


Thursday, 16th April 2009



I am delighted to submit the following memorandum in response to your call for comment on the inquiry, *Exporting out of Recession – with a particular focus on the Middle East*.

Memorandum from the British Marine Federation to the Business and Enterprise Committee of the House of Commons concerning the inquiry ‘Exporting out of Recession – with a particular focus on the Middle East’.

- 1.1 The British Marine Federation is the trade association for the leisure boating industry, representing around 1,500 member companies. Our members provide the boats, equipment, facilities and services that enable nearly 4 million people to enjoy their recreation afloat on the coast and inland waterways of our country. The BMF also operates the London and Southampton International Boat Shows via its subsidiary National Boat Shows.
 - 1.2 Our industry is wholly comprised of small and medium-sized enterprises with over 95% of companies within our membership employing less than 50 people (based on BMF membership statistics). In total the UK leisure marine sector directly employs over 35,000 people and generates annual revenues of nearly £3 billion, of which 35% represents export sales. Over recent years the leisure marine sector has been recognised by Government as a manufacturing success story and a growing and valuable contributor to the UK economy.
 - 1.3 The BMF welcomes the opportunity to submit evidence to the select committee at a time when many member companies are facing financial difficulties, including access to credit from lenders and other financial institutions.
 - 1.4 A number of firms in the leisure marine industry have entered into administration in the last six months and hundreds of highly skilled workers have lost their jobs, often in areas of the country with few other high-skill employment options
- 2.0 *Misconceptions of the value of Middle Eastern trade in the area of Discretionary Spend – Focus on Dubai.*

- 2.1 There is a general perception that trade with the Middle East poses an extraordinary opportunity for UK industry to export itself out of recession. The committee itself quotes a trade increase of 23% over the first 11 months of 2008, to £11.4 billion to Arab states. The BMF, in cooperation with UKTI, has supported its members in order to attend the Dubai Boat Show. This event has been, up until recently, growing in popularity by over 10% year on year and has been rightly identified by the marine industry as a potential area for growth.
- 2.2 However, it is inaccurate to state that foreign trade with this region is protected from the effects of a global recession; this view certainly does not correspond with those of the industry or their order books. This year's Dubai Boat Show saw a marked decrease in attendance, and orders throughout the sector have dropped by a *higher* than average level from the Middle East region. Boats sales in the UAE amounted to 600 in 2009 as opposed to 1200 in 2008 and 1500 in 2007.
- 2.3 The BMF would encourage the committee to consider that, while many Arab states continue to invest in infrastructure projects using the cash reserves derived from their vast oil wealth, Ex-pats of every nationality, many of whom work in the financial sector, make up a significant portion of those receiving the products of UK trade. Dubai is an excellent example of this. With 3.62 million expats living in Dubai alone, 62% of homes in the country are owned by foreign nationals. However, the average property has fallen in value by an alarming 60% in the last year. There has also been a 25% decline in their demand for luxury goods in the country over the same period.
- 2.4 The international press has reported on how debt ridden Expats are leaving Dubai in the thousands to escape unassailable debt within a collapsed property market. In fact, Simon Goldsmith, a spokesman for the British Embassy in Dubai, indicated that 100,000 Britons had left the country in 2008 with a further decline in the country's entire population predicted at 8% in 2009, purely derived from the migration of foreign nationals.
- 2.5 Furthermore, 60% of residential developments in the UAE have been cancelled this year, many of which incorporated marinas, further reducing potential for future sales in this region
- 2.6 With the economic downturn affecting marine businesses particularly badly, (given its status as a discretionary spend industry) it is crucial that UKTI support them with sufficient and appropriate funding to access the right foreign markets for their particular industry.
- 2.7 With this in mind, the BMF would encourage the Committee, as well as UKTI, to carefully consider how it can best support British industry by furnishing itself with detailed market intelligence. At this stage, while Dubai still offers

opportunities for trade, the BMF would prefer to take a more holistic approach to exporting to the Middle East. To that end, we are currently examining the possibility of taking our members to the Abu Dhabi boat show in order to diversify the available markets in the region and create an increasingly stable and sustainable market for the industry. UKTI must follow a similar approach and avoid chasing short term gains in international trade in favour of establishing predictable and consistent revenue streams for UK companies when trading with the Middle East.

