



**Government Response to the House of Lords Select Committee
on Small and Medium sized Enterprises report “The Roads to
Success – SME Exports” [Session 2012-2013]**

Presented to Parliament
by the Secretary of State for Business, Innovation and Skills
by Command of Her Majesty

May 2013

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Roads to Success: SME Exports

RESPONSES TO RECOMMENDATIONS AND REQUESTS FOR INFORMATION

The Government is grateful to the Lords Committee on SME Exports for this very comprehensive inquiry and report. It recognises the vital contribution that SMEs can make to return the economy to balanced growth. This Government response document addresses each of the Recommendations and Requests for Information. The Government also appreciates the many valuable Observations made by their Lordships in the report.

As a prelude to our responses on the committee's detailed recommendations, we provide below a summary of the significant developments at UKTI since the committee took evidence:

- In 2012/13, UKTI met its target to support 32,000 companies (preliminary reporting basis) - a 25 per cent growth rate. The 25 per cent annual growth target remains in place for the next two years, so that in 2014/15, UKTI plans to support 50,000 companies. Around 90 per cent of these will continue to be SME/MSBs (Request for Information 1 refers).
- In the latest period for which results are available, the Quality and Business Benefit scores remained steady at 78 per cent and 70 per cent respectively. UKTI remains committed to improving these scores (Recommendation 10 refers).
- In his 2012 Autumn Statement, the Chancellor of the Exchequer provided an additional £19m for programmes to support SME and MSB exporters in each of 2013/14 and 2014/15, an increase of 40 per cent.
 - UKTI is hiring an additional 50 International Trade Advisers (to a new total of 270) – principally to support an additional 1,250 companies per annum (to a new total of 2,500 per annum) through the Passport to Export (“Passport”) programme.
 - In a new programme, UKTI is providing £6.5m for vouchers that “Passport Graduate” companies can spend on Export Services of their choice (Recommendation 14 refers).
 - An additional £8m per annum will enable 5,000 more companies (to a new total of 8,000) to benefit from the Trade Show Access programme.
 - UKTI is offering 2,500 companies a 50 per cent discount for its OMIS product. The discounts are focused on new OMIS users and those

who are new to High-Growth-Markets (Recommendation 9 refers). We will review the results of this programme at the end of the year and consider whether it should be more permanent.

- UKTI has initiated a programme to transform the support available to UK SMEs overseas. The private sector, through significantly enhanced Chambers and business groups in market, will be Government's lead partner in the provision of a new model of business-to-business support. UKTI's initial goal is that by 2017, the quantity, impact, and quality of business support will have significantly increased in at least the first twenty, high growth, markets (Recommendation 3 refers).
- UKTI has launched a pilot advertising campaign in the North of England, as a prelude to a planned national roll-out, to stimulate interest in exporting and to raise awareness for government SME support - presented under GREAT branding. Other marketing initiatives include an overseas GREAT marketing campaign in eleven priority markets and a database search-and-call programme to identify potential exporters (Recommendation 11 refers).

Recommendations

Recommendation 1 (paragraph 1.24)

We recommend that the Government should make a commitment to report back to the House before the end of Session 2013–14 with an update on what they have done in response to this report and what has been achieved, and that the Government should ensure that time is made available for their update report to be debated by the House.

We agree with this recommendation. UKTI will write to the Committee with an update on activity in response to the report in March 2014. The Trade and Investment Minister will request that Parliament allocates time for a debate soon after.

Given the importance of this subject, UKTI is happy to provide a further update around Budget time in 2015.

Recommendation 2 (paragraph 3.28)

Given the need to communicate with SMEs, identify their specific challenges to exporting, raise awareness of UKTI products and services, LEPs have the potential to be a significant part of the Government's institutional infrastructure for raising SMEs competitiveness and export performance. **We recommend that LEPs and UKTI should be required to work more closely in this area and that consideration should be given to a specific fund for which LEPs could bid to assist SMEs in this respect.**

We agree with the Committee's analysis and UKTI will continue to work closely with the LEPs on export promotion matters, through its International Trade Advisors. ITAs operate at the local level through nine regional contracting organisations, most of who are indirectly connected to the LEP, via the local Chamber. UKTI's Regional Directors meet senior representatives of LEPs on a regular basis.

UKTI has opened a strategic and operational dialogue with all the LEPs, and has agreements either signed or substantially agreed with 24 of the 39 LEPs. In the other LEP areas UKTI activity continues as normal, with an expectation that formal agreements will be developed during the course of this year.

