



# BRITISH EXPORTERS ASSOCIATION

31<sup>st</sup> March 2017

## International Trade Committee Inquiry

<http://www.parliament.uk/business/committees/committees-a-z/commons-select/international-trade-committee/news-parliament-2015/exports-investment-launch-16-17/>

## Support for exports and investment inquiry

### Overview of BExA

The British Exporters Association (BExA) is an independent national trade association representing the interests of the UK's exporters. Our membership is drawn from across the exporting community, including capital goods manufacturers and international traders (large corporates, MSBs, SMEs and Micro exporters), and their bank, credit insurance and other service providers. BExA seeks to promote the interests of its members and all UK exporters, with a particular focus on trade finance and export credit insurance.

### Summary

The current uncertainty around the mechanics of the UK's future trading relationships with the EU and with the rest of world adds barriers to UK exports. The requirement for focus on new trade agreements must not detrimentally affect the products and services provided to exporters by the Department for International Trade (DIT) or restrict its ability to introduce new products and services. Our exporters need tangible Government support in; (i) discovering and accessing new markets and (ii) developing new products and services to suit those new markets. It is very costly to prospect for business, work up tender documents, and negotiate watertight contracts especially for the SME businesses that will drive export growth in the UK.

The Government must bring together all relevant Government Departments and focus on its 'Whole Government approach to exports'. BExA has set out a list of recommendations in its Manifesto for Brexit<sup>1</sup>, including integrating trade support with our development objectives, exporting our standards, values and education through DfID sponsorship, also by providing support for SMEs including through export houses, revitalizing UK Export Finance, and for DIT to seek opportunities, proactively encourage trade and support high value opportunities, support the risks of bidding abroad, including in foreign currency, and with fees allied to export orders won.

The UK's GREAT products and services need to be sold on commercial terms that are affordable by overseas customers in this increasingly cash-restrained business environment. Freed of EU 'state aids' regulation, UK Export Finance will have the opportunity to become more proactive, and we recommend that this is achieved through working energetically and responsively alongside commercial providers and providing seed support for payment risk, an increased range of funding, and making available low cost fixed interest rate financing on all capital goods exports.

**UK exporters need UK Government to provide the right support on an affordable basis to drive export growth in these uncertain times. BExA calls on the UK Government to ensure that this support is not impacted by Brexit negotiations.**

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<sup>1</sup> <http://www.bexa.co.uk/wp-content/uploads/BExA-Manifesto-for-Exporters-Aug-2016.pdf>

## **BExA Response to the International Trade Committee Inquiry's Questions**

### **1. What progress have International Trade and Investment (ITI, formerly UKTI) and UK Export Finance (UKEF) made on their performance since the Business, Innovation and Skills Committee finished work on its inquiry in 2016?**

BExA made its submission<sup>2</sup> to the BIS Committee in December 2015. Progress on our recommendations to date has been mixed, specifically:

- The call for "Whole Government Support" to exports has been embraced with the creation of the Department for International Trade as a key facilitator.
- BExA has been pleased to see engagement from the Department for Transport in linking UK infrastructure projects to export readiness.
- Linking UK exporters to overseas aid projects through ITI and UKEF developing a co-ordinated strategy with the Department for International Development is taking a disappointing amount of time.
- There has been no visible progress on BExA's recommendation to move to a success based charging model for market introduction and intelligence information (OMIS reports). This has the potential to boost opportunities for SME exporters looking to access new markets in the current uncertain export environment.
- The grants available for inexperienced exporters to attend Trade Shows and Delegations have yet to be extended to cover experienced SMEs and MSBs entering new markets.

### **2. How has the absorption of UKTI into the new Department for International Trade affected its performance?**

It is still early days in terms of assessing the impact of UKTI's absorption into DIT. However the creation of DIT has been a positive step to growing UK exports. The bringing together of trade policy, trade promotion and the UK's export credit agency with the DIT under one Secretary of State with a single senior management command should help engender the close working that is needed in the performance of these functions. It will enable the UK to focus on encouraging exports where our UK niche products will be received well, and where the commercial and political risks can be underwritten and finance is available.

### **3. Are the Department for International Trade's export and investment services fit for purpose and sufficiently resourced?**

The Department's broad range of export and investment services include Exporting is GREAT through ITI and to UK Export Finance. Exporter experience is varied, but generally good, with respect to engagement with and support from DIT in terms of these services. The regional trade advisors are experienced practitioners and are generally viewed positively by industry: they provide a valuable conduit for businesses to access UK Government products and services. This signposting is a valued service and one which should be promoted as widely as possible by DIT.