3.0 *Opportunities for Trade in the Middle East – UKTI funding*

- 3.1 The BMF has worked extensively with the UKTI to support industry in accessing the Middle East market. The tradeshow Access Programme has been particularly helpful to our industry which can supply them with funds of up to £1000 for those inexperienced working abroad. Our members are also users of the Overseas Market Information Service and the Market Visit Support Scheme.
- 3.2 Despite these schemes, the level of funding received by marine businesses remains low. With Funds of only £1000 available to fund a foreign trade visit, many SME's believe that such markets are beyond their reach. This situation is compounded by the volume of administration required to secure such a nominal level of support as well as significant lead times.
- 3.3 We strongly advocate that the committee encourages the treasury to support British industry and the export market by increasing its funding to UKTI and that any such funding increase be used to supplement the money available through UKTI's existing provisions.
- 3.4 Furthermore, we would advocate that a significant reduction in fees for the Overseas Market Information Service be introduced in recognition of the difficult financial climate. This will ensure that businesses retain and expand their access to accurate market intelligence and ensure that the UK can continue to adapt to changing international market trends.

4.0 *Opportunities for Trade outside of the Middle East*

- 4.1 The Chancellor of the Exchequer recently reported in the budget that UK exports had reduced by 14% but had performed better than the Eurozone as a whole. The Bank of England's Agent's Summary for April states on the UK's export performance:
- 4.2 *Export volumes had shrunk further, as the slowdown in global demand outweighed any gains to competitiveness arising from sterling's depreciation.*

- 4.3 While the economic situation has been extremely detrimental to the prosperity of the UK Marine Industry and SME's in general, the depressed pound does present opportunities for UK businesses to hold a competitive edge in exports in certain sectors. This is particularly true within the euro zone, where access to the single market but independence from the Euro makes the UK an attractive proposition for buyers located in continental Europe. This is born out in reality by extensive anecdotal reports across the sector demonstrating European orders propping up otherwise ravaged order books.
- 4.4 The UKTI must recognise this opportunity and provide support to trade in Europe, as such a specific focus has the potential to help arrest falls in export goods, against the broader market trends. While the whole European market is contracting, has an opportunity to secure a greater share for the UK which will leave British Businesses in a prime position upon the recovery of the markets
- 4.5 Despite this, other European states continue to lead in their approach to foreign investment in the marine industry. The Italian Government, for example, have recently introduced a scheme for boat leasing which includes varying levels of VAT relief on a rising scale, depending on levels of expenditure (Details of this scheme can be provided to the committee, as a supplement to this written evidence, upon request).
- 4.6 The Government must equip marine businesses with similar enticements if they are to succeed and make the most of what little benefits this recession brings to their businesses.
- 5.0 *Efficiency of UKTI Internal Processes*
- 5.1 The BMF has noted the National Audit Office's recent report regarding the operation of UKTI. While we are generally encouraged that the agency is meeting its targets, we note with particular interest the Head of the Audit Office, Tim Burrs comments:
- 5.2 '...However, to take informed decisions on the best use of taxpayers' money, [UKTI] needs to develop an improved cost model to determine accurately the costs of delivering its individual services.'
- 5.3 Given that these comments come in the light of Departmental Efficiency Programmes across Government, The BMF would advocate the every effort be made to account for, and reduce, wastage within UKTI and pass on these savings to the businesses they support.
- 5.4 Furthermore, The BMF adds its voice to other trade bodies calling for the devolution of funds from UKTI to their direct control. While many of the UKTI initiatives require significant time to process, the dynamic state of the economy requires a rapid response to take advantage of lucrative but fleeting opportunities.

The BMF, with its expert knowledge of the sector, can act as fully audited agents for the UKTI, to ensure its money delivers the best possible value for money for the tax payer while yielding the maximum possible benefit for the UK economy.

5.5 The BMF, through its GreenBlue initiative, already acts as proxies for Government, who use its initiatives to demonstrate its compliance to various elements of the Water Framework Directive. This removes the requirement for investment into further research and use of Government resources to meet its responsibilities and is an advantage that could equally be realised within the UKTI, should such proposals be carried forward.

5.6 We would be delighted to discuss such proposals in further detail should the committee wish.

6.0 *Conclusions*

6.1 The BMF commends the committee's focus on the importance of supporting exporting businesses in correcting the current economic recession and it also recognises the opportunities available in the Middle East to help achieve this.

6.2 However the BMF reiterates that, while public infrastructure investment may continue unabated in the region, many other industry areas are experiencing a larger than market trend decrease in trade in this area as a result of the economic conditions alluded to in the aforementioned evidence.

6.3 The BMF would encourage the UKTI to consider these conditions when implementing its strategy in the Arab world and calls for holistic approach to trade, taking into account all industry sectors, including the marine sector.

6.4 Additionally, we encourage the treasury to recognise the importance of UKTI in securing the economic future of the Leisure marine Industry, as well as the UK itself, and increase its funding to provide access to new markets to as many businesses as possible.

6.5 Finally, We would encourage the UKTI to work hard on identifying areas where efficiency savings can be found to pass on these savings to exporting businesses.

7.0 *Next Steps*

7.1 The BMF would be delighted to provide any further evidence to committee, should you require it, and is also available for oral evidence. We look forward to further involvement in your inquiry.