

International Trade Committee

Oral evidence: The Work of the Department for International Trade, HC 436-i

Wednesday 18 October 2017

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Members present: Angus Brendan MacNeil (Chair); Mr Marcus Fysh; Mr Ranil Jayawardena; Mr Chris Leslie; Emma Little Pengelly; Julia Lopez; Faisal Rashid; Catherine West; Matt Western.

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Witnesses

I: Louis Taylor, Chief Executive, UK Export Finance, Department for International Trade and Paul McComb, Transition Programme Director, Department for International Trade

Examination of witnesses

Louis Taylor and Paul McComb

Q1 Chair: Good morning. I thank the witnesses for attending this morning. Can I ask the witnesses to state their names and organisation for the record—name, rank and serial number, please?

Louis Taylor: Good morning, Chair and ladies and gentlemen. My name is Louis Taylor. I am chief executive and principal accounting officer for UK Export Finance, formerly known as the Export Credit Guarantees Department, and I also sit on the departmental board and the executive committee of the Department for International Trade.

Chair: Thank you, Mr Taylor.

Paul McComb: Good morning, Chair. Good morning, members of the Committee. I am Paul McComb. I sit on the executive committee of the Department for International Trade. For the last year I have been the transition director helping to set up the Department. Prior to that I was the managing director of strategy at UKTI.

Q2 Chair: Thank you very much, Mr McComb. Transition director, it sounds challenging. I am sure it covers a multitude of sins, but anyway.

The Secretary of State accepted in the last Parliament that the targets of £1 trillion in exports and more than 100,000 more exporters by 2020 would not be met. They are now described as ambitious in the DIT annual report. What role do these ambitions play in your measurement of performance?

Paul McComb: You will not be surprised that was the first question I was expecting. I think it is worth saying that the ambition to export more and have more exporters remains. The trillion and the 100,000 were announced by the Chancellor back in 2012 against a baseline position of the position in the country in 2010. Since then, exports have risen by just under 23%. The number of exporters has gone up by 40,000 companies.

The question that we often get into and debate is: what is the role of Government in helping to achieve that kind of ambition? Of course, previous committees have questioned the role of UKTI and what they have been doing to drive that, and following the election in 2017, and also with the decision to leave the European Union, we are looking at what that means in terms of the future and our future export strategy.

Q3 Chair: What specific targets are you working to just now so we can measure you in the future?

Paul McComb: If I go back to two central things that we set out for 2016-17, the first was to achieve additional export value of around £26 billion in 2016-17. This is where the Government funded around 200 campaigns, which were focused on particular sectors in particular countries around the globe where the expectation is our support would



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help British companies win additional export value. For 2016-17, there was a target set. It was £26 billion. We have reported the performance against that figure in our annual report 2016-17. We achieved £41 billion, or rather British businesses achieved £41 billion, of export value.

Q4 **Chair:** What are the future targets?

Paul McComb: For this year we have continued to ask ITI, as it is now, to achieve a similar level of performance, but in truth we are now looking at what the role of trade policy is in the future to help get access to markets.

Q5 **Chair:** There are no forward-going targets, then?

Louis Taylor: Chair, the manifesto that the Government committed to create nine HM trade commissioners around the world who would be responsible for trade promotion, trade finance and trade policy in their respective regions. Those trade commissioners will be tasked with delivering a plan for their region. Their region will be a rollup of plans from countries and their countries will have set targets across a range of metrics that we are currently devising.

Q6 **Chair:** I was just trying to establish that we are currently being advised that at the present moment there are no targets. Is that what—

Louis Taylor: No, there are targets, Chair.

Q7 **Chair:** These targets are?

Louis Taylor: Those targets are a continuation of the previous mechanisms with greater levels of achievement.

Q8 **Chair:** For the record then, can you state the targets?

Paul McComb: The expectation was £26 billion. We would have set out those expectations publicly in a departmental plan prior to the election, but the election was called. In a way, the Government have not published a public target in this space, but the expectation internally has continued to achieve similar levels of performance financially.

Q9 **Chair:** The internal expectation for 2017-18 is?

Paul McComb: £26 billion.

Q10 **Mr Chris Leslie:** Is that the only quantitative target that you have set?

Paul McComb: That is the only quantitative target that we have set.

Q11 **Mr Chris Leslie:** All the other targets that both of your units, both of your departments, have are qualitative. I am just looking at UKEF: be more scalable, be more customer centric, have more meaningful contact. They are all in that qualitative space.

Louis Taylor: I think that is part of the nature of the organisation because we are not like a private sector financial institution that can



choose the business that it wants to do. We are filling in gaps in private market provision, and those gaps are different from year to year. For us to say we want to grow year on year would not be the right metric to use. Our mission is to fill in the gaps and to make sure we are doing that effectively.

- Q12 **Mr Chris Leslie:** If we are ditching a lot of quantitative stuff—we were on the £1 trillion target—what is the number that we got to? If that was the target and you have dropped that anyway, where did you get to on the £1 trillion?

Paul McComb: The trillion referred to what the Government wanted business to achieve. Businesses are the ones who export, invest, et cetera, and it was our contribution towards supporting that. So, £550 billion or thereabouts is the latest figure up to 2016.

Mr Chris Leslie: £550 billion?

Paul McComb: Yes.

- Q13 **Mr Chris Leslie:** Right, okay. The 100,000, that exporter target?

Paul McComb: The baseline in 2010 was 188,000. The last figures to November 2016 were 228,000.

- Q14 **Mr Chris Leslie:** When can we expect more quantitative targets to be developed? If you put off the annual report because of the election timing, are we going to get some more specifically to help you manage this area of policy?

Paul McComb: Specifically, we will. If the Committee would like, I would not mind explaining the kind of journey we have been on here and why what Louis was describing before around the role of the new trade commissioners is quite important.

I think when Lord Price gave evidence to the former incarnation of this Committee, he described the situation in UKTI as a bit random. There were lots of different things happening in the organisation but no overall clear sense of purpose. Two things were invested in quite heavily: first, to develop this approach called high-value campaigns, and these were trying to join up posts overseas with supply side in the UK, have a common objective, almost run as a project, in fact, to try to achieve some demonstrable value. That was the £26 billion for 2016-17 that I described before.

On the volume of exporters, I think it is worth saying that there are around 2.2 million registered businesses. In the UK we have around 300 or 400 international trade advisers and, frankly, to be all things to everyone is going to be quite challenging. The investment in that space has been around our digital platform that we launched in November 2016, which is Great.gov.uk. Those two measures in particular were very much targeted at trying to drive additional export value and to get more companies exporting.



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The process we are going through at the moment is asking the trade commissioners from the bottom up and from a market perspective to try to drive out what would be realistic numbers rather than to try to dictate that from the centre of Whitehall. It is very much ensuring that this is market led. It is very much ensuring that they are also looking in the future at whether helping to remove barriers to trade, so market access barriers, will become more a feature of what we do to get more companies exporting into certain markets.

