

# International Trade Committee

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

Wednesday 19 April 2017

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Watch the meeting

Members present: Mr Angus Brendan MacNeil (Chair); Mr Nigel Evans; Mr Ranil Jayawardena; Sir Edward Leigh; Chris Leslie; Sir Desmond Swayne.

Questions 60-107

### Witnesses

[I:](#) Adam Mansell, Chief Executive Officer, UK Fashion and Textile Association, Rupert Sexton, Sales (Italy) and Special Projects, Maycast-Nokes Precision Engineering Ltd, and Chris Walker, CEO, Diamond Hard Surfaces.

## Examination of witnesses

Witnesses: Adam Mansell, Rupert Sexton and Chris Walker.

Q60 **Chair:** Good morning, gentlemen. Can I ask you to state your name and organisation—name, rank and serial number—for the record, starting on my left?

**Adam Mansell:** My name is Adam Mansell. I am the Chief Executive of the UK Fashion and Textile Association.

**Chris Walker:** I am Chris Walker. I am the CEO of a company called Diamond Hard Surfaces.

**Rupert Sexton:** My name is Rupert Sexton. I work for a company called Maycast-Nokes and I work in sales and marketing, particularly in Italy.

Q61 **Chair:** Thank you very much. To Mr Sexton and Mr Walker first: for the record, can you tell us where your business exports, and how long you have been exporting?

**Chris Walker:** My export experience started in about 1990, when I left the UK to work in France for a large American company, and I was export manager for sales in Benelux—Belgium, Holland and Luxembourg—for that company. Then I moved companies. I came back to the UK and I worked for another smaller American company, but I was responsible for setting up offices, managing acquisitions and so on in countries such as Switzerland, Brazil and India, so I did a lot of market research into that. In my current role as CEO of Diamond Hard Surfaces, we export about 60% to 70% of our business.

Q62 **Chair:** Thank you for that. Can I probe just a little bit? I understand that you export to Mexico, and you did that for the first time this year. I often hear that people find it difficult to get into an export area, or there is some reluctance or hesitancy. What difficulties were there, or what drove you? Was it the confidence of your previous track record that made Mexico a natural follow-on, or do you have any particular advice for others to follow suit?

**Chris Walker:** Our approach is to look at horizontal markets, so we look at oil and gas, electronics—different market sectors, rather than specific countries. Then we target those specific sectors and we look for exhibitions, conferences and so on in which to promote our expertise. We try to identify key decision makers, the market leaders in those sectors, and start to work with them at a technical level. Our foray into Mexico came about through a company that we were working with in the US, who happened to have a division in Mexico. They promoted the idea of our product to the Mexican division.

Q63 **Chair:** Thank you. Mr Sexton?



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**Rupert Sexton:** Some background?

**Chair:** Yes, just on where you export, how long you have been exporting and your export experience generally.

**Rupert Sexton:** To give some background information, Maycast-Nokes is an aerospace foundry, so we are manufacturing aluminium castings. Our primary markets are France and Italy, and beyond that we also—

Q64 **Chair:** Is that Airbus?

**Rupert Sexton:** Yes, and others, but mainly the companies that feed into Airbus, so we would be what you would call maybe tier four. We are supplying in. We supply components that go into a sub-assembly, which then go into another sub-assembly, which then will probably end up on a tail section or in the engines and that sort of thing.

France and Italy are our main exporting countries. We export about 42% to 43%, but we also export to the States, and we have exported in the past to countries like Israel as well. At the moment we are looking to export to other big aerospace hubs, such as Brazil and Malaysia.

Q65 **Chair:** A number of people I speak to seem to worry about exporting, or the difficulty of getting into new markets. Santander Bank has tried to use their customers in various jurisdictions for security for different businesses. That was one approach they had that was quite interesting. What have been the barriers that you have come across, and what do you think could happen to make it easier?

**Rupert Sexton:** The main barrier for us is getting access to the actual buyers within a company. If you take Brazil, it does not have an aerospace foundry. Most of those castings have to come from the States or from Europe, so there is a great opportunity there. Dealing with the embassy, we will get a lot of enthusiastic response initially saying, "Yes, we would love to help". We don't really get much more beyond that. I have been contacting machine shops in Brazil who supply directly into large companies who would supply to firms such as Embraer. They are very, very keen to do a joint project with the supply of castings, and then they would machine. But Brazil is 13 to 14 hours away, and it is difficult to get things completely finished without actually going out there and meeting. We need to meet the buyers further up the supply chain, so we need somebody to facilitate that sort of meeting.

When I talk about that, I don't necessarily mean just having some data on the size of the Brazilian market. We know all of that. We actually need somebody to be able to say, "Yes, I have spoken to somebody in that department, and they are willing to give you an hour of their time if you come out".

Q66 **Chair:** You feel there is not enough follow through beyond the initial—

**Rupert Sexton:** Yes, exactly.



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Q67 **Chair:** Mr Walker, do you have any similar views about the barriers? If you are selling to the next tier in England, it is going to be a lot easier. If you are selling across the Atlantic and going south to Brazil or wherever else, it is rather different.

**Chris Walker:** My experience is on two sides. My experience is from working in larger companies, where I was responsible for business development overseas and working from a small business perspective. If you are working in a larger company, you have more resources to be able to expend on your own account. I had a very good experience of going to Brazil and being supported by the people in the embassy in Brazil. They put me in contact with people. Undoubtedly, I would agree that it is important to be in-country, and I think the support services that need to be provided need to support those.

From a small business perspective, it is difficult to envisage spending those sums of money on speculative visits. If I am going to do anything overseas, then it has to be very focused, and focused perhaps around an exhibition or conference. Those sorts of support services are very important and, for example, the use of pods and small and affordable exhibition spaces are critical to making a successful in-country visit, because you can make that the basis of other visits. If you are going to an exhibition and just walking around, you are meeting lots of salespeople who are trying to sell their products. They are not really interested in learning about buying your products.

