up because of the way the internet works. You have a very small proportion of our small companies using the internet to trade; 80% of SMEs in America trade on the internet and I think it is about 20% to 30% in this country. Is the problem them not being open to export, or is the problem the way they are doing business?

Mike Cherry: You have another fundamental problem in there, which is around the infrastructure problems around broadband access and mobile connectivity, which we all know only too well is a huge issue, particularly out in rural areas for small businesses but also in urban areas. Until the UK can come up to speed on that with proper speeds, not just an access speed, then we are holding back businesses from being able to engage fully with the e-commerce side of doing it digitally. If I can come back to some specific points I raised earlier though, if you look at the problems around exchange rates—we are seeing this with the pound, dollar, yen and euro relationship at the moment where the pound has dropped in value—that clearly focuses people’s mind that there is an exchange rate risk there. We have had it up to as high as just over £1.40 for the euro and £1.60 for the dollar. It has now dropped back to about £1.25 for the euro, I believe, and less for the dollar. That is more around £1.40. That is quite significant for potential exporters. It should help them in the short-term. For those who are importing it increases their costs.

Dr Marshall: You are right to question whether there is a business culture issue here, and the best way that one can solve that business culture issue is buddying up a business doing business overseas with another who perhaps sees it as too big of a risk. We sometimes talk about interventions that come from on high when the best interventions are often from below. When you can buddy up businesses they start to talk about what the opportunities might be and then you open your eyes to the fact that there is evidence out there, for example, that exporting businesses do better. They succeed more. They get more business. They make more money. One of the big problems that that then leads me on to, particularly with regard to small and micro businesses, is that the language we use to talk about this whole set of issues is completely wrong. The language needs to be about how you make more money and what the opportunities are to make you more money and be more successful in your business. One of the answers, then, is trading internationally and that is where you get the lightbulb moment and you get the success starting.

Q98 Peter Kyle: I have to press you on this because Chambers, as everyone in this room would know, are very locally rooted, so why do we not have a cultural shift? Why is America leaps and bounds ahead of us in terms of trading on the internet when you have Chambers in almost every community? Is this a failure of SMEs or is it the failure of organisations like the Chambers?

Dr Marshall: It is not a failure of organisations. If you go to your patch, for example, if you look at what Sussex Chamber of Commerce are doing on a day-to-day basis, they are working tirelessly trying to get more businesses excited by this and to buddy up those who are active in overseas markets with those who are perhaps not even considering it at the moment. That kind of activity goes on all the time. It needs to be intensified and all of our organisations, Government, Members of Parliament and yourselves a role to play in this in trying to encourage this as well, but we have to change the language around it from, “Could you be exporting?”, to, “Do you want to make money by doing things a little bit differently? I have an idea as to how you could do that.”

Simon Moore: I know we are really short of time, so I just have three really quick thoughts. When we are talking about physical exports, the really high-value goods all go by air and we are absolutely at full on capacity on air transport in the UK. Heathrow cannot take any more out. We need to fix that infrastructure challenge. The second point I wanted to make is: what is it people want to buy from the British? Generally what they want to buy from the British, apart from expensive luxury goods, is services. I am talking about education; I am talking about banking; I am talking about architecture; I am talking about accounts; I am talking about leisure; I am talking about all kinds of things. This Committee should spend a lot of time thinking about what it is they want to buy from the British.

The third point touches on the one I was making earlier on about which markets we should be looking at. I mentioned Iran and I mentioned south-east Asia. In Iran the British have been there a couple of times. The Europeans are all over it. The Italians are all in there. The French are all in there. If you go outside Europe, the Chinese are all in there. The President of China has been there, and the Prime Minister of Italy. President Rouhani has been to Rome and to Paris. The Brits are just not there. We are just not there and it is a market of 60 million people with 300 million people in that Middle-East market around it. There are some really exciting markets in the world that we should be all over and we are getting behind the curve. There are some brilliant products to think about, and it is mostly in the services industries and that airfreight issue is something that we need to deal with. If we want to export low-volume, high-value goods we need to fix the airfreight challenge. I will leave those three thoughts.

Q99 Amanda Solloway: Just a really quick question: what should we be doing to support people who want to export who are not within membership?

Mike Cherry: Raising awareness of the opportunities that are available and giving them peer-to-peer support.

Q100 Michelle Thomson: Already in this first session we have had a very good flavour of how complex and difficult a challenge this is. Therefore, just to put a line in the

sand, on a scale of 1 to 10 how confident would each of the three of you be that we will not be having the same conversation at the start of the next Parliament bemoaning our lack of success in exports? In other words, can we just take a straw poll? If you said five, how likely are we to be having the same conversation further down the line?

Simon Moore: I will go back to the point I made earlier on. This is a strategic question that we will be talking about forever. That is not a problem but we need to structure ourselves to deal with it on that basis.

Q101 Michelle Thomson: What is your score?

Simon Moore: I am not sure whether a score is particularly relevant.

Michelle Thomson: 10, high, 0?

Simon Moore: Are we going to be talking about it next year? Yes. If that is a 10, that is a 10. Are we going to be talking about it in five years? Yes. We will still be challenging and growing ourselves all the time. Let us think about it strategically. It is not a tactical problem we can solve today with one measure passing through Parliament. This is something we have to deal with all the time and always will be.

Mike Cherry: I am not going to score it, but, as I have just answered to Amanda's point, we need to be encouraging more micro and small businesses to look at exports for growth and it is an ongoing challenge.

Dr Marshall: I would put my score in the context of a business's risk register. It is 10 and it is red right now. The only way to reduce that risk on the business's risk register is to get some stability in the system and to get business engaging with what is there.

Q102 Michelle Thomson: Would you then agree with Simon about the strategic imperative?

Dr Marshall: This is one of those risks that may always be on the risk register as red. That does not mean you are not making efforts to mitigate or reduce the risk. It is the second step that we need to focus on right now.

Q103 Chair: I would like a brief response to this. In response to you, Dr Marshall, about successful companies, it is the chicken-and-the-egg thing. Do successful companies export or does export make a company successful?

Dr Marshall: I have seen examples of both.

