



Business, Innovation and Skills

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

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

Questions 229 - 314

Witnesses: Lord Price, Minister of State for Trade and Investment, Dr Catherine Raines, Chief Executive, UK Trade and Investment, and Louis Taylor, Chief Executive, UK Export Finance, gave evidence.

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Q229 Chair: Minister, Louis and Catherine, thank you very much for coming to talk to us about exports and the role of UKTI. For the purposes of the record, could you give us your names and your various positions? Let's start with you, Minister.

Lord Price: I am Lord Price. I am the Minister of State for Trade and Investment.

Louis Taylor: I am Louis Taylor. I am Chief Executive of UK Export Finance.

Dr Catherine Raines: I am Catherine Raines. I am Chief Executive of UK Trade and Investment.

Q230 Chair: It is good to see you again, Catherine; welcome back. Minister, congratulations on being appointed. I understand that you are three weeks into the job; is that right?

Lord Price: This is week 4. However, the good news—and something that is unprecedented in Government, I am told—is that I had a month handover with my predecessor, Lord Maude, so I have had four weeks to try to assimilate as much as I could from him. I had a good trip with him to Washington and then, as you say, I am flying solo now in my fourth week.

Q231 Chair: When you said “four weeks”, I thought you were going to say that you have lasted as Trade Minister for four weeks. Given the high turnover of Trade Ministers, that seems quite an achievement. Minister, will the UK hit the £1 trillion export target?

Lord Price: As you say, it is a target. I would give us better odds of doing it than I had given to Leicester City winning the premier league eight months ago. We have got a lot of good plans in place, which we look forward to sharing with you this morning. I hope that through those what you will see is that we want to keep that target and we want to try to achieve it, as well as the target for 100,000 extra exporters, and, in addition—something that is not being covered by your Committee—the target of £1.5 trillion of inward investment into the UK by 2020.

Q232 Chair: Will we hit the target for 100,000 new exporters?

Lord Price: We are four years off, so I don’t know. All I know is that we have got some great plans in place and they are very different from what we have been doing historically. I am happy to give you my opinions, if you would like them, on where we have been to date, the changes that we are making and why I think they give us an opportunity to catapult going forward.

If you look at the figures, particularly regarding the £1 trillion, you will see that it is a very challenging target and requires a 14% compound growth over the next four years. We have achieved a 14% growth in exports—we did it in 2006—and we have achieved things in other years when we have had 11% or 12%, but the last two years have been particularly slow for us. There is precedent historically that we have had the kind of growth rate in-year that we would need to sustain for the next four years. However, as I say, there are a number of things about the way markets are opening up and some of the changes that we have in place that would lead us to want to maintain that as our target.

Q233 Chair: Can I take you back to the past? Have you been looking in terms of an historical perspective in order to shape future policy? Why do we do so badly in the UK when it comes to trade performance?

Lord Price: I would not say we do so badly.

Q234 Chair: We do relative to our close neighbours. Even since 2011, the likes of France, Germany and others have been powering ahead and we have not. Why is that?

Lord Price: In 2014 we were sixth largest in the world for exporting. France was seventh largest. Germany is the one you could look at in Europe that is ahead of us. They have double our number of exports. Within a basket of European countries, Germany is number one. We are, interestingly, number one for inward investment, but we do beat France and Italy in terms of our sterling value.

That is not to say that we do not think that we can do more and that we cannot do better. On that first point I would say that the opportunity is to try to rise to German levels, which would mean doubling where we are today, rather than looking at us against France or Italy, which are both below us in sterling terms.

The other great success story for the United Kingdom is how well we do in service exports. We are second in the world, which is something we should be hugely proud of. We should be proud of our banks and consulting and a whole range of things that go to make up that. We are eleventh in the world in goods exports and it is really in that space and the SME space and goods that we have clearly got the greatest opportunity to grow. There are also international opportunities for us to build value as well.

Q235 Chair: You have mentioned the successes of inward investment several times already, and that is very true, but are you concerned that we have seen earnings from overseas direct investment decline quite markedly in recent years?

Lord Price: No. Having looked at it in my first three or four weeks in the job and a bit before, I think there is a good story in terms of inward investment. I do see some good inward flows. Actually, we feel confident about hitting the £1.5 trillion, and in fact probably beating the £1.5 trillion, of inward flows of capital and stock in the UK.

Q236 Chair: What about outward flows? We have always traditionally been very good at seeking earnings from overseas direct investment but that has fallen really quite markedly, has it not, to the point where the current account deficit is alarming?

Lord Price: I do not know if I would use the word “alarming”, but you are certainly right in terms of the trend over the last few years. What we have seen is that the trade deficit has grown. As you say, the main part of that is the movement in investment overseas.

Q237 Amanda Milling: Good morning and welcome. There are two targets: the 100,000 new exporters and the £1 trillion target. Do you see a tension between the two targets, particularly in the context of the resource required to hit them?

Lord Price: The answer is no. Dr Raines could answer in a lot more detail than I could. The phrase that Dr Raines used, which I think is a good one, is, “There is value in the volume and there is volume in the value.” What we are doing as part of our transformation, if I can touch on that, is to be far clearer in our own minds about how we achieve the value target and how we achieve the volume target. The piece of work that we are just about to conclude takes a very analytical approach on which are the fastest growing sectors and which are the fastest growing markets for those sectors. What the team have done is to plot the top 200 opportunities.

You will not be surprised to hear that, for instance, energy oil in Kazakhstan is the third biggest opportunity in terms of its value and that therefore we should be focusing more resource on winning those kinds of opportunities. It is also true that a lot of markets are opening up at the moment. Iran is opening up and Mexico is opening up. I went to visit Mexico. Indonesia is also opening up. These are potentially large markets for us if we focus on the right sectors. We think that, by looking at markets that are opening up,

looking at where there is opportunity for sectors within markets and focusing resource there and taking a cross-Whitehall approach, we can open up the value opportunity.

However, within that, because there will always be secondary and tertiary suppliers to the majors, there will be a volume knock-on to those opportunities. Similarly, with lots of small importers and exporters, that will build up into larger volumes for some of the bigger companies. They both trade off each other.

Q238 Amanda Milling: Can I pick up on that? You mentioned Iran. We have just come back from an inquiry in Italy, and it was evident that they were ahead of the curve compared to ourselves in terms of opening up Iran as a market. Actually, it is probably fair to compare that with a number of countries. I am just wondering what we are actively doing to open it up as an opportunity for ourselves, because I have companies in my constituency that are saying, “Actually there are too many barriers and it is actually an opportunity for us.”

Lord Price: I spoke at the Iranian trade conference in London two weeks ago. Lord Lamont has now been made the Prime Minister’s trade envoy to Iran. We have talked to some of the larger infrastructure companies, such as Rolls-Royce. We know there are opportunities for Rolls-Royce and Airbus. The biggest challenge in Iran at the moment, which we are working on, is getting financing for those companies. You can get some third-party finance. Mitsubishi Bank and other banks are providing finance, but at the moment it is not straightforward for us. I know that Boeing has been having conversations, and I suspect that if it is successful in some of its contracts and a lot more global players start to take part in the redevelopment of Iran, then it will become easier for British companies and for banking. There is no lack of ambition on our part to want to support that move forward.

We feel that as Iran had complied with what we asked of them in terms of their nuclear development, it is beholden upon us to support them with trade. That was part of the arrangement, so we are now actively looking to see what we can do to support British companies, particularly around financing.

Q239 Amanda Milling: You have mentioned a number of large businesses, but what about the small and medium-sized businesses, and even the ones that might already be exporting to six, 10 or 30 markets?

Lord Price: The second part of our strategy is about volume and how we get more SMEs exporting. Roughly speaking, 1.3 million companies in this country are SMEs. Relatively few—thousands—are actually large companies. Our strategy depends on helping small and medium-sized businesses export more.

How do we do that? This is all Dr Raines’ work, so I feel as though I am stealing her thunder—she may be able to add to this. We have 340 ITAs—international trade advisers—in the UK, and we have 109 UKTI posts internationally. If you talk to the posts, they will tell you that it can take hundreds of days of work to land one contract for one British company. Therefore, if we are going to scale up and get to the kinds of volumes that we deserve to get to in this country, one of the things that we have to do is make it easier for businesses abroad to see the opportunities that exist from British companies and vice versa. Therefore, what we have talked about is moving to a far more advanced digital solution.

You will have seen the Exporting is GREAT website, which is the early start of that. There are about 1,700 opportunities internationally posted on it today. However, we want to scale it up so that any British company can go to that website, type in what their product is and automatically the opportunities that exist around the world will come up for people that would like to purchase their product. From there we can start adding services as they are required, whether it is a telephone helpline, whether it is a chat line or whether they need to have a more personal service from an ITA. We think that that can speed up the flow of investment from SMEs.