- Q15 Mr Marcus Fysh:** This follows on from that. I was going to ask about the roles and responsibilities of the trade commissioners with respect to trade policy that you mentioned. Is it just that bottom-up development of trade policy that we are talking about or are these people going to have control of what our trade policy is for that area?

Paul McComb: Crawford Falconer is going to be the overall accountable civil servant in the Department accountable for our trade negotiations and our trade deals. Obviously, securing a full free trade agreement is quite a challenging undertaking, and Crawford will be overall accountable for that programme.

That said, what you often find at post is they will tell you the reason that companies try or fail in a market or do not even get in there in the first place is because of practical things. It could be regulations. It could be acknowledgement of professional qualifications. It could be standards around the goods they produce. What we would expect to see, particularly as the British Government have competence in these areas, is to start to use that intelligence to say, "Do we need to take a more systemic approach to some of the measures we put in place going forward?" The sense is that the trade commissioners will be one hand on trade promotion, able to see who is doing well, who is not doing well and what the reasons are for that, but rather than being frustrated at that, the intention would be to say, "Okay, what can we do more Government to Government on the policy, regulatory front?" Not necessarily a full-blown free trade agreement, but it may well be that there is room to start making changes there.

- Q16 Chair:** Can I move it on a little bit to UKTI? What impact has the absorption of UKTI within DIT had on the quality of support provided to business wishing to access international markets? Has the change been purely in name and in structure or has there been a significant change in the quality of the service provided? First, what did the rebranding cost?

Paul McComb: The cost of what we call the machinery of government change overall was £1.4 million. That will have covered a number of things, including, as you say, branding. There are always tangential costs to that and I can send you through a breakdown. It is a relatively small amount.

- Q17 Chair:** Has the change then purely been in branding or has there been a change to the quality of service?



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Paul McComb: If I could describe what we did in a practical sense, you have to bear in mind we had UKTI, which was a non-ministerial department, with its own accounting arrangements, UK Export Finance, which is a separate legal entity, and we inherited a small trade policy function, which has grown quite significantly since. We took the decision very, very early on that what we wanted was a soft landing and to keep a focus on delivery, particularly if you reflect back in July last year the Department was very new. Decisions had still to be taken around Article 50, et cetera. Back in July last year it did not seem that was the right time to start having great lofty and fresh ambitions for what you do in trade promotion. There were too many uncertainties there. So, we kept the focus on delivery.

As I indicated before, the targets we set for what was UKTI but then became ITI back then were delivered and we have reported that in the annual report. It is fair to say that there was a slight stall on recruitment for UKTI. Last year there was a small underspend largely as a result of resetting our priorities around these high-value campaigns that I described before. Ordinarily, you would like to give a big delivery or operation like that the kind of resource settlement and so on certainly before March of the year you are moving into. That was not settled until around May time, so there was a bit of a stagger on that. As it turns out, they delivered their targets. We have left the shape of the business largely intact. We have not started to play around with the shape of the delivery functions. They were within budget. The accounts were filed on time, unqualified. I think it is safe to say we have protected that focus on delivery while these other policy considerations were being settled.

Q18 **Matt Western:** Can I rewind for a second? I think you mentioned at the outset that exports had risen by 23%, did you say?

Paul McComb: 22.8%. Yes, just under.

Q19 **Matt Western:** That was which period?

Paul McComb: That is from 2010 reporting to November 2016.

Q20 **Matt Western:** Is that an absolute or a real-time figure?

Paul McComb: That would be nominal, I guess.

Q21 **Matt Western:** Absolute, yes, okay, interesting. I am interested by the work of the international trade advisers, which I think sounds like a very good initiative. During the last Parliament the UK Fashion and Textile Association told the Committee that the advice being provided by the trade advisers to businesses looking to export varies perhaps in quality. Some do not understand the nuances of the markets they are advising about. How confident are you that the service being provided by them is appropriate in terms of the standard?

Paul McComb: Just to describe the international trade advisers, we have around 300; 350 I think might be the latest figure. They are largely



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contracted to DIT and largely by British chambers. That is the background. Typically, I think the way international trade advisers have operated is they could probably handle support to about 50 to 100 companies on a caseload at any one time. That would be reasonable.

Matt Western: Sorry, how many?

Paul McComb: Fifty to 100. It depends on the nature of the company and the amount of activity. When we were, I suppose, resetting UKTI a couple of years ago and moving on to this new approach, it struck us that if you were to shift the dial to get more British companies exporting, 300 or 400 people at the time are not going to be able to achieve that because the sheer population sizes were huge.

We do measure ITAs' performance in terms of what they deliver to those companies, what the client view is on the quality of the service they have, how satisfied they are on that. Just to give you a sense, and this is published every year and has been since 2006, the quality ratings have never fallen below 86%. That is in terms of the quality of the advice they have got. The service satisfaction ratings have never fallen below 72%. You reporting to me that some people were not happy, we would acknowledge and obviously want to learn from what people are saying they have had, but there has been a reasonably consistent level of support and performance there.

As I said before, what we have done, which is quite pioneering—and we probably still have to win over some people to see if they believe in it—is we are investing in digital and starting to say digital has transformed other bits of government, it has transformed other industries; can we make this work to try to connect export opportunities overseas with British companies? Can we get more British companies exporting online overseas? I think we have made pretty good progress. I remember at a previous Committee there were 19 websites or something that the Government had, all claiming to provide export advice and not all of them up to date. The Great.gov.uk service that we launched in November 2016 has at the very least brought the advice together. We have never stopped developing that, but we are pioneering and other countries are looking at us and asking whether they should do this as well.

Q22 **Mr Ranil Jayawardena:** Perhaps I can also rewind, as Mr Western did, to something you were saying about finances. Mr McComb, you talked about the way that finances had been secured for this financial year in May. I wondered whether there was more certainty now for the forthcoming financial years to provide the certainty that we heard in the last Parliament was necessary.

Paul McComb: Keeping this reasonably straightforward, UK Trade and Investment when it became a part of the Department for International Trade came with a spending review settlement from 2015. There has been no spending review since. The UKTI organisation has been on a 5% year on year through to 2020 trajectory.



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When DIT was created, no one took that requirement away from UKTI. Trade policy, on the other hand, as you know, is a hugely growing area. I think we have grown the team almost tenfold and I think you have Crawford Falconer coming along to a meeting of the Committee who will say more about that. That has been a conversation we have been having with the Treasury. There is a Budget coming up. You can imagine right now within Government there are lots of discussions about finance for the future given the election has just passed. We are optimistic that we will be getting the right settlement for the Department, but obviously the Budget is the Budget and we wait to hear.

Q23 Mr Ranil Jayawardena: Yes. Looking backwards for a moment, ITI had a £3.1 million underspend in 2016-17. In the Department's annual report, £1.5 million was attributed to vacancies across your overseas network. What progress has been made in terms of filling those vacancies?