Q68 **Chair:** A final question, just to open this more widely to the panel and to Mr Mansell as well: part of the Government's Brexit strategy is to increase trade with non-EU countries, where they are hoping to see growth, given what has gone on. What support could the Government give to help you do this, and are there any countries in particular that you think the Government should be prioritising?

**Adam Mansell:** From the fashion and textiles point of view, the key markets for us would be the US, Japan, South Korea, Australia and New Zealand, probably in that order. If you take the US, we currently export around £320 million a year. It is our largest market outside of the EU. The EU does account for 74% of all our exports.

Because of the nature of the tariffs with the United States and the difficulty in doing business there in terms of the regulations that you have to follow, UK products in the States are anywhere between 25% and 35% more expensive. There is a huge opportunity, for instance, with the States or with the other countries I mentioned in terms of having a UK-US free trade arrangement. That could see a significant increase in exports to those sorts of countries.

Q69 **Chair:** The UK has become a third country to the European Union, as was reported in the *Financial Times* about two weeks ago, and you would have tariffs with Europe. How would you feel about that?



**Adam Mansell:** Terrified is the simple answer. It is a market that accounts for 74% of our exports, and if we move to WTO rules, just to the EU we could be looking at—and this is worst-case scenario—anything up to 15% tariffs across the piece for fashion and textiles. Put that on top of the difficulty that the exchange rate is causing, and then we are looking at easily a 35% increase in costs.

Q70 **Chair:** Thank you. For the rest of the panel: what do you think the Government should be doing to support exporters get a foothold? You might have alluded to it in your earlier answers, but just to round it off.

**Rupert Sexton:** From our point of view, B2B trade shows are really the way to go. In the aerospace industry, we are expected to go to the main shows, and we do, and they are successful for us. But there are other shows, and I will give you an example. We trialled a show called Air-Tech in Germany last year. That is purely B2B meetings. We had 35 half-hour meetings over four days. We came away from that with interest from Switzerland, the Czech Republic, Brazil and a couple of other nations.

It gives us the opportunity to meet people, to go through our quality systems, because there are not many foundries or machine shops that can do what we do. This is something in the UK that can be readily exported. When they hear that you have NatCap and when they hear that you have AS9100, you are straight away into having a meeting and people are then keen to hear more. We really need—you don't like hearing these things—more funding for shows to actually get out there. What we don't need are portals or anything like that. We need to actually meet people and have meetings on the ground.

**Chris Walker:** I agree with that. I think DIT needs to take a different approach. Each reincarnation of DTI/DIT/UKTI seems to just shuffle around the people who are in there and not really change the strategy. I have had several experiences of some of the subcontractors for DIT ringing me up and saying, "I am ringing on behalf of DIT". It is just a reincarnated DTI. We need a different approach. If we are going to hit the target of 100,000 new exporters that the Government have put forward, and the target in terms of turnover, we need to make exporting integral to every UK business.

We need to give small businesses an understanding of what exporting is and what part it can play as part of an overall marketing and business development strategy. The support services that provide that need to educate people, take people on a learning journey to educate them about how to market themselves, understand what unique selling points they have, and understand which markets might be more profitable than other markets. Typically, lots of small businesses will reactively export based on enquiries from abroad, but they don't do anything to manage the partners who they have in markets, such as agents and distributors. They need to understand that they need to be treated as part of their own sales force. I think it is a whole education process, and the support needs



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to be directed to things that give medium term, tangible results for smaller businesses.

**Q71 Mr Jayawardena:** Mr Mansell mentioned the US, but I wonder if I can turn to India, and if the panel might wish to comment. In my view, reaching a free trade agreement between the UK and India is a crucial requirement. Mr Mansell talked about the way that the US is a very important sector, the UK exporting 37 billion more in goods and services to the US than we import from them. In terms of India, with a free trade agreement, our exports could increase by 50%, to Mr Walker's point about making exporting integral to every UK business. So, could I just ask—and it might be different between the different panellists—how a free trade agreement between the UK and India would benefit your industries?

**Adam Mansell:** Again, in terms of the fashion and textile industry, India isn't on our list of key markets.

**Mr Jayawardena:** No, I suspected it might be more on that side.

**Adam Mansell:** From the UK's perspective, it is an industry where we are dominated by micro-SMEs; 80%-odd of our companies are micro-SMEs, so India just does not hit that. However, if you are looking at free trade agreements where we are talking trade and tariffs, both in terms of imports and exports, then India obviously would be an interesting market for us in terms of a sourcing market, rather than an export market.

**Chris Walker:** Undoubtedly, any free trade agreements with any countries overseas are going to be beneficial to smaller businesses in particular. We need to cut through the red tape and administration that is necessary to go through exporting. There is a lot of that involved with just creating shipping—for example, different documentation that we send through.

For our business, we have not really focused on India for our products. That is because we have not identified any market leaders over there who are setting a trend that could assist us. We are mainly involved in the oil and gas and electronic sectors that, as far as I know, are not particularly strong in India, but I think a free trade agreement with India would be great.

**Rupert Sexton:** Likewise, the Indian aerospace hub is enormous and we would very much like to be able to sell our components into that, but we don't have the structure yet to do that. That goes back to what I was saying before about actually being able to get out to India, to set up and find out exactly how the supply chain works there. But, yes, undoubtedly, India, Malaysia and Brazil are all fantastic opportunities for us.

**Q72 Mr Nigel Evans:** I want to find out what your judgment is of the support that you are currently getting to export. On a rating of one being brilliant and 10 being dismal, how would you feature it? I will start with you, Rupert.