The other thing that I am delighted to report is that I have had meetings with Barclays and HSBC, and they are both really keen to help us. They are both banks that want to do more internationally and they would like to support us in bringing companies on board to our digital offering and then providing the support services that they need to be able to export. I hope that those things will make small British businesses more confident about taking a leap into the dark in exporting because, as this Committee knows, some of our continental neighbours have more confidence in doing that than some of our British companies.

Q240 Amanda Milling: I could ask a lot of questions. I will ask one. You raised the fact that opportunities are being identified in the markets, and we are promoting them through the website here in the UK. We are not actually filling those opportunities. Is there not a danger that we are actually having a negative impact in the markets by saying, “Actually there are these opportunities but we are not actually fulfilling those opportunities”?

Lord Price: We have got to be aware of that. If we unlock the floodgates and we do work with Barclays, HSBC and others to identify tens of thousands of opportunities internationally, then it is beholden on us to help companies in the UK get export-ready. At the moment we have 340 ITAs. We have just got to be slicker. We have to work with third parties to get more companies more quickly ready to export internationally. Our plans include working with the banks and with third parties, chambers of commerce, et cetera, to allow us to speed that up.

Q241 Amanda Milling: We have heard evidence to suggest that there are opportunities that are not being filled. That would suggest that the banks, the chambers of commerce, UKTI and the ITAs are not doing what they should be doing at the moment to fulfil those opportunities. How can you reassure this Committee that this is not going to be an ongoing situation?

Lord Price: I would describe it like this. There are millions of opportunities around the world and there are X million companies in the UK. At the moment I would describe the process as random. I would describe it as rather like watching six-year-olds play football, in that people find an opportunity and they all run after the opportunity and we have limited resource to fulfil those opportunities. Catherine and her team have done a huge amount of work on this, and our view is that by having a more systematic approach in terms of identifying the big opportunities, the markets and the sectors, and targeting resource at that, we will get the big wins. By having a digital offering whereby we can match UK companies to international opportunities and provide the support, we can be far more organised about landing the right opportunity in the right place. At the moment it depends so much on the individual in post and the individual company.

The truth is that when the world depended on its maritime strength to be an exporter, we were an incredibly powerful exporter. In fact in about the mid-1800s we were number one in the world in terms of trade. The railways, the steam train, the roads, the combustion engine and the jet engine were all invented by us. We made the world smaller and easier for others to move their goods into exports. We invented the internet and we are very advanced in this country in terms of our digital capabilities, and my personal view is that the digital revolution should give us the march if we embrace it in finding opportunities internationally, posting them and getting companies in the UK to go and look at those and to not be afraid to do it and to have the confidence to do it. The banks want to support us doing that. They want us to find opportunities internationally and to help us do that. They want to bring their companies on to a digital platform to allow them to export as well.

For those reasons, because the banks want to support us, because of Catherine's plans for what we are going to do digitally, and because of Catherine and her team's plans on value, I feel far more confident that everybody will know their position on the field and everybody will know where to go to get what they need. At the moment I do think, as you are suggesting, that it is slightly more random.

Q242 Chair: Minister, you gave an interview to *The Sunday Times* last month, and you said, to quote you directly, that you wanted UKTI to “think a little bit differently”. You also said, “I hope we can test things in a similar way to how we do it in retail. That does not tend to be the normal mode of operation.” What did you mean by that?

Lord Price: I meant the work that Catherine has done and the work that Louis is doing. Louis will be able to talk to you about his trial coming up with Santander to make it easier for small companies to get finance. Catherine can tell you about four trials we are running about seconding export managers and providing export vouchers to companies, so that we can trial a number of things that we know are happening in Canada and Italy to see if they work in the United Kingdom. It would be nice if we could trial those things. Some of them will not work and we will then learn the lessons about what does and does not work in the UK.

It is also important to embrace digital in the way we want to embrace it; I think that is very different. I do not see anybody in the world, in terms of a Government trade promotion agency, doing what Catherine and Louis are planning to do. For those reasons, I feel very optimistic that we have an agenda going forward that is very different and will position us very strongly against other countries in terms of what they are doing.

Dr Raines: Chairman, may I add one comment to help answer the previous question?

Chair: Can you do it very quickly because I think Chris might want to talk to you about UK strategy?

Dr Raines: It is very quick and it is to do with international trade advisers. The thrust of the answer that Lord Price has given you is absolutely right, and there is an important additional factor, which is that the way we measure international trade advisers is going to change. International trade advisers have been working exceptionally hard but I would argue that they have been incentivised on the wrong measures. Actually starting

to measure them on the number of new companies that they get to export will link their activity directly to the macro targets that we are trying to achieve. That is an enormous change that will help the international trade advisers to focus their efforts in the right space.

Q243 Amanda Milling: That is all well and good in incentivising new exporters, but what happens if they then lapse?

Dr Raines: You are absolutely right that the data demonstrates that many companies lapse exporting within five years. That is something that we do not know enough about and we need to understand why companies lapse. The targets that ITAs have will be around creating new exporters who are sustainable exporters. We will measure them when they start, at three years and at five years. We will be looking at the products and services that are required not just to get them started but to sustain them on their exporting journey.

Q244 Chris White: Thank you, Amanda, because I am sure you could have spoken at length on this particular issue. I would just add that I personally think that you are relying heavily on a digital offering. Going on from that point, everybody in the room agrees that economic growth has got to be a number one priority, but how do you think that scaling back on the support that the Government provide to UKTI, or even cutting their budget, will help boost this growth in exports?

Lord Price: I have come from a world where every year you look to be more efficient and you look to grow your sales. There is not an inconsistency. We try to have a more efficient operation and an operation that delivers more.

Chris White: Can I interrupt? I know where you are going with this. Is there no way that you can have a more efficient organisation by virtue of more funding?

Lord Price: There is; you can have a virtuous circle if you can demonstrate that more people generate more trade. Who knows? We may be able to do that. In my short time in this role, having looked at budgets and plans, I do not think that what is being asked of us in a budgetary sense is unrealistic against the targets that we want to achieve, because there are ways that we can be more efficient. I gave my rather poor analogy earlier about six-year-olds playing football and everybody running after the opportunity. We should just play in position so that everybody knows what their role is and the hand-offs are crystal clear, so that when posts find an opportunity they pass it either to the sector team if it is big, or to the regional teams in the UK if it is smaller. We should use the power of the web and be much clearer about where third parties play their role. They are providing services that companies can purchase, so not getting those services from us and us duplicating.

For all those reasons, I do think we can be more efficient and I would probably be looking to be more efficient even if there were not the targets that have been set. I can quite understand why you made your opening remark around concern about it all being digital. That would be misleading if I say that. It is not all about digital. It is about understanding what we can do digitally to just flag opportunities to companies. It is then about how you go through a line of support, which is ever more costly as you go up it—for

example, having a visit from an adviser who is going to sit down with you and your business.

A lot of these services are provided by others. They are provided by the banks. We need to be really clear about what we should be doing and what can be done elsewhere. If we have resource we can then turn our resource on to the things that only we can do. For example, there is the power of us having 109 posts around the world to work with Governments and companies to open up and unlock opportunities for UK companies. That is where we should be focused. We need to make sure that our sector teams are embedded in Whitehall and working with their Ministers to make sure that our policy and our co-ordination is in the best interests of British businesses so that they can export. In addition, we need to be making sure that regionally we have the right number of people. It is not necessarily about fewer people; it is about where we are investing in our people to get the best impact and where we are investing in third parties. We have a lot of mileage.

Q245 Chris White: You seem to be talking about a greater focus of the business that you do. Having a greater focus generally means that some things will slip. Do you think you will be losing some areas? Do you think that you will be losing some posts overseas?

Lord Price: If you restructure around opportunities, inevitably that means moving pieces on the chessboard. To go back to my previous example, if you look at the range of opportunities that we have been looking at, you get oil and gas in Kazakhstan as the third biggest opportunity in terms of sterling size. You get agri-tech in Namibia at 809. You have to say, “Where do you want to put people? Where do you want to put revenue or capital to unlock these opportunities?” The world is a huge place and there are lots of opportunities in every continent. With our budget and focus, we have to say, from a value point of view, that we need to focus on the major markets and the major sectors. If we are going to work on India, which three or four sectors in India should we really be investing our time and money in unlocking? It is about getting British businesses over there and working with the Indian Government to make sure that in those areas particularly we have the right regulatory framework. That is where our focus should be.

What we should then be doing regarding volume is saying, “Okay, there is a world of opportunity out there. How do we make those posts sit so that UK companies can interact themselves, find the opportunity and work with third parties to take them?” It is where Government should be playing in this debate and where business and third parties should be playing in this debate. Because of that, inevitably there will be some reallocation of resource.