Q104 Chair: My final question is on a point that Richard mentioned, and it is really in response to you when you responded, Simon. In terms of whole-of-Government approach, whether we are allocating the right resources to the right markets and whether the Foreign Office, say, is doing enough to explore potential opportunities, I was struck by the report the CBI produced, "The only way is exports: Renewing the UK's role as a trading nation". It says, "Our competitors recognise that winning the global race is a team effort, and include every business-facing Government function in their push for international success. Too often, British officials consider trade to be something that only UKTI is responsible for." It is a

question to all of you, gentlemen; give a brief responses if you can. In terms of what the Secretary of State is trying to do with that whole-of-Government approach, is it working? Are we seeing the fruits already? Will he be ultimately successful?

Simon Moore: The CBI view is that that is exactly the right way to go. This should not just be left to UKTI. This is a responsibility of all of us. It is part of that strategic point I was making earlier on. We are fully supportive of the all-Government approach. That is exactly right. Whether the tactics within that are correct is a different question. I am not sure I necessarily know the answer to that, but the strategic question and the strategic solution that Lord Maude put in place is correct. In terms of whether it will succeed, there are a number of variables in there. Probably the most pressing variable will be the budget constraints. It is a question of whether it is a priority of DECC, DEFRA, Transport, Health, or whatever it might be. That is where the major challenge will lie, to answer your question.

Mike Cherry: The whole-of-Government approach is the right approach. There needs to be more emphasis perhaps on sectoral approaches. You see that in certain Government Departments. Where you find the expertise to enable those Government Departments that do not have this as a core focus at the moment is a challenge for Government. Quite frankly I would question why we have not done this already.

Dr Marshall: I would agree it is a good approach. What I would encourage this Committee to do is to keep looking at it over time, as to whether or not it is working, because we do have doubts whether all Government Departments have the commercial nous that is really needed in order to deliver on this approach and whether in fact, as my colleagues have said, they see it as part of their core mission. I would just add one other point. The whole-of-Government approach will work best for large companies and mid-caps that these Government Departments can engage with easily, which will have their own expertise within their own businesses. I would be very surprised if we saw this whole-of-Government approach suddenly seeing individual sectoral Government Departments servicing lots of small and medium-sized businesses. That means that there is still more to do in that area.

Chair: Gentlemen, thank you for your time. We really appreciate it.

Examination of Witnesses

Witnesses: **Lee Hopley**, Chief Economist, EEF, **Ian Wright**, Director General, Food and Drink Federation, **Robert Keen**, Director General, British International Freight Association, gave evidence.

Q105 Chair: Colleagues, thank you very much for attending our Select Committee. We are very grateful for your time. Could I ask you to introduce yourself and tell us where you have come from, in terms of the organisation?

Ian Wright: I am Ian Wright—not that one but this one.

Chair: This might get confusing, not least for me.

Ian Wright: I get your mail and I cash them quickly. I am the Chief Executive of the Food and Drink Federation, which is the body that represents the food manufacturing industry

across the UK. I have only been in this role for 10 months. Before that, I was the Corporate Affairs Director of Diageo, the world's leading premium drinks business, for 15 years, so some of my evidence will be based on my experience at Diageo.

Robert Keen: Robert Keen, Director General of the British International Freight Association. I have been there for about 15 years in various roles, and before that I was a practising freight forwarder, moving people's goods around. Our sector represents mainly those putting containers on ships and packages on aircrafts, although there is a separate trade body for the fast parcel operators. I will leave it at that.

Lee Hopley: Lee Hopley. I am Chief Economist at EEF, the manufacturers' organisation.

Q106 Chair: May I begin by asking a general question to all of you, which is one I have tried to ask all of our witnesses? The Government have targets on the number of exporters and the value of exports. Do you have a view as to whether the Government will hit those targets?

Lee Hopley: The consensus view is that it is unlikely that we will hit £1 trillion worth of exports by 2020. That is probably putting it diplomatically. That will require something in the region of 12% year-on-year growth in exports; in the context of the current state of the global economy, that looks extremely challenging. Like the witnesses that spoke before us, it is a bit more difficult to get a read-out on the number of new exporters. I do not have good information about the likelihood of achieving growth in that part of the target.

Robert Keen: It would not seem likely looking at the statistics. I will keep my answer fairly short there, but looking at how far behind the targets they are at present for exports, it seems extremely unlikely they are going to be met.

Ian Wright: It is not unreasonable to have an ambition and a stretching ambition is a good thing to have. I would pay more attention to the target for the number of exporters than the overall value of the total, because a dynamic economy is characterised by a growing number of firms wanting to export. That is a better measure of the vitality of our export efforts.

Q107 Chair: This is a question to Ian and Lee, in terms of the ambition of exporters or potential exporters. Do you find, with you various members, that there is a reluctance to export? People think, "There is a domestic market there that can be well served. I have a good living. Why would I want to risk that by trying to grow, scale-up and maybe export?" Do you find that the domestic economy provides quite a good living for many of your companies?

Lee Hopley: I am going to say no to that. I should say a little bit, perhaps, about the shape of EEF's membership. We tend to be more mid-size and large businesses. 90% of our members export something. The 10% that do not export directly will be in supply chains that are ultimately exporting to some part of the world. We surveyed our members at the end of last year, asking about the risks and opportunities in 2016. There were lots of concerns about risks in major markets and exchange rate volatility. Their answer to that is not to batten down the hatches but to look at investing in innovation and going out and diversifying their export portfolio, so there is definitely an understanding within EEF's

membership that exporting is about achieving growth, being more productive and survival in what is a difficult operating environment at the moment.

Ian Wright: In food and drink there are two different groups. As I think you were saying in the earlier evidence, there are the mid to large companies and then there are a myriad of others; about 95% of the food and drink industry is small and micro businesses. For the mid-cap, mid-sized and large businesses, exports is something that they do routinely or, if they are UK manufacturers of international global brands, perhaps they do not because that is catered for somewhere else in their business. For smaller businesses, it is a huge effort and it is a very intimidating thing to do. It is not about the UK economy being comfortable. It is simply that the effort involved to get on a plane or get in your car and go somewhere else and set up a business is really quite challenging. That is where the help, which I am sure we are going to talk about, from UKTI and others comes in.

Q108 Chair: That brings me on to my next point. Given those barriers, given that hassle and given the difficulty in that ecosystem that is often quite complex, what is your assessment of the current provision provided by UKTI? Does it help or hinder? Are businesses' hands held as a means of trying to navigate that complex international environment?

