HOUSE OF COMMONS

International Trade Committee

Oral evidence: Support for Exports and Investments , HC 1020-i

Wednesday 22 March 2017

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Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Liam Byrne; James Cleverly; Mr Nigel Evans; Mr Ranil Jayawardena; Sir Edward Leigh; Toby Perkins; Sir Desmond Swayne.

Questions 1 - 59

Witnesses

I: Dr Adam Marshall, Director General, British Chambers of Commerce, and James Ramsbotham, Chief Executive, North East England Chamber of Commerce.

Written evidence from witnesses:

North East England Chamber of Commerce

Examination of witnesses

Witnesses: Dr Adam Marshall and James Ramsbotham.

Q1 **Chair:** Good morning, witnesses, and thank you for coming. Could I ask you to state your names and organisations, please, for the record?

Dr Marshall: I am Adam Marshall, Director General of the British Chambers of Commerce.

James Ramsbotham: I am James Ramsbotham, Chief Executive of North East England Chamber of Commerce.

Q2 **Chair:** Thank you both for coming to see the International Trade Committee; it is much appreciated. Government export promotion work seems to be in a state of constant transition. That is the one constant we know. UKTI launched an entirely new strategy shortly before its absorption into the Department for International Trade. Do you think these changes help or hinder your members?

Dr Marshall: I think that in the first instance it would be helpful to make a quick declaration of interests. The British Chambers of Commerce operates a small contract on behalf of the Department accrediting overseas British chambers of commerce and business groups. Some of our shareholders who are the chambers of commerce, including James Ramsbotham, operate some of the international trade contracts in the UK regions. It is important just to set that out at the outset.

Chair: Thank you for that.

Dr Marshall: In answer to your question, we have had businesses and chambers of commerce coming up to us and saying that what ITI—International Trade and Investment—stands for is "in transition indefinitely". There is a very definite sense that there is rather continuous ministerial and management change in the Department, and that has a real-world impact at the sharp end, in terms of the support that exporters are able to get from the Department.

Q3 **Chair:** Do other companies have this constant change in their similar Departments or similar efforts?

Dr Marshall: This seems to be a particularly significant level of flux.

James Ramsbotham: If I could quickly state my own conflict, because I do run a contract, or at least my chamber of commerce runs a contract, although I will state that one of the particularly important ways that we do it, because we are a chamber of commerce that doesn't distribute profits, is that any excess funding that comes from it we reinvest. As a result, we have been able to increase our own international trade team significantly, so delivering greater support. I think there is a lot of advantage in chambers working with ITI in that way.

I would potentially go one step further than Adam on the "in transition" bit, because in transition implies that there is an absolute clear sense of where we are going, and I am afraid we don't feel that at the moment. There is a lot of change happening, there is a lot of uncertainty. The contract that we particularly run we took over as a five-year contract. When we started, we put in place a very clear five-year plan so that we could really grow and build and create some long-term benefits. Since then it has been continually challenged and now there is a PIM out suggesting that it might all be re-contracted. All of that benefit of being able to grow long term—and in the world of international trade it is all about the long term—this endless short-term change is very unhelpful.

Q4 **Chair:** So you find it a hindrance rather than a help?

James Ramsbotham: Very much so.

Q5 **Mr Nigel Evans:** Do you think there is any scintilla of truth in the accusation that the Secretary of State for International Trade made once, in which he accused some businesses of being lazy and fat about their approach towards exports, and indeed looking forward to golf on a Friday rather more than the strategy of exporting goods?

Dr Marshall: I think at the time we said that we had never encountered any of those businesses as chamber of commerce members. If they do exist around the country, we are not in contact with them on a regular basis. But I think you also have to remember that a lot of businesses will look to where they can make that marginal pound in profit and if they can make it at home before they can make it abroad, they will often look to do so. There is an element of truth in the statement. There is an element of truth that some businesses find it easier to make that profit at home rather than look at markets overseas.

James Ramsbotham: I think at the time it was part of the basis of that comment and part of the basis of quite a lot of thinking that comes out of DTI that compares us to Germany and therefore looks at the comparative exporting success. But comparing a country that largely has land borders and whose neighbours are not only just the other side of very small land strip but also have the same currency makes the nature of what we have to do to export, particularly when it is physical goods, that much more challenging. That comparison is not helpful but it doesn't mean therefore that it is the fault of the business. There are major physical features that cause that.

What I see is every business desperately trying to make as much success as it can. They will naturally, if they have started as a domestic business, usually start at a local level, but where we have had a lot of success is helping to open their eyes to the potential of foreign markets. Yes, there are more challenges, and yes, they have to work harder at it, but once they get there they drive at it with all their might.

Q6 **Mr Nigel Evans:** One Government initiatives has been to embed export promotion within Government Departments. To give you an example, in DEFRA we now have the Great British Food Unit. Do you think that is a good initiative?

James Ramsbotham: Personally, yes. I don't see enough of it because I am not based in London and therefore do not see all the Departments, but I do believe that international trade should be central to everything that we need to do. If we cannot earn our way as a country by trading internationally, it is one of those things that is totally cross-cutting and everyone needs to do it. What I am not seeing is enough evidence of it in the way that it is driven as it appears within the north-east of England. We are not seeing each Department beating a way to our door and working out how we can work together to make that a reality.

Q7 **Mr Nigel Evans:** So that is an outright criticism of the Government in basically being London-centric and not looking at the regions?

