

EXECUTIVE SUMMARY

1. Marine industries have long been central to popular imagery of the Solent. It appears that Portsmouth has forever been the 'Home of the Royal Navy', Southampton the 'Gateway to the World' and Cowes the 'Mecca of World Yachting'.
2. Whilst it is true that the area has kept the core of its marine industries, it would be delusional to believe that the Solent has retained the dominance in marine industries it once enjoyed. Over the past two or three decades, significant parts of the Solent's earlier maritime industrial base have disappeared. The upheaval that has affected the Solent's marine industries over recent decades is not over. Change is endemic and the Solent faces significant challenges if the traditional descriptive slogans are to remain relevant for much longer.
3. At the most strategic level, the importance of the study area for marine industries is founded on three activities: the commercial port of Southampton, the defence port of Portsmouth and the marine leisure and recreational business based on three centres: Lymington, River Hamble and Cowes. These three activities are all nationally important and world leaders in their fields. Stripped to its essentials, this is the essence of the marine asset in the Solent. If any of these activities fail or falter, then we think the consequences would be significant. The corollary is that it is necessary to plan for each of these three sectors to prosper.
4. It should be clear that the consequences of inaction would inevitably be decline from the current position and a change in the structure of the remaining maritime industry. This might not be a gentle process. It is possible to envisage a scenario in which the manufacturing component of marine industries largely disappears if it simply becomes too costly to manufacture in the Solent and the skill base declines. It is also possible to see that without the ability to expand, the Port of Southampton will lose its status as a major direct call port.
5. We conclude that the Solent has a real choice in what it wants from its marine industries. To continue to bask in nostalgia, long after the labels ceased to have meaning, is unwise. Significant action is required now. SEEDA and the PUSH authorities have a central role in developing future spatial economic and land use planning policies to secure the future prosperity of the marine sector in the Solent sub-region.

Marine Industry in the Solent

6. The principal characteristic of Solent marine industries is their diversity, in terms not just of the range of activities but also of the skills involved, the economic and political drivers, and the specificity of their physical requirements. The land use needs not just of the individual marine sectors but also of the components of each of those sectors can vary widely.
7. We conclude that marine industries can not be represented as a single economic cluster in the conventional sense or have a 'one size' policy that will support them all. Linkages between the principal marine activities, are primarily concerned with the shared (and therefore potentially competitive) use of scarce coastal resources and of professional and regulatory services. An informal

Solent 'maritime community' appears to exist, operating on the basis of a tacit understanding that the waters of the Solent and the prosperity of the area are of interest to all, rather than on strictly economic self-interest.

8. There appear to be three major clusters of marine industry activity; ports and shipping; naval and defence; and marine leisure. Each of these major clusters is a definable industry in its own right, with particular needs and prospects, and each has within it a number of smaller clusters, some of them highly specialised and frequently overlapping the other major clusters. We have identified those sites of existing or potential national economic significance, along with sites of existing or potential regional significance. The future economic viability of these sites for marine industry are considered critical to the continuing prosperity of the sub-region:

Ports and Shipping Activity: The most significant activities take place within the commercial Port of Southampton, at Fawley refinery and Terminal and Hamble oil terminal, at various commercial wharves along the Rivers Itchen and Test, at Portsmouth Commercial Port in Portsmouth Harbour and at wharves in Langstone Harbour and on the Medina.

Naval and Defence Activities: The army run military port, the Marchwood Seamounting Centre is located on the western shore of the River Test, opposite the Port of Southampton. Portsmouth Harbour contains several defence establishments; the Naval Base; the armament storage sites at Frater and Bedenham; Fleetlands (used for the repair and maintenance of helicopters) Horsea and Whale island used for military training purposes.

Marine Leisure Activities: The main concentrations of these being on the Lymington Harbour, the Hamble River and the River Medina at Cowes. These activities are also located on the rivers Test and Itchen, and in Chichester and Langstone Harbour. Numerous firms are also involved in boat / ship building and repair.