Dr Raines: If we were to run a campaign in every sector and market that we are in around the world, that would be 2,200 campaigns. Opportunities are endless, but clearly resources are not. When we look at the value that could be in those 2,200 campaigns, around about 80% of the value is in the top 180. That data has been validated by McKinsey. It is very clear that that is where our resources should be focused. We think that by focusing our resources there, by 2020 we can be adding an additional £70 billion per annum, simply through UKTI additionality on top of everything else that we can do within Government.

Q246 Chris White: Thank you for that point. Can I just go back to something? I do not want to be too precise in my question but, Lord Price, you said, “If we are going to invest in India we need to find out which sectors will work best.” Do we not know that?

Lord Price: We do now.

Q247 Chris White: How long have we known that?

Lord Price: When did you complete the work?

Dr Raines: For the first time this year UKTI has undertaken a five-year business forecasting process. That has not been done in UKTI before. That is reaching completion now, and at the end of May that will go forward to the XITF for ratification.

Q248 Chair: Identifying opportunities, identifying our comparative advantage and seizing those opportunities in terms of a sectoral approach is an industrial strategy, is it not?

Lord Price: I am never good with jargon.

Chair: It is not jargon; it is about working in collaboration and making sure that what we are good at we can sell to the rest of the world. That seems to be quite a sensible approach. I am just trying to find out whether we are joined up in terms of what you are trying to do in trade policy and in terms of what should be happening in Government in respect of a wider business and industrial policy.

Lord Price: To be honest, Chair, I have not thought about it in that way. During my three weeks in the job and my handover time with Lord Maude, what I have thought about has been very much where we are today, what we have been doing, how we develop and looking at the sectors in which we are strong in the UK where we think we have got opportunity internationally. The thought of where you are taking us is not something that has driven my thinking in the first instance.

Dr Raines: I can add a little bit to that if it is helpful. One of the things that we really want to do in UKTI is make sure that we are demand-driven. From my work on the front line—some of you will know that I led the organisation in China—one of the things that we felt was very important to increasing results was to make sure that everything we did was demand-driven. Therefore, looking at what each market wants and needs and seeing where that overlaps with what the UK is good at is where we can really play. Following that, it is to do with feeding back into Whitehall Departments so that they can create the policy that will help to support the supply of more export-ready British businesses for those particular sectors. So yes, there is that link back through.

Lord Price: The other thing to say is that the other side of the coin is inward investment. What we are doing on inward investment now is starting to develop a similar strategy to the one that is being developed on exports, saying, “Where in the UK would we like inward investment and why?” As we develop that over the next year or so, it will clarify some of our thinking about targeted inward investment. As it is today, the team there are doing a first-rate job and we feel optimistic that we will beat the target set.

Q249 Paul Blomfield: I wonder if I can push a little further on some of the points that Chris was raising around the issue of focusing, because while clearly what you have said makes enormous sense—that we concentrate on key markets and sectors where the best opportunities are—focusing inevitably involves stepping aside from some areas. Can you just give us a feel for those areas in which you are planning to step aside from or downscale?

Lord Price: In the plans that I have seen, there is no reduction in the size of the sector teams. There may well be over the course of time. That is because there may be a food opportunity in Mexico but not a food opportunity in India. We may have resource focused on food exports in both places. When I look at the sector teams and the transfer that is going to happen for them to go into Departments, there is no sense right now that those teams will reduce in size, although I suspect that there may well be the opportunity to do that if they are given additional support from the Departments that they go to and the Ministers that they are going to work alongside. It is not necessarily about reducing a sector. It is about focusing that sector on a market where we think it is going to have the greatest impact. Working with those Governments is going to allow us to export more.

Q250 Paul Blomfield: Looking at it more broadly, I guess what I am asking is what things is UKTI doing now that you would imagine it will not be doing in four years' time? Will you still have 340 ITAs, for example?

Lord Price: My view is that what might be happening now is that somebody might be spending some of their time thinking about agri-tech in Namibia but there is probably a better opportunity in looking at that somewhere else. It is about the resource that we have today and how it is focused, in terms of which territories are going to be best to open up that sector opportunity. That is not to say that in two years' time those teams are not resized around the task that we now want from them. In terms of focus, it is far more about saying, "In this market this particular sector has a real opportunity. Let us focus more on that market in that sector."

Dr Raines: Can I add a little bit to this? What the Minister has said is absolutely right. We are completely aligned on this. There will be some big market sector opportunities that we want to support and by definition there will be some market sector opportunities that we do not support because they are so small that it does not make sense to use our resources there.

You also asked about ITAs. Because of the way ITAs have been measured in the past they have undertaken activities that they will not be undertaking in the future. They have been measured on service deliveries. That means that they can hold a big conference for 500 companies. At the end of that conference they would be able to score 500 service deliveries. It may be that not one of those companies actually starts to export as a result of that conference. We will not be doing that kind of activity in the future. We will not be holding sustainability workshops for fashion businesses because that is not what helps to get them exporting.

The other thing that we will be doing to help ensure that we use our resources as effectively as possible is looking to partner with other agencies across Government. For example, I have had conversations with Ruth McKernan, Ciarán Devane and Sir Mark Walport. I will take my conversations with Ruth McKernan of Innovate UK. She has got fantastic collateral around smart cities that we can share with her and use around the

world. We have got fantastic collateral in digital health that she can use. There are a number of different Government agencies that actually do some of the same things and we could be partnering together in a much better way. I am just about to begin a forum to lead a cross-CEO group across these Government agencies to see where our agendas overlap and where we can be supporting each other. It is not only about cutting; it is also about working smarter across Government.

Q251 Paul Blomfield: I appreciate that and we have been quite impressed when we have looked at the relationship that is developing with other Government Departments in terms of the way they are embracing it. We fully accept that point but I am trying to get a picture of how the budget cuts you are making are going to impact. For example, companies have said to us that it is really valuable to have trade show access. Is that budget going to be maintained?

Dr Raines: Yes, the budget next year is entirely achievable. If I look at our budget this year, we will come in somewhere between £6 million and £8 million under. We expect to get an extra £10 million from GREAT next year. That will resolve the budget cut next year. We have effectively already achieved it. We expect to make savings across our contracts. We have now hired a managing director of commercial who has come from the Cabinet Office commercial unit. He is looking at all of our contracts to see which of them are really effective. We have got tens of contracts; with the best will in the world of those people managing them, it is a bit like Lord Price says: too many players on the pitch and too many footballs. There are things there that can be rationalised and made more efficient.

Q252 Paul Blomfield: Can I ask you about one other aspect, which is to do with the shift towards digital support and, in particular, the impact on SMEs? We held a really valuable workshop in Derby last week, and a couple of SMEs—I think they reflected a much wider strand of evidence that we have had—talked about the importance of almost hand-holding them through the process of growing into exporting. They really placed enormous emphasis on the face-to-face contact. The impression that we have got from previous explanations of UKTI strategy is that that is going to diminish and there is going to be more of an emphasis on the digital interface. Can you just describe your thinking on that?

Dr Raines: We held a consultation exercise with more than 300 SMEs who overwhelmingly said that they wanted digital. I have run an SME of my own, so I know that you are so busy doing everything else during the day that when you want to think about exporting it might be at 11 o'clock at night or 6 o'clock in the morning, and you need to be able to access something to help you. We want to have a phone line that you can call. We want to have live webchat on that. As Lord Price said, it is not going to be the only thing that we are going to do. There will be a way of escalating. If you cannot get the information you need through the website, you will be able to have access to an ITA. There is no truth in the rumour that ITAs are going to be abolished.

Q253 Chris White: Has this website been co-designed by the users?

Dr Raines: The website that we have at the moment is the Exporting is GREAT website, and with users we want to build off that. We want to use that as the platform. I am not going to get the number exactly right but there are something like 15 or 17

different websites. If you are an SME and you try to google where to go for advice, it is really confusing. It is a horrible landscape. We want to put that right and we want one website, and we want it to be built off Exporting is GREAT.

Q254 Chris White: The question I was asking was who is designing this website.

Dr Raines: It is absolutely being designed with users. We are going through and using people from the Government Digital Service who are used to actually going out and talking to users about what they want. In fact, they are going perhaps a little bit slower than I or Lord Price would like because they are so determined to work with users to make sure that it gives them what they want.

Lord Price: I will just add that the banks have said that they are very keen to be involved. They have got huge databases.

Q255 Chris White: So the users would include organisations like the FSB and the CBI?

Dr Raines: Yes, and I meet with them regularly to talk about our plans.

Q256 Amanda Solloway: I am really encouraged by what you are saying, and it is certainly something that has been coming through from the evidence I have been hearing. You talked about the ITAs and the fact that they are not going to be abolished, but what you are saying is that their targets and the way that they are going to be measured is going to be very different. I just wondered how you are going to get that transition from where they are now to how you want them to be.

Dr Raines: I have been out to see ITAs in a number of the regions. They think it is fantastic. They are just delighted that they are going to be measured on something sensible that they can really get to grips with. Their new targets are being rolled out this year and they are very pleased with them. What you are probably alluding to is the culture change that is needed across the whole organisation. I would be very happy to answer that point.

