8. Analysis and Conclusions

8. ANALYSIS AND CONCLUSIONS

Analysis

8.1 We are confident that we have identified the general scale and nature of marine industry in the Solent study area. However, the relatively amorphous nature of the industry and the difficulty of identifying and applying precise definitions mean that we may not have identified its full extent. We have also taken a cautious approach to ascribing value to their economic contribution. For example, we have excluded from consideration the economic contribution of the Portsmouth Naval Base, the large Esso/Exxon facilities at Fawley, tourism expenditure relating to cruise related impacts and the various education establishments. These elements of marine industry have been excluded partly as their significance has already been determined in other studies and also partly in order to avoid being accused of unfairly weighting the figures.

8.2 Nevertheless, these highly significant components of the local economy are in the Solent area because they use and require deep-water access or are associated with uses that require such access.

8.3 Even with these exclusions, the business study and other research indicate that marine industries form approximately 18% of the Solent economy in terms of GDP which equates to a gross aggregate turnover of around £3.6 billion and Gross Value Added worth approximately £2 billion. In employment terms, even with these exclusions the sector's economic contribution is on a par with that made by financial services and education.

8.4 With the additional activities omitted added back in the figures would be significantly higher. Including the omissions it would be sensible to proceed on the basis that the marine industry sector within the Solent makes up at around 27% of the Solent economy.

8.5 The Solent marine economy delivers good added value and has good prospects for growth. The survey sample indicated an average turnover of £125,000 per employee, which is significantly greater than the regional average of £48,000 for all employment sectors in the South East. The economic contribution of the marine sector in terms of sub-regional GDP (18%) is much higher than the proportion of employment (around 10%) would suggest. It is therefore reasonable to conclude that the marine industries in the Solent are of relatively high productivity and includes activities that align with the policy focus on 'Smart' growth advocated by the Regional Economic Strategy and draft South East Plan.

8.6 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. We see the future role of PUSH as critical in this respect. It needs to develop spatial, economic and land-use planning policies that support the growth of the marine sector. This requires policies directed specifically at its needs. Unlike other major sectors of the local economy, such as education, health, retail and financial services, which have fairly standard spatial requirements, marine industries do not fit conventional statistical frameworks, and they also have particular and demanding locational needs. We also note that some elements of the Solent Marine economy, notably the Isle of Wight, do not fall within the PUSH area.

8.7 Another key observation is that the use marine industries make of coastal land and waters is the most tangible thread linking all of them. This has two significant implications. First, it is difficult to present marine industries as a single economic cluster in the conventional sense or to have a 'one size' policy that will support them all. There appear to be three major clusters; 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.

8.8 The second implication is that, 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) and affordability of coastal locations are key factors for the prospect of marine industries for a significant proportion of those contacted as part of this study. Suitable coastal land and water space, on which marine industries depend, is restricted by nature and by policy constraints.

8.9 The response to the business study shows a high proportion of stand-alone and relatively small businesses, although the ports, shipping and defence activities are certainly dominated by very large companies, including several global organisations.

8.10 Well over half (58%) of those who responded to the survey indicated that they wish to invest and expand over the next five years. Even allowing for the possibility that proactive firms may have been more likely to respond to the survey, this is a sign that marine industries in the Solent are dynamic. It is clear from the response to the survey that planning / access restrictions and the expense of accommodation are key concerns.

8.11 Evidence from our 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 lack of available and 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.

8.12 We found consultees well aware of the difficulties they faced if they wished to expand and remain in the Solent. For many these are problems they wish they did not have to face. Several reported that they were scarred from lengthy battles to secure small extensions to their existing premises.

8.13 There are three reasons for thinking that a 'tipping point' has now been reached. First, the rise of global manufacturing offers firms the prospect of relocating entirely – or at least moving their manufacturing, leaving merely a shop-window in the Solent – to cheaper locations. One of the reasons they gave for staying was the marketing value of a Solent location and the skill base that still existed there. However, the age structure of the workforce will require major investment in recruitment and skills development in order to retain this advantage. Unless this is done, the age structure of many marine industries' workforces may undermine the competitive advantages of the Solent as a location for marine activities.

8.14 Consequently, there is a pressing need to ensure that the marine skills base of the Solent is maintained and enhanced particularly in key areas such as management and leadership, 'lean' manufacturing techniques and multi-skilling for craftspeople. This will require significant investment in recruitment and skills programmes in the sub-region. Moreover, initiatives should be put in place to ensure better co-ordination and take up of existing skills programmes such as those offered by MEMSP, the Hampshire and Isle of Wight CoVE for marine industries and the Regional Resource Centre (see Section 4).