Ian Wright: If I look back to my Diageo time, I would be extremely complimentary about UKTI helping a big business trying to grow much bigger. The UKTI provision is uneven. In some markets it is absolutely excellent and in other markets it is less effective. UKTI has suffered a bit from a continuous change of leadership. There was a period stability under Nick Baird. The last 18 months before Catherine Raines was less impressive. I have a lot of time for Catherine Raines, who comes from a business background and understands what business wants. For small and medium-sized businesses, some of the provision is not exactly what those businesses need and there is a bit of a time taken to fit together before the partnership can be effective. It is uneven.

Lee Hopley: If we think about the sorts of issues that companies face when they are exporting, they need to find customers, they need to understand the rules of the market they are going to be selling into and then there are a lot of risks that they need to manage. Some of those will be financial or exchange rates, for example. UKTI helps with some of those things, and there is not a requirement for UKTI to step in and hold companies' hands in all of those areas, but when it comes to providing good intelligence on the ground and helping companies make contacts the general feedback from our members over quite a long period that I have been talking to our members about UKTI is that UKTI helps them achieve those things quicker than they would in the absence of any kind of support.

As I have given evidence to Select Committees previously, there is a frustration that things move around and that the strategy is not particularly stable. It is sometimes, "We are very focused on getting companies to export for the first time", then the strategy shifts to one of mid-sized businesses or high-value opportunities. When you are looking at companies that have long investment horizons, this chop and change in what is out there and what the priorities of UKTI are is not helpful. If you switch a company off to something that has successfully been offered by the UKTI, it is very hard to bring them back into the fold again and say, "We have stopped providing that but a couple of years later we have

something that feels the same, but under a different brand name”. That does not help encourage more potential exporters to come to UKTI looking for help.

Robert Keen: I cannot particularly help you too much on that, representing intermediaries who handle work for exporters. In personal dealings with UKTI on inward invest where, for example, you have somebody looking to move to the UK, I have found them particularly helpful and co-operative. They quite happily call us in for technical assistance on procedures on getting goods into the UK. On exports we have had the regional chaps turn up at our regional meetings all around the UK, but they are preaching to the wrong audience there because our people are already knowledgeable about procedures. I cannot really help you much further on that.

Q109 Chair: You were invited in for specific reasons. We are very grateful for your expertise. In respect of a sectoral approach, in terms of manufacturing and different parts within manufacturing—aerospace, automotive, and of course food and drink is the biggest manufacturing sector we have—I would be very interested to get your experience about whether a sectoral approach works. Certainly in respect of you, Ian, we have heard that, in terms of that whole-of-Government approach, DEFRA is very well joined-up, relative to other Departments, in championing food and drink export, so I would not mind you giving us some degree of your experience in terms of what has been working well in terms of a sectoral approach. I will start with you, Lee, and I will come on to you, Ian, if I may.

Lee Hopley: It is not as straightforward a question as it might seem. Some of the move to give individual Government Departments a bit more responsibility for working with businesses, helping them to identify opportunities, is potentially positive in theory, depending on how easily you can cut different sectors. Once you get away from the big OEMs in things like automotive and aerospace, and even food and drink, you start getting into companies that are extremely diversified and they may be selling into oil and gas supply chains or aerospace, for example. You are looking at a mix of capabilities where that handholding or putting them into a particular Department bucket gets a bit more complicated. Having a mix of understanding about where the opportunities are within different Government Departments is fine, but you need to have something that is bit more broad-based that can make sure that you are not missing out on the rump of the manufacturing supply chain that do not fit neatly into those boxes.

Q110 Chair: Ian, what is happening with food and drink, which seems to be a really growth area for British exports?

Ian Wright: Yes. We would have to say that the fact that DEFRA has brought the UKTI in to it and we have much more cohesion between the DEFRA activities and the UKTI activities is a real bonus. We also have a Secretary of State who is seized by the notion of the opportunity that exports create. The Great British Food and Farming Plan, although it is now I suspect delayed until after events in June, is going to be an important milestone on that route.

We are lucky in this country to have a dynamic food and drink industry. The enthusiasm for exports reflects that, rather than being the creator of that. Slightly back to your earlier question, I found the influence of some of the Trade Ministers very helpful. I would pay a bit of tribute to Stephen Green, who was the Trade Minister under the coalition, who I

thought, given that he had a fantastic business pedigree himself, did a really brilliant job at absorbing understanding of the food and drink sector and, although he came from banking, was a tremendous champion of it. I am really rather hopeful that Mark Price—I cannot imagine somebody who is more clued up on food and drink—will be a good ambassador. That is quite an important role, because you would be surprised how effective having a significant cheerleader for the sector is, particularly unlocking some of the opportunities in India and China.

Q111 Chair: Do you have to have a cheerleader as Secretary of State? You mentioned the present Environment Secretary, who has really grasped this. What pointers can you give us in terms of, if we want a whole-of-Government approach to exports, really succeeding? In respect of DEFRA and food and drink, where has it worked well and what advice can you give the Committee in terms of what we can then amplify to other Departments?

Ian Wright: We are at the start of this with the Secretary of State, focusing on exports. It is very welcome. It is important that we understand that the whole of Government must get behind this. It is not just a DEFRA and a UKTI effort. It sounds a bit like special pleading, but one issue the food and drink industry has is that quite often it is not seen as sexy for some Ministers and some overseas visits. If I can just make this point, which is perhaps a bit unfair, I went on several trade delegations under the coalition, many of them with the Prime Minister or the Deputy Prime Minister, and you could guarantee that the first photo call was JCB because it was a big yellow thing. Ministers absolutely love photo calls with big yellow things or, as we know, some Ministers love putting on hard hats.

Chair: It is not just Ministers.

Ian Wright: What they are not so keen on—this is not as frivolous as it sounds—is putting on little white trilbies and hair nets. There is a bit of a misunderstanding about the size of the food and drink industry and the absolute opportunity it creates. We have to be better at selling that to all Ministers. The joined-up approach is really important. It is important that Ministers outside DEFRA and outside the Foreign Office get behind this but that they get behind the real power of the industry—it is not just our sector; it is all sectors—and that they get an understanding of each sector and its importance to the UK economy.

