

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 13 May 2013

Present: Mr Andrew Wiseman
Ms Gillian Arthur
Mr Alastair Clark
Ms Alexandra Elson
Mr Neil Holt
Mr John Newgas
Ms Anna Soulsby

Apologies: Mr Chris Fitzpatrick

In attendance: Mr David Havelock
Mr Steve Dodgson
Mr Miles Hitchcock
Mr Tahir Ahmed Items 6-8
Mr Simon Foister Item 6

Secretary: Mr Laurence Lily

1 PRE-MEETING

1.1 The Council met in closed session without UK Export Finance (UKEF) officials present. The discussion was not minuted.

2 APOLOGIES FOR ABSENCE

2.1 Apologies were received from Mr Fitzpatrick.

3 MINUTES OF 11 FEBRUARY 2013 MEETING AND MATTERS ARISING

3.1 The draft minutes were approved and would be published on the UKEF website.

4 MEETING WITH BRITISH EXPORTERS' ASSOCIATION

- 4.1 The Chairman reported that the Council had met with the British Exporters' Association (BExA) prior to the meeting. The Council would consider the issues raised by BExA and advise UKEF at the Council meeting scheduled for 9 September.

Action: Secretary

5 CEO UPDATE

Business

- 5.1 Mr Havelock reported that UKEF was preparing its Annual Report and Accounts for 2012/13 which were expected to be published in mid-June. He told the Council they would show the Department had supported the highest level of business for over a decade and earned the highest level of premium income since 1991. Mr Havelock explained that support for the supply of Typhoon aircraft to Oman was believed to be the largest export contract UKEF had ever supported. He also commented that UKEF had supported a larger number of exporters in a wider range of countries largely through the introduction of the Short-Term Products in respect of exports sold on short terms of payment.
- 5.2 The Council congratulated UKEF on its achievements in 2012/13. The Chairman requested a briefing on support for defence exports at the Council's next meeting.
- 5.3 Mr Havelock commented that the Department was considering support for a number of significant projects which were expected to come to fruition in 2013, including the Sadara Petrochemical complex in Saudi Arabia, the world's largest project at an expected total cost of US\$21bn.

- 5.4 Mr Havelock told the Council that business supported under the Short-Term Products continued to increase. He said that a pilot telemarketing scheme had been undertaken in the East of England to help raise awareness of UKEF and the results would be assessed to determine whether to roll-out a similar exercise in other regions.
- 5.5 The Council asked about progress to increase bank engagement in relation to the Bond Support and Export Working Capital schemes. Mr Dodgson said all the main banks had signed-up to the schemes, but it was taking time to get them known within the banks and down to branch level. Mr Havelock commented that UKEF still received direct approaches from exporters, contrary to the original expectation that applications would come through the banks. The Council advised that UKEF should collect evidence of cases where the bank had shown undue reluctance to offer the UKEF products to its customers.
- 5.6 Mr Havelock told the Council that UKEF had been working with the Cabinet Office Implementation Unit on the support being provided to exporters under its Short-Term Products. Mr Havelock said ideas were being examined to improve awareness of UKEF's offering, particularly amongst SMEs, making the products more accessible and simplifying internal processes. He commented that the Prime Minister was showing an interest in the take-up of business under the Short-Term Products.
- 5.7 Mr Havelock told the Council that Ministers were finalising the basis upon which the Direct Lending Scheme could be implemented with a view to it becoming operational at the beginning of September. In regards to the Export Refinancing Facility, Mr Havelock commented it was proving difficult to structure a scheme that could strike an acceptable balance between facilitating long term funding for export credit loans from commercial sources but without undue risk to the Exchequer and avoid falling foul of State Aid.

5.8 Mr Dodgson reported that the Clean-Up British Exports (CUBE) network had recently met with the Minister for Trade and Investment. Amnesty International, Jubilee Debt Campaign (JDC) and Campaign Against the Arms Trade discussed with Lord Green a range of issues including human rights, transparency and sovereign debt.

6 EUROPEAN PARLIAMENT COMMITTEE ON INTERNATIONAL TRADE

6.1 Mr Foister briefed the Council on a report by the Committee on International Trade of the European Parliament which criticised the reporting by the European Commission on the activities of Member State Export Credit Agencies. The Committee viewed the reporting, which had been requested by the European Parliament, as lacking detail, particularly on non-financial aspects of the operations of the ECAs. The Committee considered there was a lack of transparency in the operations of ECAs.