8.15 The second reason for believing the area is at a turning point is that urban locations near the coast which might previously have been expected to yield lower cost premises suitable for marine industries have been and are continuing to be re-developed for housing, often high value properties. Many 24/7 marine businesses suddenly find themselves operating in close proximity to residential premises occupied by less than sympathetic neighbours. This puts pressure on existing marine uses but also restricts the opportunities for the development of new marine uses.

8.16 The third reason we put forward is that, in the case of many of these businesses, simply restricting activities to the existing footprint may not be an option, and if it is, an entirely different industry would result.

8.17 In the opening sections of our report we dwelt on the background to marine industries in the Solent. This was intended to show that marine industries have established and grown in the Solent because of its natural and locational advantages. We emphasise that these are not simply historical assets, they remain of great value in a global economy. We also consider the 'history' to be a vital element of the international reputation of the Solent and the basis of a recognisable 'brand'.

8.18 We also pointed out in the opening sections that it is essential to take the long-term view. Marine industry can, and sometimes does, put up with some fairly ad hoc and relatively temporary structures, but the basic infrastructure of coastal land, back-up land, quays, slips, docks, boat lifts, rail terminals, access roads, deep-water and navigation systems are there for the long term. If that infrastructure is physically eroded or its capability reduced, as is happening, or if it is not extended to modern standards, which is also often the case, then long term decline is inevitable. The most notable example of this effect is in ports and shipping where upward trends in vessel size and global trade mean that the 'entry level' for participation is becoming ever more demanding. Failure to match customers' needs simply means the business dies. We are in no doubt that the response to this issue will have far reaching consequences for the kind of marine industry that will be in the Solent in two or three decades time.

8.19 We found some businesses acknowledging that they may not be permitted to expand in a major way and are planning their business strategy accordingly. They know they will have to leave if they want to get bigger. Whilst it gives some satisfaction to those who would see activity maximised on existing sites before new sites are sought, it does not appear to us to be a sustainable approach beyond the short term and if the intention is to rely on marine industries for a staple growth in the sub-regional area.

8.20 High land and rental values, on some evidence among the highest in the South East region, are a major concern for marine industries, especially those manufacturing businesses where margins are tight and competitors labour and land costs elsewhere are substantially cheaper. Sites suitable for marine industries that do become available are frequently entirely unaffordable in the face of competition from higher value land uses, in particular residential. In a market economy, where planning policies provide no protection from market forces, this means that marine industries will not survive. The position is complicated by some smaller, perhaps family-owned businesses, of which there are several in the marine leisure sector, who own the freeholds of their sites who would like an eventual residential value.

8.21 We think that the combination of supply and affordability of land and premises for marine industry are vital issues, certainly for the ports and shipping and marine leisure sectors. The position in the naval and defence sector appears to be less critical in the short term, but only in the long term if sufficient land that may be released within the MoD portfolio and suitable for marine industries is retained for that purpose.

8.22 The problems created by high land and premises costs could be viewed as analogous to the long-standing problems of high housing costs. For some years planning policies have required the provision of affordable homes as part of any housing scheme and it would be possible to envisage a similar approach to employment land for marine uses. However, even if applied to employment land, this would take some years to become effective on any scale and the locational requirements of marine industries would make it extremely difficult to implement. There is probably no alternative to direct involvement by SEEDA or local authorities, and it is noted that SEEDA themselves do directly control various waterfront site within the study area.

8.23 Planning authorities have for some time been encouraged to plan for residential development on previously developed, urban sites. Achieving a high percentage of such development is a key national target, ostensibly to protect greenfield land. However, as well as the direct effect on the prospects of maintaining manufacturing on marine sites outlined above, this national policy has much reduced the supply of affordable land for essential, generally low land value uses that support marine industries, especially the Port of Southampton. The concomitant restraint on the development of sites on the periphery of urban areas has spread the pressure further afield to the extent that any connection with the coast is lost. The consultant team were told of port-related businesses being directed to Andover and Basingstoke to find sufficiently large areas of storage land.

8.24 Skills are a key consideration in the future of marine manufacturing, especially boat building. At the moment Solent manufacturers can offset the disadvantages of a high cost location by offering superior skill. Many respondents and consultees said that the age structure of their workforces led them to doubt the sustainability of this approach in the long term.