**Rupert Sexton:** I would say about five, four or five.

**Chris Walker:** Six.

**Adam Mansell:** Overall, probably a three or a four but it depends on the markets.

Q73 **Mr Nigel Evans:** That is appalling, isn't it? Absolutely appalling. You all compete with other countries, so when you go to these tradeshows and you look around to see all these other competitors from Italy, France, Germany and the United States of America, who are the countries that are doing it right? We have clearly worked out that we are the country doing it wrong.

**Adam Mansell:** I will start on this one. Italy would be a prime example of how to do it right in terms of our industry. A couple of examples of that: the fashion and textile industry in the UK is the biggest user of the TAP—the Tradeshow Access Programme—the support for going to overseas tradeshows. That is about £650,000 a year that comes to industries and into companies. To put that into some sort of context, the Italian Government spent \$20 million in the US in one season promoting the fashion industry in the US.

Even the Trade Minister goes directly to fashion shows to promote the industry there. There is a very big fashion show called Pitti Uomo in Florence. The Florence Government put in millions and millions and millions of pounds to promote that show. We have London Fashion Week here, which is a fantastic showcase for the creativity here and the wonderful fashion industry that there is in London. We get about £20,000-worth of support for that show every season.

**Chris Walker:** I find that a lot of it is very short term from my experience, with subcontractors for DIT ringing me up at short term trying to get me to go to some overseas event in two weeks' time or something like that. In a larger business, if I was doing general business development I could probably do that if it fitted my region. In a small business you can't do that. You need to have some sort of planning. Each person out of the business is critical.

In terms of trade shows, the people who I see as doing a good job are Germany in the engineering sector—we are working in the engineering sector—Italy, and to a certain extent the USA.

Q74 **Mr Nigel Evans:** What are they doing—just ploughing more money into it? How are they making it work?

**Chris Walker:** They have a very effective presence in all sorts of different formats—for example, at Farnborough International and other shows. They come as a country. They come as a region. They come as an association. They come as a group—US groups/associations and so on. It just seems to be much more of a complete offering.



I would have liked to have taken our company to OTC in Houston this year, but the minimum stand size that I am being offered through the EIC—the Energy Industries Council, which mainly represents larger businesses in oil and gas—is I think 12 square metres and it is £8,000. I don't need 12 square metres, and by the time I have put the £8,000 plus the travel, plus all the other expenses to it of being there for a week at peak time, we are talking £20,000 to £25,000. I need some tangible help. I just probably need a pod in a UK-branded pavilion.

**Rupert Sexton:** That is very similar feedback to us. Italy again—Chris mentioned Farnborough—have a lot of stands there, and they are regional as well as national. I occasionally get invitations to go on trade missions to Italy provided by the Italian local regions. They are useful as well. It is not just a nice get together and some wine and canapés at an embassy or something like that. It is actually useful meetings in factories, meeting buyers. The States as well, again at a state level as well as a national level, will provide stands.

As Chris was saying, one of the things that is slightly frustrating is this kind of traditional belief that you need a large stand. We have a stand with components that sit deep inside an aircraft. They are not exactly the most aesthetic looking things. What we need is B2B meetings where we can actually go along. As I said before, then they automatically know that we have all the quality accreditations that we need in order to provide these components, and then we can get straight into meetings and then, following on from that, we can start to try to have conference calls and then maybe some sort of trade mission behind that, or a visit.

Q75 **Mr Nigel Evans:** Yes. My final question to you all is: you will now have experience of some high commissions and embassies throughout the world where you export to, and will have interacted with them. Is there one that stands out as doing it right, or do you believe that all of them should beef up what they are offering now to help you export more?

**Rupert Sexton:** It needs to be a lot less general, a lot more targeted. Dare I say it, entrepreneurial? It is not an easy thing for a state to work at an entrepreneurial level, but I think it needs to be almost a case of someone like Maycast-Nokes arriving and saying, "This is the area we want to deal with. These are the companies we want to deal with. We don't speak Portuguese. Can you set some meetings up for us?" Much more targeted. As I said before, quite often we will be welcomed to a very nice evening, what is called a networking evening. I don't think that is particularly helpful.

**Chris Walker:** I had a very good experience in Brazil. I think it works well when it is sector-focused. When I went to Brazil there was an oil and gas sector focus person in the embassy. There was an aerospace sector focus person. They helped me in preparing the visit. It is absolutely critical that those people have enough knowledge and experience and can create contacts in-country to make the visit as good as possible right from the get-go.



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I have had some poor experiences as well, where I briefed somebody in-country to look at the market in Australia. They transmitted the brief to the embassy in Australia, and went and alerted all our competition that we were interested in going to—

**Q76 Mr Nigel Evans:** The high commission in Australia alerted all the competition?

**Chris Walker:** Well, the embassy through the Passport to Export. Then we got lots of calls from various people in Australia saying, “Are you changing your distribution channels?” and so on. I think having direct contact with the people in-country and having people who are sector focused is very important.

**Adam Mansell:** I would echo that, the idea of having a sector focus and a sector strategy across all of the export promotion, not just in-country. To take an example, we have had situations recently where individuals in overseas posts have put in bids to DIT to do certain events around fashion and textiles. They may be very well intentioned, but normally they are at the wrong time of year, focusing on the wrong sort of audience.

We had one in Madrid recently where it turned out to be an okay event. It wasn’t spectacular, but it was an okay event, but because it was put on at the wrong time of year, which was the beginning of February, which is the key selling season for the industry, all the key buyers were elsewhere. Along with our partner, the British Fashion Council, we had to deliver the key attendees at that. We even had to ship over the clothes for that. There was a real disconnect between what the industry wanted and what the posts wanted, so I think what is needed—to echo what Chris said—is that sector strategy approach across all exports to all markets.