James Ramsbotham: It is not so much whether it is London-centric or not; I am just not seeing it happening, so I have no evidence of where it is doing it. What I am saying is that I think we could do so much more.

Q8 **Mr Nigel Evans:** In which case the Government is missing a trick?

James Ramsbotham: Yes.

Q9 **Toby Perkins:** I just want to take you back to the Secretary of State's representation of some British businesses as lazy and fat. I wonder, from the perspective of your members who are attempting to attract investment, attempting to develop new markets overseas or attempting to promote the merits of trading with British business, does that scolding prove to be unhelpful if that is the impression that our own Government has of British businesses, or is there a sense that as a result of the Secretary of State's words they get off the golf course and then pull their socks up and start doing a day's work? How do you see it?

James Ramsbotham: The reaction at the time certainly demonstrated that it was seen as extremely unhelpful. People felt that it demonstrated a complete lack of understanding about the amount of work that does go into international trade and the amount of work that is being done by business people day in, day out. There was a feeling that the Government did not respect the immense amount of work in wealth creation that goes on around the country. It was an unhelpful message. It would be like turning to a sports team and telling them that they are all lazy. It might encourage one or two people to turn around, but the majority just feel that if there is no spirit of working together in this, it creates the opposite.

Dr Marshall: That said, the feeling around that dissipated rather quickly. What we seem to see among chamber of commerce members is more of a concern with whether the Department as a whole is giving as much support as it could to exporters and would-be exporters. Businesses are starting to worry less about political declarations and more about the concrete, practical support available to them. I think that is where their focus is now.

Q10 **Mr Ranil Jayawardena:** Just for context, I should say that I met the Hampshire chamber of commerce last Friday, where we discussed Budget 2017 and we had a very positive and upbeat conversation about the economy and prospects for trade. Clearly in that room there were a range of different businesses. We have talked about what the Secretary of State has said in the past—rather, the President of the Board of Trade, we could say—and it is important that we recognise small businesses but also medium-sized businesses. Something that the President told us in evidence was that he foresaw the biggest potential for export growth in the M of SMEs. Do the same answers apply to medium-sized businesses as apply to small-sized businesses, and in that context should we be supporting the Ms through the Board of Trade, the Department or chambers of commerce?

Dr Marshall: It is an interesting debate and it is one that has been had over a long period of time. The notion of whether you can segment businesses by size, by the particular point at which they are at in their growth journey, by the particular point at which they are at in their export journey and so on—you can cut it in any one of those different ways. It is undoubtedly the case that we see in chamber membership around the country many thousands of what you would consider to be medium-sized businesses, many of them with established export markets already who are interested in intensifying those export markets. I think helping those businesses to intensify what they do, to diversify into other markets around the world is of great value and something that could be pursued more. With the existing target function in the Department, value is accounted for often very much by large businesses and volume by the very smallest. So it does fall a bit between two stools sometimes.

James Ramsbotham: Size is not always the most helpful piece. Certainly we as a chamber have far greater penetration in our largest businesses where pretty much every large business in the region is in membership, whereas we probably have only half of the medium-sized and about 10% of the smaller ones. But I would suspect we have about 90% of all exporters, given the support and the work that we do with them. Certainly we see huge potential among the mediums, but it is more by sector rather than size. We have been doing a lot of work recently trying to help creative media, IT and high-tech businesses and that is where we are seeing the biggest gains in export potential at the moment, which is not size-related, although there are a lot of very good medium-sized creative media businesses that are having real success at the moment. But they need a lot of encouragement.

Q11 **Mr Ranil Jayawardena:** Graham Cole, who chaired the Cole Commission on Exports, has argued that the Government is good at supporting those larger exporters, but that is—in his words—the wrong organisation to support smaller exporters. Do you agree with that assessment?

Dr Marshall: We agreed with it when Graham made it several years ago. This Committee's predecessor, the former Business Committee, looked at Graham's report rather extensively. What he was saying, I think, was that export is really a contact sport and for smaller and some medium-sized businesses there is a lot of face time, a lot of handholding, a lot of buddying up that is required for them to feel confident and move into some of the markets and some of the opportunities that are available. Having that available is something that the Government cannot provide necessarily in every locality, in every town, city or county, whereas he argued very clearly that organisations such as chambers of commerce, because they have that footprint in towns, cities and counties across England, could do more in that space. It is something we still believe is the case today.

Q12 **Mr Ranil Jayawardena:** You would contend that the Department for International Trade should stick to what it is best at?

Dr Marshall: I would contend that certainly both the Department's personnel overseas and the FCO personnel overseas have a role in helping secure a lot of those high-value contracts where they have had more success. I think it is a question of the sort of partnership that they build with other organisations, including ourselves, in the private sector in order to help broader numbers of companies get into market that needs to be looked at in more detail. We have had long conversations about that.

Q13 **Mr Ranil Jayawardena:** Can I just probe on this before you come in? Clearly the Department wants to hear what people have to say. We want to hear what people have to say; the whole of this place does. We need some guidance from you. Clearly Government cannot do everything. What should it do? Is it right for it to stick to what it is best at, which if you agree with the Cole Commission is larger organisations, or not?

