



Business, Innovation and Skills

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

Tuesday 15 March 2016

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Members present: Mr Iain Wright (Chair), Paul Blomfield, Richard Fuller, Peter Kyle, Jonathan Reynolds, Michelle Thomson, Craig Tracey, Chris White

Questions 153 - 228

Witnesses: **Katy Chamberlain**, Chief Executive, Business in Focus, **Neil Francis**, Director, International Trade and Investment, Scottish Development International, and **Alison Gowdy**, Director of Trade, Invest Northern Ireland, gave evidence.

Q153 Chair: Good morning. Thank you for attending the Business, Innovation and Skills Select Committee and giving evidence on exports and the role of UKTI. We are very grateful for your time today. Just to start with, please introduce yourselves and tell us which organisation you are from.

Katy Chamberlain: I am Katy Chamberlain. I am the Chief Executive of Business In Focus Ltd. We are a social enterprise and we are the lead contractor in the consortium that delivers the Welsh Government's Business Wales service. We have delivered Welsh Government programmes for many years. The Business Wales service is the pan-Wales service that provides advisory support to businesses, including export support. The contract was re-let on 1 January 2016, so we are in the process of mobilising a very new service. However, we have been delivering a service that has some similarities for about the last 15 years.

Neil Francis: I am Neil Francis from Scottish Enterprise. I am the International Operations Director at Scottish Development International. Scottish Development International is the international division focused on trade and investment on behalf of the two enterprise agencies and the Scottish Government in Scotland.

Alison Gowdy: Hello, I am Alison Gowdy. I am Director of Trade at Invest Northern Ireland. Invest Northern Ireland is the economic development agency for Northern Ireland and we are responsible for promoting jobs, exports, innovation and skills.

Q154 Chair: What are the devolved Administrations' export targets?

Katy Chamberlain: In respect of export targets, I am not aware we have a very specific target—certainly not one that has been put on us. While Government have various programmes by which they support export, and I know they managed to achieve something like a 114% increase over the last 15 years, I am not aware of what the specific target is. I cannot see one in the strategy that has been written.

Neil Francis: Our current export target is to increase Scotland's exports by 50% by 2017. That is in our trade and investment strategy that was completed at the end of December. The Scottish Government have just launched a new trade and investment strategy and there are no specific numerical targets in that new strategy.

Q155 Chair: That is quite ambitious; do you think you will meet that target?

Neil Francis: The 50% is very much a stretch target. The baseline was £23 billion. As of our most recent evaluation evidence, we were sitting at just over £27.4 billion. We are making reasonable progress but, of course, the economic conditions have been tough over the last 12 months and are likely to remain so.

Alison Gowdy: The Northern Ireland Government launched a new export strategy last Monday called Export Matters. The target included in that is to increase export sales by 33% by 2020 and by 80% by 2025. They also have a target to increase the number of companies selling outside of Northern Ireland. That currently sits at 11,500, and that is to increase by 14,000 by 2020 and by 16,000 by 2025. There is another key target, which is about diversification and how we diversify our export markets beyond the traditional markets. They have not set a specific target in terms of growth aspiration from that. That comes into force probably in the new programme for government, which will be in force from September of this year.

Q156 Chair: Alison, you have mentioned both export value and the number of firms exporting. The UK Government have two specific targets when it comes to that: £1 trillion of exports by 2020; and the number of new firms exporting going up by 100,000. Were the devolved Administrations involved in the setting of those targets by the UK Government?

Alison Gowdy: Not in the overall setting of the UK target, no.

Q157 Chair: The thing I am trying to get out of you is: were these targets from UK Government almost top-down, rather than bottom-up—talking to local areas and the devolved Administrations of the nations?

Alison Gowdy: There would have been some consultation with UKTI in terms of our Chief Executive sitting on the Executive Forum. There would have been some consultation in terms of the ambition and the types of targets, but we would not have been involved in the actual setting of the number at the end. We have our own targets through the Northern Ireland Government.

Neil Francis: I concur. Those particular targets were set several years ago. As Alison has said, over the last three years there has been the Executive Forum established that brings together the devolved Administrations, London and partners and UKTI. There is a process of a much more consultative approach to identifying areas of key priority and how we go about addressing those particular priorities.

Katy Chamberlain: I do not have anything to add to that. I am not aware of the exact nature of the consultation that would have been carried out between the Welsh Government and the Westminster Government. I have no doubt there would have been some but I am not in a position to comment.

Q158 Chair: Katy, again, if I start with you—but this is for everybody—how do you measure success in export performance? What metrics do you use?

Katy Chamberlain: The Welsh Government has a number of different programmes by which it is pursuing exports. It has the Business Wales service, which we lead on. It also has a programme called the Accelerated Growth Programme, and also it has its in-house Wales international trade department. The majority of the targets that are set are specific programme targets. For example, we have to, over the next five years, deliver £15 million in terms of exports, primarily delivering that to small and medium-sized enterprises, which make up, of course, and the vast majority of Wales business. The Accelerated Growth Programme has a far more demanding target. It has to deal with a very small number of companies—a minimum of 1,300 over five years. Out of that, it has to generate £200 million exports, which is a significant target. It is very much target driven by programmes, as far as I can see.

Neil Francis: Just to add to that, there are three key things to look at: first, the total value of exports; secondly, the number of firms engaged in the process of international trade; and, thirdly, as Alison said, very importantly the diversity of your performance. What I mean by that is both by the markets which you are generating your trade from, and also the industry sectors and their contribution to that overall performance. There are three things there. For us, what is important as an agency is your contribution to those overall country measures. In terms of our existing exporters, we can add most value by helping existing exporters go to new markets for the first time and supporting them to take products to the international markets for the first time.

Alison Gowdy: Just to add to what my colleagues have said, the ultimate goals are the level of sales and the number of companies selling outside Northern Ireland for the first time. We have to recognise that developing exports is a long-term process. It had can take over three years from when a company first visits a market to actually getting a sale. We look to be putting in metrics that measure that journey, whether it is high-level visits, the meetings that they achieve, the appointment of a distributor, the customers they achieve—how you measure the build-up to those ultimate sales.

Q159 Chair: In terms of the metrics and the manner in which you assess success, failure, performance, to what extent is it aligned to what UKTI is doing?

Alison Gowdy: We are trying to get more aligned. I mentioned the UKTI executive forum; there is also a partnership forum, on which I sit. The meeting on 23 March is about definitions and metrics. We measure sales outside of Northern Ireland and then we measure the key markets within that. There are some issues with HMRC data in that it only measures products manufactured and it does not measure services. We are working together to see how we can measure the different parts of the business and particularly align to, if you are doing trade missions or exhibitions, the key metrics coming out of that. We are all talking together in terms of what the best way is. UKTI has its PIMS methodology. We have what is called KPI information that we collect from companies. We are all collecting the same type of information and then it is how it is aligned.

Chair: Is that true of you as well?

Neil Francis: Yes, absolutely. The other thing we are increasingly doing is looking at services, the products and the interventions we offer, and aligning those with UKTI, so we are removing duplication in the products and services we offer the companies.

Katy Chamberlain: For us, it is very similar. The Welsh Government has presences in countries where there is a particular interest for Wales, whether it is because there is an established trading relationship or because there is an emerging trading relationship. Those are very much complementary to UKTI. Certainly the advisers who work in the Business Wales Service for which I am responsible are very much using both the Welsh Government services and the UKTI services in a way that is complementary to each other.

Q160 Chris White: Just going back to some of the questions that the Chairman was just asking, all of you have some very ambitious targets. Neil, you said you set a very ambitious target in tough economic conditions that will remain tough. Do you think you are already starting to put yourself up not to meet the targets?

