

Support for exports

Based on evidence submitted by EAMA to the International Trade Committee inquiry into DIT's support for exports, updated January 2020

Key points:

- We urge a large-scale engagement with firms, to build on existing knowledge
- UK Export Finance must prioritise an ambitious awareness campaign
- We question whether the banks do enough to work with UKEF
- Improvements are needed in both independent trade advisors and foreign 'posts'
- Tradeshow Access Programme has been undermined by mis-management at DIT and must be retained and strengthened to support SME manufacturers

About the Engineering and Machinery Alliance, EAMA

1. EAMA is an alliance of independent trade associations* serving mechanical and electronic engineering and manufacturing sectors across the economy, from automotive and space, to oil and gas and chemicals to medical laboratories. The alliance works with government and others to influence policy-making and implementation, representing firms of all sizes and has a focus on SMEs. Its slogan is: 'helping firms make it in Britain'.
2. Exporting is an important aspect of the manufacturing sector and therefore of EAMA's world. EAMA trade associations do valuable work in advising and to organising SMEs wishing to sell abroad, and they have a strong interest in the improvement of government support for exporters.

Overview

3. The Export Strategy, 2018, is a good first step. It sets out an aspiration to increase exports as a proportion of our economy. We welcome the explicit emphasis on working with trade associations, which Baroness Fairhead has repeated, and EAMA and its trade associations are happy to be challenged.

*EAMA members: Agricultural Engineers Association; British Automation & Robot Association; British Compressed Air Society; British Fluid Power Association; British Plastics Federation; British Turned Parts Manufacturers Association; Gambica; Gauge and Tool Makers Association; Manufacturing Technologies Association; Picon; Processing and Packaging Machinery Association; Solids Handling & Processing Association; and UK Industrial Vision Association.

4. In order to mobilise the SME sector to export much more, a large-scale engagement with firms should be undertaken, to get their views as to the barriers and opportunities for export. Both existing and potential exporters should be involved. Properly undertaken, this process of engagement would build on the significant work already undertaken and would:
 - generate greater understanding of the views of SMEs and the issues they face, so that these can be addressed;
 - increase awareness among SMEs of the support available to them – which is clearly needed;
 - and raise the profile of exporting as an option.
5. EAMA and its member associations, many of which are already much involved in supporting exports, would welcome a partnership to assist DIT in a communications and engagement programme.

Are the Department for International Trade's export services fit for purpose and sufficiently resourced?

6. Some progress has been made and there is much more to do. EAMA is primarily concerned with outcomes and does not feel qualified to comment on the resource level. Several services would benefit from improved direction and management.

How effectively does UK Export Finance support companies seeking to export?

7. Export finance and insurance is a highly specialised area of financial services - and can be transformative for exporters. These points are insufficiently appreciated among firms.
8. Baroness Fairhead has said that UKEF has improved substantially since 2015. That matches our impression. In the early and middle part of this decade, support in this area was very poor.
9. UKEF is far too little-known among SME manufacturers. They are unaware of the game-changing value it can provide. Many are even unaware of the name.
10. UKEF gives a clear message that UKEF is for all firms, regardless of size, and we welcome that. But we question how well it works, when it comes to smaller firms with their own export projects.
11. A key problem for UKEF in its support for SMEs is the pivotal role it has given to the major banks. UKEF, rightly, is not permitted to compete with banks and is, instead, available to support viable exports where private sector funding or insurance is not available. The weakness with this approach is that there is a heavy onus on the banks to involve UKEF. Often, this is where the system breaks down, and why it does not work adequately for SMEs. We can think of several possible reasons. Perhaps staff at a local level are unaware, or the banks are insufficiently committed to the scheme. It is well known that local business support from many banks has declined since the financial crisis and that may have contributed the lack of involvement of UKEF.