Q257 Amanda Solloway: It is significant, as you say. That was going to be the next part of my question—the culture change is going to be significant.

Dr Raines: It is, and we talk about change in UKTI over the past few years. I am on the record as saying that I do not think UKTI has changed over the past few years. We have tinkered at the edges. What we are doing now is really transforming it. We have a dedicated senior manager who is managing director of transformation, who oversees the whole programme. We have three different work streams that are implementing that programme, and each of those work streams has project streams within it. We have got a whole communications programme that supports that across the organisations.

Rather importantly, one of the things that we have done is recruit change agents. These are people from within the organisation, so they are part of the ordinary workforce—none of my people is ordinary, but you know what I mean. I mean the people who do the work and people who are in the organisation. They are the leaders who do not have leadership in their title but they can actually help to lead the changes in the

organisation. We have trained all of them in change management techniques. They go into the organisation and help us embed the change. I personally meet every month with a cross-section of junior people who are randomly chosen from within the organisation, to make sure that I am not hearing only from the leadership team, who are all very committed to this. Instead, I am really hearing what it is like at the coalface. Change is difficult, but we believe that we are managing it as well as we can.

Q258 Chair: I just have a couple of quick questions, if I may? Do you do staff surveys? What is the morale of staff like?

Dr Raines: Yes, we do staff surveys. We are actually about to undertake our latest pulse survey. One of the things that I can tell you is that engagement in the communications channels across UKTI has increased by 30% since August of last year, which we are absolutely delighted about. It means that people are really engaged, want to listen and want to be involved. If you say to anybody in the organisation, “Do you think the changes that we are making will make us more likely or less likely to hit our targets?” they all say, “More likely.” That does not mean that morale is brilliant. When you are going through a transformation of this size, morale is going to be affected. Anybody who understands the change equation will know that there will be a dip. I would say that at the moment that dip is being felt most keenly in our overseas posts, because they are waiting for the outcomes of their business forecasting, which will be at the end of May, as I mentioned earlier. Obviously that is a level of uncertainty that is tricky to cope with. Again, if you ask the guys who lead those organisations, they will say, “The five-year business forecasting is the best thing we have ever done in UKTI. Why did we not do it years ago?”

Q259 Chair: You have talked about refocusing priority. What skills are you lacking in UKTI at the moment that you need?

Dr Raines: That is a very good question. One of the things that we have been increasing over the past few years is our direct commercial skills and our sector commercial skills. For example, my head of energy is from Shell. The head of infrastructure in China actually built the Hong Kong-Macau bridge. We are increasing those particular skills.

One of the things we want to do when we have finished writing all of the job descriptions for the new jobs—we have committed to the organisation that we will do this—is undertake a people planning exercise, which will say what commercial skills people need, what financial skills people need and what business planning skills they need. Interestingly, we have done this business planning exercise but we have actually never done it before, so we did not have those skills in the organisation.

Q260 Chair: You have never done business planning before?

Dr Raines: UKTI has never done five-year business forecasting before. Prior to this, UKTI’s annual business planning process was a 12-month budget allocation process. This is the first time that we have done proper business forecasting.

Q261 Chris White: UKTI was spreading best practice without actually doing forecasting itself?

Dr Raines: UKTI was allocating its resources based on an annual business planning process, rather than a five-year forecasting process.

Q262 Chris White: I just have a very quick question. You have told us many great and interesting things that are happening in the organisation. It does not seem that there is one single part of the organisation that is actually doing things without being changed. Is there any part of the organisation that you think is doing great work that you should build on?

Dr Raines: Can I link that with the question about morale?

Chris White: I hope that that was not unfair.

Dr Raines: No, it is not unfair. I want to just make sure that we are really clear about just how fantastic this organisation has been through this change. It has beaten every one of this year's targets. That is every one of this year's targets, whether that is for inward investment, for business wins or for service deliveries, which we are not going to measure anymore. All of those targets have been smashed. Although morale has taken a dip, the level of commitment and dedication of the people in UKTI is absolutely phenomenal.

Q263 Chair: We are going to miss the £1 trillion target by £350 billion. This seems like it is not changing anything or shifting the needle in terms of what we need to do in order to really boost exports. It seems so minor as to be absolutely inconsequential.

Lord Price: Chair, what we are going to do is move the needle, taking a root-and-branch restructure. In answer to your question about who is doing well, trade policy is a fantastic department that is doing great work. Finance is doing well. Playing in the positions that they have been given historically, the team does really well. If you talk to any companies that have worked closely with UKTI, what they say is that we offer a gold-plated service that holds their hands for hundreds of days to win contracts.

The reality is that you would have to scale up to such an extent to get to your targets that it would not be achievable. It is for that reason that Catherine and Louis have been given the task, and I have embraced the task, of changing the way we work. It is a huge cultural change and I am very aware that it is going to have ramifications, because you are going to be saying to third party organisations, "We do not want you to do that anymore. We want you to change to do this." It is a different skillset. It is requiring a different approach from post. It is reallocating resources. I do not underestimate how hard this is going to be and the amount of work that we are going to have to do in continually explaining why we think that this approach is better. We all believe that this is a better approach. The teams that have seen the work believe that this is a better approach. It is more focused and we get far more back from the investment that we are making. That is the reason we are confident. We do not want to lose that target.

Q264 Amanda Milling: I have a couple of brief questions. Exporting takes a long time, so when are we actually going to be able to see the results from this change? I have to say that it is good to hear that there is a strategy. The inquiry has been throwing up that there

are lots of tactical initiatives going on that change on a regular basis. How do we know that we are going to stick to this plan and when are we going to see results?

Lord Price: I am committed to it for as long as I am in this post. I will not be leaving of my own accord; I will stay for as long as I am asked to do the job. It is really important and I have made this point before: we get the society we want because of the success of business. I see this role as being about promoting business and, because of that promotion, increasing taxation and being able to spend more. I am very committed to it. Catherine is committed for three years and Louis is committed for a long time. We want to see this through but it is not quick. You will not see the change in six months' time. This is a fundamental restructure. We are building the website, signing companies up, getting the banks involved and getting people to play in position. The easy life for me would have been to say, "Let us just do what we have always been doing. Let us give an annual budget and keep everybody kind of happy. Let us listen to some moans and groans about the fact that we are not quite getting there." We have decided that we are going to take the hard yards and we are going to genuinely try to change it, bring it up to date and make it more focused. It is not going to be an easy trip and there will be challenges around culture.

Dr Raines: Characterising UKTI as being lots of different, disparate things is yesterday's UKTI. I will be more than happy to show you a diagram that shows our operating model, which is absolutely aligned behind the 100,000 and £1 trillion targets—everything we do is aligned behind those two targets. There is none of these add-ons anymore.

Q265 Amanda Milling: I would be pleased to see that, because it does feel like lots of initiatives. However, you also talk about the role of other organisations. The landscape is so complicated in this country. You have talked about banks and about changes. Who is accountable and how are you going to ensure that these different organisations, which are third parties and independent, play their part and are accountable to their particular roles?

Lord Price: The first point is that we clearly understand what our role is. One of the things Catherine is working through now as part of the reorganisation is very clear role and job descriptions so that everybody in our team plays in place. It is then about having the right hand-offs. I saw Stuart Gulliver from HSBC this morning about what the bank could and should be doing. I had the same conversation with Barclays. I talked to António at Lloyds as well. We just need to be much clearer in terms of those hand-offs.

This is going back to the question that Paul raised about how we were doing things. The truth is that the biggest reason that SMEs do not export is fear. They are really afraid about exporting to a country where they do not know the currency or the legal regime. That is where you get this request that you had in Derby for hand-holding, with people saying they want somebody to take them through the process. That is why at the moment we have got people who are spending 200 or 300 days with one company and walking them through how to do that. It is just not credible that you can do that and hit these targets. Therefore, we have got to be far more precise about where we are helping and where we are promoting companies to start to export, which third parties we are using and, if they want it, where companies can go if they want that hand-holding.

We all learn in different ways: some people learn from the web; some people prefer to read; some people prefer aurally; and some people like watching. We have got to recognise that companies and the people running these companies are going to want different things to have the confidence. That is the approach that we are working through at the moment. We are working through what role we play and where we hand off. Frankly, is it the Government's role to be doing some of the things that we might be doing at the moment? Should we be doing market surveys, or are there other organisations that, frankly, are better placed to do a market survey? If we are not doing a market survey what can we be investing our people and our time in to drive more exporters? The point you make is a very good one and we are very alive to it.

Q266 Chair: Do you know what you are going to stop now? You said that there were things that you would not get involved in because it would not be a priority and there could be other things to do. If a firm in Hartlepool says that they want to export to India, will UKTI turn around and say, "Actually that is not something that we are interested in because that is not our key market and key sector. Therefore, sorry, goodbye"?