Q112 Chair: You mentioned join-up and good collaboration. In terms of the different nations of the United Kingdom—I am particularly fond of Scotch whisky—and making sure there is a good single voice for the UK, is that working well?

Ian Wright: Sorry to jump in there but I have one concern about this. If you look at the export targets that each of the devolved assemblies have taken to themselves—Scotland, Wales and Northern Ireland—they all have very, very clear, differently expressed targets for exports. There is a bit of a danger that the English part of that gets lost. I am not clear that this Government have quite such a clear agenda for English firms as the special help that Scottish and Welsh and Irish firms will get. There is no doubt that the Scottish export drive for food and drink, which is very cleverly hooked on to the back of the provenance of Scotch whisky in this artisanal approach, is working and is really, really effective. We need to develop one for England.

Q113 Chair: Is that true of manufacturing on general across the UK, Lee?

Lee Hopley: I do not have good evidence on how England compares with the devolved administrations.

Q114 Chris White: This one is to Ian. I asked a similar question to Lord Maude when he was in front of the Committee. It is really regarding your evidence on Chambers of Commerce when they are mandatory in other countries. Do you think this should be the case in the UK?

Ian Wright: I am perhaps not surprisingly not a great lover of mandatory most things. There is no doubt that Germany, France and even Ireland are more effective at exports generally than we are. You have to look at some of the structural reasons for that. I am not sure that mandatory Chambers of Commerce are the answer, though. I am a fan of the Chambers of Commerce where they are effective, but I am not sure that being forced to be a member of an ineffective Chamber of Commerce would necessarily be anything other than a real break on exports and dynamism.

Q115 Chris White: I am just interested in your view, but do you think they would be more effective if they were mandatory?

Ian Wright: I do not but that might not be a view that is held across my industry. My experience is that they are not; I do not imagine that they would be more effective.

Q116 Chris White: Would you like to add anything?

Lee Hopley: It is difficult to see where the introduction of mandatory membership of the Chambers of Commerce would move the needle on this. What would they be doing significantly more of that they are not doing now? To what extent would they be more effective in addressing some of the issues that I mentioned around finding new customers and understanding the market? It is not obvious to me that that is the answer.

Q117 Chris White: This is just a supplementary question, but do you think there are too many different bodies trying to do the same thing at the moment?

Ian Wright: Yes. I am not sure that is a helpful answer. Our sector is incredibly fragmented. If I look at the trade associations there are hundreds. I come from a different industry and I obviously have a party interest when I say that now, so you have to take what I say with a large pinch of salt. The fragmentation, both on the trade association side and frankly in Government previously, has been a barrier. The fact that we are seeing a more cohesive approach in Government is a very good thing.

Robert Keen: I agree with that. To apply for an export licence for dual-use items, it is different in method to ship a valuable antique or *inaudible* [10:42:04] good at different Government Departments you go to. That is tacitly acknowledged because of Customs' one-border project, which is gaining some momentum. Information is fragmented as well. There used to be a body called SITPRO, which was marvellous in its early days, although it lost its way and was abolished in about 2010. In its early days it was a great one-stop shop for exporters and a good point where you could find consolidated information. HM Revenue and Customs have been criticised particularly, mainly on the Revenue side, on telephone answering but also their information lines have been poor. We pick up a number

of calls at our secretariat where Customs have diverted people to us and we are explaining customs regulations to them, so there could be a great deal of improvement in the provision of information and where you find it easily.

Lee Hopley: There are lots of different organisations out there all trying to help with exports because it is an important outcome that we need to be achieving as an economy. There is a risk that simplification is always the answer, so if we just make it easy then more companies will do it, but exporting is not an easy undertaking. There are lots of different markets that all have different rules. There will be lots of companies at different stages of the export journey, and if you just boil that down to a small number of support products or organisations then you will probably have a lot more companies slipping through the cracks of those things. It seems that Government need to focus on what their strategy is as far as UKTI goes and making sure that that is well communicated to business and perhaps just letting the trade associations all sort themselves out. There are a lot of trade organisations trying to do lots of different things. There are lots of overlaps. This has been the case for many decades. Where the Government will make the biggest difference is if they figure out UKTI's own offering.

Q118 Amanda Milling: I want to talk about freight, but I just want to pick up on your point, Ms Hopley. It goes back to a comment you made earlier and a comment that has been made beforehand, which is this constant flux and change in UKTI. I am just interested to know what you think the focus of UKTI should be?

Lee Hopley: The UK's net trade performance is woeful. It has not made a positive contribution to UK economic growth for many years, in the last couple of decades, and that needs to change. UKTI should be ambitious in having a presence on the ground in key markets where UK companies can be successful. It should be helping experienced exporters get into difficult markets because that is where you are going to get your volume growth. There is probably a good case for helping new-to-export companies get started. We should not be forced into making a false choice about whether we should help medium-sized exporters do more or small companies. If we are serious about growing exports and that being an important outcome for the UK economy to achieve then it should be looking to do all three of those things.

Q119 Amanda Milling: Do you feel the reforms that are on the table are going to achieve those end goals?

Lee Hopley: Some of the reforms that are on the table seem to be trying to make those trade-offs and some of that is around the fact that there is belt-tightening that needs to be done. We seem to be in a constant conversation about where the focus should be and it always seems to be an either/or question, and it is not clear to me that you get the best outcomes by always choosing between one or other of those outcomes when it could be both, if it is that important to the economy.

Q120 Amanda Milling: We could discuss this for hours. I did want to ask some questions around the whole freight industry. Mr Keen, in terms of the freight industry, what are the key challenges in terms of exporting?

Robert Keen: Perhaps fragmentation at the border. You have a number of bodies treading on each other's toes; if it is not Customs, it is the Border Force. It used to be one body; now you have two. There is a different attitude. Customs are very facilitative to trade. The Border Force do have a more concerned look at guarding the borders so are not so open. There is a lack of communication, I guess; when something is pulled for examination or pushed to one side, it can just disappear into a black hole at Felixstowe for a week or so with no knowledge.

Q121 Amanda Milling: Do you believe that is a barrier to exporting from a customer perspective?

Robert Keen: It is just an obstacle. It is not massive barrier but it is an obstacle when things go wrong.