9. Overcoming constraints to growth and ensuring continued prosperity of marine industry are real and pressing requirements. Bearing in mind that there is a degree of competition between the major clusters for available sites; the availability (or more accurately, the non-availability) of coastal locations is the most single determining factor for the prospect of marine industries. Suitable coastal land and water space, on which marine industries depend, is restricted by nature and by policy constraints.
10. Evidence from detailed interviews and consultations suggests that the position in some sectors is approaching or already at something of a 'tipping point'. There is already a severe lack of affordable expansion or relocation sites or places where new marine industry ventures can be started. What becomes available tends to be either sites left by failed marine businesses or one cluster taking part off another cluster's resources, neither of which actually expands the overall value of marine industries in the Solent.
11. Pressure on the environmental resources of the Solent is a further and growing problem faced by marine industries in particular the difficulties marine industries face in implementing compensatory measures in the event that their proposals have an adverse effect on the integrity of European Sites; the effect of increasing flood risk; and the other effects of climate change.

Policy and Administrative Arrangements

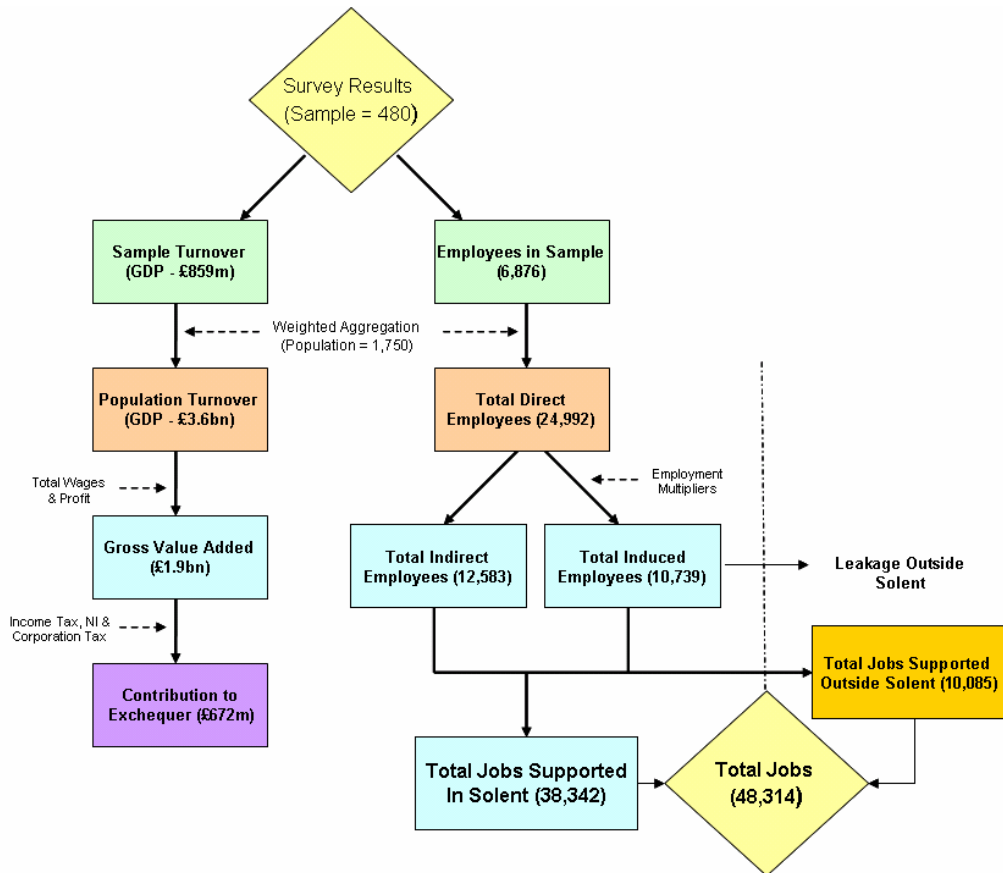
12. There is also the difficulty of the complex administrative arrangements for planning the Solent. Change is difficult to achieve and extremely slow. There is a plethora of initiatives implemented by a wide range of organisations, and literally scores of statutory planning policy documents are emerging from the 14 local authorities that cover the coastal zone to low water. There are few mechanisms to ensure that an overall view is taken and the key decisions are properly addressed. In our opinion marine industries would be better served by focused action led by a few partners that strikes at the heart of the problems faced by marine industry.
13. Land use policy and guidance recognises the significance of the coastal zone but the emphasis is on safeguarding its environmental importance rather than on capitalising on coastal assets as an important contributor to the UK's future economic growth. There is no specific ownership of marine activity and little recognition of the marine sector and its component parts. Whilst the economic importance of specific marine activities are noted, there is little in the way of policy guidance and support for the future development of such uses, hindered by an apparent lack of appreciation of the marine industry at national level and absence of clear and up-to-date guidance.
14. Objectives for the South Hampshire sub region as determined for the Partnership for Urban South Hampshire (PUSH) and reflected in draft RSS include ambitious employment and productivity growth targets in the period to 2026 – productivity increases of 2.3% per annum and approximately 59,000 additional jobs. The marine sector clearly offers significant potential to contribute both to employment and output growth increases in the sub-region over this period.