Lord Price: No, we will help companies do that. We will say, "Okay, if you go to our website you will see information about exporting to India."

Dr Raines: It is important to clarify because there are two things here: there is the volume target and there is the value target. Any company that wants to export anywhere—if it's Burundi for £1—can go through the digital offer and get the help, support and advice they need. Those that would potentially have a role in one of our 180 priority campaigns will be asked if they want to join one of those campaigns. Therefore, every single company that wants to have help exporting will be able to access help.

Q267 Chair: You have 180 priority campaigns?

Dr Raines: This is what we were talking about earlier. Out of a potential 2,200, 80% of the value is in 180 of those.

Q268 Chair: You mentioned how you are pushing people towards the digital offer and looking online. I have just been looking at the website Open to Export – Getting UK Businesses ready to sell overseas. But you are revamping your digital offer now. Is that rubbish?

Dr Raines: What I am saying now is that there are somewhere between 15 and 17 different places that you can currently go to get the advice you need. What SMEs in particular are telling us is that it is so confusing. They look at that and they stop. They do not do it.

Q269 Chair: Will you close that down?

Dr Raines: We aim to get a single digital offer that combines the best of everything.

Q270 Chair: When was that set up?

Dr Raines: I don't know.

Louis Taylor: Can I just add something, Chair? It is absolutely awesome, I think. It is a terrific way for new exporters to create a business plan that is credible and that they can take to a financing institution and get the help they need.

Q271 Chair: So that's good?

Louis Taylor: It is great.

Chair: Why change it if it is good?

Louis Taylor: We are not saying that we are going to change everything; we are going to bring it together in an accessible form. At the moment there is a jungle out there that is impenetrable. What we are planning to do is provide a single entrance with pathways through it to clearings where people get the help they need.

Q272 Jonathan Reynolds: I just want to ask you a number of questions about how we are marketing ourselves and the brand that we are creating and pushing. Particularly to begin with, what do you see the UK's value proposition to be when selling abroad? What do you think the UK's USP is?

Lord Price: On the trips that I have had abroad so far—Germany, Switzerland, Mexico and Washington—what continually comes back is that what they admire about the UK is our rule of law, our regulatory system, our democracy and the fact that if they work with a British company they are likely to deliver on time and there are going to be no problems with payments. In addition, of course, they see the UK as being an amazingly creative place that is full of innovation. In trying to summarise your question, I would say that they see a really solid economy—the fastest growing major economy. They see huge inward investment into the UK. They think we are a safe place to do business. They like our banks. They like our regulatory system. They feel that they can deal with those and they admire British IP and innovation.

Q273 Jonathan Reynolds: Can you get that into a catchphrase?

Lord Price: I did not know that was the task. How about GREAT?

Q274 Jonathan Reynolds: I thought you might say that. Regarding the GREAT campaign, which I think there is quite substantial awareness of, as we have all seen it, particularly when traveling abroad, and we have heard some evidence that it is good for promoting British exports abroad, is there evidence that that is encouraging new businesses to want to export abroad? How are you evaluating the campaign?

Lord Price: That is a question for Catherine, in terms of the website statistics.

Dr Raines: Is there evidence of what, sorry?

Jonathan Reynolds: That the GREAT campaign is generating more interest for British firms that want to export abroad.

Dr Raines: We have actually had 20,000 responses to the opportunities that have been posted on Exporting is GREAT. We have got the data for all of the landing pages and the click-throughs. The important thing now will be to look at the conversion rate.

We do not have enough data yet to know what the conversion rate is to actual exporters, because this was only started in November. It needs to be up and running for a year before we understand whether there are more exporters as a result of that.

This relates to the Chair's earlier point about the website that he showed. As we build out the website, we will make sure that we have a single website that everyone who wants to export can go to. It will link them to real-time, live export opportunities but also take them through the different incentives, help, support and advice that they can get, including financial support and advice. It is going to get better. As I say, it was launched in November, so it is early days.

Lord Price: To add to that, you are right that there is an opportunity with awareness. Louis would say with UKEF that his biggest opportunity is getting people to know about what UK Export Finance is doing. I think exactly the same way about UKTI. One of the things that we need to focus on is how we get the message out there that we are here to help British exporters.

Q275 Jonathan Reynolds: What is the target audience for the campaign? Is it people abroad who might want to consider doing business with the UK, or is it UK businesses that may consider doing business abroad?

Lord Price: Both. Internationally we want companies in countries to think, "You know what? I want British products," and we want them to post their requirements on the website with the help of post. In the UK we want companies to think, "You know what? We would really like to export. We are going to post our company on here so that they can then be contacted by companies internationally." It needs to do both. We need to use the soft power of the UK to promote the website.

Dr Raines: To get on the supply side for this site you have to be able to demonstrate that you are a UK-registered company. There are safeguards to prevent, for example, a company in France getting on and looking at it. One of the things we are looking at at the moment, which goes back to a question that Mr White had, is whether we can use a data-scraping technique to get more export opportunities on the website, many hundreds of thousands perhaps, and what that would mean in terms of control of quality for those opportunities.

Q276 Jonathan Reynolds: In one of the sessions we had we heard from representatives of the devolved nations and one of the city regions, and they were telling us about what they did. I had a sense that there was a fairly unnecessary level of duplication going on there. Are there any concerns about that, or about how their individual messages might compete with the overall aims of what we are trying to do in the UK?

Lord Price: What Louis would probably say for the UK Export Finance is that there is no overlap whatsoever.

Louis Taylor: There is only one Government that gives a guarantee and we are it. UK Export Finance is genuinely agnostic as to which of the countries in the union we are helping.

Dr Raines: There absolutely has been overlap and that is something that we are resolving. For example, with the northern powerhouse we are working with the devolved authorities there to establish a single team that includes UKTI and their folks. We are doing the same with the midlands engine, and we intend to replicate that around other parts of the country.

Q277 Jonathan Reynolds: That sounds very good. I have a final question. Some businesses have given us evidence that they think there are more things that the UK could be doing, including, in some cases, the Government endorsing particular products. Is that something we are considering at all?

Lord Price: No, not that I have considered to date. We are happy to have strategic partners. There are lots of great British companies, whether you go for BP, HSBC, Barclays or JCB. Whether we make enough of those great British companies internationally as flagbearers for the country, I am not sure. However, in terms of endorsing a new washing powder, for example—I am sure that is not where you were going—I do not see that happening.

Dr Raines: The one thing that we are trying to do is use great British food and drink in embassies around the world and in all our events around the world, because why would you not?

Q278 Chair: I will just follow on from what Jonathan said. We had Iain Malcolm from the North East Combined Authority and a leader of South Tyneside local authority before us. We asked him about the relationship. Don't forget that my region, the north-east, is the one with the consistent trade surplus, so there is a lot that we can build on there. He said, "I have to say, on behalf of the combined authority, I do not think we have a relationship." He was referring to a relationship with UKTI. "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." How are you going to change that?

Dr Raines: I mentioned earlier that we are combining our resources in the northern powerhouse and with the midlands engine and then we are going to look across the different regions of the country to see how we can improve our performance there. If that is the evidence that he gave, that is something I would like to go away and look into, because that is absolutely not good enough.

Q279 Kelly Tolhurst: This is just a quick question, really. Thank you for coming. It is really good to hear the positivity that you have displayed today. Actually, some of the initiatives you are talking about, the way forward and the change I find quite positive and I look forward to seeing the results. What we have heard a lot of is, "We are doing..." From my experience of trading internationally, markets move quite quickly and so do organisations. How are we looking at doing all these things in a timely way so that we are

not missing opportunities and so that we are maximising this change situation in order to deliver the best outcomes that we can for British companies?

Lord Price: I am repeating myself in the first part of this. By being able to show British companies an opportunity that exists today in Mexico for Jo Malone perfume, for example, is something that is going to be far more rapid than what happens at the moment. What our Exporting is GREAT website should be doing is continually posting opportunities for British companies around the globe. Nobody else is doing that. If we do it, it will be a world first. Then I would hope that we could encourage British companies to go and look and see what opportunities exist. That would be real-time and the companies can respond as quickly as they want to. We then have to work quickly to make those companies export-ready and to give them the help they need. I am pretty sure that we can do that.

The second part of your question is on slightly more glacial, and that is trade policy: the relationships that we have with all of the other countries around the world, where we are at in terms of different trade deals, working on other aspects that fall outside those deals with Governments to make it easier for British companies. That is much, much slower but we should be much quicker in the first hand at being able just to see opportunities. If we sit in this room now, we do not know that there is an opportunity for a silk tie manufacturer in some market in the world. We just do not know. Somebody might wander into one of our embassies and say, “You know what? British silk ties are brilliant. We would like to import them,” and then you have to go through the circuitous route to get there.