Paul McComb: They have all been filled. We were late getting the allocations out in 2016. If you reflect back, the spending review was a halt on recruitment until the Government sorted out what they wanted to do with UKTI. That caused delays in getting started. The allocations went out. The teams, good on them, still delivered on their targets. To give you a sense of scale, that is less than 1% of the spend, so it is not going to stop the show but it is something we would obviously want to avoid.

Q24 Mr Ranil Jayawardena: Absolutely. My final question, Chairman, is: to what extent do those vacancies in the broad context you have just set out affect the services that you provide? What consideration have you given to involving the private sector more perhaps short term in dealing with momentary lapses in your capability or more strategically?

Paul McComb: DIT is quite a leveraged organisation. We have about £195 million worth of contracted provision through, in some cases, British chambers, in some cases big consultancies—Ernst & Young—we brought in on that. We have brought in more expert specialist resource at short notice. If I look at our commercial area, that was an area that when we started to look at the former UKTI needed quite a bit of attention. We have invested heavily in commercial experts in that area because there are a lot of contracts to get a lot of better value out of and we would say there is still better value to be had there. We are always up for that, but I think the vacancies that were being left unfilled were largely at our post overseas and some of them were on the ITA side.

Q25 Chair: That £195 million, could you give us a breakdown at some point, not today but through the Committee, of where that is spent and which companies that is spent with?

Paul McComb: By all means.

Chair: Thank you.

Q26 Matt Western: Just on the ITAs, are they on permanent contracts?



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Paul McComb: I think the contract for that service in the UK expires in 2018-19, so we would sign a three or four-year contract for that. I do not know the full ins and outs of funding into the chambers because they could be getting funding from other sources and, therefore, their contractual position for the ITAs will be based on multiple funding, I would expect. I think they also get funding through LEP organisations.

Matt Western: Okay, that is useful to know.

Paul McComb: Obviously, they need a bit of certainty for their own planning and we try to give them that.

Q27 **Matt Western:** In terms of the services being provided, there seems to be a shift towards more online, which I think you were referring to earlier, and also by phone, but when it suits the service. Are you confident that you can provide what is sufficiently tailored to each business's needs in this way?

Paul McComb: I think it is genuinely too early to declare any kind of victory in this space. We would say we have not run down our provision of international trade advisers. What we have not done is throw the kitchen sink at this and say it is digital and we are laying off everyone who did face to face. We have kept both going. The investment in the digital side was about £6.3 million in 2016-17. We are spending another £3.5 million this year. Compared to some big IT stuff, it is relatively small.

The service that is out there at the moment continues to grow. We put on export opportunities from posts round the world. Up to April this year there were about 38,000 opportunities that people can go on and find and see if that is something they want to bid into. We are encouraging companies who want to sell abroad to register positively that they want to so that we can reach out. What I was saying before is digital is a great enabler of that because the population side is huge. We have had 2.4 million visits to the website. To get the 5,000 or so companies that say, "I positively want to export" is a huge help to us because then we can target our face to face contact a bit more appropriately on that.

We are also working with about 19 different online platforms like Amazon, Newegg, et cetera, for those who have products that could be sold online. That gives them access. We have negotiated discounted commission deals, good deals on shipping costs, and so on. Again, the way digital is working at the moment—and it is quite a neat-looking service visually as well, it is not very dense to look at—is we are constantly taking feedback from people who are using it and saying, "Where next? What do we need to do next?"

We do want very shortly, as part of our new export strategy, which the Government have announced Baroness Fairhead will be leading, to say, "Okay, what have we learnt from a year of operation of a digital service? How much further can we take this?" I do not think we are there yet.



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Q28 Matt Western: But from everything you are saying, you are confident that you are meeting the need for the face to face service from ITAs. Is that fair?

Paul McComb: I think we are meeting it as much as we have ever met the need. That is probably not quite the answer, but 400 people, that many number of businesses, is quite a—

Matt Western: Okay.

Chair: That was a good example of what I was going to make a plea for, shorter answers, but that is absolutely exemplary. Thank you very much.

Q29 Julia Lopez: The trade show access programme helps exporters access new markets by attending international trade shows. Nonetheless, funding for the scheme is falling with a cap of six grants a year rather than 12. I would like to know why this decision was taken and what your analysis is of the likely impact.

Paul McComb: Okay. The trade access programme, in effect, is support largely to small and medium-size enterprises and, to a degree, a subsidy to help those companies who otherwise would not be able to get to an overseas trade show to be able to do so. I have to say at the time of the spending review in 2015 this looked like an area that when faced with a reducing financial profile we looked at as a potential area for reducing our spend. I want to make absolutely clear, though, there has been no reduction in spend on the trade access programme overall. The funds we have committed, I think around £7.55 million, that was the same last year and that is the same this year, just to be clear on that.

I think the issue, however, became that there were a few companies that had become reliant on this funding. The idea is really to kick start someone, to get the export wheels moving, get them into this game and then off you go. Limiting the number of times you can get the grant to six to us seemed reasonable. It does mean that we, therefore, have some more funding to get some companies who otherwise would not have been able to afford it into this. Also looking at it, I think around 7% of applicants had had seven or more, so it is not a huge impact but you have to draw a line when there are limited funds. Ministers decided six was reasonable and, again, this is an area we do want to look at to see if we have our approach right. The funding has not been cut. The number of times people can get a grant has been limited to six.

Q30 Julia Lopez: Have you taken any evidence of how many of those small companies went on to have export contracts as a result of those trade shows?

Paul McComb: That is the million dollar question. This is one thing that we do think digital will also help us with. There is not a huge amount of incredible, reliable caseload data to really show the value of the different interactions. We have undertaken a review. I think that review is still in process; it has not concluded yet. We will show the findings, I am sure, in due course.



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Q31 **Chair:** So there has been grant funding given and we have no idea of the efficacy of this grant funding, which has not been followed up to see what export contracts they would get, so that indeed was the million if not billion dollar question.

Paul McComb: That was exactly the same reaction that the Treasury had when they looked at UKTI's expenditure in 2015, which is why this was an area that said you are spending this money; what are you getting for it?

Q32 **Chair:** Can I ask also—not for this morning but could you let the Committee know later—the amount the grant is and where the companies receiving these grants are located also?

Paul McComb: Located?

Chair: Located, yes.

Q33 **Faisal Rashid:** Just to follow on, you just mentioned the number of grants being reduced from 12 to six but the funding is still the same. It does not really match up, so could you just explain what you exactly mean?

Paul McComb: Obviously, we budget an overall amount of money. It is not like an entitlement, so every company who asks cannot get if the money has run out. There is an overall budget. There has always been an overall budget around £7.55 million.

Q34 **Faisal Rashid:** So that stays the same?

Paul McComb: That stays the same, but if you limit companies to six, then it flows through that you can reach more companies. If you have a limit of 12 you reach fewer companies.

Q35 **Faisal Rashid:** Okay, I understand. My question would be: the Federation of Small Businesses has said that trade missions are often not accessible to small businesses because of the fees involved and because they are not focused enough on what small businesses really care about, namely securing deals with new buyers. Is this something that you are looking to address and, if so, how are you going to do it?

