

From: Wilben Trade UK Ltd

Re - UK Parliament – International Trade Committee - Enquiry into UK Export Finance

Background

Introduction to Wilben

1. Wilben is a global merchant trading company involved in procuring and supplying a broad spectrum of goods, machinery and equipment. We are sector agnostic and as such can focus on supplying the full requirements of any customer.
2. Our buyers are primarily located in Africa, Turkey and the Middle East and our ability to offer credit is paramount to securing sales.
3. Wilben established our UK hub in 2017 with the aim to procure as much UK content as possible for each project, but without removing the possibility to also supply non-UK content in order to offer a wholistic and over-all price competitive solution to our customers.
4. Our ability to offer longer term credit solutions sets us apart from traditional suppliers (often OEMs) and ECAs are an important part of this solution.

Motivation for submitting

5. The motivation for our submission is economic. We set up as a UK trade hub to become the premier UK supply aggregator for Africa, Turkey (especially to their large contractors supporting their non domestic projects) and the Middle East. As these are developing markets the main sectors we focus on are construction and infrastructure, mining, transportation, MOR and medical.
6. Our motivation is to offer our clients the best form of financing in order for us to supply high quality goods and equipment from the UK vs the much cheaper goods available from other destinations.

A Finance Gap in the UK Exists

7. The UK banking market does not have the capacity to support UK exporters to the extent required, especially in difficult countries (eg Sub-Saharan Africa) where credit is required.
8. We see UKEF as an important part of the solution in filling this gap.
9. In addition, many UK manufacturers, in particular the SME sector, are hesitant to explore exporting their products to these markets because of the cost associated with marketing to them, language barriers, perceptions that exporting is too difficult and the inability to manage the payment risk of the overseas buyer. The "fear" of exporting is for many UK manufacturers the biggest hurdle.
10. Wilben with the support of UKEF provide an integrated solution helping UK manufactures export to new markets and provide them a secure payment mechanism. We see this as a very positive outcome for all stakeholders.

Increased global competition

11. We see very significant activity from a number of ECAs especially in Africa. Most notably from the Chinese, German, Swedish and Italian ECAs.

UKEF is vital

12. The UK has a strong international reputation for providing high quality, long lasting equipment.

13. We also have a flexible and strong export credit agency.
14. UKEF's continued support is vital to UK exporters especially now given Covid-19, Brexit and a USA/China trade war as being able to provide a credit offering is increasingly more important in securing a sale.
15. The supplier credit product is ideal for what we are trying to achieve and the team at UKEF are extremely commercial and supportive.
16. Given that in many countries the buyers import and their revenues are in local currency, the ability to do a UKEF Supplier Credit in local currency is a strong offering.

Financing is a determining factor to successful exports

17. Buyers traditionally pay for equipment with cash and are therefore motivated to buy the cheapest goods which are typically not of UK origin. If we offer credit, they are able to take a longer-term view on long term costs of what they buy – lifetime of the machine, operating and maintenance costs etc. As UK machines are typically more expensive than eg Chinese goods our ability to offer finance is often the determining factor for the sale.
18. The longer and cheaper the export credit the more attractive our exports.
19. NPV cost of financing is a determining factor.
20. Financing costs associated with projects impacts affordability.

Responses to Key Points

Operation

How comprehensive is UKEF's product offering - and how attractive are particular products when compared with private sector options?

21. The Product offering is strong – especially the supplier credit product which perfectly matches our requirements.

How suitable is UKEF's process for assessing applications for support?

22. We feel the process is robust, but can be viewed as complex when undertaking it for the first time.

Do particular sectors, types of projects, or projects involving certain export destinations receive more UKEF support than others?

23. This is highly flexible as it support extends across all sectors and meets our needs.

Are UKEF's performance targets suitable? Is UKEF's current financial allocation from HM Treasury and risk appetite appropriate to allow it to meet these targets?

24. In general, we feel that they are strong, fair and robust. Although the total amount available is more than sufficient, issues may arise where a very active country reaches the limit which can restrict further coverage being made available. There are also some frontier markets such as South Sudan and Zimbabwe where if cover was available it would ensure further sale of UK produced goods.

How can UKEF continue to support economic recovery from the COVID-19 pandemic?

25. We believe that the best support we can receive from UKEF is in line with what they are currently offering. Ideally with a few tweaks such as looking at smaller value transactions (say GBP 500,000-1,000,000) against balance sheets of smaller companies in our African markets. With such an additional credit facility available to our smaller clients they will purchase goods from us which we will

procure from UK manufacturers thereby having a positive impact on UK manufacturing demand and employment.

Engagement

How user-friendly are UKEF products for its range of customers, including small and medium enterprises? How well does UKEF communicate its offering to new and existing customers?

26. Our experience with UKEF has been extremely positive. They have actively engaged with us from the first interaction and this engagement has been at multiple levels. We find them highly commercial, understanding of our aims and supportive in coming up with solutions that fit both us and our customers. Not only that, but they have actively engaged in meetings with ourselves to promote our UK supply solutions– including joining us in South Africa to market UK goods wrapped with a UKEF credit solution directly to state owned enterprises. Their presence in these meeting has placed us in an extremely competitive position and we are in active negotiations with a number of them as a result. They continually assist us in bringing our ideas from paper to realisation.

How does UKEF engage with DIT, the British Business Bank and private sector partners to ensure the requirements of businesses exporting overseas are met?

27. So far we have only experienced the engagement between UKEF and DIT. They have jointly cooperated and supported us from the start. This has been very helpful as this has resulted in us making advances we would not otherwise have achieved. For example during recent Covid times we have held webinars jointly with the DIT to market our supply capabilities to many large local buyers which included the marketing of credit supported by UKEF.

To what extent does UKEF draw on external expertise and knowledge in the design and review of its products?

28. We do not have any comment on this.

What could UKEF learn from other successful export credit agencies around the world?

29. In our experience, in particular in Africa, we see other ECAs – especially EKN and Sace take a more nationalist interest in accepting local credit as opposed to being purely balance sheet focused. This has resulted in a number of clients buying Swedish or Italian equipment above others.

Suggestions

Overseas marketing

30. We would recommend an increase in overseas marketing. This is extremely powerful as when companies, SOEs and governments are aware of the additional credit that exists they will access it. Especially post-Covid, credit is going to be a vital part of any offering.

Cover 100% of the contract value

31. Increasing the cover from 85-100% of the contract value will significantly help as some buyers may not have the 15% down-payment and banks may not accept the 15% portion of export orders as they may not wish to take the corporate exposure or may be challenged in pricing it due to the volatility of the market pricing associated with Covid-19.