Neil Francis: I have a couple of comments there. It is really important that the targets that reflect the ambition for Scotland's international performance do not sit solely with Scottish Development International. It is a target for the nation's performance in international trade. It is right to be ambitious. I said earlier we have made progress in working towards that current measure of 50%, but it is going to be tough to deliver. Sometimes if you set a too narrowly focused numerical target, you tend to get driven by doing things that contribute more to the target rather than doing things that, as Alison said, need to be done in order to unlock some of the longer term potential of international trade.

Q161 Chris White: Thank you. You mentioned how you are integrating some of your work with UKTI. When we visit the department we see lots of fantastic Britain is GREAT signs. I am just wondering whether that filters down to you. Does it help you? Is that campaign useful to you?

Katy Chamberlain: I can certainly pick up on that in respect of the Welsh Government's presentation of its export strategy and of its export programmes in the presentation that is used by Welsh Government in terms of promoting what it does around export. The Britain is GREAT logo appears in the vast majority of the slides, so it is certainly aligning itself very much with that programme.

Q162 Chris White: Do you think business is inspired by it?

Katy Chamberlain: That is a much more difficult question. One would like to think it creates a backdrop and a context. Certainly my advisers find their businesses are very much focused on their own particular needs and requirements, and the things that they need to enable their businesses to grow. It is worth saying at this point that certainly the export targets that we have in our programme and that the other programmes have in Wales are very much about export as a benefit and advantage to enable growth of the economy in Wales, rather than as an end in itself. That is mirrored by businesses with which we work. For them, export is a way of growing the business and achieving their goals, rather than something they want to do for any particular virtue in itself.

Neil Francis: Your question is very pertinent. Alison and Katy have said that one of the big jobs we have to do is get more companies to export, more companies to start exporting and more companies to continue to export. Ambition and inspiration is a really critical part of that, especially getting companies to export for the first time. The way you inspire companies and you help fuel that ambition is not through a single thing. Exporting is GREAT is part of it, but there are many more things we need to do to build that ambition and inspire companies. Peer-to-peer is a very powerful way. We know that businesses get a lot

of inspiration talking to their peer group and people who have done it already. Building those kinds of interventions into all the things we do is really important.

Alison Gowdy: We find Exporting is GREAT and the campaign a very strong umbrella to work underneath. In Northern Ireland we just would not have the money or the resources to be able to invest in that. We find it very strong as a platform. It is what we can do underneath that. We promote in the broadest sense in terms of the Great Britain and Northern Ireland brand. As Neil said, it is coming underneath that in terms of peer-to-peer and workshops, etc. We find it very strong in the international markets. The UK has a very strong brand for us to sit alongside, particularly in emerging markets such as China. We find it very strong. We have been working locally to implement initiatives such as the export truck that is coming, ExploreExport and the events that all sit under that. Absolutely, we really appreciate it and really use it very strongly in the markets.

Q163 Richard Fuller: We have heard evidence previously that UKTI is great at doing introductions to the great and the good in other countries, but other than that it is pretty ineffective. What would be your thoughts on that perspective—that essentially you could keep the top bit of UKTI but close down the rest of it?

Neil Francis: There are a lot of things you have to do in order to help companies grow their international sales and to help us as a country grow and develop our international performance. The thing you describe there I would characterise as trade development. Helping to open up markets that individual companies can then go to to secure sales, create opportunities and win contracts is incredibly important. It is very important in some of our further away markets, some of the markets that have been characterised as emerging but are fast growing. UKTI and the UK Government are particularly well placed to do some of that work.

It will only be effective if it is integrated along with the individual work that is done company by company. As devolved Administrations, that is what we do. We work intensively with companies on a one-to-one basis to make sure that, as these markets are developed and as opportunities are opened up, they have the ambition, the awareness, the capability and the strategy to enter and execute the opportunity.

Q164 Richard Fuller: You are talking as though you were running a company and you were the head of sales, and your job is to encourage companies to start exporting. How are you held to account? Do you have specific targets that you have to meet each quarter about the number of companies in your region that are exporting? I mean you as an individual: what are your personal accountabilities each quarter and each year for achieving the number of companies that go on to export?

Neil Francis: My accountability is ultimately the accountability we have as an organisation in terms of trade development. Our key performance metrics are the number of companies that we are assisting to significantly increase their international revenues. That is an annual measure that we have.

Q165 Richard Fuller: Are there consequences if you fail to meet those targets?

Neil Francis: It is not a good place to find ourselves in. The whole thing about the performance metrics is about making sure we are focused on doing the right things and helping us to get our priorities straight and our resources around them. I am sorry; I am not sure I can answer what the consequences are.

Q166 Richard Fuller: What I am trying to say is we have heard a number of issues about targets and you have eloquently talked about targets, but there is a question about whether they are achievable nationally and in the regions. There is a question about whether people are held to account for achieving them. Therefore one would ask why, at a time when our country is still living beyond its means, are we spending money to do this? I have yet to see in any evidence session any value to UKTI beyond the introductions. There is a lot of goodwill and cheerleading. You do a good job cheerleading, but I put that in the nice-to-have bucket. Is there some tangible evidence showing where your work changed this company doing this and that company doing that?

Katy Chamberlain: I cannot comment in respect of UKTI but, if you find it useful, I can give you an example as to how we as a company are specifically held to account in respect of our delivery of the Business Wales service. We have a budget of £34 million over five years to deliver a whole raft of key performance indicators, including generating a value of exports of £15 million over five years and assisting 1,100 enterprises with international trade advice. This is a European-funded project at least in part, so if we do not achieve particularly the European-funded targets, the Welsh Government does not get paid and we do not get paid. We are also the first service contract that has been issued by Government in the UK—so my Welsh Government partners tell me, and I try to have some pleasure in it—that is being held to account for under 5% retention. The export target is not one of the targets on which my company loses money, but if we do not deliver the number of business starts, the number of jobs, and the number of growth organisations—and, of course, export is absolutely fundamental as a driver of growth—the 10% management and overhead fee that we are allowed will be halved. We are certainly being quite significantly held to account.

Alison Gowdy: Invest Northern Ireland is held to account by the Northern Ireland Executive. Our corporate scorecard will include a number of targets. Those cover jobs, level of innovation, level of skills, and level of exports. Our research shows that companies that export are more innovative. They invest in skills and they are further along in terms of their growth path. Therefore, it is integrated and it is holistic and it is linked across staff. The challenge for us is in terms of how we scale those companies and how we grow those companies outside, initially in terms of Northern Ireland, then into the UK and then further. We are absolutely held accountable for that performance.

Q167 Michelle Thomson: Thank you for coming in. Following on from a point that Chris was making, I am interested almost from a brand perspective. My question is: how effectively can you make your voice heard for your nation as distinct from the UK? Does that cause you any difficulty? I am thinking, for example, about Scotch whisky, which is dual marketed as a premium Scottish product but also as a British product. I am interested in how that works for your nation.

Alison Gowdy: We market Northern Ireland alongside the UK, so if I look at exhibitions we would be within the UK pavilion but we would be very heavily branded. We as Northern Ireland would have its own brand.

Q168 Michelle Thomson: I am interested in what specifically that brand is. What are the differentiators? Do you market it as a region of the UK, for example? I am interested in how that works with the overall proposition.

Alison Gowdy: We market as a region of the UK. We have our specific unique selling proposition and then when out on trade it is very much the products that we are promoting. We will be there representing companies—we always have companies—and it is bringing

those companies' brands to the fore. There will be the Northern Ireland banner underneath and then there will be, for example, in our case Bushmills whiskey or Taytos crisps. That sits underneath. Ultimately it is about the companies. It is not so much in terms of Northern Ireland as a platform but how the companies build on that. The UK brand can open the doors and give us the presence, and then we sit alongside them in terms of promoting our own unique features.