Paul McComb: There is no blanket, "Small does not get into a trade mission". Trade missions are for export-ready companies. They have funding. They have intent. They want to. It is not a, "Come and have a look". To be honest, the trade access programme is probably more suitable for those who think they might want to get into the exporting game but are not too sure. Trade missions, you are literally bringing supply-ready companies to potential buyers in overseas markets and saying, "Let us do business". You are trying to create a moment for that.

We do not rule out small and medium enterprises. If you look at graphene, for example, the guys who invented graphene we have been taking with us all over the world because its application just seems to grow every time I see them at another meeting. It came out of



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Manchester University. They are not a big, big operation. So, no one is precluded from that. Indeed, we have the GREAT festival in Hong Kong in March, which is all focused on innovation, where we will want more of these brighter, start-up type, innovative, not necessarily large companies. They are not excluded but they definitely have to be in the market for supply and ready.

Q36 Faisal Rashid: In November 2016 you launched Great.gov.uk. I think those kinds of initiative help small businesses to export. Would you let me know how successful it was? Is there any room for further improvement on that?

Paul McComb: Sure. I can give you a quick rattle through of some of the experiences we have had to date, some of the services. This is not a formal evaluation. It does need to be formally evaluated if we are to go further with it. For example—

Chair: Can the emphasis be on the “quick”, sorry?

Paul McComb: Okay. I will not repeat what I have said before, but one thing that we are investing in is an export-readiness tool. It is a Q&A decision tree to assess whether a company is genuinely export ready. We are looking at how licensing for exports can be brought online, or at least the application process; a where to invest tool. This is tipping it on its head. This is for overseas investors into the UK. We are trying to upload investment opportunities from the UK to overseas investors. Horizon is a tool designed to help investors identify events or missions that are going on so that they can put themselves forward to express an interest.

Faisal Rashid: Okay, thank you.

Q37 Chair: To move on a little bit, the Department’s annual report and accounts state it is developing and expanding a range of products and the services it provides. What new products and services will we see introduced and on what basis do you decide this? Do you look to other countries to see what they are doing successfully? Is it just an idea within the Department? What is driving your idea of changing?

Paul McComb: The real rich area where I genuinely do not think we have the answers yet is if you look at the number of exporters in this country, the number of businesses, it has been stubborn at around 11% for the last 10 or 15 years.

Q38 Chair: How does that compare to leading EU competitors?

Paul McComb: Germany, off the top of my head, is probably up around 40%.

Chair: Wow, four times.

Paul McComb: But we hear also a strong ethic within German companies to bring supply chains on to exporting as well. The issue, and this was actually set out in the 2017 manifesto and it has also been set out in the role Baroness Fairhead has been given, is what is the blockage here? We



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have a lot of skills, a lot of experience, amazing products; why don't we export more in this country? To me, some of this will get into access to market barriers, some of it will get into sentiment towards exporting, but these are deep cultural things. Certainly, from my discussions with Baroness Fairhead, and she has only been in the job a couple of weeks, she is quite clear she is going to develop this strategy jointly with business, with business representatives, to say what do we need to do? What do Government need to do here? What is wrong in industry?

Q39 Chair: What effect might a hard Brexit, with tariff barriers to the European Union, have on all this?

Paul McComb: I suppose the first thing for me to say is the Department for Exiting the European Union is handling all the negotiations on that side. However—

Chair: Of course, but you must have a view.

Paul McComb: The thing we would say, first of all, is we are in 108 countries around the world. A lot of the high-value campaigns that we have described are—

Q40 Chair: But we have 27 close countries where around half our exports go to, so what effect might that have, do you think?

Paul McComb: I do not think I am in a position to speculate on it.

Chair: Okay, thank you.

Q41 Matt Western: Can I just interject? The figure you have quoted is really interesting; 11% I think you said of UK businesses. Was that what you said?

Paul McComb: Companies House registered businesses.

Matt Western: Against 40% German.

Paul McComb: There are different figures if you go HMRC on it.

Q42 Matt Western: Presumably, we can look at that by sector, can't we?

Paul McComb: Surprisingly not as well as you would hope. The data is not automatically served up like that.

Q43 Matt Western: It would be quite useful, wouldn't it?

Paul McComb: This is the point I was making to your colleague before. The data that is gathered in this area—this is one of the things that certainly as a Department we want to make serious inroads in. There is a lot of analysis, there is a lot of sample data, but there is not a great deal of caseload data where you can go and reach in and say, "Show me the companies who are exporting around the world in this sector". There is some of that and we are proposing in one of the Bills to take powers to use some Customs data for this purpose, but we are not there yet.



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Q44 **Matt Western:** It is really surprising to hear this, and it is not a criticism. It is just a surprise because I think the way you couched it was that it has been—I cannot remember the word you used—resistant to go above 11%. It has stuck at that figure for a long time.

Paul McComb: It just seems to track the number of companies.

Q45 **Matt Western:** I would have thought as an organisation we would want to know by sector how well we are doing, where we are succeeding, where we are failing and how that compares to peers like Germany, and the way you quote it is to say, how can we be more targeted in providing that support.

Paul McComb: On that front, all Whitehall Departments are just data junkies. They do want this information to underpin and drive and shape strategy, but equally there has been a push as well to say how much are we going to question business about what they are up to just to feed our data requirements. There are annual business surveys that are conducted by the Office for National Statistics. They are the ones who produce these numbers I have been sharing with you today. We are talking to HMRC around how we could better use Customs data in the future because that is already collected and it might give us more insight. Genuinely, we are trying to see if the digital service can become a rich source of what companies are doing and how many are responding. It is certainly not ideal today and I would acknowledge that.

Q46 **Mr Chris Leslie:** Did you say that in the Bill you were going to take some extra powers to gather some of this data? I thought you said that.

Paul McComb: We have to make the case for gathering this data because that is a requirement of any new burden on business, but the provision to be able to ask the questions will be in the Bill.

Q47 **Julia Lopez:** The concern has been expressed that export support services are much too geared towards new rather than existing exporters. Do you think the current approach is the right one in this regard?

Paul McComb: What we asked the ITAs to do in 2016-17 was to focus more on getting companies who had never exported into exporting. That was very much driven by this extra 100,000. There is no point just looking after firms who are already exporting. It is about getting new organisations into the game. They did. It is a lot more labour intensive potentially because if you have an already export-ready company that is in four or five markets and they want to go to the sixth or seventh, then it is easier to take it to the new market.

What I think we have concluded from that is, first of all, it is expensive. This is why we want to try, and I am harping back to digital, to say how much of the heavy lifting can we get the digital service to do. For example, companies that signal they want to export, that is a good distinction. Companies that will go through our new export-readiness



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assessment, which is an online tool, that is again helpful. You might then get down to manageable numbers of companies that you think have the funding, have a product, have the desire; let us work with them and see if we can make something happen. Simply asking a trade adviser to reach out into their local community to grab companies and see if they can get them exporting is too hit and miss. We will look to improve our segmentation and targeting of that.