We do hope that via the digital channel we are far more able to respond quickly to requests that come up. The really big infrastructure projects we do know about. We do know what Iran is going to do. We do know what Mexico is doing in terms of opening up its energy, telecoms and satellite markets. They are governmental projects that we are focused on with our value campaigns. As a consequence of that, we are trying to be fleet of foot for small companies to see opportunities as they come up around the world. On the big projects we are working with Governments to try to secure the best position for British companies, and on trade policy we are very aware of the things that we want to change in various trade deals around the world.

Q280 Kelly Tolhurst: Does that mean that you are working on a continuing changing process rather than a fixed timescale for the implementation of your changes? What I am trying to get at is how speedily you are doing this. We have not talked about any timeframes around some of these projects. For me, as a small business owner and for people listening to what is being said, it is great to hear the initiatives that are coming. However, if you are looking at growing your business, you want to know that UKTI are going to be very light on their feet and able to do that change quickly.

Lord Price: That is a really fair question. I would say that today if you go to Exporting is GREAT, there are 1,700 opportunities globally. I would hope that this time next year that will have increased many-fold and there will be far more opportunities. I would also hope that on that website, as Louis was saying, we pick the best links through to other websites and other providers to help you move through swiftly. A realistic timeframe for us to improve and move the digital offer forward, and getting people to a playing role, is probably 12 months from now.

Dr Raines: I will just add two other things, if I may. One is the new five-year business forecasting process, which will be refreshed annually just as you would do in business. Had we had that five years ago, today we would have been much further forward. We can only start from where we are, but that will make us more fleet of foot in the future because we will be constantly refreshing that. The other thing is that we are doing a piece of work to say, “Okay, what about after 2020? What are the markets? If we had done that five years ago, where would we be in Iran now? What do we need for Indonesia? What do we need for the next big, emerging technology?” We are looking ahead at those as well so that we can be fleet of foot and first in. For example, we are already extremely well thought of in Kazakhstan.

Q281 Chris White: One of the parts of your Department that you are proud of is your trade policy department.

Lord Price: I am proud of them all.

Chris White: It is one that you are particularly proud of. You have got a great number of plans underway that we have heard about this morning. Would Brexit be a problem—anybody? Would you have to refocus your work on trade agreements?

Lord Price: I do not think it is appropriate for the officials to comment on that. The simple answer is that we would have to refocus just on trying to do trade deals.

Q282 Chris White: Trade deals with whom?

Lord Price: With everybody. We have roughly 60 trade deals through the EU. We would have to renegotiate all 60. What I have tried to do with my early time is to visit those countries where I think I can learn something about the topic and about trade deals, and just to think through some of the consequences. I did see Ambassador Froman, who is the Trade Minister equivalent in America, when I visited with Francis. We went to talk about TTIP, getting the TTIP deal done and what it meant. He was as clear with us as President Obama was that their number one priority was getting Europe done and their number two priority was getting the north Atlantic free trade treaty renegotiated, and then they felt that they needed to look at their current trade deals with Japan. If we were to come in, we would be after that.

Q283 Chair: Do you mean we would be at the back of the queue, as the President said?

Lord Price: He did not say we would be at the back of the queue. He was just very straightforward with their priorities for trade deals. He was also very keen that he worked with large block deals rather than bilaterals, which he feels take a lot of time and energy. I learnt from them where they are at.

I also talked to the Mexicans, who are just about to engage in a big trade deal with the EU. Mexico is important; it is the eleventh largest economy in the world and it is due to become about the fifth largest over the course of the next 10 or 20 years, but their focus is on the EU. I also went to Switzerland to hear how they are currently playing their negotiations with the EU.

The simple fact is that we will need to renegotiate with the EU. Theoretically we have two years but we could ask for an extension. We would obviously try to do the best deal that we could to remain in the single market. However, we also have to renegotiate with China, Japan, Canada, America and Mexico. There are 60 trade deals that we would need to do. At the moment, the Department is working on about 20 trade deals and that is fully absorbing them. If we went up to 60 trade deals, we would have to find extra resource. We would have to bring people in, so it would deflect us. We would be very, very focused on getting that trade policy done.

The other thing I would say is that nobody wants to be an enthusiastic buyer. If you are negotiating, every country wants the best for their country, their businesses and their manufacturers. That is why these things are never quick; they take time. My honest answer to your question is that yes, it would deflect everybody on to trying to do trade deals as quickly as we could. Given the volume we would have to do, it would take a long time. We would prioritise the biggest blocks and hope that they would want to prioritise us. In the interim, we may well have to fall back on WTO trade deals. That would have an impact and would clearly make these targets far more difficult as we would be deflected and would have to face a very uncertain time. That is the honest answer to your question.

Q284 Michelle Thomson: Thank you for coming along. I will just go back a little bit from that somewhat meaty topic. In January 2016, 12 trade envoys were appointed. There were 10 Tories, one Liberal Democrat, one Labour and one woman. I wrote to your predecessor but kindly received a reply from yourself, in which you note that, “We, the Government and UKTI, prefer not to specify formal criteria which may get in the way”. My question is this: are these trade envoys simply jobs for the boys?

Lord Price: We do have a number of very talented girls who are envoys, such as Jane Bonham Carter, who is a Lib Dem peer, as you know. She came with me to Mexico. I have a meeting this lunchtime with our trade envoys, three of whom are women and two are men. They come from across the political spectrum. I have not done the maths on the percentage of the House and whether that translates into trade envoys—it is roughly similar, Catherine says. I do know that thought does go into the knowledge they might have and the skills they might bring.

The really interesting thing about them is that they were set up by Lord Marland with the Prime Minister. He wanted them to be cross-party, and one of the genuinely good things about it is that trade unites all parties. We all want British businesses to do well. We all want British businesses to export more for the benefit of our country. Therefore, having cross-party representation in the trade envoys is altogether a good thing. I do believe, having talked to those envoys, that they take their responsibilities very seriously. Each envoy brings a different colour to the jobs they do. I have been struck by their dedication and skill. Looking at the shades and the gender split, I do not get the sense that there is an imbalance at the moment. However, following your letter I did sit back and reflect, and I will continue to do that.

Q285 Michelle Thomson: How many do you have selected from the third party in this Parliament?

Lord Price: Catherine, have you got the precise figures?

Dr Raines: I have numbers, but I do not have the answer to that question.

Lord Price: I will write to you and send them. However, I asked about the different colours when your letter came in, so I can send that through to you.

Q286 Michelle Thomson: I can answer that question for you: it is zero from the third party. I would ask you to reflect on whether you are genuinely looking for some balance.

In general terms I have found the conversation this morning most heartening, in terms of the focus on value and demand-driven aspects, but I do wonder what specific KPIs, or indeed any measures, you have in place to measure the success of the trade envoys. I am anxious to specify formal criteria. Could you just give me a little more sense of what success looks like from the trade envoys you have?

Lord Price: I am really happy to do that. It is clearly not easy to target them on how many companies they sign up in X, Y and Z. Their focus therefore tends to be more about their area of specialism—for example, what David Puttnam is doing for the creative industries in Vietnam, or what Jane is doing in Mexico. Where they add greatest value is supporting post and getting the right kind of ministerial contacts and the right kind of policy changes. They are very much figureheads for the UK and for the Prime Minister in trying to get better relationships with that Government. I have been really impressed by the knowledge of the countries that they have built up, the ministerial access they have and how they are helping to build a relationship and a position for the United Kingdom. As somebody mentioned earlier, their role is mainly about building long-term relationships. I think you were talking in the context of Iran and other countries and being in first. Their role is about flying the flag for the UK and making sure that the Governments there are thinking about what they can do to make it easier for UK companies.

Q287 Michelle Thomson: I have a follow-up question for Catherine. You have touched on something that has occurred to me about the skillset to really drive through the change programme that you are talking about in terms of diplomacy—work at a very senior level versus hard-nosed business edginess. In terms of the transformation change that you were describing earlier, at what point in your plan do you see that last crucial stage happening, which is always called embedding the change? When do you really see that happening?

Dr Raines: This links to a question that Amanda asked earlier, which we probably did not get to because we went off on a number of tangents. You asked whether we thought it would actually deliver. Delivery increases over the next three years, so when we look at the impact that we think we will have through our business forecasting process that is going to shift our resources onto the highest priority work instead of having it dispersed on a legacy basis, next year through that we will be able to add an additional £20 billion-worth of export wins, rising to £70 billion per annum by 2020, so we think it will grow.

In terms of embedding it, it depends on how you measure embedding. Let me say that this year for the business forecasting process I would describe and characterise it as

building a bicycle while riding it at the same time. Iain Banfield—I do not know whether he is behind me—is my finance director and his team have just done the most fantastic job of developing that. They would say that they have learnt an enormous amount this year that they will put into the process next year. When we run the process again next year, we will refine it and then it will be embedded.