Q122 Amanda Milling: Do you feel that your customers really understand the processes, the UK borders and the licensing? Do they understand that or can it put them off exporting?

Robert Keen: Exporters do not understand at all. The days of companies employing shipping managers who are knowledgeable are long gone. It is all subcontracted out. They pay their money; they take their choice.

Q123 Amanda Milling: What do you think can be done to simplify the process?

Robert Keen: More exporters need to deal with the forwarding industry. There is a great deal of resource out there. They need to be careful as well. They need to shop around and talk to more than one of us, but there is a great wealth of information available free of charge to anybody who phones a freight forwarder.

Q124 Amanda Milling: How do you help navigate them to that point? You can have lots of information but it does not necessarily mean that people are gathering that information, so what can be done to address that?

Robert Keen: The industry is doing it itself. I mentioned earlier there is another trade association that deals more with the fast parcel operators. They are putting a tremendous amount of resource—this is the DHLs, the UPSs, people like that—into advertising to potential exporters that they can simplify the barriers and make exporting easier for them and can provide the information. Some of our members who are traditionally the more heavyweight type are doing the same thing, although it is not quite so dynamic as the fast parcel operators. UKTI could pick up on this. The UKTI do tend to deal more with exporters and are perhaps unaware of the role of the forwarding industry.

Q125 Amanda Milling: If you had your wish list, are there any things that you feel would help in terms of exporting, from your industry's perspective?

Robert Keen: I do not think so not now. The old says of SITPRO were good; we had a one-stop shop there. I am sorry to repeat myself. They are long gone and, as I say, they lost their way and started to try to take on other projects to try to justify their existence and perhaps got away from their core role. If there is no commitment from Government to put

another quango in the place of SITPRO, then UKTI could be modernised a little bit to take on some of that knowledge and information role.

Q126 Michelle Thomson: Just to pick up on a point you made, Ian, referencing Scotch whisky, which I now understand is the number one net contributor to the balance of trades, I am wondering whether there is sufficient recognition of how exports contribute to the macroeconomic picture, both from UKTI but also Treasury, because it is something that we have not yet talked a great deal about. I would be interested in particularly your view, Lee, and yourself, Ian, given the Scotch whisky contribution.

Ian Wright: The message has got across now. If you had asked in 2000 or 2005 which was the largest export from Scotland everybody would have said oil, and in fact it was Scotch whisky then and it is Scotch whisky now. Some people have a concern about that because they have a particular view of alcohol, and that is a perfectly respectable position to adopt, although not one I happen to share. The Scottish Government, and indeed the UK Government, have got behind that as a symbol of Britain's export industry and they have done well on that.

I think this is fair. Back to my big-yellow-tractor point, there is a bit of a lack of understanding of the real importance of consumer goods. There is a bit of sense in the Treasury that there is a serious export area, which is oil, gas, big capital projects, and then there is consumer goods, and consumer goods is somehow a bit more frivolous. That is just wrong. That is the - we need to do some work on.

Lee Hopley: In terms of how seriously the Treasury takes the need to increase exports, we moved towards a consensus around that after the financial crisis that that was a bit of an Achilles heel for the UK economy. The extent to which the Treasury gets behind individual sectors is a very good question, but it is not obvious to me that they have put an enormous amount of thought into which sectors are going to deliver on the export target, for example. Distinguishing between yellow goods, consumer goods, services for example—

Michelle Thomson: Strategy, if you like.

Lee Hopley: Indeed. I am sure lots of people think manufacturing is just goods, but a lot of manufacture is also export services as well. It is not clear that an understanding of where the strengths and competitive advantages are in the UK economy has been given a lot of thinking.

Q127 Chair: Our next session in about two minutes' time is with bankers' representatives. Is export finance a real barrier in ensuring that we can boost exports?

Lee Hopley: It is for some companies. Where it is a barrier it is one that is extremely difficult to traverse, but my sense is that those companies are relatively few and far between. For the sorts of companies that we talk to day-to-day about their export challenges, it is not the first item that is identified. That also speaks to the fact that in compiling our evidence it has not been easy to track down lots and lots of companies that have experience of UK Export Finance. For some that have made contact with UKEF, they have been very helpful but those kinds of solutions have not really been right for the issue that they faced at the time. Undoubtedly it is going to be an issue for some

companies—it is going to be a massive one—but that is not what sits behind the lack of progress on the UK’s export target.

Q128 Chair: Is that true in the food and drink sector?

Ian Wright: Ahead of this we went and asked our members about this and it is not an issue that comes up a lot, which is perhaps a bit surprising, but it is not something that they say to us is a major barrier.

Chair: Okay. Colleagues, thank you very much for your time. We really appreciate it.

Examination of Witnesses

Witnesses: **Eric Leenders**, Managing Director, Retail and Commercial, British Bankers’ Association, and **Steve Childs**, Head of International, Barclays, gave evidence.

Q129 Chair: Gentlemen, thank you for your time. Welcome to the Select Committee. Could you, for the purposes of the record, tell us who you are and where you come from.

Steve Childs: Mr Chairman, my name is Steve Childs. I am Head of International for Barclays Business. Primarily my focus is the smaller end of business and helping get going internationally.

Eric Leenders: I am Eric Leenders, the Managing Director responsible for retail and commercial banking at the British Bankers’ Association

Q130 Chair: Given the response to my question to the last panel, this could be a very short session because there does not seem to be a problem. In terms of making sure that we can boost exports and the role of export finance, what else needs to be done? Perhaps as a precursor to that, what is the current state of play when it comes to export finance? Eric, can I start with you?

Eric Leenders: Chairman, you asked the previous witnesses to give some thought to the effectiveness of UKTI, so perhaps I will start there. First, in the broadest sense the BBA absolutely supports the policy objectives. The members report broadly positive relationships with UKTI. We have seen independent research that shows that UKTI has a positive effect on those businesses that it touches, but equally other witnesses earlier this morning have identified the reach and the extent to which maybe UKTI and others are necessarily getting to SMEs and other businesses that might want to consider exporting.

Q131 Chair: Steve, is that true?