Neil Francis: It is quite similar for us. In certain areas there is definitely a uniqueness for Scotland, and we would wish to and do lead with the Scottish proposition. For some of our food and drink, that is incredibly important. In international markets, we would lead with Scotland. Oil and gas would be another one that we feel is incredibly important for Scotland's voice to lead on. As Alison said, in other sectors and for other countries or companies, going under the UK/Great Britain approach first makes better sense. It is very much having that balanced approach. Where it really matters to Scotland, however, we would lead with Scotland.

Katy Chamberlain: We are very similar to the other devolved nations. Wales has a very distinctive and strong culture. It markets itself as a principality. We do of course also have the Welsh language and indeed our own whisky as well, Penderyn, so there is a whisky theme going on here. The Welsh Government approaches a lot of its business support and development around sectoral themes. Depending on the sector, there will be some sort of international objective and priority, and that will be marketed in the countries where the Welsh Government thinks it can make the most impact. Certainly my understanding is that, again, while the Welsh identity and branding will be strongly put forward, that will also be in line as part of the United Kingdom.

Q169 Michelle Thomson: This is a slightly different question, although definitely related. There are 24 trade ambassadors that have been appointed by UKTI. Do you know who they are and what they do for you?

Neil Francis: Personally, no, I do not know. As I understand it, most of the trade ambassadors used by UKTI are sectorally focused. Certainly I know that in some of our sectors we are very well engaged with the individual ambassadors. We would have to say that is a mixed picture. In some sectors our teams are very well engaged with the trade ambassadors and we use them to support what we are trying to do. It is a mixed picture.

Alison Gowdy: I call them trade envoys; is that same thing?

Neil Francis: Part of the issue is there are different definitions. There are different people doing slightly different things for UKTI. The trade envoys and the trade ambassadors are different things.

Alison Gowdy: I can say I recently met Jeffrey Donaldson, who is the trade envoy for Egypt. He is a local MP. It is slightly our problem as well in that we have not reached out enough to them. Certainly in terms of meeting with Jeffrey we do see ways in which we can align with his UK responsibilities. It is up to us to get more involved in that area.

Katy Chamberlain: As a contractor rather than a Government department, I am not really in a position to add anything on that.

Q170 Chair: Following on from that theme, how do you avoid duplication? Taxpayers' money is a precious thing; we do not want to waste it. In terms of the number of offices overseas, how do we ensure we have got real alignment and co-ordination with UKTI to ensure that there is not a Scottish office, a Welsh office and a Northern Ireland office in addition to a UKTI presence? How is that worked out?

Katy Chamberlain: Again, forgive me for having to caveat my responses but of course I have to, as a contractor delivering Welsh Government services rather than a Government department. The perception that I and my advisers have is that there is very much a presence in the places where Wales has a particular interest and therefore has a need to establish a particular identity. Given that Wales is a very small part of the UK, certainly in terms of population and economy, if you did not have a specific Welsh brand and a specific team prioritising Wales, the chance of Wales appearing on the spectrum is relatively slight. From the point of view of the devolved Administration, there is a very definite advantage to having a Welsh presence and a Welsh brand in the areas where it is necessary to be.

Q171 Chair: Would that not been seen as a waste of taxpayers' money because it is duplicating what is carried out elsewhere?

Katy Chamberlain: The point that I am trying to make is that it is emphatically not duplicating because the service would not deliver for Wales if it were a UKTI service. I am not in a position to categorically make that statement, but that would certainly be the perception. In terms of the particular areas in which Wales has a presence, they are very much areas where Wales either has a strong track record of attracting inward investment and of exporting, or areas where there is an emerging market. For example, our higher education and further education establishments are working quite hard in China now. Those things require a certain amount of support and, of course, when you are talking about higher education and further education, specific location is very important. I believe there is a rationale behind the specific places where the Welsh Government has a presence.

Q172 Chair: Is that true for you in Scotland, Neil?

Neil Francis: It is. The rationale is very much as Katy has set out. In particular areas where we feel we need a very strong focus, that would be the driving rationale for us establishing an overseas presence. We are all very conscious of the need not to duplicate effort, but in these markets it is additive. It is about providing that enhanced focus and support for, in our case, Scottish companies, in Katy's case Welsh companies, and Northern Ireland for Alison.

Alison Gowdy: In the context we have a very small presence. We have 14 offices globally. We are moving to co-location where we can. In four countries we are co-locating. There are core markets where we see you need an in-depth knowledge of the Northern Ireland proposition, whether that is to help companies or to attract investment. There are core markets particularly in the US where we have our own staff, but overall, in context, it is a very small number. We rely heavily on the UKTI and FCO network globally.

Q173 Chair: What do each of you think of the new UKTI revamped strategy in terms of how it will help firms in your nations export more? Will it help? Will it hinder? Does it make it more difficult? What is your assessment?

Alison Gowdy: First of all, we welcome the sector moving back into the government bodies in terms of the sectors. That will help align the policy and the operational strategy. As we are structured in Northern Ireland in terms of Invest Northern Ireland, we are very much aligned into sectors and developing those sector targets, so for us that can only be a good thing. We also particularly welcome the digital platform because, again, as a small region we cannot invest as we would want to in those areas. It does take a huge investment and to look at that. A pan-UK basis is very important to us and will give us benefits in that we will be able to align our resources below that. UKTI will develop the platform and we will be able to do the signposting. We very much welcome that.

Q174 Chair: Neil, Alison mentioned the two aspects I wanted to focus on, which are embedding UKTI more into Government departments and a more digital presence. Are they good things in terms of encouraging Scottish firms to export more?

Neil Francis: The digital presence is without question a good thing. It allows us all to reach more customers and also to continue to develop services to our existing customers in a more cost-effective and accessible way. As Alison said, we are all working together through our digital forum that is bringing together UKTI experts and our own experts to ensure that is done in the most effective way.

Q175 Chair: Is there not a risk you are losing more face-to-face interaction by saying, “It is on the website; go and find it yourself”? Because of cultural and administrative issues that firms have to deal with—they are running their own companies—they will not have time to do this, will they?

Neil Francis: The important thing is it is not either/or. The way we see it is about delivering the most appropriate services online in a mix with face-to-face services. You provide your customers with the right services in the right way at the right time. It is not saying that your digital services are simply for your smaller companies. There will be aspects of your digital services that will apply to your larger, more mature exporters as well. It would be wrong to say we are doing digital at the expense of face-to-face. It is about providing the most appropriate services in the most appropriate way to allow our face-to-face time to hit the areas that are most important.

The second thing is about the moving of the sector teams to individual Whitehall departments. The crucial thing, and what has come out in a number of reviews and exercises, is ensuring that the customer can easily find access to the people who can help them. Alison makes a really good point of joining up policy and operation. That is very important for some sectors, and less important for others. The most crucial point for me is that we do not put up any further barriers that make it harder for companies and customers to find the right service.

Q176 Chair: That brings me on to the final question, which is: if you could recommend to the Committee one practical piece of support that would encourage more firms to export greater value, what would it be?

Katy Chamberlain: It really adds to the comments that I would have added to the digital question. It is inevitable that we are going to move more services online. That is how many people access services. When you learn to do something now, you usually watch a YouTube video telling you how to do it, whether it is wiring a plug or learning how to export. One of the things that is going to be most important for the service that we are running is having an online chat facility that sits next to that so that, when people are using the online service, they are constantly encouraged to get in touch either with an adviser—but that is an expensive way of doing things—or a manned chat line. When they have questions or issues or further things they want to understand, they have somebody they can access.

Certainly in Wales, with a vast chunk of rural community and topography that does not lend itself to driving around particularly quickly, that is massively important. Having something that supplements the online support, making that very accessible to people so they are able to follow up things in a relatively cheap way, helps with the proactivity, rather than just the reactivity, of the service.

Neil Francis: For me it is always about getting companies to go to market. You can look at lots of resources about what markets are like and what it is like trying to do business there, but it is no substitute for companies getting out there, being on the ground and seeing what it is like.