Q288 Michelle Thomson: I wish you the best of luck. My experience of large-scale transformation programmes is that they typically take five years and they are never embedded. I have only come across one, so I wish you luck with that. My last question is about extended reach. Going back to my point about drawing out culture and diplomats, the hardest people to reach are people overseas who traditionally may come from a diplomatic background rather than the hard-nosed business one that we are talking about. Will your consideration of role types and skills reflect that?

Dr Raines: Yes, and I have got a track record there, which I will draw on. Let me just go back to your previous question about things never being embedded. Culture is something that needs constant reinforcement. What I meant by “embedded” was the business forecasting process, which I think will be embedded.

In terms of our resources overseas, we need a mix. We have a lot of resources known as prosperity resources that are owned by the FCO. What they work on is economic diplomacy. The UKTI resources tend to be the more commercial resources overseas. The way that I always describe it is that the economic diplomacy resources are those that plough the field and plant the seeds by opening up markets. It is then incumbent on UKTI to go in and reap the harvest and make sure that those markets are really grabbed by British businesses. I was actually talking with Minister Swire yesterday in the FCO about the opportunities that business forecasting now brings to join those things up much better, and in particular the work that we are doing around futures and looking beyond 2020. If we can ensure that that forecasting is a shared endeavour with the FCO and the Treasury, so that we have got a single Government view of the markets where we can use resources across Government to do the ploughing of the fields and the planting of the seeds, we will be much more efficient and effective about reaping the harvests later on. We have got a fantastic opportunity to join up across Government on all of this.

Q289 Chair: Minister, if we could just briefly go back to the matter of the trade envoys, how do you evaluate whether they are doing a good job or not? Under what circumstances will you sack them?

Lord Price: The first ones were appointed three years ago; there were four. I have to say that I have been hugely impressed with the knowledge that they have built of their markets. I have not considered that. I have only ever seen positive things from them at the moment.

If I could pick up on the point you make about overseas, which is related, I would just like to say how impressed I have been with our ambassadors abroad that I have met. They have become very focused on trade and supporting British business, and I have had nothing but good experiences of what they are trying to do. Of course, if you go back, they were traders in times gone by, so they used to trade with countries and they would

also give an ambassadorial role. All of the ones I have spoken to understand the importance now of supporting UK businesses, and that has been really helpful for us.

Q290 Craig Tracey: Mr Taylor, I want to ask you about the role of the UKEF. In 2014-15 you had 140 customers and issued about £1.3 billion in guarantees. By comparison, our counterparty in Germany had £17.8 billion, and Italy had £7 billion. Why are they so far ahead?

Louis Taylor: They have very different mandates. First, UK Export Finance traditionally had a large SME and trade finance business. It was privatised in 1991 and we only got back into that business four or five years ago, so it is pretty much a start-up business for us. A lot of the customers, particularly of SACE in Italy, are SMEs. Secondly, you look at the structure of our exports and for the UK 56% of our exports are goods and 44% are services, which are largely paid for on an as-consumed basis and do not need long-term financing in the way a lot of German's export of machine tools with long economic lives will have. There is also a very strong financial services sector in the UK, which provides business with what it needs in the vast majority of cases. Our mandate is not to compete with the private sector but only to complement it where it will not go, and where it will not go changes year to year.

Q291 Craig Tracey: With regard to that point, I worked as a broker prior to being here, and we had a huge issue around provision of trade credit and export credit in particular. Would you say that your current model of providing the services is working, because certainly as a broker we were not aware of the services that you provided, and through the banks? Do you think that is working and what can you do to improve it?

Louis Taylor: It is working, but not to an acceptable degree. We are looking at that very closely. What we intend to do is something that the Minister refereed to earlier. Instead of us effectively trying to retail assistance individually to SMEs, we are fundamentally a wholesale-size organisation and we intend to wholesale our guarantee to banks and to brokers in order to allow them to use it where they do not have the risk appetite to underwrite a transaction fully. We will give them a set of defined criteria in relation to credit quality and a set of defined criteria as to whether something is export-linked. If all those criteria are positive then they can simply inform us that we are on cover. That means we will have access to Barclays' 500 relationship managers around the UK, for example, and all of the SMEs relationships that they have beyond that. We intend to be able to access companies far more easily. We will not be duplicating things like underwriting and due diligence, anti-bribery and corruption on KYC; that is already being done so the process will be smoother. We anticipate that we should be helping multiples of the number of companies that you talked about in quite a short space of time.

Q292 Craig Tracey: How do you reach out to the high street broking sector that will work more with the SMEs? I can understand that Barclays will have big customers. How do you reach out? I am still involved with the broking sector, and the conversations that I have had with them indicate that they were not actually aware that they could even become agents to sell their products, and that then brings in a whole new market.

Louis Taylor: There are two sides to it: the financing side, which the banks will deal with; and the insurance side, which, through the brokers and underwriters, we deal

with. We have the intention of doing everything I just described with the banks with the insurance brokers as well in a reinsurance capacity. Where a broker has a client who wants to insure a payment from abroad and the underwriter does not have the risk appetite, they can underwrite and then reinsure from us because they will have this delegated guarantee from us.

Q293 Craig Tracey: Is that predominantly through the bigger brokers you are using, not the smaller ones?

Louis Taylor: No, not necessarily; it can be any broker. The number of underwriters is far more limited and the underwriters will have the facility and they will have the ability to put us on cover where they are not comfortable in doing so. We will obviously know which companies we are covering and, at the moment, instead of our 24 export finance advisers around the country targeting onesies and twosies around industrial estates in the UK, we will very quickly have a list of companies that we are covering that are exporting. We can focus on them and help them turbo-charge their exporting effort in a much more targeted way.

Q294 Craig Tracey: One of the criticisms that we get from businesses about UKEF is that you are only interested in supporting high-value transactions. How would you respond to that? Lord Price mentioned a potential deal with Santander. Is that something you are looking to address?

Louis Taylor: It absolutely is. Up until 2011 we were focused only on capital goods, which tended to feature only in the larger companies, although large supply chains and many SMEs in those supply chains benefited from that. Since 2011 we have been back in the SME trade finance world and everything that Lord Price talked about is absolutely what we are now going to focus on, because we will not individually be underwriting a very small SME deal in the same way as we would have underwritten a large infrastructure project; we are delegating this guarantee and the underwriting of it to the banks and to the insurance brokers. We reckon that about 80% of SME needs will be able to be managed that way. It will not involve a long, involved process. It will not involve iteration between us and the broker or the bank. It will be a much smoother, more accessible process.

Q295 Craig Tracey: Do you have an idea of how many SMEs you provided export finance to over the last 12 months?

Louis Taylor: Yes, over the last 12 months we have actually given financial support to about 180, and we have helped another 100 to find finance in the private sector. Our ambition, quite honestly, is to have multiples of those numbers in a very small number of years.

Q296 Craig Tracey: I have one final question about trade credit for SMEs, and this is just thinking of your digital outlook now. One of the ways that we have overcome the issues around the lack of providers is by providing a framework by which people could understand the risk of trading with a potential country, because trade credit tends to be quite expensive and then becomes a barrier to an SME trading. Are there any plans to incorporate

something like that into the digital offering that you are giving, where it can actually almost allow the business to understand the risk and underwrite it themselves?

Louis Taylor: I am quite interested in the cultural aspects of credit insurance. Credit insurance seems to be far more prevalently used by corporates on the continent than it is in the UK.

Q297 Craig Tracey: The reason for that is because we were down to about two providers at one point. It was very difficult to obtain.

Louis Taylor: We hope that is going to change, particularly if we are offering reinsurance for difficult markets where UK companies are more likely to seek credit insurance, and I hope that will help matters. We do plan to introduce into the digital portal in the UKEF section some kind of pricing indication, almost like, “If my deal is this size in this country for this term, how much am I likely to pay in premium?” It will give some kind of an indication to people quite quickly.

Q298 Craig Tracey: I just have one final point. Will you provide cover to all countries, because obviously the more risky countries are the more difficult ones to get guarantees for?

Louis Taylor: There are some countries that we will not provide cover for, particularly for sanctions reasons for example. However, for the vast majority of countries around the world we do provide cover, of differing amounts. We will have a risk appetite and for some it is short-term only, rather than medium or long-term exposure, for example where we have concerns about their ability to generate foreign currency and to repay either a dollar, sterling or euro loan.

Q299 Kelly Tolhurst: I have a couple of quick questions for Mr Taylor. Am I correct in understanding that what you laid out is that you will be stepping back slightly and letting the banks make those decisions with regard to small business lending?

Louis Taylor: We are not going to be stepping back; we are going to be stepping out of the administrative process. We are going to set some credit criteria that we are comfortable with and allow the banks to underwrite on the basis of those credit criteria. We do not need to duplicate underwriting. We do not need to duplicate the anti-bribery and corruption, know your customer and anti-money laundering due diligence that the banks will do already. However, we do want to keep in touch with small companies because understanding what is going on outside the FTSE 350 is very important, understanding what gaps there are in the private sector.