**Chair:** Thank you. You have raised quite a bit of interest among the Committee here. First, I want to bring in Sir Edward Leigh and then I want to bring in Chris Leslie.

**Q77 Sir Edward Leigh:** I think all of this is overrated about the importance of what the Government can do to promote industry, Mr Mansell. You mentioned what the Italian Government do for Italian fashion. The reason why Italy does so well is that we would all die to have a beautiful Italian suit, a lovely pair—

**Chair:** Steady now, steady.

**Sir Edward Leigh:** Not some bit of English rubbish.

**Adam Mansell:** I would disagree with you there.

**Sir Edward Leigh:** I don’t suppose the Chairman wears his Italian suit in the Western Isles. We would all die to have a German BMW or a Mercedes or an Audi. We would all die to have fantastic French wines. On the flipside, of course, our financial services are fantastic and world



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beating. The point I am making is that when I hear manufacturers moaning about what the Government does or does not do, it is just frankly maybe their product is not good enough. I agree that the Government can help on the margins, with trade shows, but I don't think for a moment that some bureaucratic organisation in Italy, which, knowing the Italian Government, is probably pretty hopeless, actually makes a blind bit of difference in promoting Italian fashion. If it does, it is 5%.

**Adam Mansell:** I would have to disagree. What the Italian Government do, what the German Government do and what those industries do collectively with their Governments is sort out a long-term sector strategy. We don't have key primes, so we don't have BMWs; we don't have Mercedes. As I have said earlier, the majority of our industries are micro-SMEs. If you ask them what is the key thing the Government can do to help them, it is to help them export, particularly in our industry, where the high street is dominated by big retail chains.

Unlike most industries, export is your first step in sales, not where you go when you are a mature organisation. As for having the £1,200—and that is all it is, £1,200—grant to go to six shows, it is also a long-term thing; you cannot just go to a show and expect to be selling £20,000 worth of suits. You have to go three or four times just to get yourself known and to get the information out there that you are there. We do surveys of our members, and every single time, 90% of them say that the export grants that they get are either vital or very important in terms of getting them off the ground. We are talking microbusinesses here with three or four people that are turning over £200,000—that sort of level of business. The small amount of financial support that the Government can give makes an absolutely enormous difference.

Q78 **Sir Edward Leigh:** Do you think it makes a big difference in the Italian fashion world? Obviously, you are the expert; I am not. I am just putting—

**Adam Mansell:** Absolutely. Having a Minister coming along to promote the Italian industry at New York Fashion Week is an absolutely fantastic way of waving the flag. It generates all sorts of interest. Having the Italians pay for taking over displays in the key retail places in New York and stuff like that, and big advertising slogans, it makes a huge difference.

Q79 **Sir Edward Leigh:** But the product is fantastic.

**Adam Mansell:** So is the product from the UK. In fact, I would obviously say that I think the product from the UK is better than the product from Italy or Germany or elsewhere.

Q80 **Sir Edward Leigh:** It is good of you to say so, then. Our products in terms of fashion are just as good as anything that can be produced in Italy?



**Adam Mansell:** Absolutely.

Q81 **Sir Edward Leigh:** It is lack of promotion that is holding us back?

**Adam Mansell:** It is not just lack of promotion. It comes down to the nature of the industry. As I say, when you are a very small company with three or four employees, a grant of £1,200 makes a significant difference. That drives export sales.

If you take an example of a company like Orla Kiely, for instance, which is now a big, well-known international brand, they started with support from the Tradeshow Access Programme of £1,200. You can talk to the chief exec of that organisation. He says specifically, "If it wasn't for the help and support of that small amount of money to get us on our export journey, we would not have turned into the global brand that we now are". There are lots and lots of examples of that sort of thing, so that Government help and support really does make a difference.

**Sir Edward Leigh:** Good. Thank you.

**Chair:** There are more things to die for, it seems.

**Chris Walker:** We three—or at least myself—are here to make a positive difference, not to criticise what is going on in Government. There are large amounts of money being spent in DIT. My interest is in seeing it spent more efficiently and more effectively and getting it impacting on getting more exporters towards the 100,000 target that the Government has set.

Q82 **Chair:** There is a question that arose in my mind earlier, and I want to be brief because I want to bring in Chris Leslie. Isn't that sort of statement at risk of allowing a plague of bean counters to come in to make sure that everything is okay and that every penny is spent in a very efficient way? That is exactly what is choking the entrepreneurship that you were kind of meaning as well, so there is sort of a balance there about spending that money but sometimes taking a risk with the money as well, and sometimes having to face down and say, "We took a risk and it turned out we wasted that money, but not some other money we actually spent". It is almost like the parable of the sower: some seed fell on stony ground.

**Chris Walker:** Don't let us repeat that mistake again and again and again. You can take a risk and if it works repeat the risk, but if it doesn't, then don't repeat the risk. Listen to what people are saying about the support that is on the ground from the DIT. Take the opportunity of creating a new Department to make it different.

**Rupert Sexton:** I understand it is difficult to do things on a case by case basis at Government level. I do take your point: does every SME do as much as it could to export? No, probably not. But in our industry there are only three or four companies in the whole of the UK who can produce the sort of castings that will have the integrity that is required on an



aircraft. We are producing things that cannot be produced. As I said before, there is no foundry in Brazil.

Q83 **Chair:** These are international aviation standards of casting?

**Rupert Sexton:** Yes, absolutely. As I said before about Brazil, to our knowledge and to the Brazilian trade hub knowledge, they said, "We have to import all of these castings". They have foundries but they have foundries that make automotive products or garden furniture. That is a world away from what we do.