UKTI has given consideration to the idea of creating a fund for the LEPs to bid into but has concluded that for reasons of speed, simplicity, value for money and impact for SMEs, the implementation of plans that are jointly developed with the LEPs is a better option.

Recommendation 3 (paragraph 3.43)

We share Lord Heseltine's view about the advantages of increasing the membership of organisations such as the chambers of commerce as a means of facilitating the dissemination of information and opening up the lines of communication between UKTI and other export service providers more generally. **We would, therefore, encourage organisations which have a close link with SMEs, such as the chambers of commerce, to consider as a priority how they can attract more SMEs into their organisations and thereby extend their reach.**

We agree with the Committee's Recommendation and have communicated it to the organisations concerned. We are in close dialogue with business groups in general on the exporting challenge and the role they can play in helping SMEs.

Recommendation 4 (paragraph 3.46)

We are aware that efforts are already being made to link UKTI and professional advisers to SMEs. **Given the reach of the professional advisers in the SME sector, we would encourage the Government to consider, with relevant representative professional bodies, whether more can be done to use the professional adviser networks to improve communication between UKTI and SMEs.**

We agree with the Committee's analysis. Strengthening the role of business networks is one of UKTI's top priorities and this is a key element in the National Export Challenge, launched by the Prime Minister in November 2011. This will increase the number of SMEs that sell overseas by 100,000 by 2020, with business intermediaries like banks and law and accountancy firms playing a major role.

As part of the continuing implementation of the National Export Challenge, the Minister for Trade and Investment meets with professional bodies on a regular basis. This provides a high level context for the numerous events and programmes that are partnered with these agencies and their members, and which lead to new SME introductions to UKTI across the UK. The Minister will specifically address the issue of improved communications between UKTI and SMEs in the next such meetings that he conducts.

In mid-March UKTI announced the certification of 99 industry Trade Associations, with a reach to 70,000 companies, as “Trade Challenge Partners”. These partners have made a range of commitments to work with UKTI to support the National Export Challenge – including promotion of the benefits of exporting and the value of UKTI’s services. The Trade Challenge Partners will also be asked to provide input on the Committee’s Recommendation at the next meeting.

Recommendation 5 (paragraph 4.8)

We were struck by the number of SMEs and executives whom we met who complained of insufficient loans and other services on reasonable terms. We believe that bank lending practices contributed to this problem. Therefore, **the Government should study how banks assess the credit risks of SME exporters and different overseas markets to determine the causes of this problem (see also Recommendation 8).**

The Department for Business, Innovation and Skills (BIS) agrees with the Committee’s analysis of the issue, and continues to commit significant resource to improve the access to finance that SMEs need, to grow and to export.

The Government, with the Bank of England, is supporting lending through the ‘Funding for Lending’ scheme; and the Business Bank, announced by the Secretary of State in 2012, will draw together Government’s support for the domestic finance needs of business through schemes such as the Enterprise Finance Guarantee, and will work closely with UK Export Finance (UKEF) to reduce the obstacles to the financing of SME exports on reasonable terms. It is not thought that a further study at this time would be productive, but that the focus should be on effective implementation and marketing of the Business Bank and its new programmes, through regular dialogue with the banks and the British Bankers Association.

Recommendation 6 (paragraph 4.15)

The Government should examine why greater use is not being made of EIB funds and, in particular, whether so few UK banks being the gateway to the scheme is part of the problem.

HM Government keeps EIB lending to the UK under close scrutiny and will continue to do so. The UK benefits significantly from lending by the European Investment Bank (EIB). Over the last 5 years (2008-2012) the EIB has signed finance contracts worth in the region of €23 billion for UK based projects, across a number of sectors including infrastructure and utilities, as well as by SMEs. The government is in regular contact with the EIB about how the Bank can increase EIB lending in the UK. The Government also provides advice to UK banks on how to work with the EIB effectively. The EIB has provided facilities to a number of major UK high street banks to facilitate the availability of EIB funds. HM Government will continue to work with banks to promote increased use of the scheme and in particular, HM Treasury will continue to provide advice to UK banks on EIB schemes to assist take up of the funds.

Recommendation 7 (paragraph 4.23)

SME exporters should examine other options for funds than the high street clearing banks including non-clearing banks, crowd funding and equity finance. Advice on these funding options should be available from UKTI, chambers of commerce, trade associations and accountants.