Q48 Julia Lopez: What analysis have you done as to the length of time it typically takes to export to different markets? For instance, China is notoriously difficult to penetrate and it takes a much more patient, long-term approach to be able to build those relationships. Have you done any analysis of country by country how long those export relationships take to establish typically?

Paul McComb: I do not think we have done what I would describe as a detailed analysis map. What we have done is to start pulling the guidance together in a much more pragmatic way. Some of the guidance that is on there is not simply saying, "If you want to export to China, do X, Y and Z". Some of the guidance starts off with, "Here is a reality check on exporting to certain markets and you need to be alive to that". This is where for companies that do want to move beyond just looking on the website and talking to advisers the ITAs are quite helpful because they will steer them towards markets that are more appropriate for their goods.

Q49 Catherine West: I have two questions. The first one is on the civil service. In the top two tiers of the civil service, how many women are employed in your Department?

Paul McComb: How many?

Q50 Catherine West: Yes, or what proportion of the workforce?

Paul McComb: At the board level 46% are female and the balance are male. Senior civil service it is a 50/50 split.

Q51 Catherine West: But they do not tend to come to committees like this.

Paul McComb: I can guarantee the Permanent Secretary I am sure will be here at some point and is a lady.

Q52 Catherine West: What about the trade commissioners? What proportion of those are women?

Paul McComb: The trade commissioners have not yet been appointed. Those appointments will kick off very soon. If I was looking at the current senior leadership at that level, two are female, three are male.

Q53 Catherine West: Obviously, the Front Bench, which is not your regard, is very male and not particularly diverse, both in the Foreign Office and in Dr Fox's Department, so I think it is about appearances as well as what you actually do. I was also wondering about the reporting back



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mechanism for Members of Parliament who are trade ambassadors. How do you use the resource that they provide? For example, I know that Rehman Chishti—I forget which is his seat—has just been announced as the new trade envoy.

Paul McComb: Trade envoy, yes.

Q54 **Catherine West:** Can you explain how they feed back into your departmental processes?

Paul McComb: Yes. I should say Baroness Fairhead, of course, is the first female Trade Minister for 14 years.

Q55 **Catherine West:** She is not in the House of Commons.

Paul McComb: I know, I accept that. I think there are 44 trade envoys.¹ This has been a programme that has been in place for many, many years. Typically, most of the trade envoys will cover one or two markets overseas. They are very deliberately intended to use their status to open doors and often you will find that is quite powerful in newer and emerging markets. Well-established markets where the commercial relationships between business or global companies are operating well seem to be fine. Trade envoys tend to provide more value when it is a closed market or not very well developed. What they can do is they can open doors with the overseas Government. They can fix up meetings with the more experienced overseas exporters.

Q56 **Catherine West:** But if we wanted to analyse their work, is there two sides of an A4 that they have to fill in every year? In terms of going back to the data point, we need to get real now. This is not just opening a few doors. This could be a really important strategy in 18 months' time and it is not good enough just to say they open a few doors. It also costs the public purse quite a lot for them to do their role.

Paul McComb: I would say on the high-value campaigns that I described before they do play integral roles as part of something the organisation has decided that we want to achieve some export—

Q57 **Catherine West:** How is that demonstrated? Where is the reporting back mechanism?

Louis Taylor: There is a management team that manages that whole programme along with the Prime Minister's business ambassadors as well. For UK Export Finance, we work very closely with many of the trade envoys, some more than others, but Lord Popat in Uganda, Baroness Nicholson in Iraq, Baroness Northover in Angola.

Q58 **Catherine West:** Is that written down?

¹ After the session, the Department sent a correction to the transcript stating that there are 28 Trade Envoys.



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Louis Taylor: We do not collate it as that data, but I can absolutely point to transactions they have been involved in directly where we have underwritten.

Q59 **Catherine West:** Could we have a report on that?

Paul McComb: Yes.

Louis Taylor: We can provide a report on that.

Q60 **Catherine West:** I think that would be very helpful because these are people we actually know in the Commons. Obviously, they do come to various debates when that country is being debated about something else, but I think that that is a resource where we need to understand exactly what it does, what the cost of it is, what the outcome is. SMART, which is management talk for squeezing more out of what we already have—

Paul McComb: Sure. We have a breakdown of the activity they have been involved in. We can send you a note on that.

Q61 **Matt Western:** Is this the sort of person that I would have read about in the papers in years past like Prince Andrew, for example? Is that the sort of person or is it more—

Paul McComb: No, trade envoys are prime ministerial appointments. They are MPs and Lords. What we tend to also have is people from business, who are called business ambassadors. These are the captains of their own industry, quite prolific in their own sector, and they will try to fly the flag for that particular sector in the UK.

Q62 **Matt Western:** Okay. Prince Andrew in the way I was asking, does he have some involvement still? What is his relationship?

Louis Taylor: He has no official role in that trade relationship.

Paul McComb: If, for example, we are doing a trade mission or there is some significant event, then the Royal Family do play a role to help us but it is not in the formally appointed sense here.

Matt Western: It is a warm handshake thing.

Q63 **Catherine West:** I have another completely different point to make very quickly. In relation to when things do not go well, so the corruption in UKEF-financed businesses, we know that in 2017 the OECD Working Group on Bribery raised concerns with the application of UKEF's policies as two companies funded admitted to engaging in bribery. Why was UKEF unable to identify the occurrence of corruption when the company subsequently discovered the issue internally and what measures have you taken to tighten that up to address the working group's concerns?

Louis Taylor: UK Export Finance takes very seriously its role in deterring bribery and corruption and we live up to the obligations we have that are set out under UK law, which are some of the strictest in the world, but



also, as you mention, the OECD recommendations on bribery and officially supported export credits. Beyond that, we also self-impose on ourselves the standards that would be expected by the UK regulators of a UK private sector financial institution in this regard.

We are, however, not an investigatory organisation of the nature like the SFO or the National Crime Agency or the police, and the due diligence that we undertake is of a commercial nature, but it is reasonable in the circumstances of the individual transaction we are looking at. Part of the relevance of circumstances in that judgment is the historic activities of a company, whether they have in the past been convicted or whether they are even being investigated currently by authorities.

We believe that the due diligence we do is greater, and was acknowledged by the OECD report as greater, than most other export credit agencies in the OECD. We have been very active in terms of advocating a stiffening of the standards or a clearer definition of stronger standards from the OECD and their recommendation will be coming out shortly. Truthfully, we are disappointed with the outcome of that, not strong enough, but the standards to which we hold ourselves and to which we balance the needs of business against the needs of the taxpayer not to be involved in any transactions involving bribery or corruption we are very cognisant of. We have these under review constantly. Specifically, more recently, there used to be an ability for exporters applying for our assistance who had used an agent to require us to keep the name of the agent—no other details but the name of the agent—confidential for commercial reasons. We have abolished the ability to do that. We just did not see that the lack of transparency was a sensible thing.