Alison Gowdy: I would echo Neil. It is about helping companies get out to the market. They do not always have the resources to be able to do it. If we could help them with that resource and if they could put more resource into the market, that would really help.

Chair: Thank you very much for your time. We are very grateful.

Examination of Witnesses

Witnesses: **David Hughes**, Head of Business Engagement, Kent County Council, **James Cushing**, Chair, Chief Economic Development Officers' Society, and **Councillor Iain Malcolm**, Vice Chair, North East Combined Authority's Economic Regeneration and Development Advisory Board, gave evidence.

Q177 Chair: Gentlemen, thank you very much for attending our inquiry into exports and the role of UKTI. For the purposes of the record, could you introduce yourselves and tell us where you come from?

James Cushing: I am James Cushing. I am the Chair of CEDOS, which is the Chief Economic Development Officers' Society, and we represent around 40 upper tier local authorities across the country.

Iain Malcolm: My name is Iain Malcolm. I am the leader of South Tyneside Council but I am here in my capacity as the Vice Chair of the North East Combined Authority's Economic Regeneration and Development Advisory Board.

David Hughes: Good morning. My name is David Hughes. I am Head of Business Engagement at Kent County Council.

Q178 Chair: David, we have UKTI, we have LEPs, we have chambers of commerce—we have all sorts. Where does the local authority fit into the promotion of exports?

David Hughes: If I could go back five years, we had been in the business of supporting UKTI in delivering services, making sure they get support locally and helping them to find businesses. About five years ago we had a session involving local businesses, and one of the businesses asked where he could get some particular support. The answer was not consistent. There were a number of people who really could not answer the question directly.

We took it upon ourselves to set up an initiative, which we called Kent International Business, which we chair. We are not a service provider, but we try to help to bring together a number of different interests, such as chambers of commerce, universities that might be in a position to provide student placements to support businesses, UKTI, and the Institute of Directors. We brought those groups together to look at how we could maximise support for businesses in our area.

Q179 Chair: Was that in response to the fact that UKTI were not being, perhaps, as proactive as they could have been in providing good information about local markets and exports?

David Hughes: Yes, at that particular time. The situation has moved on since then in terms of what UKTI does. Certainly our relationship with them has improved massively. We now have an informal memorandum of understanding with UKTI. We work together to support them in delivering the services they provide in the Kent and Medway area.

Q180 Chair: Is that having an impact? Is the number of firms exporting increasing?

David Hughes: I would like to think so. I would say yes in terms of business stock in Kent and Medway. Probably the numbers that we reach are primarily small businesses and primarily those that are either thinking of starting for the first time or those that want a little bit more assistance to engage with overseas markets. I have forgotten the question now, sorry.

Q181 Chair: I am interested in whether you measure success in terms of the programme that Kent has put in place.

David Hughes: Having listened to the previous conversation on it, we do not have targets. In participating in a number of initiatives with UKTI and the chambers and so on as part of this Kent International Business Initiative, we do chase businesses. We monitor their satisfaction levels. We also try to track how much business they are doing from overseas visits and so on where we managed to support them. The numbers of businesses that we have supported through our initiatives are quite small in terms of the business stock.

Q182 Chair: Iain, what is the role of local authorities in encouraging exports?

Iain Malcolm: The local authorities could act very much as a facilitator and a networker. We are the organisation that will principally have land. For example my authority now has two enterprise zones. It is a bit like the number 12 bus: you wait all morning and then two come along at once. We have the land for new business start-ups. We have not a great resource but are able to provide some financial support to companies that perhaps want to go on a trade mission and want to explore the potential of exporting.

Q183 Chair: What does South Tyneside Council give? You have mentioned land, networking and bringing people together, but what can South Tyneside Council do in a way that UKTI, North East Combined Authority or the North East LEP cannot?

Iain Malcolm: We are better together.

Chair: That sounds like a good phrase.

Iain Malcolm: That is one of the reasons why local authorities in the North East have a long tradition of working together well before well the North East Combined Authority was created. We have always supported each other. We are not a particularly big region, so it is quite easy to do. We work together. But in terms of working with UKTI, that is very much at a minimum.

Q184 Chair: I have to get this plug in. The North East region is the only region in the UK that has a consistent trade surplus. Why do we have that?

Iain Malcolm: We have that because we have an adaptable, flexible workforce. We have good transport links with the Port of Tyne, Port of Blyth and Teesport. We have a good airport, 51% owned by the local authorities, traded by myself, so I would have to say it is a good airport. It is outward facing to the Far East and now has a direct link to North America. I would caution that we have 70,000 SMEs in the North East and it is estimated that only 1,500 export. That is not really a great success story, notwithstanding the statistic that we are

the only region that exports more than it imports. Given we have 70,000 companies and only 1,500 export, I think we can double that by 2020.

Q185 Chair: Does Nissan mask an underlying weakness in terms of the region and does more need to be done?

Iain Malcolm: I could not answer definitively whether they mask it, but they are clearly a huge exporter to mainland Europe.

Q186 Chair: James, may I ask you the same question? Where do local authorities fit into the whole promotion of exports and encouraging more firms to export?

James Cushing: From colleagues, there is a mixed picture. For some of our local authorities and our members it is a key network. Some of our local authorities have formal overseas relationships through twinning or university collaborations. Some of our members are directly commissioning some services, either through the chambers of commerce or through private delivery directly. It is a broad spectrum that local authorities cover. One of the key things that members quite consistently report back to us is that engagement with the range of businesses, whether it is your SME contacting the council for trade support or members' strategic accounts with larger businesses. There is that multipurpose, multifunction role, depending on, to some extent, the local authority and the resources or inclination that they have to directly invest in this.

Q187 Chris White: My questions are really to you, David. It sounds as though this Kent International Business is a good initiative, but do you think this is something that UKTI should have set up?

David Hughes: UKTI play a pretty big role in that group. Five years ago maybe they were not ready to do that. They have targets to deliver; they have a specific job to do, and on the whole they do a pretty good job. We have continued that initiative. They probably could not have done it five years ago but maybe they could now. We have a role to play there, and I think they appreciate the role that we play.

Q188 Chris White: What do you think about the LEP? What about them running this type of initiative?

David Hughes: We have an unusual relationship with our local enterprise partnership. We are part of a federated LEP. We are broken into three areas. The LEP does not play a role in terms of supporting trade development services. Maybe one reason for that is that, by virtue of the size of our region, services north of the Thames—i.e. in Essex and the two unitaries there—and services south of the Thames in Kent, Medway and East Sussex have two separate providers for UKTI services. Our relationship north of the Thames has tended not to happen.

Q189 Chris White: You talked in your profile of yourself about your team having helped to raise awareness of what providers such as UKTI and other agencies do. When you have these meetings, how does the information percolate to business? How does that information get out?

David Hughes: We have an international business website that we maintain. We also encourage our partners in that group to disseminate information themselves. That is how we do it. We do not proactively, other than that, disseminate information. Through the efforts of that group and the main players such as the chambers, UKTI and probably the Enterprise

Europe Network—which has not been mentioned here so far—we attempt to raise awareness of what is going on with businesses in Kent. We tend to mailshot those businesses that we are aware of. We do that through the Kent Invicta Chamber of Commerce. That is how we try to reach them.

Q190 Chris White: Do you know of any other county councils that are operating similar models?

David Hughes: In our region, possibly Essex does. I do not know.

Q191 Chris White: If a terrible thing happened and the county was looking at budgets—you are not a statutory body—what would be the impact of that on Kent’s ability to export?

David Hughes: Somebody would cover for that. I am not aware of any signs yet that we are about to disappear as a local authority, so while we are there we will carry on doing it. I would like to think that if we were not there UKTI could perhaps take the mantle of co-ordinating these services in the way we have tried to so far.