Dr Marshall: In terms of direct delivery, it should do what it is best at, which is helping with large-value transactions. In terms of working on the small and medium-sized exporters, a genuine partnership with organisations such as chambers of commerce is beneficial, but also doing so in a way that excludes some of the micro-management, some of the bureaucracy that we have seen in the past. What you have at the frontline today, whether it is chambers of commerce or other organisations that are delivery partners, are some very good people doing some very good work to try to help exporters. They are hamstrung by a set of very complex targets and very heavy duty management mechanisms. What they say to us rather frequently is, "If they could give it to us in a black box and let us account for what we deliver in terms of outcome, we could do wonders, but we are not given that flexibility."

James Ramsbotham: I think focusing on what people are good at is potentially missing some of the opportunity, because where the

Department is particularly strong is helping larger exporters that are dealing with physical goods and a lot of the opportunity lies in the service sector, where we could do so much more. After all, as a country that is so strong in the service sector, we are not strong at building the exporting for the service sector.

Q14 **Mr Ranil Jayawardena:** That is interesting, because when we had the President of the Board of Trade in front of us, I raised Serco, which is based in my constituency, a big FTSE 100 company—I think it still is—and they do a lot of work in the middle east. The British brand is very strong there. That is services. That is them managing healthcare, for example, where the support that his Department has provided has been commended by them. So I am therefore not sure that what you say is right. I am afraid I believe my constituents, as you would expect me to. Why is it that you say that service support is not forthcoming?

James Ramsbotham: There are some wonderful examples of where we had real success, and the education sector is another one where we have had some significant success. But if you look at where most of the targeting that is given to people to try to achieve, it is largely focused around the physical goods.

Mr Ranil Jayawardena: It is targeting. Thank you.

Q15 **Sir Edward Leigh:** We have already covered most of it, but obviously we are not doing very well. The Germans do a lot better; they have 45% SME exporters and we have 18%. I think we agree that the Department for International Trade should concentrate on big exporters. We received various comments from people like Lord Price saying, "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 and the local regime." Then we have already heard from Graham Cole and we have another comment from Lord Price that, "As the Minister, we have to focus on the major market." That all makes sense.

Where we are getting to, we need a clear steer from you. We probably have it now: it is that the Department is obviously still spending a lot of time and effort on supporting small exporters. Perhaps I can just sum up the conversation and where we are getting to: they are not very good at that, despite their best efforts. We are not doing terribly well compared to the Germans and maybe we should go to the German model and let the chambers of commerce do it. As you said just now, put it in a black box and let you get on with it. Is that where we are? I know other people want to pursue the chambers of commerce idea, but as my colleagues have opened this up, we better just establish that now.

James Ramsbotham: I would just put a health warning over comparing with Germany because of the issues that I mentioned earlier; we do have a completely different situation. In the north-east of England, I don't consider work that I do in Kelso as international trade, and nor should I. England is part of Britain, but that is the equivalent of a German doing business from Venlo to Münster; they are two towns a short distance apart, it is just a short drive and it is the same currency. I think some of the comparisons with Germany are an unhelpful way of dealing with this. Should chambers of commerce pick it all up? I think that—

Q16 **Chair:** Can I just come in for a second? You are saying that a lot of German exports are masked by the fact that they are just over the border and they are really only going a few miles?

James Ramsbotham: I am not saying that, but it is much easier for Germany to export stuff into France or Belgium or Holland than it is for us, because it doesn't have any of the issues of transporting across the sea and changing currency. It is therefore more challenging for a business engaged in that. Just the whole way that German businesses can approach exporting, it doesn't even feel that they are exporting.

Q17 **Sir Edward Leigh:** It is not fair to benchmark ourselves against Germany, because they are in the middle of a continent. That is a problem that we are always going to face, unfortunately; we are an island.

James Ramsbotham: Absolutely. We can absolutely do better; it is just that it is an unhelpful benchmark.

Q18 **Sir Edward Leigh:** All right, so we are not going to benchmark ourselves. We are never going to do as well as the Germans, but how are we going to do a lot better than we are doing? Because clearly it is not working at present. We all seem to be agreed on that. The Department is best at, and will always want to concentrate on, the big trade deals. We accept that.

Dr Marshall: If the Department was to use its resources to allow its partners to deliver at the frontline more successfully, I think we would see better outcomes. When I was referring before to management layers, bureaucracy, control processes and so on, there is a huge amount of the money that is supposedly destined for support for SMEs that ends up in that intervening layer rather than at the frontline. When we talk about putting something in a black box and saying, "Let a delivery partner get on with it" agree some very clear, very stretching targets to achieve at the end of a period, but like one might do with procurement in the private sector, let the provider deliver it on their own terms because in James's part of the world, in the north-east of England, getting to those SME exporters, giving them the support and advice and the success they need will be very different than it will be in the west midlands, in the south-east and so on. I think recognising that difference and allowing the partner more flexibility gives you a situation where you can start to improve those rates of export.

James Ramsbotham: The discussion that I have had with the Department several times, I have compared it to the automotive supply chain and the way that we work together; that if only we could sit down and say, "Right, for five years, this is the issue. This is now our shared problem. How do we go about solving it?" and then put something in place and agree that we would go at it and any shared benefits would be shared as well, that we could do it properly.

Instead, I am sitting here on 22 March with a contract that is to be renewed in nine days' time and I still have not had a meeting about what is going to be the content of the targets, other than that I have been told that I have an 18% cut in the money that will be available, which in the north-east, because we also match it against European funding, means that I will also have to reduce the amount of European monies that I can draw down. But I don't know what I am meant to be doing by the end of next week.