Economic Significance of Marine Industry

15. Our economic analysis of marine industry demonstrates its critical economic importance to the Solent sub-region, the true value of which is often underestimated along with its future economic potential as driver for growth. The future of marine industries is therefore a highly significant matter for those seeking to support and implement the economic growth set out in the Draft South East Plan and the Regional Economic Strategy. The future role of PUSH is critical in this respect. It needs to develop spatial, economic and land-use planning policies that support the growth of the marine sector.

The marine cluster makes up at least 20% of the value of the Solent economy.

16. The Solent sub-region is home to at least 1,750 businesses directly operating within the marine sector. Together, these businesses and their core suppliers make a substantial contribution to the Solent economy which often goes unrecognised in planning and economic development strategies aimed at shaping the growth and diversification of this economically dynamic stretch of coastline. The figure below summarises the overall economic impact of the marine sector to the Solent economy.



17. Based on an empirical and statistically significant sample of established marine businesses in the Solent, the following key facts demonstrate the importance of the cluster to the sub-regional economy:

- 25,000 direct jobs are provided by the marine sector in the Solent. This is at least equivalent to the employment contribution made by the financial services sector to the Solent economy.
- Including indirect and induced effects, the sector supports a total of 48,300 jobs, of which nearly 80% are safeguarded within the Solent sub-region.
- The marine sector relies on a diverse supply chain which alone supports around 12,500 jobs in activities including component manufacturing, wholesale retail, logistics and freight, business and financial services, clothing, catering and specialist equipment.
- GDP and GVA contributions of £3.6 billion and £1.9 billion respectively. Significantly, this represents around 18% of the total value of the Solent economy.
- The sector makes a direct annual contribution to the National Exchequer of approximately £672 million.

18. Importantly, in order not to over-estimate the economic impact of the Solent's marine businesses, the estimates provided above do not take into account a number of notable exceptions. Indeed, the figures exclude the effect of:

- Fawley oil and petrochemical facility;
- Portsmouth naval base and other MOD establishments in the sub-region;
- Tourism expenditure including cruise related visitors; and

- Educational establishments.
19. Should these significant activities be included in the economic assessment, it is reasonable to assume that the whole marine sector makes up at least 25% if not more of the local economy.

The Solent marine cluster is a well established network of business activities which are strongly integrated with the rest of the sub-regional economy.

20. Around 80% of the total number of jobs supported by the Solent marine cluster are retained within the sub-region. This reflects the well established and strongly integrated nature of the cluster which ensures that economic benefits are maximised for other local businesses and their employees, many of which are small enterprises. Nearly 50% of the cluster's customers and over 40% of its suppliers are also located within the Solent sub-region.
21. Local businesses recognise the quality of the Solent as a competitive location from which to operate and the majority expressed their desire to remain in the sub-region. Indeed, the majority of core marine businesses consulted during this study highlighted that proximity to the waterfront represented the sub-region's key strength. Indeed, having good access to the water was identified as a key requirement for many established businesses in the area.

The Solent marine cluster is characterised by significant high-value / high productivity economic activities

22. Contrary to many common perceptions, the Solent marine economy is high value in nature. This is demonstrated by the survey sample, which indicated an average turnover of £125,000 per employee compared to the regional average of £48,000 for all employment sectors in the South East. Moreover, the economic contribution of the marine sector in terms of sub-regional GDP (18%) is approximately double the contribution made in terms of employment numbers (around 10%). This reinforces the fact that the Solent marine sector is a high productivity sector and should clearly form a set of priority business activities which align with the policy focus 'Smart' growth advocated by the Regional Economic Strategy and draft South East Plan.