Q192 Richard Fuller: Mr Cushing, as the representative of the Economic Development Officers’ Society you have an insight into local authorities across the country. You are from Central Bedfordshire, which I know to be an exceptionally well-run council.

Iain Malcolm: Second only to South Tyneside.

Richard Fuller: Let’s not get into the competitiveness of the two. I want to build on some of the points that Mr White has just raised about where responsibility should lie for this exports push. It seems to me that local authorities, such as your own, are probably in the best position of understanding the local needs of local companies, as well as being the statutory body to whom accountability can be relatively well applied by central government to local government. What are your and your members’ thoughts about enhancing and delegating more power and responsibility to local authorities for the export targets?

James Cushing: We broadly welcome a lot of the emerging proposals from some of the devolution deals, for example Greater Manchester, Tees Valley, Sheffield City Region. Quite a few of those have specifically taken an approach of devolving export and wider business support down to that local level. Exports are always included, as far as we can see. We have seen that in most cases a UKTI export plan is developed with UKTI central office, and it is then about how that could be working at a local level. That might entail a particular focus on a local sector and trying very much to get that local input and intelligence on the ground. Members are broadly supportive of that approach.

We are concerned about how wide that approach is spread out across the country. Not all areas currently have a devolution deal. The detail of some of these plans is not clear across the patch. While we support the approach of devolving down to a certain level, which needs to be determined between county, district, upper tier or devolved administration, our concern is whether that opportunity is open to all areas across the country. We now have a two-tier approach where some areas have a devolved plan and others do not, and perhaps do not have the opportunities and access that other areas do.

Q193 Richard Fuller: It seems to me there is a sense of transition in this attempt to devolve powers. We have had the local enterprise partnerships, as Mr White was talking about. We have had the city deals, as you have been talking about, and in the East of England we have Cambridgeshire working out whether it wants to join up with Norfolk and

Suffolk to create a regional combination. For the skills that you have in Central Bedfordshire, or for a typical local authority, what would be different if you had specific accountability for Government export goals and some resources to help you fulfil those?

James Cushing: Using Central Bedfordshire, my own authority, we do have a relationship with UKTI in inward investment and export. We have a number of internationally significant companies. For example, we recently held a joint trip with Millbrook Proving Ground with UKTI looking at how we could work to promote externally. Our issue is how we would then access some of the overseas markets. Our biggest concern would not be taking on the accountability and the issues but the mechanisms for using Commonwealth offices or the wider machinery of government to achieve that. We want that ability to influence and engage at that strategic level. I am less concerned about the issues of engagement on the ground, because that is a really strong point for local authorities.

Q194 Richard Fuller: If I can draw a conclusion—you may accept it or not—it sounded from your response that this is a place you would like to be. You think it is ultimately good for a lot more accountability to be down at the local level, but either through the current level of knowledge or the current aggregation, we are not there yet.

James Cushing: It is an evolving picture. Back to CEDOS, across the members there are those that are already actively trying to commission services. For example, in our response we mentioned Export Cornwall. We have provided some figures from Shropshire County Council as well. There are those that are already taking that mantle. Our concern, as I have indicated, is that the local engagement is a mixed picture across the patch. Our concern would be whether we have the right tools and resources to implement this on an international scale.

Q195 Peter Kyle: Iain, if I could start with you, the others are welcome to comment afterwards. What is your relationship with UKTI? Do you describe it as a partnership? Does it feel like being commissioned to do work? How much power do you have in that? Do you go to them and say what you want to achieve and then negotiate? Could you just talk me through how the relationship works?

Iain Malcolm: I have to say, on behalf of the combined authority, I do not think we have a relationship. We are not advised of work they are doing. We are not advised of trade missions, for example, that they are undertaking. I only just found out last week, by chance by reading a regional business magazine, about Exporting is GREAT Week, from 18 to 22 April. There is a lack of communication and engagement between UKTI and local authorities. I have been a local authority member since 1988 and a council leader for seven years, and I have yet to have a formal meeting with UKTI. That is a real shame, because, as I said in my initial answer, local authorities can really provide additional support and resource. We can provide a networking opportunity for UKTI to meet emerging local businesses in our area that we feel are ready to start exporting, and we can help engage those companies across the globe who perhaps want to come to the North East to export.

Q196 Peter Kyle: Your region is succeeding in exports, but doing so despite UKTI not because of it.

Iain Malcolm: Anyone who is in charge of an organisation that has 70,000 SMEs and only 1,500 exporting, it is not a particularly good track record, I have to say. In fairness they probably do what they do very well. It is just that we are not advised about it, involved in it, or encouraged to be involved in any way.

Q197 Peter Kyle: Do you feel that the responsibility is with UKTI to proactively contact you or should it be the other way around?

Iain Malcolm: It is a bit of both. If I received a letter or a telephone call from UKTI saying, “What can sell Tyneside?” or “What could the combined authority do to help promote Exporting is GREAT during the week of 18 to 22 April?” we could certainly set up some meetings, some receptions, some visits and so forth to explain to SMEs in our patches the benefits of exporting and the support that is available.

Q198 Peter Kyle: There is the nodding and shaking of heads. David, is there any of that you would like to engage with?

David Hughes: We have a very good relationship with UKTI South East. I mentioned before that we have a memorandum of understanding with them; we have had that for about three or four years. We have regular dialogue with them. If they want to do local awareness events or local workshops, they will engage with us to try to find venues and to help to find businesses that might attend. We also play our role, of course. By being a local authority, we are able to source European funding to undertake other programmes, and they help to support that.

Q199 Peter Kyle: You are describing a partnership, in many ways.

David Hughes: Yes, I am.

Q200 Peter Kyle: They are open to suggestions from you. It does not feel like they are directing you.

David Hughes: That is right. Let’s face it: UKTI have a job to do. They have a contract with Government; they have to deliver targets. That is fine. Certainly in our case in Kent and Medway they listen to what we ask them. The relationship is a two-way one. They engage with us; we engage with them.

Q201 Peter Kyle: How did that relationship develop? Were you in post when that relationship started? Did you call them first or did they contact you?

David Hughes: Goodness me. I think UKTI were part of the routine work in doing local workshops and so on. It is being part of that scene and engaging with the people who are delivering those services. I have known the people at the South East office in Guildford for quite some time. I know the contractor for UKTI that delivers in the South East region. I have been dealing with them for quite some time, so it is a good relationship that we have with them.

James Cushing: Across the patch—our members go from Cornwall to Cumbria in the north—we have found it is a really mixed picture. There are some authorities that have formalised the contract and have an SLA in place. That is how we were able to provide the Shropshire figures, for example, whereas others would often like but do not have more engagement. By and large where there is engagement, the feedback we have received and our members fed back is that the engagements are valued. There is an appreciation. People are generally happy with the services that UKTI are providing, but there is the overall feeling that we are perhaps missing an opportunity of that across the patch; there is this mixed picture approach I have talked about. We could achieve more through some better partnership working.

Q202 Peter Kyle: What you are describing is a very mixed bag, and we have two great examples of a very mixed picture.

James Cushing: That is absolutely what we are seeing.

Q203 Peter Kyle: Do you have a view as to what fundamentally underlies those two extremes? Do you have a view as to whether it is UKTI's responsibility to get out into the regions and further down into local authority areas?

James Cushing: Yes, there is that requirement to engage. It does depend to some extent on the assets and the businesses, and some of the activities that are already in place across areas. I have already mentioned in my own patch we have quite a lot to do with UKTI because of some of our organisations in the area. There is a general view that where conversations happen they can be quite productive. Those conversations do not always happen. That may be because in some areas there is not a historic relationship between UKTI and the local authority level.

Q204 Peter Kyle: Finally, do you have a view as to whether UKTI really adds value in the areas where they are actively engaged? We have got two examples here of export success from two different regions, one that has absolutely no relationship at all with UKTI and one that does. The question is: do we need them in this situation? Are they adding value? You work hands-on in areas that have both of those.