As an SME, we are perfectly placed to export, but we are going to need more help, and it does need to be on a more entrepreneurial, more targeted basis. Whether that is easy for you to do at Government level I don't know. But if you are asking me what we need to do, then we need to be able to have some sort of adviser we can speak to, to say, "These are the companies. This is how that particular country breaks down in terms of supply chain. These are the people that we need to see. This is the help that we need. These are the products and this is the revenue that we think we will generate from that". I think we can provide that sort of targeted service.

**Chair:** Thank you for the answer to that very well-crafted devil's advocate question that we had earlier.

Q84 **Chris Leslie:** Yes, a very well-crafted devil's advocate. Thank goodness, I say to Sir Edward, there isn't an election in the offing. "Buy and invest in great British products" should be what all sensible candidates might wish to say.

On that theme, I think we brought out a slightly different emphasis because, of course, there is a "Government should step back; perhaps the industry should fill the gap" argument about going out and proselytising or making contacts with potential markets. From a different political colour, my view is that, within reason, individual businesses on their own cannot do this massive outreach activity. Even trade associations cannot be in every single potential export market. There is a role for Government to reach into those parts of export markets in other countries that industry in the UK simply cannot do on its own, and I just want to tease out a little bit about that role for Government. Of course, if it is heavy handed and clunky and tin-eared you don't want that. I just want to push you a little bit because you were talking about embassies, for instance, and whether we have the right specialists there who can go out and make the connections, have their finger on the pulse of those potential purchasers in those other countries. Isn't that where a bit of investment, a bit of public expenditure, pooling our taxpayers' and businesses' revenues to go out to make those links could make a big difference? When I hear about 20K for London Fashion Week, it is pathetic compared to those other jurisdictions and what they spend. On both sides—promoting Britain here and also in embassies and in outreach abroad—surely there is a case to be said for Government stepping in and



augmenting what the industry and trade bodies cannot do on their own, Rupert?

**Rupert Sexton:** What is required are people who are capable of setting up meetings, and I think quite often what we do is we get pushed down the market information route. We live in a digital world now. I can get that information off the internet instantly. What we need is people who are willing to set up a sufficient number of meetings, so I can then go back to my sales director and say, "Right, okay, I have this number of people. They deal directly with a large company who deal directly into prime". Then that is enough for us to be able to make the investment.

Q85 **Chris Leslie:** The face to face, though, you still cannot substitute for that.

**Rupert Sexton:** Yes. I have information from various different embassies saying, "This is wonderful. I will put you through to our specialist aerospace colleague", and we don't hear anything back or, if we do, it is very, very general. What we need are people who are going to be able to say, "We know who we need to speak to. Can you get on the phone and organise?" If you do that and if they can spare us an hour of their time, it will make it worth our while to come out there. But we just cannot afford to do that if—

Q86 **Chris Leslie:** If it is not teed up for you.

**Rupert Sexton:** Exactly.

**Chris Walker:** In my opinion, in an ideal world we would have an infrastructure that was self-supporting, which would just roll out export. That would take away any political aspects of DIT—or whatever they are called at the moment—having to seed it. But until you get there and create that structure, you need something in the meantime.

Part of it doesn't work. There was a Qatari visit over here recently. I contacted my ITA because I had heard about it maybe three weeks in advance. I did not know when it was particularly. He responded. He said, "I can get you on the visit maybe if you want". The day before he said, "I am sorry, I have been out of the country". This person appears to be very helpful and I like him, but he has only offered so far to put me in contact with a drill bit company in Nottingham, which isn't really where I see the role.

**Adam Mansell:** I think there is absolutely a role for Government. It is about partnership, but it is also about Government being an enabler rather than a deliverer. That is certainly where our frustrations with the current set-up are. In particular, DIT is starting to deliver seminars on topics that they don't necessarily have the expertise about. They are talking about going into markets where there are 100% tariff duties, for instance, on our products.



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There is the whole trade challenge partnership thing, which is what trade associations that administer the TAP grant have to go through. What is missing from that is the partnership bit. We are industry. We know where our key markets are. We know where we want to go. We know the help we need, and it is about Government opening those doors and being an enabler rather than a deliverer of those services.

**Q87 Sir Desmond Swayne:** For the record, can I observe that the devil could want no better advocate than Sir Edward?

Trade missions, where a Minister goes off with a planeload of exporters to open up a market and trade our wares, would you be able to participate as small businesses in that sort of exercise but, secondly, would you see any value in it?

**Rupert Sexton:** No. At the moment they are geared too far towards the primes. Somebody mentioned in one of the previous panels that maybe the role should be split between the larger companies and then SMEs, and I think there is some merit in that argument. Where the primes go you get the CEOs, you get the directors. That is wonderful but that means very little to an SME who is trying to sell a component that goes into a subassembly, which goes into a subassembly. We need something that is separate to that.

**Chris Walker:** I agree. There was a trade mission that I think was in April/May last year—it was publicised in about December—going to meet the top-level guys at Boeing and making presentations. Again, we are supplying our coating to subcontractors who are maybe fifth or sixth level. We want to make an instant impact and find decision makers. Meeting somebody at Boeing, it has worked for me in the past when I was in a larger company and I was able to seed the idea of this company with a high-level decision maker, who fed it down, fed it down, fed it down, and it eventually came to something that was useful. But it takes a long time and you need pretty instantaneous impact as an SME.

**Adam Mansell:** Again, I would reflect the views of my two colleagues. Those big political trade missions don't work for micro SMEs. The smaller targeted trade missions that are led by, for instance, the Embassy in Japan, where you take 20 or 30 companies and introduce them to a key set of buyers, they absolutely do work. We ran one with the Japanese Embassy back in December. We had a company who, interestingly, has brought manufacturing back from China to the UK and, as part of that, has set up their own brand. On their first export mission they went to Japan and they secured an order for £50,000 on the back of less than £2,000 worth of grant support. The return on investment in those sorts of things is quite significant in comparison to what I would suggest perhaps the return on investment might be for some of those bigger political missions.