Q300 Kelly Tolhurst: Will that be across the banking sector or will it just be the organisations that you have mentioned, such as HSBC and Barclays?

Louis Taylor: No, we are very happy to talk to all partners that are providers of alternative finance as well as the mainstream and high street banks.

Q301 Kelly Tolhurst: For instance, a customer of NatWest would not necessarily be disadvantaged because they are a NatWest customer?

Louis Taylor: No, and that is actually one of the differences between what we are proposing and the way it actually operates in Germany, for example, where the Government guarantee is administered by a single private company, Euler Hermes, and the other private companies do not get access to it. We are hoping to give access to all in the private sector who want to take part in the scheme.

Q302 Kelly Tolhurst: At the moment, what sort of size businesses are you focusing your services on? For example, are you looking at a particular range of small businesses to highlight the services that are currently available that people are not exporting?

Louis Taylor: It is a little bit of focus, and it is a little bit of opportunism as well. We have to get the balance right. Everything that Catherine's organisation, UKTI, is doing in terms of narrowing down those sectors where the UK economy plays and geographies where those sectors are relevant is very important for us. Equally, if we find an agri-tech opportunity in Namibia we are going to help that company. That is an opportunity that we should absolutely help. It does not mean that Catherine will have somebody sitting in the embassy in Namibia supporting agri-tech in particular. Especially in the SME space, it is such a new business for us. We do not really have target sectors but we are looking to be opportunistic at the moment as we go through this bank delegation route. I talked about getting this list of companies that we will end up supporting. We will get a lot of data about that and about the specific sectors that we should apply more focus to.

Q303 Kelly Tolhurst: The reason I asked that particular question is that I have been talking to colleagues about an event in my constituency, and the starting point was, "Give me the companies in your constituency with a £30 million to £40 million turnover." That was great. However, the large proportion of businesses in my part of the world do not necessarily have a £30 million to £40 million turnover. For a constituency in a regional position, it is those small organisations that I need to encourage to grow that in turn are going to contribute to exports and to employment. I was just wondering if maybe there are arbitrary figures that may be more flexible.

Louis Taylor: We are open to working with a company of any size. Honestly, we are going to struggle with the micro companies, but we are open to that. The smaller the company, the smaller the transaction, so the bigger the transaction costs as a percentage of a transaction value. The most efficient way for us to access it is through partners like banks and alternative finance providers.

Q304 Michelle Thomson: I just want to get some further clarification on this. When you say you are very happy to talk to other organisations about financing in addition to the main banks that you are mentioning, are you actually talking to them or are you waiting for them to come to you?

Louis Taylor: We are actively talking to them. There is the bank delegation model that I have talked about. We are currently trialling this with Santander and we hope to roll it out by the end of the year. At that point we will be able to give you more detail about how many organisations we are actually talking to.

Q305 Michelle Thomson: Do you mean challenger banks, for example?

Louis Taylor: Yes, challenger banks would absolutely be on the agenda. There is a company called Falcon, for example, with which we have an agreement about promoting what we do.

Q306 Chair: Catherine, did I hear you correctly earlier when you said that there are good opportunities in Iran?

Louis Taylor: That was me, I think. I can confirm that.

Dr Raines: There certainly are.

Q307 Chair: Why does the UKTI website say, “Her Majesty’s Government does not encourage trade with or investment in Iran. We also do not offer any commercial services for companies wanting to do business with Iran”? What reassurance can you give us that you are actually joined up and that you know where the opportunities are?

Dr Raines: Which website is that from?

Chair: www.businessopportunities.ukti.gov.uk

Lord Price: Thank you for pointing that out to us, Chairman; that is not the case.

Dr Raines: It is not the case. In fact, we have just put additional people on to the opportunities in Iran, so we need to look at what you have just pointed out.

Q308 Chair: That is just one single country and one single opportunity. Given that you are doing wholesale reform, how on earth can you give us reassurance that you are on top of this?

Dr Raines: That demonstrates what I said earlier, which is that there are too many websites. We need a single website. We need one source of the truth and that is just an example of why what we are doing around digital is so important.

Louis Taylor: I have a brief point. On day one after sanctions came off in Iran, the UKEF website was saying, “We are absolutely on cover for Iran and open to opportunities.” The second thing is to confirm that the UKTI rep in Tehran is quite an exemplar of what a UKTI rep in a post should really be doing; they are terrifically active and we are looking at a lot of opportunities. The issue we have is not even access to finance anymore. We have banks that are willing to look on a transaction-by-transaction basis at providing finance. The issue is the payment mechanics of moving payments through, because banks are not willing to transact with other Iranian banks at the moment.

Dr Raines: It has just been pointed out to me that it does say on that website, “This website will be closing soon. Please go to www.exportingisgreat.gov.uk.”

Q309 Chair: Minister, I have two quick questions for you to finish. You are relatively new to the job, only four weeks in. What sort of evaluation have you given in

terms of whether we are getting value for money for our Chambers of Commerce contracts about exports?

Lord Price: I have asked for that piece of work to be done in terms of understanding the hand-offs. I have had very active conversations with the China Chamber of Commerce. I have been in contact with the Indian Chamber of Commerce.

Q310 Chair: I was thinking more about the British Chambers Of Commerce. For example, the North East Chamber of Commerce is excellent and has a contract with UKTI to provide services. Is it too much of a crowded field?

Lord Price: The simple answer is that I do not know. I know how much we pay them and I know the services that they provide for us. However, as part of what we are doing now in terms of the structure, as I was saying earlier on, I want to make sure that we have got the hand-offs in the right place and that we are getting good value for money for the taxpayer.

Q311 Chair: Catherine, do you do evaluation for the Chambers of Commerce contracts?

Dr Raines: Yes, they provide the international trade advisers for us. We look at the way that they have been performing but, as I mentioned earlier, we believe that the way they have been measured is outdated and we are now moving to measure them on their performance around new sustainable exporters that they deliver. That is a change from this year. I was actually with the Coventry Chamber of Commerce earlier last week and they also have an organisation across the West Midlands Chamber of Commerce that we contract and they were very much welcoming the new way of being targeted and measured.

Q312 Chair: Minister, my final question is about that cross-Government approach to exporting. Are you confident that Departments think of exporting as a key strategic priority for them?

Lord Price: We are in the foothills. We have moved people across to DEFRA, and that seems to be bedding in well. We have got another tranche moving over in June. What the Prime Minister said is that he would like us to embed one or two teams and see how it is working, review and move forward, and that is the plan at the moment. In this new world we have to be very clear about those roles so that we are all playing in position. I am clear that the sector teams can have a real impact within a Department and a Ministry in terms of shaping policy, in terms of co-ordinating people within that sector to take the opportunity and in terms of organising trade missions, and because of that in theory it should work. From what I have seen of DEFRA, it seems to be working pretty well. The Secretary of State has certainly embraced it and her responsibilities. I am looking forward to seeing now what happens in the next tranche.

Q313 Chair: With the greatest of respect, Minister, are you the right person to take that forward, given your experience in the past? Waitrose is very different to Whitehall. You will be spending an awful lot of time learning where the fire exits and toilets are, rather than

focusing on promotion of exports. Are you the right man for the job? Are you the baller coming to manage a football team?

Lord Price: I always worry when somebody starts a question with, “With the greatest of respect.” I do not know. Let us see in a year or two what I have achieved. What I can tell you I have done in the past is manage a very large and complex organisation. I have driven change through that organisation. I have doubled its scale. I have taken exports from that business from under 20 countries to 58 countries internationally and developed a team who work well together. I would say, looking at my business record, that I have a great empathy with companies that are looking to export. I have helped many small producers. Waitrose deals with 5,000 suppliers, the vast majority of which are SMEs.

Q314 Chair: Do you need a Whitehall enforcer, a bruiser who knows the corridors of power and is able to negotiate in a very good, co-ordinating manner, rather than somebody being brought in from the outside?

Lord Price: Time will tell. I would hope that what I bring is a particular kind of expertise. I suspect if somebody was sitting in front of you who had all of that Whitehall experience you may well ask what business experience they have. All that I can tell you is that I am committed to doing my very best to try to support British business to export more. I have had wonderful support from colleagues in the House and elsewhere. I know that this Committee is going to champion the work we are doing because you want the best for British businesses. I feel very well supported by the civil service that surrounds me, so I am pretty clear that on this particular pitch we are all trying to boot the football into the same goal. What I have got to do is make sure that we are all doing it in position and that we will beat Germany.

Chair: Minister, Louis and Catherine, thank you. You have said it correctly Minister when you said that we share your objective to make sure that more British companies are exporting more values and ultimately producing more prosperity for this country. We are very keen to work with you on that. We will challenge you and we will question you, but ultimately I think we want the same thing. Thank you very much for your time.

Q315