We agree with the Committee's analysis. The Business Bank will support the development of diverse debt and equity finance markets for SMEs and promote competition and increased supply through new finance providers with innovative products. The Business Bank will market its activities to SMEs and help SMEs to obtain advice on business finance, engaging with SME representative bodies and other intermediaries.

UKTI works closely with UKEF's twelve regional export finance advisers, based in UKTI offices and the devolved administrations, who act as a local point of contact for exporters seeking advice on trade finance and risk management. These advisers represent the products available from UKEF and signpost businesses to other sources of support.

Over the course of 2013, UKTI is also holding a series of webinars with UKEF to provide advice to SME exporters on issues that include getting paid, working capital and access to alternative sources of finance.

Recommendation 8 (paragraph 4.30)

We were taken aback by the very small number of SMEs helped by UKEF. The new emphasis on aiding SMEs in addition to its big clients like Airbus is welcome. **UKEF services need to be better publicised amongst SMEs and banks. The role of the banks, which are the gateway to the schemes aimed at SMEs, needs to be examined as they share the risk with UKEF. If the banks are not prepared to take on some of the risk then the schemes, as currently structured, are dead in the**

water. An examination of this should form part of the Government study we recommended earlier (Recommendation 5) on how banks view the risks attached to SMEs seeking to export.

Awareness of UKEF's Short-Term Products is improving and further activities to raise their profile are planned for the year ahead. In addition the Government envisages that awareness will be further enhanced through the planned 'Exporting is GREAT' advertising campaign to be launched by UKTI shortly (see response to Request for Information 3). Although 'Exporting is GREAT' focuses on lead generation for UKTI, UKTI refers relevant enquiries to UKEF, so anything that helps increase awareness of UKTI will also increase awareness and use of UKEF services.

As the Committee acknowledges, UKEF's role is to complement the provision of support to exporters by the private market; it does not compete with it. UKEF is, in effect, an insurer/guarantor of last resort and exists to fill market gaps. As such, it is typically asked to support business where the private market is unable or unwilling to provide support on risk grounds, or lacks sufficient risk capacity because the tenor and/or quantum of risk is too great in relation to support for SMEs in general.

Given that UKEF support for exports involves the transfer of financial risk from the private to the public sector, the task of UKEF is to identify those export transactions put to it which can be supported consistent with the minimum risk standards set for it by the Government which balances helping exporters and protecting the taxpayer against the financial risks that the Exchequer bears.

Following the privatisation of its trade credit insurance operations in 1991, UKEF support has largely been limited to supporting capital and semi-capital goods and services financed on medium-long terms of credit. UKEF's expertise in this class of exports is vital and it has helped British businesses compete to win large export orders. UKEF support for this class of exports has typically been provided to large exporters but thousands of companies in their supply chains, of which many are SMEs, have indirectly benefitted from its support.

Access to UKEF's Bond Support and Export Working Capital Schemes is through participating banks. These products require risk-sharing between UKEF and the banks for reasons of: (i) adherence to EU State Aids rules; (ii) banks' direct knowledge of the exporter (which UKEF does not have) given the financial risk is on the exporter; (iii) banks' ability to assess the exporters financial standing and business competence; (iv) banks retaining skin in the game; (v) ensuring UKEF does not undercut the market by applying bank pricing. In August 2012 UKEF reduced the amount of risk the banks are required to accept on these schemes from 50% to a minimum of 20%.

Other steps taken since August 2012 to address feedback from users of the UKEF products include:

- simplifying the UKEF product guides;
- redesigning application forms to make them more user friendly;

- removing the limits to access support under the products; and
- increasing the percentage fee UKEF pays to brokers that introduce business for support under its insurance product.

UKEF will continue to improve its products where necessary.

UKEF has established a network of Export Finance Advisers with experience in trade finance and credit insurance. The Advisers work directly and locally with SMEs to signpost them to appropriate sources of credit insurance and trade finance support, including UKEF products. In 2013, UKEF will be intensifying the promotion of its services and products to increase awareness throughout the export community, including banks, trade bodies and other intermediaries. To end-March 2013, the Short-Term products have supported 79 exporters, of which 60 are SMEs in respect of export contracts with an aggregate value of £600 million.

Recommendation 9 (paragraph 5.16)

We recommend that the charging structure for OMIS should be reviewed with a view to making it more flexible so that charges better match individual cases and needs. UKTI should consider adapting its charging structure to SMEs so that, for example, the first OMIS report commissioned by an SME is charged at a lower rate.