8.25 The related issue of the availability of local housing was a concern in the high cost areas such as the New Forest, but less so in the main urban areas. Even in the latter areas, however, some consultees wryly observed that the type of housing being built on sites next to marine industries (which made it difficult for manufacturing and other noisy or odorous activities to continue) made no contribution to meeting local housing needs (often being bought as investments or second homes), raised the value of land above what marine industries could afford, and meant that their workforce found it difficult to find affordable housing anywhere near their work.

8.26 The Port of Southampton requires special consideration because of its overwhelming importance to the local and regional economy. The main problem the Port faces is that it is land-locked by the city behind it and can only intensify on its existing site, which it is valiantly doing. To our knowledge there are very few, if any, other major ports in the world (all of whom are having to cope with the same great demand to expand their capacity and infrastructure) that have not significantly extended or have plans to so in the near future. Certainly all Southampton’s European competitors have done so.

8.27 It would be comforting to be able to suggest that the Port could simply stay the same size, but the reality is that if it cannot meet the requirements of its customers, the international shipping lines, then they will cease to use it. This could happen abruptly. The Port is not a single entity. It consists of hundreds of separate businesses, many of them international companies and mostly with a growth agenda. Consultees confirmed to us that, bearing in mind the decision not to permit the Port to expand on to port land at Dibden Bay, and their awareness of the tightness of the land supply, they continually have to consider their long-term future in Southampton. We are not in a position to advise when the Port will finally run out of land, but from the available information we believe the issues that would raise brings it very much into focus as an immediate issue.

8.28 The professional, educational and administrative services that support and relate to the commercial, defence and leisure marine industries include some of the key employers in the Solent. Firms such as Lloyds Register and Carnival have yet to arrive in strength but they and ones like them will, we suggest, be key not simply to the growth that the draft South East Plan seeks in the sub region but also to help establish South Hampshire as a sustainable urban area offering a wide variety of employment opportunities that can stand on its own, independent of lengthy commutes to London and other centres. The point, if it needs to be made, is of course, that these firms are here or are coming because of the Port and the established marine economy.

8.29 As already indicated it is clear that, 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 (which administratively includes the military activities at Marchwood) and the marine leisure and recreational business based on three centres: Lymington, River Hamble and Cowes. Marine leisure activity extends across the whole of the Solent region, beyond the sub region area, and Portsmouth Harbour, the Isle of Wight, Lymington and Chichester Harbour are also an important focuses for activity. 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.

8.30 Clearly, the core activities can only survive if they are supported by other facilities. A number of consultees confirmed that there was added value in the combination of all three clusters, albeit that they did not have a lot in common operationally. There is clear synergy with many professional and regulatory services and also the general ethos and reputation of the Solent as the centre of maritime things is not simply marketable as a brand advantage but the congregation of such a variety of marine related industries in one (attractive) location is seen as a distinct advantage. This was so not just in the consumer-led world of marine leisure but also in other areas where business contacts spread widely across the clusters.

8.31 It is obviously important to look at the problems faced by marine industries in the context of the Solent as an environmental resource. We are concerned about three matters 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.

8.32 In respect of compensatory measures for habitat loss, we think the need for these is poorly understood within the industry but of great potential significance for those marine industries wishing to expand. This is likely to become an increasing problem for small businesses and could stifle aspirations. We see this also as a critical problem, that needs to be properly addressed and a programme worked out to ensure that land for this purpose is safeguarded and made available to those who might need it to effect their proposals. It will be most important to work with Natural England and the Environment Agency.

8.33 Flood risk appears to be a significant problem for marine industries, in the Portsmouth area in particular. The level of risk appears high and potential solutions to protect residential properties (which other than coincidentally would not be expected to protect marine industries) might have significant effect on marine industries. The other effects of climate change include stress on the environmental resources, including the intertidal, which could also lead to strong contra-indications for growth of the marine sector.

Conclusions

8.34 In view of the significance of marine industries to the local economy there needs to be recognition of their regional and national significance and the problems they face, and support for them to expand their contribution. At the moment there is very little of any of these.

8.35 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 would unlikely 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.

8.36 The needs of each of the core marine clusters should be addressed separately, but we see advantage in not simply recognising the importance of the Solent as the centre of UK marine industries, but actively promoting it as a place of growth and innovation.