Steve Childs: I would agree. We have a very productive and positive relationship with UKTI. We have recently announced, you will be aware, a strategic partnership that we have agreed to, where we have aligned on several key initiatives that will add real energy and pace to the things that we want to do to encourage more and more exporters. To the point around export finance particularly, I would agree with one of the points made earlier. We do not see finance as the first thing on the list. In fact, what we see is a psychological

barrier to getting involved in international trade, particularly for those smaller businesses. I remind my team often that we are in the fear removal business around international trade and we always say that is difficult with a face like mine. That is definitely where we focus our efforts. It is definitely getting those businesses over the hump of understanding the opportunity and where they want to take their business.

Q132 Chair: This is really interesting. Do you think you have a role as Barclays in terms of just providing that wide provision of banking services to get rid of that fear factor and say, “Do you know what? You bank with us. We think that you are a really good potential for export and we could perhaps provide you with export finance services.” Talk us through what happens for you to be able to identify good potential exporters.

Steve Childs: I entirely agree that we have a role. In fact, our relationship managers that deal with small businesses are trained to deepen the relationship with the client to the level that we can make that suggestion to them, so not to just, if you like, react on a transactional basis when they have a need, but to say to them, “You could take this business internationally. Have you thought about how you would grow your business?” We have also professionalised that workforce on that basis and we have organised it in that way. In every area of the country now, there is a professionally qualified international business manager. My own team are professional international managers.

We have built a centre of excellence so that we can scale up the operation and have lots of those broad, initial conversations that just bring alive the opportunity for the client. We are often dealing with a group of businesses that have yet to consider that international has a part to play in their growth story. We are also dealing with a group of businesses quite often who become accidental international traders. I remember when I started in this role 18 months ago I ran into a young chap at an event who had spent a couple of years travelling, came back and wanted to set up a business selling tents for music festivals. He set up a Facebook page and within four weeks he had an order from China.

He did not wake up that morning thinking, “I am an international trader”, but there is definitely then a position for us to help join the dots. “How are you going to take this business forward? What is your business plan?” Quite often we find that that is something that is missing. We have a role to play in helping with that.

Q133 Chair: Do you make money from export finance? That is not a criticism, by the way. I am not going to challenge you in that; making money in business is a good and positive thing. Do you make money out of export finance?

Steve Childs: In the part of the business that I look after, export finance as a product is little more, often, than simple overdrafts. That is a commercial arrangement with a client. We work very hard to agree those terms with the client. In terms of the export finance products and UKEF, the types of clients that I deal with on a day-to-day basis are not often in the type of space where that sort of product offering or support is necessarily appropriate or something that they would necessarily go to.

Q134 Chair: The reason I ask, and it might be slightly unfair, is Barclays announced their financial results today: a drop in profits, a cut in the dividend and significantly the sale of the African subsidiary. We have just heard from the CBI this morning that Africa could be

the new Asia. You are paring down to the UK and US operations; from our perspective, looking at this inquiry, does that mean that, in terms of the scale of your advice and the scale or your reach for potential export markets to your customers, that could be restricted? Should we be worried about that in respect of trying to boost exports?

Steve Childs: We should not be worried. I have yet to see all of the detail of that announcement. It landed as I was on my way here today, so I am perfectly happy to write to the Committee with a more full response on that. The way that I organised my business is that we stand shoulder to shoulder with businesses. Whatever the circumstances, our job is to help those businesses explore the international opportunities that are available to them.

Q135 Chris White: It was just a bit more depth—not a terribly technical question—about how the process worked. You said that your relationship managers made suggestions. What do you think the balance is? Are you making more suggestions or are more people coming through your door and saying, “How can you help?”? What is the process like? How difficult or challenging is it?

Steve Childs: You have broadly two groups of clients that I see in my part of the business. You have the more mature business, the more traditional lifecycle almost, where you would argue it is the way we used to look at international trade. Business would trade three, four years, hit the UK domestic border buffer, “Where do I grow next? Now I need help.” Those are probably much easier for us because when we can start to talk about the opportunities we will have a deeper relationship with the client. That is one group. The relationship managers are very skilled at identifying that stuff and having those conversations and are very linked in locally with UKTI on the ground for when we need to develop that support.

There is another group of clients that are almost born global. We are starting to see more and more start-up businesses go international straight away. In fact, some of our data suggests that 65% of our start-up businesses that we are seeing will go international in their first year, largely driven by the digital capabilities that they have. We have been working very hard through the relationship managers that look after them, and also, frankly, with UKTI we have been developing some online tools. We have a thing called the digital driving licence. I do not know if the Committee is aware of this, but it is an enabler. It is not just for businesses but for anybody. It is an open application that people can download and teach themselves how to operate online and stay safe, cyber security, and how websites work.

We have just developed one with UKTI around e-commerce and helping those smaller businesses navigate the world of e-commerce. That was in the strategic partnership we have just announced. We are about to launch another one, which is how to navigate e-marketplaces. We recognise a real need to help join the dots from a digital perspective in that space. We are seeing more and more of that at the smaller end.

Q136 Chris White: Just two quick questions, Chair: you are saying that your first port of reference would be UKTI for anything outside our particular skillset?

Steve Childs: We introduced 800 clients from my own business last year alone to UKTI international trade advisers for more support.

Q137 Chris White: What is your level of confidence in them? Are they responsive? Are they helpful?

Steve Childs: Yes, hugely. Really positive. We take a totally anonymised advocacy score from the whole of our international relationship with the client, which oftentimes will include UKTI. Clients are giving us a 92% advocacy. 92% of them would tell their peers to come and talk to us, and part of that is our signposting of the support that UKTI offer, which we see as very positive on the ground. The problem, though, is one of being able to scale that up. It is a very boots-on-the-ground operation. I have always been struck by how flexible UKTI are to learn and think about the model. At the moment we are embedding someone from UKTI alongside my centre of operations up in Gadbrook Park, which I would invite any of you to visit; come and see what we are doing. They are there to learn about the way that we are scaling up the amount of advice that we are able to give and the support that we are able to give.

Q138 Chris White: You clearly see UKTI as advantageous to your business. Do you think that you should support their work in any way by investing in various projects or secondments or even financial support for the work the UKTI does not just in the UK but abroad?

Steve Childs: As I say, we are embedding a member of their team alongside my operation up in Gadbrook Park. We have partnered with them with UKTI on the Exporting is GREAT programme. We are a partner of that. We have invested a lot previously in our workshop and clinic programmes offered through Barclays Business Abroad, which again is a joint operation where we stand with UKTI with small businesspeople, trying to open up this world to them through workshops and clinics the rest of it. We have put a lot of real energy into that.