All OMIS activities are tailored to the needs of individual clients and a price, based on hours expended, is only confirmed after those needs have been agreed with the customer.

A scheme discounting a company's first OMIS order by 50 per cent, up to £750, has been in place since August 2012 and this scheme will continue during 2013-14, with the discount available increased to £1,000 per order. At the end of the year, UKTI will review the results of the discount scheme and consider if it should be made permanent.

Recommendation 10 (paragraph 5.17)

Furthermore, while it appears that the quality of reports is often high, concerns were also raised about consistency of quality. **We recommend also, therefore, that UKTI should take steps to ensure consistency in the quality of OMIS reports.**

We agree with the analysis of the committee and will maintain our commitment to continuous improvement evidenced through trends in our principal quality metrics, Quality and Business Impact. Our improvement activities include training, supervision, dissemination of best practice and review of the Performance and Impact Monitoring Survey (PIMS) data alongside customer complaints and other qualitative feedback.

Recommendation 11 (paragraph 5.25)

We recommend that increasing awareness of UKTI should be a key priority for the Government and that specific attention should be paid to tailored communication with SMEs. This should not be done in isolation, but should be designed and taken forward in collaboration with trade organisations, such as chambers of commerce and the FSB, and with professional advisers and their professional bodies, such as accountancy bodies.

We agree with the Committee's analysis of the value of tailored communication disseminated through business organisations and this is a key element of the National Export Challenge. For example, UKTI has produced an export guide for intermediary organisations to brand as their own and give to their members. More than 100 organisations have signed up to this facility. This will help to support the Government's efforts, to facilitate dialogue between SMEs and sources of support for exporters, in the public and private sector.

In addition, it is envisaged that the proposed 'Exporting is GREAT' advertising campaign mentioned in the introduction to this Response (and in more detail in the 'Request for Information 3' towards the end of this Response) will raise awareness of the help and support available from UKTI and other organisations, for companies that are seeking export success. The pilot phase, being run from May 2013 in the North West, will help to inform and define a national campaign, if it is decided this should go forward.

Recommendation 12 (paragraph 5.27)

In order that SMEs can easily access information about provision for SME exporters, we recommend that the Government should undertake investigations, in consultation with relevant public and private sector organisations, into the viability of a single portal giving particulars of all SME exporting services available from all sources, whether public or private sector.

We agree with the Committee's analysis. Such a facility is now available at open.toexport.com - partnered with private sector partner hibu (formerly Yell).

Open to Export aggregates content from across the public and private sector to provide a single source of information, intelligence and advice for UK exporters. There are currently more than 100 partner organisations contributing more than 2,500 pieces of content to the site, including UKTI, various other Government departments and numerous large and small scale private sector providers. Companies can also get bespoke answers from UKTI experts, private sector service providers and other experienced exporters.

Since launch, Open to Export has seen its profile grow rapidly within the UK export community. The site now consistently receives more than 21,000 visitors a month

and is establishing a Webinar brand – with more than 100 participants in recent sessions on India, China and Tips for New Exporters.

In addition, BIS is running its 'Business in You' campaign, with a web site that has a range of content and links to promote export advice.

Recommendation 13 (paragraph 5.32)

We recommend that the Government should consider allowing those companies which have made significant use of UKTI services to say so by means of a suitable registered logo such as a Union Jack and the words “UKTI supported”.

UKTI has not received input from its customers that this would be useful to them but we will test the proposition with customers.

UKTI is viewed by its customers as an independent, trusted adviser whose role is to help them win new export business. Whilst customers are free to display a Union Jack, it is important to note that UKTI has always avoided "endorsing" products and we would need to ensure we were seen not to be endorsing one product or service over another, through the use of a 'UKTI supported' logo. Similarly, we would also have to consider how the use of such a logo would be monitored, to avoid it being used to imply that companies have UKTI endorsement.

Recommendation 14 (paragraph 6.22)

If UKTI is to make inroads into the large number of SMEs not currently exporting, the task of dispelling any misleading perceptions associated with language differences and improving the ability of SMEs to deal with language and cultural differences should be regarded as a priority. We recommend accordingly.

We agree with the Committee's analysis of the importance of language and culture and will develop a metric that quantifies the problem and the impact of UKTI support.

Since 1995, SMEs have had access to a subsidised service, the Export Communications Review (ECR). Companies can benefit from three subsidised reviews from an independent consultant who are trained to deal with language training, cultural awareness and website localisation and translation.