Q19 **Sir Edward Leigh:** So they are slow and too controlling?

James Ramsbotham: Yes, absolutely.

Sir Edward Leigh: And they are not giving you space and time to get on with your job?

James Ramsbotham: It is not just about giving us time—

Sir Edward Leigh: Of course, the British civil service has never been like that before, but there you have it.

Q20 **Liam Byrne:** I have a quick supplementary question on this. How clear are you about the value of your contract for next year if you don't have targets?

James Ramsbotham: I don't yet know what sum it will be.

Q21 **Liam Byrne:** You have experienced staff. Have you had to put any of them on notice because you do not know what the contract income next year is?

James Ramsbotham: I am refusing to do that. Although there is absolutely nothing agreed, I want to keep them motivated up until the last minute.

Q22 **Liam Byrne:** Dr Marshall, are you aware of any of your members, as chambers, who have had to put staff on notice for next year?

Dr Marshall: I am aware that a number of contractors for the Department have had to look at how they deal with those 18% cuts, and I am sure that staff—

Q23 **Liam Byrne:** That is not a direct answer. Do you think there are chambers of commerce that have had to put support staff or contractors on some kind of notice or warning?

Dr Marshall: I am not aware this morning, but I am happy to look into it and write back to the Committee on that.

James Ramsbotham: I doubt there are, because there is a commitment to keep it going, but we just don't know quite what the detail is.

Q24 **Liam Byrne:** But you do not know how many staff you are going to have the budget for next year?

James Ramsbotham: No.

Q25 **Liam Byrne:** How do you know that you won't need to lay off staff next year?

James Ramsbotham: We don't at the moment.

Q26 **Liam Byrne:** So you are taking a punt?

James Ramsbotham: We are taking a punt. We are a membership organisation, and the businesses in the north-east just desperately want to get as much support as possible and wouldn't want me to do anything that put that at risk right now. I will have to take it on the chin.

Q27 **Chair:** Let us be clear. You are seen as an important plank of exports and you have huge uncertainty as to your funding for next year?

James Ramsbotham: Yes.

Q28 **Sir Desmond Swayne:** One of the complaints made to the earlier inquiry was that it is very onerous for small and medium-sized enterprises to interact with UKTI services. For example, going to a trade fair is a significant overhead. Is there any way that can be made easier, or any way that you, if you were delivering those services, could make it less onerous?

James Ramsbotham: I think there are several ways. One is just having that much longer-term planning, and particularly attendance at trade fairs and participation in trade missions, agreeing a proper strategic approach as to which trade fairs in which parts of the world we are going to support, so that we are not going to businesses with two months to go saying, "Here is this opportunity" and then it feels like a huge amount of work done in a really short space of time. That adds to the feeling of burden about it, whereas if we can say now, "In 12 months' time we will be returning to X trade fair," we can gradually build that up.

Also with that long-term commitment we could start to build partnerships in-country in various ways to make sure that we have all the support available and we can make it. Too much of it is just too short term, which means we do not get the benefit and it is embarrassing. This is where a comparison with other countries such as Germany helps, because you see the strategic way that they drive those. They just make it so much easier because the businesses have certainty that next year they will be able to participate and they can start themselves to make long-term investments, because this is all about long-term relationships.

Dr Marshall: There are instances as well where the application process to get support for an SME has a longer time period attached to it than the planning period for a trade mission in question. It might take an SME several months to secure that support, but a trade mission is organised at short notice, with a few weeks' notice to accommodate the Minister's diary, for example. That is the kind of practical on-the-ground barrier that we see rather often. I think that the support for trade mission and trade fair attendance is valued. It is something where chambers of commerce, trade associations and other players in this space would like to see more direct support available over time, but, as James says, with that consistency and with the ability to plan ahead so that you, as an SME, know that you will, first, have the co-funding, and secondly, have the ability to go overseas to that fair at the appropriate moment.

James Ramsbotham: Businesses put in place long-term budgets, so they wanted to know before Christmas what they should budget for trade fairs for the whole of 2017, but since the trade mission programme for 2017-18 has not yet been agreed, it is difficult to match the two.

Q29 **Sir Desmond Swayne:** Does the longer-term strategic approach of which you have spoken do anything to address what is in all probability the real impediment to small firms exporting and that is their fear of the risks, the unknowns as against the potential opportunities?

James Ramsbotham: I will give you a good example. Four years ago we decided as a chamber—off our own bats, because UKTI at the time would not support it, but we decided to do it anyway—that the north-east coast of America was a huge opportunity for high-tech firms, for example in Boston and Cambridge. So we started a trade mission purely for high-tech firms to get into that market. We made a commitment at the time that, come what may, we would do it every single year at the same time of year and we tied up with the British American Business Council—BABC north-east or BABC New England. This year will be the fifth year that we will do it. As a result, throughout the whole of the small and medium-sized business community in the north-east, it has gained a kudos all of its own.

The first year it was a bit of a challenge to get businesses to go, but the second year we got so many more, and now we are overwhelmed with people saying, "In November we want to be with it." Everybody talks about it, the success is there and a whole legend about it has grown. It is about that long-term commitment and then building up a feeling that businesses know they will be supported because there are so many others saying how great it is.