**Q88 Sir Desmond Swayne:** The trade challenge partnership scheme: a good idea, poorly implemented? Discuss.



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**Adam Mansell:** Yes. Coming back to my previous comment, it was a very long, very bureaucratic process. Most of the information that was required was already in the public domain. All the trade associations went through that process and there were no partnerships at the end of it. That is the simple truth. There was no listening to what the industry wanted. This isn't just fashion and textiles. We are also a member of the Sponsors Alliance, where all the different trade associations that are trade challenge partners come together and you hear exactly the same story from all of those: there is no element of partnership in that.

Q89 **Sir Desmond Swayne:** What would the successful scheme look like?

**Adam Mansell:** Again, I think you would probably have the same answer from all trade associations. It is about that long-term plan. All industries need to be able to plan long term in terms of where the key markets are, what the funding is, what support we might get. To put that into some sort of context, all trade associations and all trade challenge partners were promised that we would know what our budgets were for the Trade Access Programme in September last year. We found out in March this year for a scheme that starts in April. There are lots of equivalents of UKFT who have had to drop pavilions at events overseas because they didn't have the information quickly enough.

I am repeating myself here, but it is going back to that idea of having a long-term strategy between industry and Government, where we agree what the key markets are, we agree the pipeline of new start-ups coming into the business, what export help they might need, what help the existing companies might need in terms of entering new markets. It is that long-term strategic plan between industry and Government and the partnership bit is what we need.

**Chris Walker:** I am sorry, I can't discuss it because I have never heard of it.

**Sir Desmond Swayne:** That tells a story.

**Rupert Sexton:** I cannot either for the same reasons. What I would say about the long-term planning, which Adam mentioned, is that that is absolutely crucial, particularly for the aerospace industry because the aerospace industry is going through somewhat of a paradigm shift at the moment in terms of the technologies, additive manufacturing in particular. It is not only a case of supplying what we need at the moment but it is keeping a very close eye on what clients abroad are going to need in the future.

Again, these are very, very particular technical requirements that the UK excels at, particularly in additive manufacturing. Being able to have a long-term strategy, which allows for us to undertake market research at the same time, will reap dividends.

Q90 **Sir Desmond Swayne:** I was going to ask about support from our missions overseas in the embassies, but I think we got a pretty good



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flavour from Mr Sexton in response to Chris Leslie's question. Just to augment that: has that deteriorated in the recent past as staff cuts have taken place or is that something you have always noticed?

**Rupert Sexton:** I cannot personally comment on that because I am relatively new to my industry, so I cannot give a long-term basis on it.

**Adam Mansell:** Certainly, from our experience, it has got worse as difficulties over understanding what the targets are that the embassies are being monitored on. Is it on volume of exports? Is it on value of exports? Is it on sales of OMIS? Is it on introducing new people to new markets? There has been a lack of clarity about what the embassies have been tasked with delivering and, therefore, there has been a drop-off in terms of the support that we have felt that we have as an industry.

Q91 **Chris Leslie:** Is there a particular embassy that does it well that you would say, "This British Embassy out there is probably a good example" or do they all fall into this coasting category?

**Adam Mansell:** We have good relations with several embassies in several markets. Paris would be one, Tokyo would be another and Moscow would be another. But they are long-term contacts where, to be totally frank, a lot of the conversations are in many ways held off-record between ourselves and the people in post. It is about what we can do together outside of the difficulties that the bureaucracy throws up. It is more about the individuals than the embassies themselves.

**Chris Leslie:** Right. That is very important.

Q92 **Mr Jayawardena:** I just wondered if you had had the opportunity to hear our last evidence session and, for the avoidance of any misunderstanding, I wonder if you could just outline a little bit about how useful international trade advisers are to your members. In particular, the organisations that provide international trade advice services told us at our last session that they had little certainty over their funding future. Have you noticed any change in the level of service in recent months as a result of that?

**Rupert Sexton:** Would that be specifically the Chambers of Commerce?

**Mr Jayawardena:** We did have the Chambers of Commerce in front of us.

**Rupert Sexton:** Yes. We have never had any dealings really with the Essex Chambers of Commerce, so I think that is probably a no, we haven't.

Q93 **Mr Jayawardena:** Would you like that contact?

**Rupert Sexton:** Very much so. In fact, I say we haven't; I had a meeting with them last week and that was in part prompted by watching the last session here. I think that is something that we just have to understand how that works before we can go any further forward. We are very happy to look at anything that helps.



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**Chris Walker:** From my perspective, there seems to be fewer ITAs around than there used to be. I cannot really judge on the usefulness because I have never really found them to be useful, to be honest. Sorry, about that but—

**Mr Jayawardena:** No, that is important for us to know.

**Chris Walker:** —that might be just because I have some experience of exporting, whereas you might find from people who are new to exporting they have had very good support from ITAs.

I go back to my point. I would like to see ITAs engaging with companies and taking them on a journey of education about how to export. At the moment they seem to be just brokers offering, “We have a range of services. We have webinars here. We have the overseas missions”, just offering them out willy-nilly, if you like, rather than, say, going into a company, working like a proper consultant for export and saying, “I can help you deliver and draw up an export plan. I can help you understand what your unique selling points are and what they will be in different markets, and I can help you tailor that to different markets and prioritise it”.

Q94 **Mr Jayawardena:** From your perspective right now, whether there are ITAs is actually irrelevant to your business and what you are doing because what they provide right now isn’t useful to you.

**Chris Walker:** Yes. There is just another point. I know that the Chambers of Commerce are involved in export, but it is not my natural inclination to go to the Chambers of Commerce for help on export advice other than to do with paperwork.