Within the Passport to Export programme, UKTI ensures that companies are made aware of the pitfalls of not addressing these issues, through encouraging companies to undertake a language audit amongst their own staff and to develop a tailor-made programme to ensure that the “language gap” is filled.

UKTI provides its clients with contact details for all of the professional bodies in the language industry to ensure that customers receive a quality service in an area where, by definition, quality control of the supplier is difficult.

Recommendation 15 (paragraph 6.16)

We recommend that, as part their communication strategy with SMEs, UKTI should include the message to SMEs that there are significant commercial benefits to addressing the language issue and adverse consequences if it is ignored. As part of that message, UKTI should offer effective and realistic advice about how SMEs can address the language barrier (such as offering placements to foreign students and using online translation services).

We agree with the Committee's analysis. In addition to the services described above UKTI will, in May 2013, publish and widely promote its updated publication, "Improving your business communications. Overcoming language and cultural barriers in business: A guide for exporters".

Recommendation 16 (paragraph 6.17)

SMEs should be encouraged to develop Language Management Strategies to mitigate the effects of the language differences on their businesses. **We recommend that UKTI should develop a short template Language Management Strategy which SMEs could modify according to the needs of their business and potential export markets.**

We agree that such a template would be useful to companies and UKTI will design and introduce one in the next six months.

Recommendation 17 (paragraph 7.22)

We have already made recommendations about the need to increase SME awareness of the products and services of UKTI (Recommendation 11) and UKEF (Recommendation 8). The same applies with regard to the availability of skills training. We would urge those organisations involved in provision of exports skills training to take steps to improve awareness of what is on offer, including consideration of how best to use the network of other organisations and professional advisers associated with SMEs as a conduit for dissemination of information. The Alliance of the SSCs, in conjunction with the CfA, SFEDI, BCC and the IOE, may be best placed to take this recommendation forward.

We agree with the Recommendation and have followed up with the partner organisations accordingly.

Recommendation 18 (paragraph 8.37)

We were surprised that the ECO does not hold information about the size of the firms applying for SIELs. It seems likely to us that small firms will not only tend to be infrequent users (and therefore be less prepared in using the system well) but also be more severely affected than larger firms by delays in the system. **We recommend that the ECO should take steps to assist firms, particularly SMEs, to use the export control system more effectively and efficiently; and a first step should be to develop a procedure whereby information about the size of an applicant company is built into the application process itself and, using that information, to offer assistance pro-actively and tailored to the needs of SMEs at an early stage in the procedure.**

The Government's Export Control Organisation (ECO) accepts the Committee's analysis that there is a need to obtain more comprehensive information about the size of companies applying for Standard Individual Export Licences (SIELs), and to engage more closely with SMEs in order to understand better their particular concerns with respect to making licence applications for controlled exports. We will use this information to create guidance material and awareness activity tailored specifically for the needs of SMEs.

However, we are not convinced that building additional steps into the licence application process in order to gather additional information about the size of companies is the best or most appropriate means of doing this. We will therefore explore alternative options for obtaining additional information about companies that apply for SIELs.

We will ensure that the appropriate changes in approach are adopted within six months.

Recommendation 19 (paragraph 8.42)

SMEs need particular assistance in dealing with the licensing, customs and bureaucratic procedures for exporting in specific sectors and overseas economies. **Building on our recommendation (Recommendation 11) on improving awareness of UKTI products and services, we further recommend that included within the "key priority" which we have identified there should be tailored communication to SMEs about both UK and overseas trade regulations and the assistance available to SMEs to help them deal with those regulations.**

We agree with the Committee's analysis that the whole regulatory environment in overseas market can be a significant potential barrier that must be overcome. The market research from which UKTI's products are designed has long indicated this.

UKTI does actively communicate the significant support available in this area and, in view of its importance, will initiate market research on the issue as part of a broader review of marketing strategy.

The media currently used include 'Open to Export' and the accompanying Webinars; the GOV.uk website with details of help available on export control and contact details at UKTI and the British Embassies and High Commissions; promotion of the research available through the OMIS service; Trade Associations for industry-specific knowledge; and in mid February HM Revenue & Customs (HMRC) launched online learning tools on dealing with regulations at <http://www.ukti.gov.uk/uktihome/news/448320.html>.