12. We are stressing to firms that they must take it upon themselves to ensure that their bank is doing what is needed. We encourage companies to contact UKEF regional managers directly where they think they could help – firms may, in the words of one manufacturing exporter with experience of involving UKEF, ‘be very very glad’ that they had done so.
13. It is essential that UKEF becomes much more assertive in promoting itself. We have heard that UKEF managers have a desire and a determination to do more – and they should be more supported in getting that message across. Ministers have a role to play, in promoting UKEF to business. And resources should be made available for a serious promotional campaign with a clear objective to transform levels of awareness among exporters. This could take many forms, including digital, targeted promotion in collaboration with HMRC, and working with trade associations.
14. In January 2019, EAMA and UKEF held a joint webinar to increase awareness of UKEF – the first webinar either organisation had held. We have committed to following through with further information and publicity about UKEF throughout the year, to promote awareness. Meanwhile, I understand UKEF is looking positively at doing many more webinars - it should, as part of a ‘multi-channel approach’.
15. As UKEF’s name becomes better known, demand is likely to build quickly. Its staff resources need to be in a position to meet that demand with consistently high quality. UKEF is nowhere close to its funding ceiling and we trust that as it becomes more effective in supporting exporters, that funding ceiling is in no way reduced and will be increased if necessary.
16. We hope to gain further information as to how UKEF works in practice, through talking to manufacturers that are using its services. UKEF is, we believe, too conservative in some of its approach to risk, and needs to be more adventurous. We welcome plans announced in early 2019 to make UKEF’s products more attractive to SMEs and await details. Based on feedback from companies – including large companies – the communications from UKEF can be off-putting. In addition, we have heard examples where potential customers abroad have been over-promised by other DIT staff in terms of what UKEF can do.
17. Meanwhile, the more ambitious approach to project finance, whereby projects are financed in return for achieving a stated level of UK content, is welcome. UKEF facilitates supplier fairs which appears to work well. UKEF worked successfully with one of EAMA’s members, Gambica, to help get supplier interest in such a meeting with the global health care company, Vamed – a good example of productive engagement with trade associations.
18. We welcome the addition of Tier 1 suppliers to eligibility for support.
19. The value UKEF can provide to exporters, certainly in manufacturing, far exceeds the perception. It is EAMA’s view that **UKEF should be on the check-list of every UK manufacturer.**

Is the Government effectively identifying and resolving market access barriers faced by UK exporters?

- 20. There is much work to be done here. We are aware that DIT has started the process and is actively seeking market information. The widescale engagement that we propose in the
- 21. overview, above, would help to generate the information that DIT is seeking from firms and trade associations.

Are the objectives outlined in the Government's new export strategy, and the ways proposed for achieving them, the right ones? Is the strategy sufficiently tailored to markets with particular potential in the post-Brexit trading environment, and to resolving challenges exporters could face due to the UK's new relationship with the EU?

- 22. The principles outlined in the Export Strategy are along the right lines. Success will depend on delivery, however, and there is much to be done to improve the performance of export support services.
- 23. We note the prominence given by Baroness Fairhead to working with trade associations, both in the published Export Strategy and subsequently. Trade associations within EAMA provide great practical advice and assistance to firms in their sectors, strengthening UK exports in a way which provides exceptional value. EAMA's members have made clear to DIT that they are happy to be challenged, within reason.
- 24. This is an uncertain time to pick favoured markets, although we are aware that DIT has focus on some countries. SME manufacturers are receptive to guidance but must be free to explore and follow up opportunities globally, and to be offered effective support.
- 25. The nine regional HM trade commissioners are, we understand, to have a high degree of autonomy in directing staff to achieve the best outcome for UK exports. Tension may emerge between this approach and the objective of providing consistent services to SMEs: time will tell. At present, the quality of support from 'posts' varies greatly.
- 26. The EU relationship is problematic, insofar as DExEU is responsible for the continuing trade relationship. And DIT appears to show little interest in the EU. EAMA supports expanding exports globally, but the EU is the market that our member manufacturers believe will be their most important, almost regardless of the form of Brexit with which we end up. It is worth noting that in a survey of firms published in September 2018, in which EAMA members were much involved, 83% of respondents said they wanted to stay aligned with EU regulations: <http://www.euristaskforce.org/news/four-five-manufacturers-industrial-product-supply-sector-want-continued-regulatory-alignment-eu-brexit/>
- 27. EAMA has a good working relationship with DIT officials in relation to trade and export support, which both sides are working to improve further.

How effectively is the Government working with devolved administrations and local governments to support UK exports?

- 28. Our impression is that it struggles in both regards.

How effectively is the Department promoting UK exports overseas, for example through the GREAT campaign?

29. There is a massive imbalance in funding support between the promotion of GREAT as a campaign and support for UK firms going to exhibitions. It is seriously out of kilter. The GREAT campaign has benefited from the unequivocal support of the Cabinet Office. It is very well-funded, both in terms of the size of the budget and the long-term commitment to funding, which allows it to plan with confidence years in advance. This is as it should be when planning export support.
30. Sadly, the contrast between GREAT and many of the services from DIT, most notably the Tradeshow Access Programme (see below) could hardly be starker: the Prince and the Pauper.