**Adam Mansell:** ITAs are as good as their knowledge of the industries that they are servicing, is the simple answer to that. I know they are expected to be experts in all sorts of different industries. I think our experience is that few are good and have a decent knowledge of what is going on in the industry, but quite a few don’t come up to that level. They don’t understand the nuances of the market. They don’t understand perhaps the shows that have been agreed with Government that are going to get grant support, so they might be recommending people to go to shows where there isn’t grant support, where there isn’t a UK presence, or they might be recommending people don’t go to shows where there is grant support. It really does come down to the individual again.

Q95 **Chair:** There was something you said, Mr Walker, that I found really interesting. You said, “Take people on a journey of education on how to export”. I have spoken to others in the sector and something you said made me think, “Should business schools be teaching this as part of training for people coming in to work in business?” Should this be covered? Should people be leaving their formal education with a better grounding of this sort of stuff?



**Chris Walker:** There are providers. There is the Institute of Export, for example, who do training courses in exporting. I am a member of the Chartered Institute of Marketing. They do training in international marketing. That is where I got a lot of my theoretical background on international marketing. There are providers out there who give you the theoretical side of things, and then I think it is a question of giving business owners and businesses the initiative to take on that information and then to implement it in a practical way.

Q96 **Chair:** Do you feel there is a lack of knowledge in the SME area about how to go about this, and is there a way of addressing this earlier on in the development of business people?

**Chris Walker:** The challenge within an SME is that lots of people are working in the business and not working on the business, so they don't step away and look at a long-term plan. If you ask lots of SMEs, they are so busy managing cash flow and the other operational issues within the business they find it difficult to step away and work on the business and lots of them don't have business plans. If you promote the idea that every business should have a business plan, not an onerous document that is not living but something that can be worked on and give you some targets, then I think that is a basis that would include things like the UK market but then would include export as well.

**Rupert Sexton:** If you want to export you will find a way of doing it and there is plenty of information. As I was saying earlier on, we don't need trade information on particular markets because of the internet. There is so much information on exporting. Government cannot do everything and an SME like ours with 150 people in it, it should be up to us to roll our sleeves up and get on with it. I think there is sufficient information out there.

From our point of view, now we are exporting—and I think this might have been touched on at the last panel—is there enough support for people who are actually exporting rather than concentrating on, “We must get new companies exporting”? Well, yes, but also the other side to that is we are being restricted and yet we know how to export. In fact, when you are exporting things like aerospace components, the paper trail is extensive. We know how to do that and we can export more if we were given the opportunity to do so. But I think there is sufficient information out there. If somebody wants to export, then they should do it.

Q97 **Sir Desmond Swayne:** You tweeted a question about whether a particular component required an export guarantee. Is that evidence of a wider problem about the information that is available from official sources?

**Chris Walker:** Yes, my experience of that is that we had an enquiry from Ukraine. We have a unique product that is particularly applicable to things called mechanical seals, which enhances the life significantly. There is no other company in the world that can do this. I won't go into



the technical details too much, but we had an enquiry from Ukraine. These mechanical seals can be used on a variety of components. They are mainly used in oil and gas and chemical plants but they can be used for other purposes. What I actually asked the Government Department about exporting was: if the customer sends me the components and I coat them, can I re-export them? The determination was left to myself. In other words, there was no clear yes or no determination. I was directed towards a site that had a bazillion different codes. I had to make the self-determination as to which code it fitted into. As I said, these components can be used in different industries. I never really got an answer, so we didn't do anything.

**Sir Desmond Swayne:** I would have gone the other way round. I would have done it.

**Chris Walker:** Yes, but then there was a famous case of a guy who exported a tube to Iraq one time, wasn't there?

Q98 **Sir Desmond Swayne:** Right, yes. I think we have the clear impression of the vital importance of face to face above any kind of online presence. Nevertheless, given that there has been a significant investment in the online presence, for what it is, how good is it?

**Adam Mansell:** Are you talking about the GREAT campaign or all of those?

**Sir Desmond Swayne:** I went to see a demonstration just before Christmas of the new whizzo UKTI offering, and it looked very good to me. But then again I am not an exporter, so I would not know.

**Adam Mansell:** It certainly has not been taken up with any sense of alacrity by our industry. Again, going back to that idea of having face to face, about showing the fantastic products that you get in the UK as opposed to what you might get elsewhere, it is about that interaction. Doing it on a website and doing it on a generic website does not really fulfil the needs of the industry.

**Chris Walker:** I registered. I met with DIT last week to talk about their new strategy or what they were planning to put forward. They asked me about the website and I said, "I have registered but I haven't heard anything". They said, "It has not gone live yet and not openly communicating". As far as I can see, it is just a rebranding, reincarnation of other services. There is a sector—and I am not sure if it is UKTI or DIT—who have been very effective in the past. That is SPO. I think they are called SPO, the defence-related organisation. They have been very active in the past in bringing forward opportunities.

At the moment the opportunities that I have seen on the GREAT website are still very nebulous, general RFQs for large projects, probably not very specific and not specific enough for an SME to tender for. I also think that tendering operations are generally probably very cutthroat, and the reason that people put out tenders is because they want to get the best



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possible, lowest margin response. I firmly believe that we should be building a manufacturing base that is based on added value services and added value products, which we can really differentiate from the rest of the world.

**Rupert Sexton:** I have to say we have registered as well. We haven't received anything of interest. That is not because we are doing a very specific thing. We do all sorts of castings, not just aerospace. We have not seen much response from it.

Q99 **Sir Edward Leigh:** I am very impressed with your CV, Mr Walker.