Recommendation 20 (paragraph 8.43)

In addition to assisting SMEs in dealing with the current regulatory environment, in looking forward, we also urge the Government to ensure that the requirements and capacities of SMEs are specifically taken into account in ongoing and future multilateral and bilateral trade negotiations. We are aware of recent developments with regard to an EU and US free trade agreement and urge the Government to ensure that more attention is given to the needs of SMEs in these negotiations, particularly given the importance of SMEs to the long-term future of the UK economy. We make the same point with regard to negotiations within the World Trade Organisation.

We agree with the Committee's recommendation and have followed up with BIS and the Foreign and Commonwealth Office as well as SME membership organisations, such as Chambers, the FSB and the Trade Challenge Partners of Trade Associations.

In formulating the UK's position for any Free Trade Agreement (FTA) and preparing UK priorities for these negotiations, the Government consults business extensively. It does this through a variety of methods including a regular stakeholder forum specifically focused on FTAs made up of a wide range of companies and trade associations; bilateral discussions with individual companies, trade associations and business organisations (including those focused on representing SMEs); and by including trade negotiations on the agendas of sectoral stakeholder forums. The more significant the potential trade agreement, the more intensive is the consultation of business.

As the planned EU-US negotiations are on an unparalleled scale, the Government is embarking on an intensive programme of business consultation. Working with intermediary organisations such as Chambers of Commerce will form an essential part of this consultation work.

Recommendation 21 (paragraph 9.18)

We recommend, therefore, that, as part of a concerted effort to raise awareness about UKTI services amongst all SMEs, efforts should be made to improve their understanding of intellectual property protection generally and to convey how important it is to assess the risk of intellectual property rights breach, and its implications for the company, when deciding whether to enter a market.

We agree with the Committee's analysis. The protection of intellectual property is a key consideration for many exporters and the Passport to Export and Gateway to Global Growth programmes provided by UKTI furnish companies with information, advice and training.

UKTI Posts overseas also alert companies to IP exposure and provide introductions to professional advisers. The UK Intellectual Property Office provides master-classes on the protection of intellectual property and it is a key contributor to the Open to Export platform. In addition, four IP attachés – based in China, India, SE Asia and Brazil – all key markets for UK businesses – provide a focal point in host countries for supporting UK businesses with IP-related issues, and working with local IPR enforcement agencies.

We will solicit more specific customer feedback on the importance of this issue and how it should be best addressed.

Recommendation 22 (paragraph 10.7)

We exhort the Government to make efforts to promote the international harmonisation of standards, and also to raise awareness amongst SMEs about the application of the Bribery Act 2010 and explain exactly how it will be applied in practice.

We share the Committee's desire to ensure that awareness of the Act is raised amongst SMEs, and have been working to achieve this through UKTI events and on an individual basis through the ITAs over the last three years. The OECD Bribery Working Group reported a good level of awareness in the UK of the issue, in its report published in March 2012.

<http://www.oecd.org/daf/anti-bribery/UnitedKingdomphase3reportEN.pdf>

BIS and the Ministry of Justice (MoJ) agree with the Committee's findings on the issue of harmonisation of standards, especially as it applies to the Bribery Act. The OECD Bribery Convention, the UN Convention Against Corruption (UNCAC) and the Council of Europe Group of States against Corruption (GRECO) are the main international instruments promoting a level playing field in tackling bribery and corruption. All set standards and operate peer review processes to measure compliance.

We will solicit more detailed customer feedback on this issue and report back to the Committee.

Recommendation 23 (paragraph 10.9)

Whilst we acknowledge the importance of the example of high ethical standards being set by the UK, application of the Bribery Act 2010 has been met with confusion and uncertainty. **We recommend, therefore, that, at the earliest opportunity, the Act should be the subject of post legislative scrutiny by a Parliamentary select committee.**

The Government has made a commitment that all recent Acts of Parliament will receive a post legislative scrutiny, which will be submitted to the relevant Department's Select Committee (the Justice Committee in this case) for its consideration within three to five years of Royal Assent. BIS and MoJ have considered the option of earlier post-legislative scrutiny but feel it is premature, especially in the absence of significant business representations or cases prosecuted. We will nevertheless solicit more detailed customer feedback on this issue and report back to the Committee.