Is the UK's "Exporting is GREAT" programme effectively raising awareness of export opportunities for UK companies? Will it need adapting in a post-Brexit environment, and if so, how?

31. While some members like it more than others, GREAT is now a well-recognised and positive campaign for the UK that has been established over a number of years as a result of substantial investment. Our feeling is that we should continue to build on what we have and that changes, if any, should be by way of minor refresh only.
32. Raising awareness of export opportunities can be promoted through the proposed large-scale engagement proposed in our overview, above. We welcome also the information on export opportunities DIT is starting to give online, and the work of UKEF in promoting specific export projects. Independent trade advisors and export champions also have roles to play.

How should the performance of the Department and UK Export Finance (UKEF) be measured in terms of how effectively they support exporters?

33. The key measure is how successful UKEF is in supporting exporters, including SMEs. In terms of direct support, the statistics are woefully short of where they should be. Inquiry and rejection levels should be monitored. Other useful measures: awareness among exporters; and banks' performance in engaging UKEF. The main products should be benchmarked for relevance and effectiveness. A measure around project meetings would be useful. The manufacturing industry should be consulted on what it sees as the barriers and opportunities regarding UKEF.

Additional comments:

34. **Tradeshow Access Programme (TAP)** It is hard to over-state the importance of exhibiting at trade shows abroad to SME manufacturing and engineering firms. It is essential for establishing contacts, gauging markets and building credibility. It is often necessary to make repeat visits.

35. We note Bank of England governor Mark Carney's remark that 'the digital revolution could help to ensure trade is available to the smallest companies as well as the largest'. It may be that the significance of trade shows abroad will reduce in some sectors but in manufacturing, the central importance of trade shows in building exports will remain unchanged.
36. For many years the government has recognised the need to support SMEs with grant funding through the TAP scheme, operated in partnership with trade associations which do extremely valuable – and low cost – work in advising firms, establishing UK pavilions at leading trade shows and taking groups of firms. TAP support is still valuable, but its worth has been greatly reduced in recent years for three reasons:
- The value of TAP funding has more than halved to £6 million/year;
 - The qualifying restrictions have tightened significantly, reducing the number of firms which exhibit abroad – and therefore also the scale of the UK presence that the well-funded GREAT campaign is designed to support;
 - DIT has repeatedly delayed confirmation of where the available funding is to be allocated, so that very often trade associations and individual companies must make their decisions without knowing if there will be funding or not. This undermines the effectiveness of the scheme. The reason for the delays remains opaque. DIT blames HM Treasury, HMT says it is a DIT matter.
37. By early February 2019, we still had no confirmations beyond the first quarter of the new financial year, for the third year in a row. EAMA issued a press release, 'TAP is stuck at DIT', on February 1: <http://www.eama.info/downloads/TAP%20is%20stuck%20at%20DIT.pdf> Not only were deadlines to which then-minister Baroness Fairhead committed to us in writing were missed for tax year 2019-2020, but for tax-year 2020-2021, the process was little, if any, better.
38. There is strong evidence that TAP funding is both effective in influencing manufacturing firms to exhibit abroad, and from that in generating export orders for the UK. TAP funding should be substantially increased and the qualifying conditions re-aligned to reflect the needs of SMEs - certainly in the manufacturing sector, for the reasons outlined.

International Trade Advisers (ITAs) and 'Posts'

39. The ITAs have been subject to extensive review, we understand. The idea of trade advisers is a good one, but the reality has disappointed. The ITAs are not well-enough known, and where they are known their reputation for quality is patchy. ITAs have been poorly directed. We hope for better and EAMA's members would welcome the opportunity to work with the ITAs. We have suggested that some spend a day, periodically, in a trade association, as an example of how closer liaison might work. We understand that a re-letting of the ITA contract has been postponed and the existing contract much extended.
40. EAMA members find some posts to be excellent, others less so. They have a vital role to play for SMEs, in providing not only market information such as statistics but, more crucially, understanding and contacts. Large companies can afford to send staff overseas to do this groundwork. SMEs are much less-well placed to do so.

Export champions

41. This initiative strikes us as a worthwhile concept but a work in progress. The point is highlighted by the frequent change in the name given to export champions. It is not yet up to leading the strong mobilisation of exporting that we feel is necessary.

Jack Semple

Alliance Secretary

February 2019, updated January 2020.