Chris White: That is a really helpful answer. Thank you.

Q139 Richard Fuller: Mr Leenders, this is maybe a question to you. The UK is a very open society. We have had many people come to the United Kingdom over the last 20 years and before who call the United Kingdom home, but they have connections back to their countries of origin and the diaspora has great potential, does it not, for leading exports, particularly smaller businesspeople just starting up? What is your experience of the role of the banking sector in supporting that? Do you think it is a significant area for growth in exports?

Eric Leenders: Yes, it has potential. Ultimately it is a demand-led point. It is for the small businesses themselves. Steve is absolutely right. When I was a business manager down in Brighton some 20 years ago, there were clear lifecycles through start to first employment to potentially export when turnover had reached a particular ceiling. That is changing very much. Some of the potential export markets are not necessarily the clear cut bordered geographies that we might have known from 10 or 20 years ago. I think of fora such as eBay and other international channels to market that change that perspective. A number of the banks are very active in looking at those new approaches and helping customers to understand.

Previously with my former employer we did a lot of work around supporting black, Asian, minority, ethnic businesses. There are some very strong support organisations. I mention

Yorkshire Asian Business Association just as one example. They would be very good conduits, for example, for some of the work that Steve has mentioned about UKTI.

Q140 Richard Fuller: One other aspect on that is also the opportunity for people to use investment, so they can go, “I am here but my family is in Nigeria and I want to set up a business in Lagos and I can invest money in that”. Do you think there is an opportunity for the Treasury to look more creatively at the tax advantages for people to do that as a prelude to ultimately creating a dividend stream back to the United Kingdom?

Eric Leenders: The feedback we had from our members was not specifically around tax advantages. However, investor visas have been an issue on the agenda perhaps from the other side, in terms of inward investment. Theoretically at least, the converse presumably is somewhat true. I would have thought there is some potential to look at that further.

Q141 Richard Fuller: Can I just turn to talk about Export Finance—the old ECGD as we know it. Do we need it? Should we have it? There is a controversy, both in the United Kingdom and for the Ex-Im Bank in the USA, that, first, it is not needed and that it does crowd out the private sector despite saying it does not do that, and then some concerns about some of the ethics involved in what essentially has the Government stamp of approval on finance. What are the thoughts of the two of you on how Export Finance is doing and whether we need it in the long term?

Steve Childs: What I see from my clients—remember they are at the smaller end—is we see little demand from those clients for the export finance product. As I understand it from my colleagues that operate more in that space, it does a good job of helping those perhaps more mature, bigger, more complex businesses. Clearly there is a role to help us lend more to those clients where we want to lend more. What we might change about that is I tend to hear—and this is anecdotal—that where Export Finance, ECGD, get involved in a deal we would like to understand the terms of their involvement and the level of their commitment earlier on in the process. Oftentimes we find we understand the full extent of their appetite at the back end of the deal. That might be somewhat different to what we thought at the start, which just makes things more difficult than they should for the client and us to get to where we want to be. That is all I can offer on that because I do not see a lot of that in the space that I look after.

Q142 Richard Fuller: As a businessperson yourself, if you run a business where you are losing money and you need to cut costs, which is essentially the circumstance central Government is in, would this be one of the Departments that you would look at and say, “I am not really convinced it is worth the money we spend on it. Let us just shut it down.”

Steve Childs: I am not sure I have enough involvement with UKEF and ECGD to give meaningful response to that.

Q143 Richard Fuller: From the perspective of your members, as you have just explained, you do not see for a smaller business that it is really material at all.

Steve Childs: I do not see a huge amount of demand for that from smaller businesses that I deal with day in, day out.

Q144 Richard Fuller: Mr Leenders, would you agree with that?

Eric Leenders: Yes, for the smaller businesses, frankly, to the point that Steve made, overdraft is the primary finance vehicle. Also, eight of 10 smaller businesses typically export into Europe, and significantly that would include Ireland, Northern Ireland-Ireland being our only land border. Therefore, the pattern of trade is altogether a lot different and therefore some of the solutions UKEF supplies are not necessarily as relevant. As you get to larger businesses, so 50-plus employees to 250-plus employees, there is a significant step change. There some of the product services that UKEF provides have been proven to be very helpful. The point about earlier awareness of what a bank might be financing versus UKEF and how that might be better co-ordinated is a point well made. Certainly the products fit toward the mid end of the SME spectrum and not the smaller end.

Q145 Peter Kyle: Steve, I should declare an interest at the outset because I co-founded a business in 2004, and the relationship adviser from Barclays at the outset was absolutely fantastic for our company. I did pause before I said it. It helped us provide the foundations on what was built—a really fantastic local business that is doing incredibly well to this day, probably because I am not involved in it anymore but that is a different story altogether. I can see the advantage of having great relationship advice from banks in the front line. You described the psychological barriers to trading abroad and your job as fear removal. You just have to explain this to me. Down in the extreme south-east where I am based, and in Brighton and Hove where I set a business up and now represent, which is a very entrepreneurial city and is dominated by new media companies, for us when we started to see demand for our products and services, which was multimedia, abroad it was a sense of extreme excitement for us, not fear. Who is experiencing this fear? Are there trends that indicate that the fear is in particular sectors and subsectors, or in the private sector and in small and medium business? If so, can UKTI focus its resources in partnership with you?

Steve Childs: Definitely yes, they can focus the resources in partnership with us. I can give my own example here. When I came in to build the international business within Barclays, I spent a lot of time at international trade events talking to people in the industry. I heard Dr Adam Marshall make the comment that I am probably about to make here. The way that the industry talks about itself—the jargon and the language that it uses—is not helpful. It is probably a slightly tongue-in-cheek use of the word “fear”, but I took that feedback from clients, customers and we came up with a very, very simple proposition at Barclays, which is, “We will help you do business internationally. We are going to hold off a conversation that is too product-led, too jargon-led and we are just going to have a conversation with you about how you are going to grow that business and we are going to share the excitement with you on taking that business forwards.” If you like, that has become an organisation principle for the part of the business that I run.