BIS and MoJ note that the OECD has considered the Bribery Act <http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/46883138.pdf> and more recently reported on the UK foreign bribery regime <http://www.oecd.org/daf/anti-bribery/UnitedKingdomphase3reportEN.pdf>

Requests for information

Request for information 1 (paragraph 3.9)

We invite the Government to explain in detail:

- **What level of service is provided to an SME for it to be counted as being within the UKTI client base;**
- **Whether there is a point (and, if so, how is it described) when an SME is said no longer to be part of the UKTI client base and is therefore deducted from the total for the purposes of assessing progress towards the target figure of 50,000; and**
- **Given that there are estimated to be 4.8 million SMEs in the UK, on what basis they decided to set 50,000 as a target client base.**

The answers below are provided in the order of the questions:

- To be counted within the UKTI client base a customer must have used a service that is significant and acknowledged as such in customer interview in the Performance and Impact Monitoring Survey (PIMS). The overall categories of assistance that would cause UKTI to consider a business as a

client are classed as “UK-based Advisory Services”, “Overseas Network Services”, “Events”, “Tradeshows & Missions”, “Web & Report Services”, and “DSO Support”.

- The 50,000 target is for a number of businesses helped each year, not the total number of businesses helped over time. UKTI does not publish a figure for the ‘cumulative stock’ of UK-based companies that it has helped over any period of time, though it does analyse rates of customer attrition and acquisition. Obviously the cumulative number would be higher. More importantly, since UKTI considers that its services help exporters to win business overseas, it is looking at ways of reducing the numbers of customers lost from one year to the next.
- UK business population estimates give a figure of some 4.8 million businesses. Around 1.2 million of these (1,236,850 in 2012) employ staff. One employee businesses are defined as sole proprietorships and the Government does not think that, as a whole category, their inclusion is justified on the basis of their potential to contribute meaningfully to the value of UK exports. The Government therefore considers that 1.2 million businesses is a more appropriate target universe of potential exporters.

The National Challenge contained two connected goals – 100,000 new exporters and 50,000 UKTI customers.

50,000 was chosen as a stretching goal for UKTI – doubling the number of companies supported in three years and therefore requiring a growth rate of 25 per cent per annum.

Request for information 2 (paragraph 3.16)

Mr Simon’s reply worried us. It appears that, in the near future, the focus of the services provided by UKTI may shift away from domestic provision (of education and information for companies in the UK) towards overseas provision (that is, assisting those companies which are exporting or ready to export to deal with difficulties they may face in the importing country). Given our serious concern that the most difficult challenge in encouraging SMEs to export is how to extend the reach of UKTI to those with export potential (but are either unaware or too cautious to export), we question whether this proposed shift of resources will most effectively encourage an increase in SME exports and assist an export-led recovery. **We invite the Government to explain, in response to this report, their short to medium-term approach to deployment of UKTI resources.**

UKTI’s deployment of the additional funding announced in the Autumn Statement serves to communicate UKTI’s priorities for SMEs – a large increase in domestic provision of education and information for companies in the UK with a focus on new

exporters, a large increase in the support for access to Trade Shows focused on new exporters; and a large increase in support for Events and Missions to export markets.

UKTI are also significantly expanding channels of digital communication in line with the Government's 'Digital by Default' strategy that requires all Government bodies to maximise the potential of electronic communication and information sharing. These digital products include Webinars, the Open to Export portal and the Business Opportunities service.

Request for information 3 (paragraph 5.24)

We welcome the appointment of a new marketing director. We invite the Government to set out in detail what measures have been put in place, or will be put in place, to raise awareness of UKTI; and also to describe how they will evaluate those measures.

UKTI is running a pilot marketing campaign in May 2013 to help SMEs grow internationally. Exporting is GREAT is designed to increase understanding of the benefits of exporting and to drive awareness and take-up of the many sources of support and help available. The pilot will complement UKTI's High Growth Markets week. The pilot will run during May in the North of England and features an innovative creative approach with exciting imagery and relevant case studies from SME exporters. A range of media channels will be used including press and poster advertising, direct marketing, digital media and PR coverage. Businesses inspired by Exporting is GREAT will be able to contact UKTI via a dedicated campaign webpage or call a free dedicated number to find out more and, if appropriate, arrange an appointment with a local UKTI International Trade Adviser. Should the pilot prove successful, UKTI would intend to partner with other organisations later this year to roll out the campaign nationally, subject to Cabinet Office approval.

Request for information 4 (paragraph 6.20)

We invite the Government to set out what mechanisms they intend to put in place in order to ensure that our cultural and linguistic diversity are put to better use in addressing the opportunities for SMEs, associated with the different languages and cultures of potential trading partners.