Dr Marshall: There is also a sales and marketing element in all of this. Because of the policy question behind this, which is that we need more businesses to export for UK plc, businesses are asked, "Could you export?" It is the wrong question. You need to ask a business, "Do you want to make more money? Do you want to find more customers?" They don't care necessarily where they are in the first instance; they want to know what the opportunity is and what sort of margin they can make out of it. Then it becomes interesting and then they get into the practicalities of export. It is almost like we ask them the wrong question to begin with, because we are starting with the policy question rather than the business question, which is, "Do you want to do better within your business?" If we change the way we talk about it, I think we might see some more success, more pull.

Q30 **James Cleverly:** We have touched upon this in broad terms. Dr Marshall, you mentioned a desire to have the ability to provide the black box solution. Could we perhaps expand that a little bit? I invite you to talk through some of your ideas of what you think the chambers could do to support UK exporting. Can we explore that?

Dr Marshall: The starting point is that through our benchmarking we realise that chambers of commerce in the UK, including those that work with the ITI and those that do not—which are the majority—support 30,000 exporters a year through a variety of services already. Some of that is around things such as helping people ensure that they have the right documentation so that their goods get through customs overseas. Some of it is around commercially based export services, like foreign exchange hedging, which some companies, particularly with the current volatility of the pound, have had to use more of, and a range of other things. Some of it is simply buddying them up with another business to help them through that journey so that they can learn about that process.

I think what differentiates what chambers do on the ground from a Government-led offer is that it is often more demand-led. There has to be commerciality behind it, there has to be a real deliverable for the business with a member of a chamber of commerce or with the other local business that they are trying to support in it. I think chambers want to do more of that work and are scaling up that work constantly, but they also want a mature and positive partnership with the Department for International Trade that stands the test of time.

James mentioned this point about consistency. I have what I call a one, five, 10-year rule. Businesses take a year to hear about something, five years to engage with it and 10 years to feel comfortable with it. When you face a Department that is undergoing constant change, you can never satisfy those conditions, but if—like the Germans, the French and others—you put support mechanisms in place and leave them in place for a long period of time, you start to get an ecosystem developing: private sector, commercial support and Government support that coexists, works together, fills the gaps and then you see more take-up.

Q31 **James Cleverly:** James, do you think that is something particularly appealing to small and medium-sized businesses? Because that has been identified as one of the areas with the greatest growth potential. Do you feel that they would be more comfortable engaging with chambers rather than Government?

James Ramsbotham: I can really only answer for the north-east of England, where we have a particular relationship. I do not think that businesses necessarily, because of the way it happens now, appreciate quite what the difference is between Government and the chamber, because we have been running the contract for some time. Following the changes, it is not branded in the way that it was under UKTI, which slightly established it as something separate. But yes, there is naturally an affinity with the chamber, particularly a chamber that has the public recognition in the region, as we do, and particularly with the strength of everything else that we do in the area of international trade because of the documentation support, because of the other training and stuff we do.

Adding to what Adam said, our members would have a lot of praise for UK Export Finance and the support that is given on the financial side is strong, but I do think that it is not so much whether it is a chamber or the Government; it is about having one centre of excellence where everything is and the business knows that for whatever it needs with international trade that is the point of contact and there they will get all the advice and support they need.

Q32 **James Cleverly:** Following on from that, would that imply that if DIT was to contract to the chamber it would then, either within that region or perhaps if this was a national roll-out, pretty much need to take a step back in order not to create conflicting messages or competing bodies. Is that the natural—

James Ramsbotham: I think that is very much the case. What we have seen over the last few years is a whole series of different initiatives of engaging different partners to deliver sectoral support or trade mission support and a lot of micro-management, which has made a lot of that difficult. For businesses, they do quite question about why they have to go there for that and there for that when they want to just go to one place and feel that they are wrapped around.

Dr Marshall: There is also this question of there being no wrong front door. If a business wants help and they feel more comfortable approaching something with a private sector brand such as the chamber of commerce, or if it feels more reassured approaching a Government body such as the Department for International Trade, there should be no wrong route in to making sure they get the support and help they need.

For a long time it was impossible to co-brand some of these services, because they had to go under a Government brand. That is an example of the sort of limitation that might stop some from darkening the door, because you do have those in business communities who, whenever they see, "I am from the Government and I am here to help," run a mile. Whereas they might be more obliged to walk through the door of a private sector institution. When I talk about ecosystem, it is trying to make sure that there is no wrong way in and that, wherever the business is in that journey, they can get the support they require.

James Ramsbotham: I think the trick we need to work is that this is an absolute shared objective. The business community desperately wants to make sure that it gets the very best out of overseas opportunities. The Department desperately wants to grow exports. We are all in the same line. We just need to make sure that we are absolutely working as one on it.

Q33 **James Cleverly:** Finally from me, if the DIT was to go down this route, are you aware of areas that only it would be able to discharge? Are there things in this arena that you, as an organisation, would feel uncomfortable having on your shoulders, or could you just say, "You know what, we can do the whole lot"?

James Ramsbotham: I can only speak for the north-east. In the north-east I would be very happy working with them to do everything.

Dr Marshall: I do not think that necessarily is the case across England. I think there would be some areas where a partnership approach would be required or a consortium of people and individuals involved might be required. I think though the thing that we have the best connectivity for and where chambers of commerce can play the strongest role is on the ground in the business parks, the industrial estates, the city centres and so on, seeking out those companies that are looking to make more money, talking to them about the opportunities that are available overseas and pulling them into that ecosystem of support.