Q64 Catherine West: That is very positive to hear. In relation to Airbus and Rolls-Royce, because it is in the public domain obviously, the Committee is aware of the internal investigations or an internal report of some sort. Will you be making that public?

Louis Taylor: We have made public the outcome of our review of Rolls-Royce where they have reached a settlement with the authorities, and we have received applications from Rolls-Royce for further support subsequent to that settlement. We have reviewed all of that data. We have set in place procedures where they are under an extended due diligence regime from us for at least five years with requirements of them that would not normally be required of a company that had not gone through what they have gone through. In relation to Airbus, that is still a matter that the SFO is investigating and I really do not feel I can say very much at this stage.

Catherine West: It is too early, yes. Thank you very much for your reply.

Q65 Chair: Just to go back a little bit on the point that Catherine West was making, I want to press you, Louis Taylor, on this. Diversity within the UK



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Export Finance staff could be significantly improved. Apparently, only 20% of your civil servants are women and none are disabled. Do you have any plans to improve this?

Louis Taylor: The numbers we believe, Chair, are that we have 36% staff who are women and 4% who are disabled.

Chair: Sorry, it is 20% of senior.

Louis Taylor: Yes, I believe that is right. We are attempting to change that. How are we doing that? When we recruit at that level, where we use head hunters we are requiring them to ensure there are women on the short candidate list. We work in finance and the financial services industry at senior levels is quite dominated by the male gender and it has not always proven possible to recruit female members of staff at that level.

Q66 **Chair:** Okay, you have stated your case there. On another matter, UKEF is clear that it is trying to complement, not compete with, private sectors. How do you ensure you are not providing services that could be provided in the private sector?

Louis Taylor: Chair, you are right, complement, not compete. We ensure that by the fact that most of what we do is delivered through private sector partners, whether they are banks or insurance underwriters. The very fact that they are willing to work with us on transactions suggests that they do not feel that they are in a position to fulfil the transaction concerned. Most of the larger transactions come to us through banks saying, "We are not able to underwrite the full extent of this transaction. Can you augment what we do or could you do the underwriting fully?" The opportunity for them to make profit is there and they are just saying that that is not something they are willing to take on.

Q67 **Chair:** How dependent are arms exporters on you as compared to their dependency on banks?

Louis Taylor: Very little. We have done very little in the defence space in recent years, although we have done some transactions more recently and we are aware that there are other potential transactions coming up. Defence companies face some reputational risk issues that banks have with dealing with defence. The capacity for defence financing has reduced at a time when many of the purchasers of defence exports are under budgetary pressure themselves from falls in commodity prices.

Q68 **Chair:** What sort of reputational risks might banks be experiencing from it?

Louis Taylor: Some banks refuse to get involved in defence transactions with sharp arms, for example, similar to tobacco transactions or pornography or other exclusions they have from their portfolio that they are willing to lend into.

Q69 **Chair:** Okay. A final question from me at the moment is: what are you



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doing to ensure that awareness of UK Export Finance's offerings increase among businesses following acknowledgement, including by a Minister, that levels of awareness are too low?

Louis Taylor: Just this week, Chair, we have gone live with a mechanism by which we have delegated our guarantees for short-term business for SMEs here in the UK, working capital and bond support—we have delegated that to the five major banks and in doing so have gained access to their relationship managers and the tens of thousands of SME relationships that they have. Within a set of given credit criteria, they are able simply to inform UKEF that we are guaranteeing up to 80%² of a working capital facility or 90% of a bond support scheme facility without our having to be involved in that at all. The accessibility of UKEF to SMEs is massively increased. What we now need to do is focus on those relationship managers and banks to make sure they know what it is they have and that they use it appropriately. That is what we are doing at the moment.

Chair: Thank you very much. A small point, Faisal? Yes, very small.

Q70 **Faisal Rashid:** It is great that the money is going in the right way because they have a large customer base and they have the full infrastructure in place in the banks. The two issues with the banks are, first, the full information to be provided to the relationship managers—they often do not know what those products are exactly—and, secondly, to promote them in the market. These are real issues if you can take them forward because if they do not promote it well, people will not know.

Louis Taylor: Mr Rashid, I think you historically were right. We had developed our own suite of products, which it was very difficult to get bank relationship managers to promote because they had enough trouble understanding their own administrative procedures in relation to their own products. What we have boiled it down to is that our product is a guarantee that is an overlay on their own products. They are still marketing their own products that they know how to market and they are simply informing us that our guarantee is sitting on top of their product, indifferent as to what the nature of that product is as long as it is providing cash support effectively to exporters.

Q71 **Emma Little Pengelly:** Back in 2007 on devolution the Northern Ireland Executive made growing the economy in Northern Ireland its number one priority in its programme for government. One of the reasons for that was because in Northern Ireland we do have that regional variation that is across the UK in that we are very much dependent on the public sector for employment. Our private sector is significantly smaller and needs a lot of work. The Executive invested a significant amount of money into both trying to attract foreign direct investment but also trying to

² After the session, the Department sent a correction to the transcript stating that 80% should be 90%.



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encourage export of our businesses, which traditionally we had not done particularly well. We have invested in Northern Ireland for about 10 years particularly on those two issues with Invest NI, and I know in terms of the Department there has been this shift away from a focus on English exporters to looking at the UK package and what we can offer in terms of the UK. I suppose that must bring with it a cultural shift or a transition within the Department in thinking as the UK and trying to take into account the regional variations, not just for Northern Ireland but for Scotland, Wales, north of England, et cetera. I have a couple of questions on this. First of all, how have you been able to integrate consideration of devolved region interests, including bodies like Invest NI in Northern Ireland and Scottish Development I think—

Paul McComb: SDI.

Emma Little Pengelly: And other bodies like that? How have you been able to culturally within your Department and as a new Department integrate consideration of devolved region interests in the work that you are doing?

Paul McComb: If I pick up exports and investment, then maybe on UK Export Finance Louis can pick up. Just so you are aware of the legal position on this, there is nothing stopping the Westminster Government and the devolved Administrations all helping businesses in the UK succeed, either export or investment. Clearly, the GREAT campaign spans Great Britain and Northern Ireland so that is available and has been used across the piece. The Great.gov.uk website again is open to all businesses. That is the great thing with digital, it does not have those material impacts.

The way we agreed that we would operate, and it was set out in a public memorandum back in 2013, was largely UKTI would focus on the English regions and the different bodies, so INI, SDI and the Welsh Government would focus on the devolved areas. The way the teams operated is they literally passed information back and forward to each other. In Northern Ireland in 2016-17 there were 34 projects delivered by DIT investment contracts creating around 1,600 jobs and similar numbers for Scotland, Wales, et cetera.