**Chris Walker:** Thank you very much.

**Sir Edward Leigh:** You did something useful at university, mechanical engineering, and then you went on to the graduate programme at GEC Avionics. I wish my children did things like mechanical engineering rather than history and things like that. What I am really interested about is you have overseen the establishment of new companies in Italy, Israel and Switzerland, and obviously you are very familiar with what goes on here. So, I am interested in your business experience. We have been hearing a lot today about the importance of Government support and everything, but what really is important in the establishment of these new companies in your experience? Is it the support you receive from Government or is it the tax structure, the deregulated structure? Tell us a bit about the difference from your experience in these countries—because you have a very wide experience; it is interesting—and also in terms of export promotion, which is what we are talking about today of course.

**Chris Walker:** Those three experiences were when I was doing business development for a large American company. We had the infrastructure and momentum to be able to do that self-funded. We acquired a small business in Switzerland that was manufacturing composites in a very specific market sector, in the medical device sector. I found that managing the acquisition was quite useful and quite easy with the help of the right support from KPMG or one of the large accounting firms. Then I was doing a lot of market research. Basically, my role was to make a business case to go into different market sectors and we managed that on long-term value over a 10-year plan.

What we would do is we would put together a plan for, let's say, the BRIC countries, Brazil, Russia, India and China. We put together a plan across five different market sectors for those particular areas. We had a methodology that we would use in order to identify whether we could make a long-term impact into those market areas, and then we used that long-term value to prioritise different market sectors.

Q100 **Sir Edward Leigh:** I don't know anything about Israel. Is it a very dirigiste economy? What is the role of Government there?



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**Chris Walker:** No, it is very simple to do business in Israel; very demanding, though. There were no particular Government constraints on that. We found we did not get any particular support.

**Sir Edward Leigh:** Italy?

**Chris Walker:** Italy is more bureaucratic, so you have to go through a lot more hoops in terms of personnel protection and so on.

Q101 **Sir Edward Leigh:** In your general business environment, how would you rate Britain compared to these countries in terms of taxation, regulation, and support from Government?

**Chris Walker:** I think we are doing okay. We just need to tweak and we need to—

**Sir Edward Leigh:** We need to tweet a bit?

**Chris Walker:** Tweak.

**Sir Edward Leigh:** Tweak, not tweeting?

**Chris Walker:** Tweak a few things. For small businesses it is important to make the red tape and bureaucracy as little as possible. I will just give you an example. If we export to the EU—I am not talking about Brexit particularly—at the moment we don't even have to include a commercial invoice. We put one in the box but we don't have to necessarily. When we export to the US we have to send six copies of the commercial invoice and we have to get it cleared at customs before it arrives through. It can take days and days longer.

Q102 **Mr Jayawardena:** Mr Mansell, your organisation previously said that relatively few fashion companies would qualify even for UK Export Finance's lower threshold for insurance support but noted that UKEF would work on a case by case basis. Has UKEF been able to support any of your smaller or larger members with insurance or, indeed, any of its services?

**Adam Mansell:** In general terms, no, not really. The nature of our businesses as opposed to the way that the export scheme is set up is quite different. Again, going back to the fact that we are all micro SMEs in our industry where they will be taking several orders of probably €1,000 to €2,000 each, unless we could get a scheme where we could aggregate all those orders in one and then possibly aggregate the orders of the industry at one tradeshow, for instance, at that level it could work but I assume there might be quite a lot of bureaucracy in that sort of set-up. So, because of the natures of the orders predominantly for our industry, I would love it if it did but currently it doesn't and I can see there will be some difficulties to get it down to that sort of level of order.

Q103 **Mr Jayawardena:** Is the flipside of that that, given that part of their mission is to operate at no net cost to the taxpayer, it is inevitable that the economies of scale that they need will make it inefficient to support



small businesses such as the ones you describe?

**Adam Mansell:** Quite possibly, yes.

Q104 **Mr Jayawardena:** In November, the Government announced that UKEF's support for business would be enhanced, however, through improved risk management. I am sure you have been looking at this very closely. The use of private insurance markets provides that bigger risk appetite, so do you think that that would have a positive impact on your businesses?

**Adam Mansell:** Most of our businesses will take their credit insurance through private providers. Credit insurance is something that everyone tends to take out but then, like a lot of insurance schemes, when you actually come to find that you need it, quite often the insurance bit has been removed. Certainly, as an association, we are currently looking at whether we can deliver an association export credit insurance type scheme because we think that might be more suited to the industry rather than—

Q105 **Mr Jayawardena:** In many ways you aggregate it up for your members?

**Adam Mansell:** Yes.

Q106 **Mr Jayawardena:** Self-help, that is excellent. Mr Sexton and Mr Walker, in 2015 the Government said UKEF was working to make processes and procedures quicker and easier to understand. Has that had any noticeable impact on your business specifically?

**Rupert Sexton:** Yes, they are, so a lot of the bureaucracy we have in the aerospace industry has been markedly improved. Our contracts department were stating that the time taken to get a licence for a part has gone from six weeks down to two weeks. Before I came here I was asking for their feedback and their feedback was generally very positive indeed.

Q107 **Mr Jayawardena:** Mr Walker, is that your experience as well?

**Chris Walker:** My approach is quite pragmatic. If a customer wants a product and we don't feel that they are creditworthy, then we put them on a pro forma invoice, and if they don't pay they don't get it, because they cannot get it elsewhere.

**Chair:** Thank you. Panel, can I thank you very much for your time this morning? You have been very informative; there is a whole pile of information there that we were probably unaware of—as a collective, at least. Maybe some of us had views on this or insights on that individually. Can I thank you again for coming this morning? This evidence will certainly be published. Given the election, we will see probably in June what is happening to the inquiry on the support for exports and investments but, again, thank you very much, and hopefully your words will echo around and will land in the brain central of some of those who may be in a position to change and improve, or to tweak, the various



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areas that need to be tweaked. So, thank you again.