One of the things that I think people forget about export is that it is a contact sport. There has been so much emphasis in recent years on all this advice and support and help with digital and removing the people from the equation. That is a huge concern, because this is the sort of thing that only takes off through interaction with other people. It does not matter how many digital opportunities you see; it is the people who make it happen and that is where the role needs to be focused.

James Cleverly: I think we are going to be touching on that later on, so I will not explore that further.

Q34 **Chair:** Dr Marshall, UK Export Finance has traditionally focused on larger exporters, but now it is making more effort to engage with the smaller exporters. How successful do you think that has been?

Dr Marshall: I have untrammelled praise for the continuous and consistent effort that has been made by UK Export Finance since about 2009 to 2010 to re-enter the SME market. The numbers are not huge, because remember it is there as a partner of last resort if businesses cannot get what they need off the commercial market. When the commercial markets returned, a lot of businesses were able to get what they needed, whether that is export credit insurance, contract bonds and so on. But they have been absolutely consistent, and they have invested in trying to get more resource and to get more marketing to ensure that their offer is better understood by the banks, which stand at the frontline.

I can date it back. We had a summit of angry exporters with the then chief executive of the Export Credits Guarantee Department in 2009 at the Baggies Stadium in West Bromwich. They basically were saying, "We are very angry because all of our commercial export credit insurance has been pulled due to the financial crisis." That is when re-engagement started and ECGD, as was, started to move back towards the SME market. They have been on that journey ever since and they have worked in partnership and collaboratively ever since. I cannot emphasise strongly enough how important that is. I am not worried about the fact that they worked with only 250 companies last year, because they are, as I say, the partner of last resort.

The Germans, and others who have similar export credit agencies, keep a number of different schemes on the table, and it does not cost them any money. In times of need, when the market is not there to provide, those become incredibly important. I want them to be able to do exactly the same thing.

Q35 **Toby Perkins:** We have spoken about some of the areas where maybe the Government approach is not entirely working. We have also just focused on one where it is. I want to turn to the question of the brand of the UK as an exporter. Whatever you say about the Government, they have spoken up for exports—I think the previous Chancellor talked about an export-led recovery. We have seen some quite innovative marketing approaches from the Department for BEIS, such as the Business is Great programme. We have a Government who speak enthusiastically about exports, but the BEIS Select Committee, when they looked into it, said that Britain still does not have a good brand as an exporter. Would you agree with that analysis? They said, "The UK does not have a strong brand as an exporter". Would you agree with that analysis and, if so, why do you think that is?

James Ramsbotham: I go on at least one trade mission to somewhere overseas every year, and I do believe that I have never been anywhere where people are not wanting to see us and the UK brand is strong.

From a Government perspective, I think that there are certain things about words and actions, because one of the examples that I have given is if we are so determined to support exporting why do we have an air passenger duty that penalises people for travelling and why have we not invested in transport infrastructure such as Heathrow sooner to make it easy? We look at our competitors around the world who have not behaved like that, because they absolutely see what impact that has. There are several other things and it goes back to Nigel Evans's earlier question about getting every Department to join in with this.

But one of the reasons that we, as the chamber of commerce, recently rebranded and included England in our title is because England and the UK is such a strong brand overseas and we can just make so much more of it. With the advertising campaign and all that is spent on that, I think that we could work together with that to make it a lot stronger and to build it overseas. I am an ex-marketeer and I think we need to be a lot more focused on where we use it, because we can't just put it absolutely everywhere. It is back to the strategic point about which are the key markets, where do we invest and how do we build from some key centres and take it out? Because we do have, as the UK, as England, an incredibly strong brand if we care to use it properly.

Q36 **Chair:** I am tempted to ask if the use of "England" pre-empted some perhaps constitutional changes that might come in the next few years, but I will leave that hanging.

James Ramsbotham: I promise you not.

Q37 **Toby Perkins:** I saw you nodding along, Dr Marshall, so I am going to work on the basis that you broadly agreed with that. The Secretary of State admitted in his evidence to us that he did not expect the UK to hit his target of £1 trillion of exports by 2020, which I think many people felt was ambitious/fanciful in the first place. Can you say from your perspective what you expect we will be achieving by 2020, your best analysis of it and how you would summarise the main reasons why we are not going to achieve that target?

Dr Marshall: First of all, I think that it is important to say that I hold the current Secretary of State blameless for the targets, because they are of course not his targets; they were devised under a previous Government and without much consultation or interaction with people at the frontline. One might say that the back of a fag packet could have come into that particular process, so I do not think that it is the Secretary of State's target.

I thought the targets should have been focused more on how much incremental improvement we were seeing in export rather than absolute numbers at the other end, because in a sense they are so far off and they are so big that they become almost intangible, whereas if what we had been able to do—whether it was in the north-east of England where James is working or some of our other chambers all across the UK—if they were able to say, "What we are trying to do this year is see a 3%, 5% or 8% improvement in our net exports and therefore a considerable contribution to net trade for the UK for when the Pink Book comes out every year," you create much more of a sense of involvement, interaction, engagement, motivation and you crowd everyone in to wanting to achieve those targets.

Simply setting an abstract number and leaving it in the air for Committees like this and for debates in the House, to excoriate the Government about its failure to achieve them, leaves businesses cold; they don't feel a sense of participation and engagement. So I would be looking at targets for areas. I would be looking at ensuring that resource is focused on achieving those and allowing people to get on with it.