ITI offers matched funding for various market entry activities for new and inexperienced SME exporters. These useful products should be made available to all SMEs regardless of their number of years in exporting to drive further growth. The benefit to the UK in increased exports and corporation tax revenues should offset the cost of implementation.

Both ITI and UKEF are expecting to expand their footprint and increase the number of businesses they engage with. It is imperative that the extra resource required to achieve this is put in place with the minimum of disruption to the services offered to exporters. Both departments need a potential exporters' first experience of dealing with them to be a positive

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<sup>2</sup> <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/business-innovation-and-skills-committee/exports-and-the-role-of-ukti/written/25840.html>

experience in order to drive re-engagement and to also drive favourable messaging in networking circles and encourage other businesses to engage.

**4. In the light of the Secretary of State's admission that £1 trillion export target will not be met, are the Department's export and investment targets transparent, appropriate and achievable? How should the performance of ITI and UKEF be measured?**

The National Export Challenge (NEC) targets were always a challenge but there is little point in setting ourselves easily achievable export targets which do little to change the culture of exporting in the UK. We need ambitious targets to drive changes in export policy, to engage with potential exporters and to facilitate export growth. The £1 trillion export target was not the only target of the NEC, the other being to get 100,000 new companies exporting by 2020. This is also ambitious but is the target that the UK should be aiming to achieve – increasing our exporter base will inevitably increase export volumes and values.

Historically, ITI (previously known as UKTI), which provides practical help in preparing companies for export and in finding new customers, has been measured by reference either to the number of OMIS reports produced or the number of companies supported (~54,000 businesses in 2015-16). Whilst such measures provide an empirical measure of the output of ITI engagement they do not provide a meaningful performance measure.

BExA would like to see specific ITI performance metrics introduced to show not only the number of companies engaged but a clear correlation of engagement to actual exports won; thereby ITI aligning performance to the objectives of the NEC. In this regard ITI should introduce a prospect insurance product akin to the French Prospecting Insurance model<sup>3</sup> for SME exporters, which would allow ITI support fees to be paid from export orders won and at the same time allow a true performance metric for the SME sector.

UKEF performance metrics are by their nature more identifiable and tangible; i.e. the number of companies supported, the number of financing instruments issued and the value of the exports that have been supported. BExA's annual benchmarking paper looks at these in more depth, comparing UKEF performance to that of its peers, the latest report<sup>4</sup> shows good growth in SME support but volumes are still lagging some way behind European competitors.

**5. What standard of advice do ITI and its International Trade Advisers provide?**

Similar to the response to Q3 above on the UK based regional trade advisors, the support received from DIT representatives abroad is seen as a valued service by exporters; it provides signposts to the right local governmental departments, understanding local politics, establishing relationships with the right people, assistance in arranging meetings and participation in discussions and negotiations for contracts. However the level of service received is very dependent on the personnel in post and also the continuity of those personnel. Although it is understood and accepted that people will need to move for further development opportunities, amongst other reasons, it should be possible in most cases to ensure that all projects are closed out or handed over satisfactorily before personnel move.

**BExA recommends:**

Allocation of more staff to the trade promotion function at home and abroad. Those who perform the roles must possess the right skill set – including being commercially savvy – to support exporters.

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<sup>3</sup> [Bpifrance Export Assurance - see page 14](#)

<sup>4</sup> <http://www.bexa.co.uk/wp-content/uploads/BExA-2016-UKEF-ECA-Comparison-Paper-Final.pdf>

**6. What standard of support does UK Export Finance provide to companies seeking to export?**

BExA conducts an annual benchmarking exercise on UK Export Finance comparing it to its peers around the world. The 7<sup>th</sup> Annual Benchmarking Paper<sup>5</sup> shows a continued improvement in the attitude of senior management to improving the responsiveness of the department.

UKEF is experiencing some difficulty in up-sizing sufficiently quickly to manage demand. This has had a detrimental impact on turnaround times. BExA expects this to be temporary in nature but it is important that this is recognised and addressed as quickly as possible. Business thrives on certainty and the current environment with UKEF is not conducive to this with exporters uncertain of how long their applications for UKEF support will take.

**In addition to those raised in the latest benchmark paper, BExA recommends:**

- UKEF introduces standard response time guidelines for their products and services.
- Introduce application progress tracking functionality to UKEF website to ensure exporter is able to check at a glance on the status of each application.
- Reintroduce the Premium Rate calculator to the UKEF website to reduce resource burden and speed up exporter's access to indicative cost information to the benefit of their overseas tenders.

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<sup>5</sup> <http://www.bexa.co.uk/wp-content/uploads/BExA-2016-UKEF-ECA-Comparison-Paper-Final.pdf>