8.37 A major problem in that approach at present is that there is virtually nowhere to accommodate substantial marine industry growth or innovation on any scale, and this problem needs to be addressed as a matter of urgency along with resolution of the dwindling availability of existing marine sites. There is also the difficulty of the complex administrative arrangements for planning the Solent, which means that change is difficult to achieve and extremely slow. The Solent is, at least in the context of this study, 'overplanned'. 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. Marine industries suffer because they frequently operate across administrative boundaries and policies generated by this arrangement favour land-based activities. 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.

8.38 It is essential to consider the land and water needs of marine industries in the context of a positive approach to conservation of the environment. We suggest that the present systems of regulatory controls without a proactive approach to the creation of new habitats on at least a Solent-wide basis (if necessary, much further a field) is unsustainable in the long term. The issues of rising sea level and flooding risk need to be included, since they affect maritime industries.

8.39 It would be desirable to assess the practicability of a policy to provide land suitable for marine industries. We are in no doubt that it is essential to keep coastal land suitable for marine industries available for that purpose in the long term, whilst recognising that there may be occasions when it is necessary to sacrifice some land in order to facilitate growth in a particular circumstance. It will be necessary to accept that such land might not find an immediate occupier. This will require a proactive and strongly worded set of LDF policies that are consistent amongst all the Solent local authorities. The Panel's report on the draft South East Plan indicates that such an approach is appropriate given the importance of the marine sector not only to the Solent economy but to the South East as a whole. In devising and implementing such a strategy, it will be critical for Local Development Plan Documents (LDDs) to identify key waterfront sites and locations that should be protected primarily for marine and closely related uses. These policies will need to be set within a clearly presented context which demonstrates and explains the economic and social significance of maintaining and enhancing the Solent's marine activities. Much of the evidence presented in this report can be used to establish the rationale for such a policy, although LDDs should also provide robust evidence which highlight the role and importance of the marine economy to local authority areas.

8.40 Before identifying key sites for safeguarding, authorities in the Solent sub-region should undertake a coherent and consistent site identification and assessment process. This identification and evaluation process will be central to the provision of a robust local evidence base and allow for the development of effective planning and economic development policies.

8.41 In developing proactive planning policies to safeguard sites and locations primarily for marine activities, local planning authorities need to overcome existing perceptions that the marine sector is less economically significant than other, more readily defined employment sectors which, by their nature, are less diverse. This will require the provision of supporting information which explains the diversity of the marine sector as well as highlighting the extensive indirect economic benefits arising from its complex and deep-rooted network of suppliers and customers, most of which are located within the Solent sub-region.

8.42 The rationale behind marine industry policies should be translated into a clear set of criteria which can be used to determine the priority sites for safeguarding. Exception criteria may also be employed in marginal circumstances, particularly where strong competition amongst different land-uses is likely to be evident. However, such exception criteria should be set in the context of a presumption of the priority being for the provision of accommodating marine industries. Consequently, the criteria should permit the development of non-marine uses only where the achievement of over-riding economic, social or environmental priorities will be met by the proposed development. Moreover, it is essential to stress that that these over-riding objectives must be clearly defined and reflected in an unambiguous set of criteria.

8.43 Implementation of a successful marine land allocation policy approach is essential not only to provide a sufficient quantum of land and premises to meet the needs of new, expanding and diversifying marine activities but to ensure that land and premises are affordable to marine businesses. Without a planning approach that can provide certainty regarding the future supply of suitable waterside sites and premises for marine use, the inevitable consequence will be that many existing businesses will be priced-out of their established locations by higher-value uses. Equally, sets of land allocation policies must be sufficiently robust and effective to ensure that sites are used for their intended purposes.

8.44 Whilst effective land allocation policies will play an important part in ensuring the provision of affordable sites for marine businesses through normal market conditions, there may be circumstances were public sector intervention may be required. This is likely to be evident where market failure results from abnormally high development costs which make it unviable for developers or owner occupiers to implement proposed marine schemes (for example, because of land remediation, access or land assembly costs). To avoid planning blight and to ensure the establishment of marine businesses at key sites, it may be appropriate for SEEDA and its partners to consider a range of intervention initiatives aimed at funding the viability gap in specified circumstances (subject to State Aid Rules). These may include gap funding, direct development, capital grants, joint ventures or low-cost loans.

8.45 Our final conclusion is to emphasise that those responsible for the success of the Solent have a real choice in what it wants from its marine industries. It could bask in the memory of when Southampton was the Gateway to the World, Portsmouth the Home of the Royal Navy and Cowes as the Mecca of World Yachting long after those labels ceased to have meaning. They do at the moment, but keeping them relevant requires significant action.