6.2 Mr Foister said UKEF had contributed to the Commission's report in accordance with a template that had been provided for this purpose in order to help achieve consistency of reporting by all ECAs. UKEF had been surprised that the final report implied some Member States routinely went beyond the requirements of the OECD Common Approaches when considering potential environmental, social and human rights (ESHR) impacts of exports they were asked to support. The Chairman recalled there had been occasions in the past where misunderstandings had arisen as to the approach taken by ECAs in particular the practice of 'screening', 'categorising' and 'reviewing' projects. Mr Foister said UKEF was seeking clarification to establish whether ECAs undertook full-blown ESHR reviews on all export transactions they were asked to support.

6.3 The Council recalled that UKEF had reported good experience of working with other ECAs on large projects and that other ECAs approached ESHR assessments no less diligently than UKEF on the projects under consideration.

6.4 The Council suggested that UKEF could better communicate the work it carries out to apply international standards as required under the OECD Common Approaches. Mr Dodgson reminded the Council that UKEF would be producing a note summarising the key processes of the OECD Common Approaches to help exporters and other interested parties understand how the agreement worked. Also, UKEF would produce a statement on human rights. Mr Dodgson said that the documents would be presented to the Council at its September meeting.

Action: Secretary

7 SOVEREIGN DEBT

7.1 The Council noted that the publication by UKEF of information about sovereign debts in November 2012 had generated further interest from MPs, a number of which had asked Parliamentary Questions or written to Ministers and there had been a number of Freedom of Information requests. The Council noted these required UKEF to review case files in order to respond. Mr Dodgson explained that in a number of cases it had become necessary to apply the cost limits because of the sheer amount of work involved in obtaining the information much of which was very old.

7.2 The Council asked about the levels of outstanding sovereign debts. Mr Dodgson said the aggregate level of debt continued to reduce as repayments were made although for certain countries which were not servicing their debts the amount was increasing because of the accumulation of delay interest. The Council noted that JDC was continuing to press for an audit of the debts of the debts to be carried given its view that some of these were illegitimate and therefore should be forgiven. Mr Dodgson said that the Secretary of State had recently reiterated to JDC the Government's position that it would not undertake an audit of the debts. Mr Dodgson said that at the recent CUBE meeting with Lord Green, the Minister had been asked by JDC to consider appointing an independent person to review the files and that JDC had proposed an

academic from Manchester University to undertake this. Lord Green had promised to respond in due course.

8 REQUESTS FOR INFORMATION

8.1 The Council noted the update on information released by UKEF under the Freedom of Information Act 2000 and the Environmental Information Regulations since its last meeting. The Council noted UKEF's performance over the year in responding to requests for information. The Council observed that in 2011-12 the Department had received the highest ever number of information requests, but that this had dropped to normal levels in 2012-13. The Council noted that 76% of requests had been responded to within the statutory deadline, compared to 90% in the previous year. The reduction was due to a higher proportion of cases requiring time-consuming consultation with external parties.

8.2 Mr Ahmed commented that UKEF was conducting research on public access to information held by EU Member States so as to compare the relative transparency obligations. The Council requested that it consider the results at its next meeting.

Action: Secretary

9 COUNCIL ANNUAL REPORT

9.1 The Council reviewed a draft annual report on its activities during 2012-13, which would be published within UKEF's Annual Report and Accounts in mid-June. The Council agreed that the draft text reflected the work of the Council. The Chairman asked members to provide any further drafting comments to the Secretary as soon as possible.

10 COUNCIL MEETING WITH THE MINISTER FOR TRADE AND INVESTMENT

10.1 The Council noted that the Secretary had arranged for the Council to meet with the Minister on 25 June 2013. The Chairman said he would consult with Council members on the subjects to be discussed with Lord Green.

11 EGAC SCORECARD

11.1 The Council reviewed the advice it had provided and decisions it had taken, and noted that all actions arising from these were either complete or in hand.

12 BUSINESS SUPPORTED

12.1 The Council noted the business supported since its last meeting.

12.2 The Council asked about the categorisation under the OECD Common Approaches of a case involving the supply of mining equipment to Russia. Mr Hitchcock said that the case was not categorised, as it involved the export of replacement equipment, which meant there would be no material change to existing operations other than improvements in efficiency and safety.

Larry Lily
Secretary