James Cushing: It is a very good question. It is a classic. What would happen if UKTI were not there? By and large, the feedback we have had back from members is that they are adding value, particularly in access to international and overseas markets where perhaps local authorities have not had the resource or track record. I appreciate some areas have overseas offices and different models of working in different areas. By and large, however, the view of CEDOS members was that UKTI does add value where they are delivering those services.

Q205 Craig Tracey: Just picking up on a point you made earlier on, Iain, about the success of the North East, it seems that quite a bit of that is around the geographical location with the access to ports etc. and you can understand why it will encourage businesses to set up there or to move their centres there. On that point, do you feel there is a more strategic approach that the Government or UKTI could take to focus on areas that are logistically more suitable for exporting, or should they just apply the broad-brush approach at the moment?

Iain Malcolm: The North East is open for business. The North East wants to export more. We would like to see the inward investment and the export arms of UKTI more joined up because there is a feeling it is a bit disjointed. I would like to see more firms locating in the North East to export to mainland Europe and elsewhere. We are very much a region that is receptive to additional support and encouragement in that field. We have got the good connectivity and an adaptable workforce to help companies succeed. Whether or not that should be at the expense of other regions is not for me to say, except that for my region we will take any support and encouragement that we can get.

James Cushing: I would be concerned in that, while I recognise certain areas will have a key logistical or geographical advantage, the view of our members was concern that there may already be an approach where certain areas are getting more support and access than others. That was certainly fed back from our members as a concern.

Q206 Craig Tracey: Is that through the approach of UKTI or Government particularly, or is it just the strength of the organisation in those particular areas?

James Cushing: Rather than being a UKTI plan, it could be an unintended consequence of some of the devolution discussions that are going on, in that some areas are getting these additional powers, others may not. While I accept it is for the local area to decide whether that is a priority, we are concerned that that option at least needs to be open to all areas to have that input.

David Hughes: Our main asset is the fact we are quite close to mainland Europe; we work hard on that. We have worked on a number of programmes to work with authorities in northern France and Belgium and so on. UKTI help us with that. Apart from that, there is not much to say other than we get a lot of traffic that comes through Kent.

Q207 Chair: James, on several occasions you have mentioned Shropshire. I have got the figures in front of me: £1 spent delivered a return on investment of £173 of economic growth within Shropshire, and that is expected to rise to £200 by March 2016. The average economic growth per international trade adviser is £5,882,000. These are astonishing figures but they must be by far and away the best in class. What is the average?

James Cushing: It is an interesting question. We asked our entire membership for these types of figures. Shropshire was the only authority that was able to respond. That does not mean that other authorities do not have them, and we do not cover all authorities nationally, but that does indicate, to some of the points I was raising earlier, that it is quite a mixed picture.

Shropshire have, as part of the historical West Midlands agreement with UKTI, a formal service-level agreement with the service, which means they are able to get this data. That does not exist for a lot of other local authorities. Certainly for my own authority we have struggled to get that kind of information out. This is the best information we have. I would probably suggest it is one of the best examples out there, but we do not have comparative data.

Q208 Chair: In your submission you suggest that access to finance remains a problem for firms wanting to export. Do you want to elaborate on that?

James Cushing: We obviously compared some of the international experience in other areas, so we looked at Hermes supports in Germany around export and credit. We welcome UK Export Finance and the progress that has been made there, though obviously there is still a scale gap to what is happening in Germany and the States in terms of the amount of credit guarantees being put in place. A general feeling back from members was asking whether, particularly for SMEs, there is more that could be done to support export. One of the suggestions that came forward asked whether we could be looking at something akin to R and D tax credits. Could we be using more tools and facilities to incentivise or make exporting more beneficial to the business over and above the actual financial support that can be given directly to a business?

Q209 Chair: Should we be providing those things?

James Cushing: Absolutely, yes. Our view is that exporting is a key goal for the Government. We absolutely support the drive to increase exports. I personally feel we should be doing as much as we can as well as the promotional side. It was asked in one of the sessions earlier whether this is a lot about engaging with overseas markets and promotional work; we do need those tools and actual activities to use to achieve the targets.

Q210 Chair: In summary, if you could give us one practical example in terms of a recommendation that would help boost exports, what would it be? This is to all of you, but I will start with you, James.

James Cushing: My own personal reading, as we did receive quite a few views across our membership, is there really is an issue around some of the digital platforms and how we are meeting those. I think the Cole review stated that 800,000 businesses did not have any online export or trading platforms at all. CEDOS's perspective is that in the first instance we really need to be making an inroad into that level, because that could be quite transformative.

Q211 Chair: Iain, what would you recommend to the Committee in terms of a practical answer to help boost exports in South Tyneside and the North East?

Iain Malcolm: The North East Combined Authority would support the Government's objectives and would hope that they are achievable. It is for other people from the CBI and the chamber of commerce to decide whether or not they would be met. Certainly in the North East we want to see a more export-driven economy. This will only succeed if we have the support of government agencies like UKTI, which means there has to be much more joined-up thinking, better communication and more practical engagement between UKTI and areas like the North East with their local authorities. We can provide so much resource, so much support, and so much encouragement to local businesses, which, like residents, invariably trust and support the work of their local authority. These targets for the North East can be achievable but UKTI has got to stop being insular in our region and start engaging with the North East Combined Authority.

David Hughes: Businesses have told us, namely really small businesses at the early stages or starters, that they really appreciate awareness of what is out there in overseas markets. They like support in terms of getting over there. We arrange small missions overseas into northern Europe in particular. That is what they want most of all, as far as we are concerned. UKTI has a role to play in that. It suits our economy because it is mainly a small business economy. We need more of that and more on the ground advice through ITAs, the international trade advisers, which is a really good service from UKTI.

Chair: Gentlemen, thank you very much for your time. We are really grateful.

Examination of Witnesses

Witnesses: **Jeremy Allen**, Head of Investor Relations, Department of Energy and Climate Change, and **Tim Render**, Head of the Great British Food Unit, Department for the Environment and Rural Affairs, gave evidence.

Q212 Chair: Good morning. We are grateful that you are going to give us evidence on our inquiry into exports and the role of UKTI. For the purposes of the record, who are you and which Government departments do you represent?

Tim Render: I am Tim Render. I am from Defra. I head the Great British Food Unit, which is the first of the integrated sector teams bringing together UKTI and policy departments, which has been in place since the beginning of the year.

Jeremy Allen: I am Jeremy Allen. I am the Head of Investor Relations in the Department of Energy and Climate Change.

Q213 Chair: Tim, Defra has been cited as a good example of exports being embedded into what particular Government departments do. When you have been doing this, what lessons have you learnt and what lessons could you give out to other Whitehall departments?

Tim Render: The starting point is that exports are very much a key part of how the department sees one of its core functions, which is around achieving a world-leading food and farming industry. That has a number of components. We are committed to producing a 25-year food and farming plan. We are working on that with industry at the moment through a whole range of things that contribute to making those industries really productive, competitive and world leading. Some of those are domestic, such as skills, apprenticeships, innovation and research. There is also, within that, a really strong strand of exporting, which contributes to both the productivity and competitiveness of our industry in the round, and clearly makes a big contribution to the Government's wider targets on export. This is part of an integrated whole. We are looking not just at exports on their own but exports as part of a much wider package of Government and industry engagement to drive up the productivity of the whole industry. That is the really powerful starting point.

We then have very strong political commitment behind that. That is a top ministerial priority; it is one of the very clear objectives set out in Defra's public strategy. We have ministers very much behind that. It is that ability to integrate all of those elements that is one of the areas of added value. That also means we have a richer, deeper and more extensive engagement with the food and farming industries such that those conversations around exports—joint working with the industry to drive up exports—are part of a much bigger set of engagements than perhaps UKTI on its own would be in a place to do. Those are the three components: the integrated whole, domestic and international political commitment, and the depth of industry engagement.