Q38 **Toby Perkins:** I was inviting you to predict what you believe we might be exporting by 2020, and you did not take me up on the challenge.

Dr Marshall: Obviously I think we will fall a long way short. With the £1 trillion target, it will be in the order of hundreds of billions that we will still fall short. I do not know by how far, because of course the last time we looked at trend was before several changes in the global economy and the referendum vote and a range of other things, so I think it is a prediction. Economics is a dismal science and predictions of those sort are subject to change, but there is no question but that we will fall significantly short.

Q39 **Toby Perkins:** Talking about targets, the Government also set a separate target to increase the number of exporting businesses from 188,000 in 2010 to 288,000 by 2020. The evidence that we had from the north-east chamber suggested that the quest for 100,000 new exporters was unrealistic and not based on any intelligence as to why the target is either appropriate or achievable and is moving away from what needs to be done to create more sustainable long-term exporters. You were critical, Mr Ramsbotham, of the target in the first place and the likelihood of it being achieved. What do you think the Government should be focusing on? I assume from your evidence that you don't think that is going to be achieved. What target should the Government be setting for themselves?

James Ramsbotham: I think there is certainly an issue to do with both value and volume targets that we should be sitting down and agreeing. The 100,000 extra exporters in the time set, when we never understood what the basis of it was, was totally unrealistic, or is totally unrealistic because it is still the exempt target, as far as we are aware. But when you break that down as to what it means in each and every region you quickly realise that it is unrealistic.

I certainly think that we need some very clear targets about getting a lot more businesses exporting and a lot more value, but I do think as well that the problem we have at the moment is that it seems we have two strands, where the teams working within the UK are focused on volume and the teams overseas are focused on value. Therefore, we are not even working together with the posts around the rest of the world and it needs to be shared, where we are both trying to do both.

Q40 **Toby Perkins:** Would you say from the evidence that you have given that the Government have taken an approach that has set big number targets quite a long way into the future, which we end up not achieving, and from your evidence were not the right things to be attempting to achieve in the first place? What we need to get back to is the day-to-day business of ensuring that the support is there at all levels, to ensure that there is a common purpose in terms of an export strategy; not the flashy big numbers, but the day-to-day business of supporting British businesses to export. I am putting words in your mouth, but is that what we are failing to do and can you help direct us back in that direction?

James Ramsbotham: I think that one of the challenges is that the targets were set, which I absolutely embrace the idea of having some big hairy targets that we need to go for and a sense of ambition, but then if you do not change what you are doing, although I am more worried at the moment that there are certain discussions around changes that are saying, “What we do now is never going to hit those targets so therefore we need to change.” I think that the targets are wrong. Having said that, by sitting in partnership there is so much more that we could do. We certainly, in a large number of parts of the UK where we have European funding that we can draw down to match against the DIT monies, are able to be so much more successful because we are able to put some meaningful support to businesses that then help us deliver the targets that the Government are setting.

But I think we need to go and look at what some of those programmes are. We have something called the Virtual Export Manager, where we are able to take somebody who has a lot of experience, put them with a new exporter for a number of days and help educate them and get them involved. It is a lot of that active hands-on. Yes, it is quite intensive to start with, but it is the old thing about teaching someone to fish and feeding them for life.

Q41 **Liam Byrne:** This has been incredibly clarifying, so thank you for this. Dr Marshall, can I just try to summarise? So we are not clear as a country what our trade targets are?

Dr Marshall: I think we are clear what the Government’s targets are. I think businesses do not believe that they are clear on how we get to them.

Q42 **Liam Byrne:** The Secretary of State has said that the £1 trillion target is no longer operative, so I am not clear what the Government think their target is.

Dr Marshall: Then neither am I; I wasn’t aware of that.

Q43 **Liam Byrne:** Do you have a clear view of how many businesses should be exporting? We said that the 100,000 figure was unrealistic. Do we have a number that we are shooting for?

Dr Marshall: I think we need to build the number, and you build the number—

Liam Byrne: I will come on to that, but do we have a settled view of what the number is at the moment?

Dr Marshall: No.

Q44 **Liam Byrne:** Do you have a view as to what the Government believe are the priority markets or priority countries for exports over the next, say, three years?

James Ramsbotham: No.

Dr Marshall: No.

Q45 **Liam Byrne:** Are you clear about what income is going into trade support next year?

James Ramsbotham: No.

Dr Marshall: No.

Q46 **Liam Byrne:** Are you clear what the trade support contracts will look like for next year?

Dr Marshall: No.

Q47 **Liam Byrne:** From where I sit, it looks like a shambles. Is that a description you might subscribe to?

James Ramsbotham: It is a particularly difficult place as a contractor to work in at the moment, yes.

Q48 **Chair:** You do your best to manage the shambles?

Dr Marshall: I would say we are doing a great job, but—

Q49 **Liam Byrne:** Thank you for that clarity. I think there is a shared ambition that the current account deficit is something that we should be taking on in this post-Brexit era. How long should the trade support contracts be? We have talked about the current problem—that there were five-year contracts, they are ludicrously detailed and now they are changing. In an ideal world, how long should the contracts be, Dr Marshall?

Dr Marshall: If Governments are only able to contract for five years, if that is the case, because—

Q50 **Liam Byrne:** But that isn't true, because we contract for hospitals for 20 to 25 years.

