

UK Export Finance; Inquiry by the International Trade Committee: ABHI Submission

About ABHI and Reason for Submitting

1. The Association of British HealthTech Industries (ABHI) is the leading health technology industry association in the UK. We are a community of over 280 members, from small UK businesses to large multi-national companies. We champion the use of safe and effective medical devices, diagnostics and digital health technologies. The work of our members improves the health of the nation and the efficiency of the NHS.
2. The health technology (HealthTech) industry makes a vital contribution to economic growth in our country. The industry employs over 127,400 people across 3,860 companies, mostly small and medium sized enterprises (SMEs). Many companies are working closely with universities and research institutions. The industry is generating a turnover of over £24 billion and has achieved employment growth of greater than 5% in recent years. ABHI's members account for approximately 80% of the value of the sector as measured by sales to the NHS. As the most highly regarded universal healthcare system in the world, the NHS in turn is dependent on technology produced by the industry to enhance the efficiency of services and drive continuous improvement in their delivery. The NHS has grown and developed partly on the basis of the UK's historic 'can do' approach to engineering and problem solving.
3. HealthTech is accordingly an engineering-based industry, characterised by rapid, often iterative product design and development, and a large number of SMEs. It is one of two distinct subsectors of the broader Life Sciences. Future growth and success will mean the HealthTech sector being recognised in its own right. The sector has evidence, regulatory and adoption needs that differ significantly from those of the other, biopharmaceuticals.
4. We sought feedback from a cross section of our members and their headline responses are set out below, as a general response rather than answering the specific questions in the Committee's Terms of Reference. We trust that this will offer at least some help to the Inquiry.
5. There was a belief amongst ABHI members that UKEF works well for large "capital" / project finance type schemes which by their nature tend to be one off or extremely front loaded. Whilst other products have been brought out (<https://www.gov.uk/government/news/new-measures-to-enhance-ukef-support-for-uk-exporters-announced-in-spring-statement>) the reality of then understanding and accessing these funds has been difficult.
6. Members found the representatives at UKEF very obliging and approachable, and willingness to help. UKEF offers a Buyer Credit Scheme for deals in excess of £10M but deals of this size would take months to negotiate and might not be suitable for many SMEs. For example,

one company making ventilators told us that their varying volumes put the revenues and subsequent funding requirements at anything from £200,000 to £5M but the collective value nearer £20M. The same company told us that UKEF was not really interested in deals under £1M which they found to be inhibiting.

7. Companies told us that for deals between £1M and £10M, there is the Smaller Deal Scheme, essentially a government backed guarantee to a bank to raise a loan in favour of our buyer so they could pay us. The buyer has to be a government body with any budget approved by the respective Ministry of Finance. Buyers have to make available 3 years audited accounts in English, standard risk assessment information along with more details about the duration of the loan, interested parties etc. Companies felt that this was relatively light touch at the initial stages.
8. Some companies pointed out that UKEF have a strict set of financial pre-requisites which may marginalise many SMS's looking to capitalise on an immediate opportunity. This supports a more general view that UKEF works too slow, has a rigid business model for manufacturers and are risk averse for the majority of SME's. UKRF strongly favours government deals and is not currently not set up well for sub £1M projects.
9. One company suggested a process that might allow UKEF to make a wider impact outside of their traditional areas, these are the core type of products that should be provided to have a sustainable export platform within the UK (i.e. rather than funding from project to project). They described it as such;
10. "We have existing bank relationships and obviously they would be the first port of call.
11. We want to "segment" our funding with some logical Sources & Uses analysis (i.e. duration of the funding matches the need).
12. We decide that main bank cannot provide the funding that logically supports our ongoing export business which we want to expand further so investment is into working capital to support the export business rather than for a discrete project or contract.
13. We approach UKEF to provide export funding (nature of what we do means we have little one off requirement but more of an ongoing requirement for growth).
14. Trying to combine UKEF funding with our core funding is difficult especially if all I am going to get from UKEF is one off deal funding (i.e. if more general export facility became available as has been stated then this would skew the investment of time to be worthwhile).
15. I end up leveraging my UK balance sheet to drive export business because it is easier with the existing bank BUT in terms of sources & uses it is "off" and it then clearly reduces my ability to leverage that balance sheet for other areas of growth more linked to either the UK specifically or the overall group (e.g. launch of a new product range in UK or investment into our UK manufacturing facility)."

Written evidence from Association of British HealthTech Industries (UEF0013)

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