Q214 Chair: Are you seeing success already? Have you been able, as a result of those points you have just mentioned to us, to see the line on the graph move in terms of exporters in the food and farming industries?

Tim Render: It is too early to see those sorts of numbers coming through the actual export statistics. We are seeing increased ambition in the industry to export. The food industry, not so much the alcoholic drinks sector, has not been as focused on exports as a number of other sectors. Less than 20% of the food industry's turnover is exports, compared with 70% for aerospace and automotive. There is a change in ambition. There is a real engagement from the trade associations to focus on work with their members and with Government to help those companies grow their export capacity.

Q215 Chair: "Embedding promotion of exports into Whitehall departments" sounds fantastic, but what does it mean on a practical, day-to-day basis? UKTI sit in Defra, do they?

Tim Render: Yes.

Q216 Chair: What do they try to encourage when they liaise with officials and with food and farming representatives? Is it identifying markets or exploring opportunities, for example? How does it work on a practical basis?

Tim Render: On a practical basis the team sits in Defra reporting to me alongside Defra teams that are focused on both that wider industry engagement. Also, we have a very major role in government-to-government engagement on food and drink, where there is a lot of regulation. We have to negotiate market access for a number of products with many

countries. There is a very clear Defra government-to-government role in parallel. The fact that you have people sitting next to each other just makes that practically so much easier. Defra and UKTI are four minutes' walk apart. That is not very far, but having to pick up the phone or send an email is a barrier. Sitting close together means you have got that conversation going on all the time—"Can you just...", "What about this?"—in looking at those engagements with industry on a whole range of those issues, at priority markets, and at the opportunities coming up in different sectors. My teams that are negotiating to open market access, for instance, are going to the USA soon to negotiate and hopefully secure market access for UK beef, which we cannot currently send to the USA. That is a market opportunity of potentially £40 million a year. We need to work in parallel with UKTI colleagues to make sure that the industry is ready to take advantage of that opportunity when we have it. It is the ability to join some of those things together that is one of the real opportunities.

Q217 Chair: You mentioned earlier it is too early to say whether it is a success or not, but what targets do you have in terms of sector-specific export goals?

Tim Render: We are working with industry colleagues to develop some of those. The food and drink industry cannot be looked at as a whole terribly easily. You have to look at particular subsectors of it. What works for the spirits and drinks sector is very different from what works for the meat industry or the dairy industry. They have different priority markets, different issues.

We are working with the different components of that to identify what their big opportunities are. For instance, the dairy industry has come together to develop its own export strategy working with us. They are targeting 20% to 30% growth over the next few years, but the English wine industry is looking at tenfold growth over the next five years, albeit from a very small amount. We have real ambition that we can do quite a lot to help them break into new markets or establish themselves further in some of those bigger markets. Again, that is an issue where there are both domestic aspects around the ability basically to plant more vines as well as opening those markets, supporting them in key markets. It is that ability to bring those two things together that potentially drives the real opportunities.

Q218 Chair: Is the department putting its money where its mouth is? If this is a core departmental objective in terms of promoting exports, are you investing departmental cash to do this?

Tim Render: Certainly in terms of people. The Great British Food Unit across its full remit is about 70 people, 40 of whom are dedicated to export. Of that, the UKTI team on export and inward investment is four core civil servants plus three external specialists. Yes, Defra is putting a very substantial people resource behind this.

Q219 Jonathan Reynolds: Listening to all of our witness sessions today—we have had the devolved Administrations, then the local authorities and now you—a question keeps coming to my mind, which both of you would be well placed to answer. In terms of the role of Government to hit our export targets, do we see it as a primarily top-level job of publicity, making introductions, providing market intelligence, being a political champion perhaps in some sectors, and hoping British firms take that up, or is it one of the much more practical levels of providing finance, regulatory compliance, helping firms with their capacity to deliver? I assume it is both, but it seems to me there is a sense coming across from some of

the evidence that we might be very good at the first but less good at the second. I would like your perspective on that.

Jeremy Allen: I would add a dimension that DECC sees particularly is to create the right market and policy framework for the UK but as a foundation for the ability of firms there to export. DECC's role is primarily, as you will be aware, to service the needs of the British energy market, but we are very alive to the opportunity that then creates both for investment and for export. We want to see that as an additional benefit, but we start with whether we are creating the market conditions to allow a vibrant business UK that could then be a platform for that company or set of companies to think about exporting to third country markets.

Tim Render: I would agree with your analysis on that. We also need to think about those things that, in a sense, only Government can do or Government is most strongly placed to do, and things that others can also contribute to. From a food and drink perspective, as I say, there is a big regulatory set of issues that require government-to-government negotiation, be that around access to the US market for our beef, or regulatory and fiscal issues around spirits/drinks access to many markets. You have either got or not got the opportunity. Only Government can deliver it. There are big issues around image and brand. Although less so for UK alcoholic drinks, the perception of UK food is not as positive as it should be. It does not reflect where the industry is. That is something that Government can do. The Food is GREAT element of the wider GREAT campaign has been very helpful in that space. Things about information and opportunities are also important. Those are things where Government can really add a lot of value.

On support for businesses, yes that is very practical. Yes, Government can do that. Other people can as well. There are some issues around skills—helping businesses understand the things they have to do to be able to be successful exporters. Also in that space quite a lot of business-to-business engagement and support can be very powerful. Similarly, in terms of raising companies' ambition to export, I have spoken at a number of business events, and while it is one thing for me to say, "We think it is a really good idea for all of you chaps to start exporting more," it is the company that comes on after me and tells its story, shows its growth and says how they did it that really gets the message across. Government can do things but there is a lot in that space around partnership—wider industry and local enterprise partnerships helping and really providing a lot of that practical company-specific support.

Q220 Jonathan Reynolds: You both have very interesting sector perspectives as well, but do you ever find that there is too much overlapping of competing organisations? Presumably both for food and drink and for energy, there is very substantial interest from the devolved offices, which we have heard today. In many parts of the country we have a very specific local authority focus on an economy based around particularly energy interests or farming or so on. Is that a problem or are all these organisations essentially helping to change the culture of the UK and make it more willing to consider exporting?

Jeremy Allen: I am more visible on investment, I have to say. I see a lot of complementarity and really good synergies there, in promoting the UK as an investment destination either for developers or financial investors. We are learning about the export world as we talk to UKTI about the integration process.

I could not say whether there was duplication or synergy. We have begun a journey over the last few years particularly focused on industrial strategies. They were particularly a policy of the last Government, but they were a good way of beginning to think very clearly about specific sectors such as oil and gas, civil nuclear and offshore wind.

Q221 Chair: Has that now died? Has the industrial strategy withered on the vine?

Jeremy Allen: They are still driving a lot of activity on the ground. One of the practical benefits for us was to have a greater understanding of our respective roles and responsibilities, at least within the Whitehall agenda, i.e. the Department for Business, Innovation and Skills, UKTI and us. It has been of real value in understanding what we all bring to the party and what we are all collectively trying to achieve. It has driven a lot of very valuable work.

On balance, our emphasis has been more on investment because of what we have needed to attract into the UK for our own objectives as a department. However, it is also bringing understanding about trade promotion as well. They are definitely delivering value in terms of practical ways of working.

Tim Render: From a food and drink industry perspective, I recognise the picture you have painted. There are a lot of bodies out there. They are all pushing in broadly the same direction. Are they as clearly and well aligned and complementary as they could be? The answer is no. We can add value through things like our Great British Food and Farming Plan, through having a very clear articulation of what the issues are and what we all need to be bringing together, and through helping people align and really focus on the different elements. That is a territory that I want to do more work in. There is a lot of opportunity there.