Dr Marshall: Then I would make the argument that as long a term as possible would allow for that consistency of support I was talking about before. I said that businesses are comfortable with something after 10 years. You have to give the space and the time for it to bed in. I think what happens in the current contracting process, which makes it doubly difficult, is the headline is that it is a five-year contract but the reality is that it is not.

Q51 **Liam Byrne:** Yes. In an ideal world, what is a good length of a contract?

James Ramsbotham: I personally think it should be a 10 or 15-year contract. It should have some very clear targets agreed mutually at the start and therefore with an agreement that if those are not hit then it needs to go back, so that the Department has a view that if it is not about a 15-year contract that then is not changeable, but this idea that it is a five-year contract, but we will change it each and every year. We have to be able to build something. It is like the example I gave earlier about our links in Boston. It is only when we start to build five or 10-year relationships overseas that we start to help, so it does have to be in the 10 or 15 year—

Q52 **Liam Byrne:** There is a fiction in public spending—and I feel able to say it as a former Chief Secretary—that contracts can only be for the lifetime of a Parliament. There are very substantial contracts, not least with schools and hospitals, that are in place over a very substantial time period. It may well be that the Committee comes to the conclusion that we should be looking at trade support contracts on a much longer-term basis than we do today.

Dr Marshall: It would also enable the creation of targets that are mutually agreed that you can then work to over that period of time as well.

Q53 **Liam Byrne:** Yes. What does the process for target setting or goal setting or priority setting look like today, from your point of view?

James Ramsbotham: Right now I am waiting to have a meeting to discuss what they are. I know that the Department has an intention to change them quite substantially, but I don't know what and there's very little time to do that. But it is not totally unusual. In most years we have not finally agreed targets often for two or even three months. Last year we did not agree the trade missions that were due to take place until after six months into the year, which gave us very little time to do it. There is a planning process that needs substantial reform if we are to make it as successful as I know we could.

Q54 **Liam Byrne:** When I have spent time with the German Chambers of Commerce researching the extraordinary German export effort to China, it looks like one of the best organised machines on earth, quite frankly. The notice that is given to exporters is months, whereas it feels like sometimes we are organising trade support missions in a timeframe of weeks, which is inadequate. How do we build on the idea that you talked about with New England where we establish fixed points in the calendar, like the annual German shindig in China for two days? How do we expand that kind of approach to trade support?

James Ramsbotham: I think it starts by going back to your question about whether we know what the priority markets are. From my perspective, looking at it from the north-east of England, first of all I would try to work across—for the sake of a label at the moment—the Northern Powerhouse, because to make it successful it is not about a region as small as the north-east; it is about a larger chunk, or we do it sectorally across. It is the key markets, but it is then the key entry points. ASEAN is a very key part of the world, with 660 million people, the fastest-growing economies, and the gateway to it is Singapore and Kuala Lumpur. We ought to be there every year and build up—

Q55 **Liam Byrne:** At the same point in the calendar, yes.

James Ramsbotham: Yes. It is about finding those key entry points to each different part of the globe and then saying, "Let's put in a five or 10-year programme of consistent return visits so that we build up a network." The embassy absolutely is on song with the local British chamber, the local native chambers and all the various professional organisations. Then we also start to build the whole discussion around it, so that everyone gets—

Q56 **Liam Byrne:** That sounds like a frightening departure from ad hocery.

James Ramsbotham: It is something we have been asking for. I have been in this job for 10 years and I have said this each and every year for the 10 years that I have been in my job.

Dr Marshall: One of my very first appearances before a Select Committee when I joined the BCC eight years ago was on this very topic. We were having this very conversation. That was 2009.

One other thing that is remarkable about the Germans, the French and others is that Ministers' diaries are built around the trade missions and trade missions are not built around Ministers' diaries. In the case of the French, one thing that they do quite successfully is send their Ministers abroad on market-making missions, not to sign deals that have been pre-cooked in advance. The Minister's purpose is to be there as a figurehead to open doors, not to come back with something just so that you can feed a press release out to journalists to say, "We got an £X million or an £X billion contract." It is that level of quiet commitment over time and prioritising the missions above anything else that works.

Q57 **Liam Byrne:** With regard to Mr Ramsbotham's point about priority sectors and countries, as a chamber network are you able to give us a view, perhaps in writing after this, about where you think the priority country markets and the priority product markets are likely to be?

Dr Marshall: Yes, we certainly can. We have some of the biggest private business surveys and we have looked extensively at where the demand is from businesses for support into particular markets and where they see themselves certainly over time.

Q58 **Liam Byrne:** I think we would find that very helpful, as I think we would find your view on where the UK's comparative advantage is in some of those markets.

Dr Marshall: It is very interesting. The pen portrait of it at the moment would be that their access to European markets is paramount. A lot of them are putting more resource over the next few years into European markets to ensure that they can guarantee their continued access to those markets. The UK/US trade relationship is another one where they are investing heavily, but James mentioned South East Asia and the ASEAN markets, and there is intensifying interest in some of those parts of the world as well. I would venture to say that it is not necessarily with

Australia and New Zealand, which seemed to be some of the early targets for free trade agreements in the new world.

Q59 **Liam Byrne:** Is UK support for trade today sufficient?

Dr Marshall: No.

James Ramsbotham: No.

Chair: On that happy note, panel, I thank you for your time and for your frank and informative exchanges with the Committee this morning; it has been very useful. Thank you both.