What we have to recognise going forward is that there will be repatriation of powers to Westminster around trade agreements, trade policy and so on, and I think the Secretary of State has been very clear. As well as DIT having a good, collaborative relationship with these other bodies, it needs to step back and say, "Are we doing enough from the Westminster Government to support the whole of the UK?" What we do not want to do is get into any kind of competitive relationship with the other bodies. We want to keep that collaborative, but clearly we inherited a UKTI that largely thought England only and we are just trying to work our way through what else we could provide in terms of support without necessarily feeling like we are all tripping over each other trying to claim credit for the same thing.



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Louis Taylor: From UK Export Finance's point of view it genuinely is export finance for the whole of the UK. There is only one financial guarantee that works and that emanates out of Westminster, and we use that in a way that is absolutely agnostic as to which country of the Union the company concerned comes from. We have a good track record of working directly with Scottish Enterprise, Scottish Development International, Highlands and Islands Enterprise, Invest Northern Ireland, where we work very closely, and with the Welsh Government's trade team as well and a good track record of transactions completed in the devolved Administrations. We are genuinely UK export finance.

Q72 **Emma Little Pengelly:** You referenced just over I think 22% in terms of export growth. Is that a global UK figure and in that sense do you have it broken down or disaggregated in terms of how the regions are performing within that?

Paul McComb: If you will forgive me, I will probably have to write to you on that. I do not have that to hand.

Q73 **Emma Little Pengelly:** Just in relation to finance, you are operating at a UK-wide level. Again, do you have figures in terms of what the take-up is in relation to the devolved regions? For example, in Northern Ireland, approximately 3% of the UK, is Northern Ireland getting the benefit of a similar figure proportionate to the population? Are we underperforming in relation to that? The same for the other devolved regions as well.

Louis Taylor: We do not tend to measure what we do in terms relative to the population. We tend to measure it in terms of the demand that there is for what we do. We have representatives in each of the devolved Administrations. They work closely with the local agencies and we do quite a lot of transactions with them. For example, in the last five years in Northern Ireland, 15 exporters have been supported to go out to 17 different countries, in Wales 13 exporters to 15 countries, and Scotland 22 exporters, 26 different countries, half a billion pounds over that period in Scotland, for example. We do not have any inhibition from working with companies locally. You are right, we recognise the challenges of generating an exporting culture out of Northern Ireland particularly, but there are some big companies there that we support as well.

Q74 **Emma Little Pengelly:** I know certainly from speaking to some people locally that although there are opportunities for businesses, for example, in Northern Ireland to go on some of the trade missions, trade shows, the feedback does seem to be that the opportunities are offered at a very, very late stage. Some of those were where companies would have wanted to take up the opportunity but simply with one or two days' notice, less than a week's notice of that if an option did come along, it simply is not possible for them logistically to do that. Certainly, I have heard that from a number of different sources. I think there is a sense there that this is a little bit indicative of, yes, there is a nod to the fact that you are representing the UK as a whole; however, it is a bit of an afterthought in terms of including Northern Ireland. I am not sure if the



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experience is the same in Scotland through your bodies. I think I would be very, very keen at an earlier stage that there is full integration. Although I understand working relationships are good with the bodies, I think it is absolutely essential as we move particularly through Brexit and these powers are coming back that there is a full consideration at the earliest possible opportunity of perhaps the unique aspects of what the regions can offer but also the challenges that the regions have and the need for, for example, a focus on exports and how to grow that.

Paul McComb: I think that is a fair point and I think some English companies would also report sometimes it can feel a bit last minute, but I take your point.

Emma Little Pengelly: I am happy to correspond with you just about the detail of some of those particular issues that have come up in terms of working with the Department.

Louis Taylor: That would be great.

Q75 **Chair:** What sort of spend and how much presence does DIT have in the nations and the regions of the UK?

Paul McComb: Do you mean what we are spending in each?

Chair: What are you spending on having a headquarter or a base or whatever in each location?

Paul McComb: I will have to come back to you with a breakdown, but I know we are in 15 locations around the country, including in Scotland.

Q76 **Chair:** Wales, too, I know that, yes. What is driving my question is are you having a spend there or are you counting government spend, whether Welsh Government, the Northern Irish Government or the Scottish Government, as being yours?

Paul McComb: Oh, I see. No, we consider our spend to be what DIT is spending and not the additional cost of SDI, Welsh Government, et cetera.

Q77 **Chair:** That is fine. My second point just before I move on to Chris Leslie, who has a variety of points, is just a few moments ago you highlighted that the banks take reputational considerations into account when deciding whether to provide finance to business. Does UK Export Finance have the same threshold of reputational risk when they are giving finance to export businesses given that you mentioned tobacco, pornography and other areas? Banks do not touch them. Are you saying you would?

Louis Taylor: There are a range of industries that we do not touch. The cardinal sins are in there, but if a defence exporter has an export licence then we will look at it. If it has no export licence, we will not look at it at all.

Q78 **Mr Chris Leslie:** I want to ask you, Mr Taylor, about a no deal scenario on Brexit and the costs and the work that UK Export Finance is doing for



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that particular scenario. What kind of planning have you done for that scenario?

Louis Taylor: Mr Leslie, we have looked at the mandate that we have, which is pretty good for all weathers in or out of the European Union. Regardless of the nature of the way in which we leave the Union, we are there to fill in gaps in private sector provision of finance and insurance for viable exports. Truthfully, the thing that is driving the level of our business is far more bank regulation and the changes in bank regulation than it is changes in trade rules.

Q79 Mr Chris Leslie: Do you expect that there will be no change whatsoever in the costs of insurance for export activities, the costs of finance for export activities, if, for example, exporters have to cope with a whole load of new rule of origin arrangements, if there are delays and more uncertainty in when deliveries can be secured? Do you think it will not affect anything at all in the financial side of things?

Louis Taylor: From UKEF's perspective in analysing transactions, and I think we are very similar to private sector financial institutions, we would look at the viability of a transaction in its totality. That would include the administrative elements that you have just talked about in terms of bills of lading and all of the other documentation and logistics of achieving an export.

Q80 Mr Chris Leslie: The costs could increase for an exporter, obviously, in a no deal scenario because of the extra administration, the time lags involved, all of those complexities. Would that not have a downstream impact on UK Export Finance?

Louis Taylor: I can talk about financing costs. In my view, financing costs I do not believe will change particularly.

Q81 Mr Chris Leslie: Are you doing any work to model what those implications could be? Today's *Financial Times*, for instance, talks about going from 500 lorry checks a day to 100,000 lorry checks a day on goods coming in and out, roll on/roll off into Dover. If there were extra time uncertainties in that, you would expect that the financial side of things might add in an extra premium. Might not the rate being charged to exporters reflect some of those risks?

Louis Taylor: I do not believe that that will impact on the financing costs. Those are logistical issues and I do not see those feeding through into our underlying financing costs. The underlying creditworthiness of the exporter and creditworthiness of the customer are no different.

Q82 Mr Chris Leslie: Are you talking to the banking sector about some of these risks and how they might—

Louis Taylor: Yes, we have a regular dialogue with over 70 banks and other service providers in the finance space in the private sector.

Q83 Mr Chris Leslie: Mr McComb, in terms of the transitional work that you



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are leading on this, what sort of scenario planning have you been doing for no deal, if that were to occur?