Marine businesses in the Solent sub-region have significant growth plans and aspirations which can bring substantial to the economy and growth agenda shared by the PUSH authorities.

23. During the three years to June 2007, over one third of marine businesses have significantly expanded their operations in terms of workforce growth, investment in assets or turnover. With regard to future plans for growth, nearly 60% of marine businesses intend to invest and expand over the next five years.
24. There exists a major opportunity for the Solent marine cluster to make a significant contribution to the PUSH authorities' employment and GVA growth targets set for the period 2006-2026. This study has shown that the marine sector is characterised by relatively high productivity levels. The growth value of these activities can be exploited to ensure that the target annual GVA growth rate of up to 3.33% is achieved in the PUSH area by 2026.

25. In employment terms, the PUSH authorities are pursuing a total net growth target of approximately 58,600 in the period up to 2026. By way of illustration, should the Solent marine employment base achieve a modest annual growth rate of 1% up to 2026, an additional 10,500 jobs would be created. This would represent around 18% of the total employment growth being planned for in the PUSH authorities' area.
26. However, in order to ensure that the future economic potential of marine sector can be realised for the benefit of the Solent and South East economies, it will be essential that the public sector and its partners play a significant role in facilitating its growth and diversification. In particular, this will include the identification and protection of key waterside sites, provision of co-ordinated training and business support measures and the promotion of the sector to key policy makers in regional and central government.

Recommendations and Implementation

27. Our recommendations are framed to assist the SEEDA and partner authorities to unblock the current and major constraints to growth and well as to ensure that strategic consideration is given to the long-term prospects for the marine industry. The key components of the Strategy are to:
 - achieve national and regional support for Solent marine industry;
 - promote innovation and growth and support the core marine clusters;
 - safeguard strategic marine sites;
 - address skills and training;
 - re-dress the economic/environmental balance;
 - seek to provide affordable land and premises;
 - respond to climate change and sea level rise;
 - simplify, strengthen and more proactive administrative arrangements;
 - consider long term strategic planning arrangements for the Solent.

Recommendation 1

SEEDA and the PUSH authorities should seek to influence Government to ensure that the national and regional significance of marine industries to the Solent area is recognised, for example in RSS, and provides support the firm foundation of future Policy.

Recommendation 2

SEEDA, PUSH and Marine Industries should raise the profile of the importance of the Solent as the centre of UK marine industries and actively promote it as a place of growth and innovation.

Recommendation 3

Strategic marine sites of existing national and regional economic importance or with potential national or regional economic importance should be identified, safeguarded and/or allocated for marine use in LDFs. LDFs should include policies to safeguard locally important waterfront sites, both existing or with potential for marine use.

Recommendation 4

The Port of Southampton is likely to require significant additional land to maintain its long-term competitive advantage in the future (this includes both operational and back-land for servicing and distribution). SEEDA and PUSH should work together with the Port to identify and safeguard land for future port-related use in LDFs to secure the Port's future as a premier, global port and economic driver within the sub-region.

Recommendation 5

Significant investment is required in recruitment and skills programmes in the sub-region to address the marine skills base shortage.

Recommendation 6

PUSH working in partnership with Natural England and the Environment Agency should assess the feasibility of creating new habitats on at least a Solent-wide basis as a compensatory measure for the effects of expansion of marine industry.

Recommendation 7

SEEDA and PUSH should assess a range of fiscal measures and policy mechanism to bring forward a supply of affordable employment land suitable for marine industries.

Recommendation 8

The potential long-term planning solutions required to address the likely impact of climate change on marine industries should be identified.

Recommendation 9

Consideration should be given to the need to refocus support for marine industries. Existing bodies responsible for implementation of the marine planning consent procedures should be encouraged to work jointly to improve co-ordination and streamline and simplify decision-making for marine business.

Recommendation 10

Strategic planning decisions for the Solent should be made in the interests of supporting the growth of marine industries and the organisational structure should be redefined to enable this to happen.