On the devolved Administrations, food and drink is devolved. It is their responsibility. We work very closely with them. Obviously, in a lot of international markets you have a UK presence at an international trade show, for instance, but maybe with a Welsh pavilion as part of the UK stand. They are doing a lot of the promotional activity themselves, but we are very much working closely with them. The regulatory side is not devolved. Defra does it on behalf of the UK and we have close, formal relations with the devolved administrations to make sure we know what their issues are and we are reflecting those in what we are negotiating internationally.

Q222 Chair: Mr Allen, we heard from Mr Render in terms of core policy objectives, but you have hinted strongly that your core function is, essentially, to keep the lights on—making sure the British energy market is working. Trade promotion is not core business for you, is it?

Jeremy Allen: We have not, generally, engaged actively in trade promotion. There are some exceptions where, say, for oil and gas industry exploration and production, companies have come to us that are seeking access to third-country markets and there is a government-to-government issue.

We do house an International Energy Unit, which is a partnership between us and the Foreign and Commonwealth Office, which thinks about some of these issues and helps UK-based companies—obviously, we have some very notable oil majors—in that sort of activity. It is, however, true that we have not engaged directly in many classic trade-promotion activities, garnering up companies.

Q223 Chair: Given what the Government wants to do in terms of increasing export values and the number of exporters, how are you going to move that oil tanker around, as it were, in order to ensure this sort of thing happens so there is trade promotion? Are you realigning and reallocating investment and personnel in order to ensure we have trade promotion rather than the other functions of the department?

Jeremy Allen: We are talking with our UKTI colleagues as part of this integration process you have been hearing about to ensure that we are now fully aligned and that the expertise and value-add that we bring in terms of understanding the policy framework and market arrangements is fully leveraged by the export capacity that UKTI brings to the party.

We are making more of the synergy between what has been a focus on policy for the UK market and ensuring that it is conducive to and supportive of a focus on trade promotion. Both we and UKTI recognise that there is more we can do, as the trade promotion capability is either approaching UK businesses or is in third-country markets, to ensure it is aligned—

Chair: How will you change activities and reallocate in terms of corporate priorities in order to do that?

Jeremy Allen: For example, in offshore wind for several years we have run what we call a tasking board between us, where we have visibility about what we are trying to do both in the UK and in overseas markets. UKTI and DECC colleagues can talk in detail about how these map into a coherent whole. The integration process we are currently discussing with UKTI, which we are going to deliver through this year, takes that example further and integrates it more.

As Tim has said, our intention is that colleagues in the building who have a trade-promotion focus all begin to think about the multiple applications of policy and that they are hitting those targets. Yes, we have a security-of-supply objective for UK consumers. The trick will be to ensure that our policies leverage a trade-promotion opportunity in the way that arguably we have not done in a coherent way to date. We have relied on UKTI to go about its business and we have focused on our set of objectives.

Q224 Chair: How many officials in the department work on inward investment? How many officials work on trade promotion? Will that ratio change?

Jeremy Allen: We are working with UKTI on how we can have access to increased capability on trade promotion. Arguably, as a department, we have not dedicated explicit resource, particularly, to trade-promotion opportunities previously.

It is difficult to put a number on inward investment. In a sense, we have technology-based teams. We have, for example, a nuclear team, a renewables team and coal and gas teams. As we create policy, in a sense we are opening up the opportunity of doing inward investment.

All those policy officials who are working to create the right market frameworks, in a sense, are creating opportunities for inward investment. We know we have foreign-owned companies in the market and we have the opportunity for foreign investors or developers to further come into this market, so we want to make sure that market framework is conducive to their money.

Q225 Peter Kyle: It has really been fascinating, listening to both of your sets of evidence today. Thank you very much. You have described a relationship that is incredibly complicated—or I suppose you might like to say “sophisticated”—because your department is playing a leadership role within Government; you are also co-ordinating with UKTI on the need to stimulate exports on the frontline. Is it easy to understand? Is it an explicit relationship? Is it a codified relationship?

Tim Render: No, not quite yet. We have been working—very much thanks to the team I have—on a goodwill basis. Both departments want to make this work and we are working to make that happen. We have various exchanges around resource levels and so on, but the idea

will be, particularly as we move into the next financial year, to formalise all of this with formal memoranda of understanding between the relevant departments.

Part of this is that we are still going through the UKTI business-planning process to determine precisely what resources we all have access to in order to then pin down, “Actually, what am I responsible for? What is UKTI responsible for?” That is very much the work that is being done at the moment. When we have that, we will have to codify those responsibilities and those accountabilities very clearly.

Q226 Peter Kyle: You said, “We have various exchanges”. Is that mandarin speak for flying rows and mobile phones being thrown across the room?

Tim Render: No, absolutely not. This is very much something that, from a Defra perspective, we are fully committed to. At the level of the Secretary of State, we really wanted to move in this way. We were willing to be the pioneer, with all the uncertainties and issues you run into from being that.

Q227 Peter Kyle: In this growing and sophisticated relationship you have with UKTI, both within your department and on the frontline, do you still have the freedom to act rapidly and instinctively with your partners when you have an idea or when you come across an innovation, or are you now wrapped up in a process where you have to consult UKTI, wait for a response and walk the four minutes to them if you do not get the phone call returned? Can you still be fleet of foot, as a department, to do what needs to be done?

Tim Render: On many things, yes; on some of the issues around deployment of UKTI resource overseas or in the regions, we are working really closely with those posts. I have two major overseas ministerial visits next month, which require a huge amount of UKTI input overseas. That is happening seamlessly and we are being creative and fleet of foot.

To me, however, that is one of the issues we still need to formalise: how can I call on direct UKTI resource overseas that will be held and managed centrally? That is the appropriate place for resource to be held and managed, because it is clearly working across multiple sectors.

It is not a practical problem at the moment, but to me it is one of the big issues we need to be really clear on: how can those of us in the policy department call on and utilise, and get that fleet-footed response from, the centrally held UKTI resources?

Peter Kyle: That is really helpful. Is there anything you want to add to that, Jeremy?

Jeremy Allen: We are on a similar journey to codifying the relationship when we have worked through the integration process. The direction of travel is conducive, however.

In my role, and in the roles of many of my colleagues, we have had some really great co-operation with UKTI, particularly in our key overseas markets where we are looking for investors. The posts are often incredibly helpful, with locally engaged staff who have knowledge of the markets and key actors. That has been a very profitable relationship for us. We are learning more about the world of exporting, but we are coming from a background of knowing our colleagues and focusing on core actions where we add value and where they add value.

In my own experience, we find them fleet of foot and willing to engage. We do not find processes thrown at us where we want to act. We hope that is similar for them, too, in working with us.

Q228 Chair: Thank you. I have a final question for you, Mr Allen. Who is the Minister responsible for trade promotion in DECC?

Jeremy Allen: We are working through that as part of this process. Both the Secretary of State and Andrea Leadsom have taken an interest in this—along with the ministerial team. We are working through how this will work. We have had conversations with the Minister of State. The ministerial teams are looking keenly at the outcome of this so we can advise them. Then we will formalise roles and responsibilities when we have a package that we feel delivers all the value of this process.

Chair: When will that be finalised?

Jeremy Allen: We are talking weeks or—

Chair: Or months or years.

Jeremy Allen: No, not years. I hope we are talking weeks, because we are in the final processes with our UKTI colleagues. We have been talking for some months about the overarching aim of bringing a department like DECC into trade promotion more explicitly and what that means for the personnel and ways of working. The crowning bit will be then about the roles and responsibilities of the ministerial team, which we will clarify. Part of that codification will be, “Right, this is that role and responsibility; this is the Minister. We are good to go.”

Chair: Thank you very much. Gentlemen, we are very grateful for your time. Thank you. Colleagues, thank you very much.