Paul McComb: Just to be clear, my job title does not relate to transitional adoption, transitional periods.

Mr Chris Leslie: Yes, I understand.

Paul McComb: I know there has been extensive contingency scenario planning undertaken by the Department for Exiting the European Union and also by our own trade policy colleagues. They would be able to give you a much more informed answer. I could not give you that today.

Louis Taylor: What I would say, Mr Leslie, is that we are currently subject to an EU ban on being able to support trade within Europe sub two years in terms of our financing capability. That is imposed on all EU export credit agencies. Once we leave, that would not be a restriction that we would face, but it may be that it will probably not change very much because the EU is generally a deep and liquid capital market that does not particularly need export credit agency support very often.

Q84 **Mr Chris Leslie:** Presumably, those EU countries that export into the UK would also potentially change their financial support for their businesses on the exports that we—

Louis Taylor: It is possible that they would be able to offer sub two-year financing to European exporters to the UK but, as I say, there are deep and liquid capital markets both sides of the channel and the export credit agency involvement is likely to be very low.

Q85 **Catherine West:** If you have done the contingency planning, what is the estimated cost of the adjustments that need to be made?

Paul McComb: Sorry?

Catherine West: You said that the Department had done some contingency planning.

Paul McComb: I was rather signalling that my colleague Crawford Falconer and his directorate, and I know they are coming along to the Committee, have done quite a bit of that work. They would be better placed to pick up these questions. I cannot answer it today.

Q86 **Catherine West:** You do not know what the cost is that the Department has done on the contingency planning?

Paul McComb: I do not, no.

Q87 **Catherine West:** Right. What about you, Mr Taylor?

Louis Taylor: We have not spent specific money on contingency planning for Brexit because we have made an assessment that the likely impact on what we do as UKEF is not particularly determined by Brexit or no Brexit or the nature of the Brexit.



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Catherine West: We will save that for when Mr Crawford Falconer comes.

Chair: Very good, okay.

Q88 **Matt Western:** Given the depreciation of sterling since the referendum, have you seen that the number of businesses has more or less stayed the same in terms of exporters? Have you seen more interest, more people coming to you, with more currency advantage?

Louis Taylor: We have had some anecdotal evidence that there is more interest in finding export markets than historically, but that has not particularly shown up in the figures. We deal in global supply chains very often and where you might pick up competitiveness on the ultimate export, if you are importing some raw materials or components you lose on that. The net effect is probably closer to zero than you might anticipate for goods exports. For services exports, if your labour cost is sterling then that should be a benefit.

Q89 **Matt Western:** Just to follow on from that, Mr Taylor, I understand that the number of exporters that you support had been growing up until last year but actually fell away in 2016-17. Why was that?

Louis Taylor: We are there to fill in gaps and the gaps are different year to year. In relation to the bulk of our customers who are domestic SMEs looking for working capital and bond support, the banks' risk appetite has been pretty strong. I cannot guarantee that we have fulfilled every gap in the market, but with the step we took on Monday finally to roll out this delegation to the banks of our guarantee we are at least accessible to everybody. We do anticipate seeing a pick-up in the number of companies that we do transact directly with.

Chair: As we are moving towards the end of the session, a model of time efficiency herself, Julia Lopez.

Q90 **Julia Lopez:** When can we expect to see a single departmental plan from the Department for International Trade?

Paul McComb: We are working on the development of the departmental plan now. The Cabinet Office will set out the timetable for that. We expect it will be post-Budget, I would anticipate, because budgets normally help drive plans.

Q91 **Julia Lopez:** What opportunities does Brexit present for ITI and UKEF in your opinion and what do you think the major challenges will be?

Paul McComb: I think I referred to this before. A lot of the focus that UKTI had previously had been largely on just helping companies, holding hands, opening doors and providing the right environment to help deals land. They will have learnt a huge amount in many markets overseas as to why those deals fail, why things do not happen, what the issues of a more practical nature are. That is a shopping list. It is a shopping list we can do something about in the future. I think the teams overseas, if you were talking to them, are looking forward to being able to get into those



frustrations, as I say, not necessarily full free trade agreements but certainly things that will lubricate business.

Louis Taylor: For UK Export Finance, the mandate we have, as I said, is good in or out of the EU, but what we are doing and what we set out in our business plan that we published in July for the next three years is to have a higher level of ambition for being involved in UK exporters' business and being able to give them an advantage where otherwise they would not have had it.

Q92 **Julia Lopez:** Have you done any political analysis of how countries like Germany deal with the politics within countries that allows them to export slightly more successfully to those countries than we do? I am thinking of political relationship building in particular. Do we have any sense of how things are done by other countries?

Louis Taylor: We are in the process of doing quite a lot of work around the concept of building consortia, which was included in the Government's manifesto this time round, the idea that we put together consortia to address large opportunities overseas, a consortia of UK companies. We are piloting several different ways of doing that within UKEF and ITI together, bringing the sponsor of a big project into the UK with their procurement contractor and with the offer of UK export finance and a couple of hundred export-ready UK companies that could supply into that contract. They hear about a real project from the sponsor. They hear from us that they are going to get paid and that they can build up the working capital they need, and they hear from the procurement contractor about what is needed and they get to sell their wares to them. That has proven so far on the events we have run to increase the UK content in projects materially.

Q93 **Julia Lopez:** But specifically has there been any analysis of political pitch rolling in key markets, which I think the Germans and the Chinese do particularly well? Is this something we have looked into at all? For instance, I was in Belgrade recently and the Serbians were telling us that the Chinese speak fluent Serbian, have very strong political contacts and are making contacts, are taking delegations abroad to try to build those political relationships, which they can then leverage for spreading business.

Louis Taylor: Yes, we are doing that in a variety of ways. We are certainly looking to upgrade the use of business ambassadors and trade envoys. UKEF, which has no people posted abroad, is recruiting at the moment 20 local corporate financiers around the world and embassies where we play, which will allow financially literate and financially educated people to be talking with regularity and intensity with ministries of finance and with other large sponsors of projects. We will also help to triage opportunities that DIT surfaces in countries as to what is a real opportunity and what is not so the quality of opportunity comes back rather better, rather higher.



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Q94 **Catherine West:** Mr Taylor, just briefly, what would the cost be of those additional personnel inside?

Louis Taylor: The cost if we get to all 20 will be in the region of £2 million a year.

Q95 **Catherine West:** That is from within your departmental spend?

Louis Taylor: That actually will be within the Department for International Trade's spend. They will be DIT employees tasked by UK Export Finance.

Q96 **Catherine West:** So part of your underspend from last year or—

Paul McComb: Part of our overall settlement.

Chair: We just touched on the importance of languages in international trade, an interesting point we could continue for another hour, but alas, time does not allow us. Can I thank you both, Mr McComb and Mr Taylor, for your time this morning and for being so full in your answers with the Committee? It is appreciated on the whole Committee and thank you again for coming.