We agree that business should take advantage of the diversity of the UK workforce and UKTI's East Midlands group focuses on practical support that includes developing the understanding of business culture ahead of trade missions; delivering day long taster language and culture sessions for people travelling overseas; signposting to translators, interpreters and training providers; identifying opportunities to use overseas students; an annual International Communication Masterclass – a day long seminar attracting around 100 delegates. But SMEs led by people from minority groups engage external support less frequently (40 per cent

against the SME average of 49 per cent) and specific efforts to engage these groups are in hand; as are programmes to engage with connected diaspora.

Request for Information 5 (paragraph 7.25)

We invite the Government to set out further proposals which will sustain and even perhaps accelerate the gradual shift towards a probusiness culture.

Shifting the UK to a more pro-business culture is a long-term task in which the cultural perspective of younger people is perhaps therefore the most relevant. As an example of Government activity, we have listed some of the initiatives taken in this important element of the task. The experience of enterprise through education is key to these activities and helps give people the knowledge and awareness of what it means to run a business and the skills they will need in order to pursue new opportunities.

- For schools, the “Enterprise Village” website enables teachers to access a free online resource to assist them in developing school businesses and to share ideas and expertise with each other.
- The Premier League Enterprise Academy enables Premier League football clubs to foster enterprise amongst young people principally in deprived areas. It is an exciting and real life business challenge which delivers key enterprise messages and provides an opportunity for young people to learn more about different aspects of the football club, gaining hands-on experience of the running and functioning of a multimillion pound organisation.
- ‘Inspiring the Future’ is a free service which encourages people from all sectors and professions to work with state schools and colleges to help young people achieve their potential. It aims to get 100,000 entrepreneurs to volunteer to go into schools to talk about their businesses, career choices and the education routes they took.
- For Higher and Further Education, the National Association of College and University Entrepreneurs (NACUE), with support from the Association of Colleges, is building a sustainable national infrastructure to develop student enterprise societies across Higher and Further Education institutions, enabling students to access enterprise support.
- The National Centre for Entrepreneurship in Education is building a sustainable infrastructure to enable Higher and Further Education institutions to better support entrepreneurship. Its activities include providing virtual mentoring for students considering starting up in business.
- The Entrepreneurial Institution (EI) aims to embed entrepreneurship and innovation further across universities and colleges.
- The Government also encourages participation in events such as Global Entrepreneurship Week (GEW), which first started in the UK in 2004. GEW has now spread to 104 countries, with nearly 24,000 organisations world wide, hosting 40,000 activities involving 10 million participants.

Request for Information 6 (paragraph 9.16)

We invite the Government to set out what progress is being made in developing further effective bilateral and multinational agreements which will give those SMEs which hold significant intellectual property the confidence to enter new markets. We would also invite them to define how they measure progress and what constitutes success.

As stated in response to recommendation 20, the European Commission has in place an ambitious programme of bilateral trade negotiations. Ensuring an effective and appropriate level of protection, enforcement and promotion of intellectual property always forms a key part of the EU's FTA negotiations. The IPO consults with a range of business and other bodies to ensure that key issues are taken into account when it liaises with the European Commission on trade agreements.

UK will bring together IP enforcement authorities and others in an international enforcement summit in 2014. The aim will be to look at best practice and to support cross-border collaboration on enforcement. With respect to progress and success measures, UKTI and IPO will together solicit more detailed customer feedback on this issue and report back to the Committee.

Request for Information 7 (paragraph 9.17)

A number of witnesses have welcomed the appointment of IP attachés. We welcome this development as well and **invite the Government to state their plans for extending the programme of IP attachés.**

The IP attachés provide a focal point in host countries for supporting UK businesses with IP related issues, promoting UK government interests and working with local IPR enforcement agencies. The Chancellor announced the establishment of the IP attaché network as part of his 2011 Budget Statement and IPO now, ahead of the planned timetable, has attachés in place in China, India, Brazil and South East Asia - working closely with UKTI teams in these markets. A suite of management information has now been developed which covers the three key aspects of the IP attachés' work - covering support for individual businesses, business outreach events and progress on policy matters.

UK businesses have been very supportive of the programme and the CBI and the Publisher's Association have been particularly enthusiastic. The IPO will continue to work with IP stakeholders and businesses to identify other priority markets and areas for government support, whether through an expansion of the IP attaché scheme or other forms of support.

The headline figures are that between in the six months to March '13, attachés gave support to 114 UK businesses, with a value at risk of around £4.8bn (companies'

estimates); undertook outreach events covering nearly 1,100 businesses, as well as worked to influence policy-making decisions in host countries.

A decision will be made on whether to extend the programme towards the end of 2013.



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