What do we do in that? Funnily enough with a lot of support from UKTI in the early days, we have created a suite of solutions under our banner, which is Business Abroad, where we offer the client access to my team, lots of workshops and lots of clinics. There is a big educational agenda here—a skills gap, one would argue. We offer them lots of negotiated discounts into freight forwarders, credit insurance, document preparation people. If you like, our role is helping them align all of the important stakeholders that collectively can help them take that business beyond our UK domestic borders, and UKTI have a very firm part in that relationship.

Q146 Peter Kyle: Can I ask you this then? In terms of the psychology or mentality of people who are running small businesses or micro businesses, what is different in the psychology of that business to trading abroad, particularly in the EU where it is a free trade area? Why is it different psychologically than trading domestically?

Steve Childs: It is perception. There is a perception that it is too difficult: “I do not know where I am going to get the lead from. I do not know where the opportunity is. There is too much to negotiate. There are too many risks in the process.” Our role is simplifying that and helping talk through that. I am not even saying it is a real problem. I believe that is a perception.

I believe that it is partly cultural as well, by the way. Just as an aside, my daughter has just finished GCSE Business Studies, and I was slightly surprised at the lack of time spent in the syllabus on international trade. I wonder, just from a cultural perspective, there is more we can do with our young people to get us thinking internationally that it is not such the problem that we think it is perhaps.

Peter Kyle: That is fascinating.

Q147 Amanda Milling: Just thinking from your sector and the role in exports, I am just interested to hear both of your views in terms of the shift from a UKTI perspective towards the digital platform. I might have a couple of supplementaries on that if that is okay.

Eric Leenders: In terms of UKTI we see a spectrum from the generic to the perhaps more specific of what it does and what more it could do. In the context of largely what we have discussed around export readiness, there is probably a lot of good generic material there. In terms of expansion for existing exporters there is probably a lot of good information there. Where I personally spotted something of a gap is that the other leg of exporting, the import markets, are fluid markets. They are cyclical as well, so it is not just about expansion, it is about retaining those contacts, building those longer term relationships and helping whoever it is—the SME—to continue those established relationships.

As we look at what more UKTI might do, there is probably more on export promotion. We talked about some of those growth markets, BRICS and then MINT—Morocco, Indonesia, Nigeria and Turkey—that were pointed out to us by our members as potential priorities as well. I thought the DEFRA case study was a good example earlier on. There is something around interdepartmental co-ordination with particular sectors. Our responsible ministry is HM Treasury. If it is about supporting the export of financial services then bringing them in in an interdepartmental way was seen as quite a positive. We understand that UKTI has quite extensive databases. Free access might provide the sort of background research materials that would help SMEs potentially to define target markets if they are thinking of taking that next step.

Q148 Amanda Milling: Is there not a danger, going back to Peter’s point, that we are not catching people early in the chain, in terms of getting them to consider exporting in the first place?

Eric Leenders: I would not disagree. The point about including finance, foreign trade and exporting in the national curriculum in further and higher education is a very good one that I had not personally considered myself. It changes the outlook from the very outset.

Equally, others in previous sessions have mentioned how a number of businesses establish a local market and get comfortable within that market. That is still a predominant way for businesses to set up. Cracking that nut might create more incentive to export.

Steve Childs: There is definitely that group of businesses that will never get involved in international trade for just that reason. I ran an interesting exercise with my team some time ago where I asked them to think of themselves as almost a dummy business: “You want to export, so go jump online and see where that takes you”. It will not surprise you that if 10 people ran that exercise I got 10 different answers. Therein lies the problem. I believe there is a real need for a digital platform that brings the relevant information into one place. I was looking at the Open to Export site the other day. It strikes me that is an excellent resource. To my earlier point, a lot of businesses we see are accidental international traders. They have got on with it. They do not have a plan. The Open to Export site enables a business to build a business plan for international trade, and it strikes me that for a business that is motivated to do it, that is the secret. That type of resource is really important but it is not the be all and end all, and there will always be the need for that human interaction—the arm around the business to help the take that step.

Q149 Amanda Milling: To that point, when you outlined some of the services that you provide to your customers, it struck me that you are providing that face-to-face advice that UKTI has historically done through its trade advisers. Am I right in thinking that?

Steve Childs: It takes it to a different level. There will be a level that a relationship manager would not be able to go beyond. Many international trade advisers that have worked all around the world and are businesspeople themselves will have different perspectives and different connections, so therefore we see that it is part of the overall offering rather than an either/or.

Q150 Amanda Milling: Why are you more qualified to offer that service than UKTI? Why are your advisers more qualified?

Steve Childs: No, I am saying by introducing to UKTI we are then taking that to another level. We recognise that there comes a point when we need to bring in that different level of expertise.

Q151 Amanda Solloway: Around the sustaining of exports success, I just wondered what it was you were both able to offer. Is there more that maybe should be done to keep that success sustained?

Eric Leenders: When we look at UKEF there are a couple of developments that we very much welcome. Extending the export working capital scheme to tier one within the supply chain is very helpful. We are also interested in the development of delegated authorities, so there is not a duplication of paperwork and red tape that has been the bête noire of SMEs since records began.

There are also some other things that probably could be looked at. We would like to see that promotion presence in key countries and buyer markets. We would also like to see increased digitisation; that £24 million commitment is very welcome. I would be interested in a review of country risk coverage—whether there are other markets that could be supported or existing markets supported a little further, and whether indeed we

could look at EU state aid rules to see if there was more that could be done for SMEs, particularly for short-term overseas or export finance, starting to touch a little on the accidental exporter points.

Third party coverage is another important area where at the moment you can only really get a letter of credit guarantee scheme for exports from the UK, but you might have, as we heard earlier, manufacture in one geography and a market in the other. You are not eligible unless that trade passes through the UK, and that would be a useful addition along with some currency risk cover as well.

Q152 Chair: I was struck, Mr Leenders, by your comment earlier about departmental champions and DEFRA being a good case study. A final brief question from me, if I may. Does the Treasury do enough to champion the export of financial services?

Eric Leenders: We are very positive about the relationship that we have with the Treasury. I meet with them very regularly, on a monthly basis. We have worked on what we consider to be the key issues that face the sector. I would be happy to provide a copy of that report to you offline.

Chair: That would be very helpful. Gentlemen, that has been really positive for us. Thank you very much for your time. We really appreciate it.