



## Executive Summary

## 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. However, 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. This upheaval 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 strategic centres of Lymington, the River Hamble and Cowes and other important centres are at Chichester and Portsmouth Harbour. These three activities in Solent 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. 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 if it were allowed to happen. 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. High value manufacturing should certainly be retained. 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 of international standing
5. There is a real choice to be made for marine industries in the Solent. We can continue to bask in nostalgia, long after the labels ceased to have meaning, but this would be unwise. **Significant action** is required now. SEEDA, PUSH and other relevant 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 and related organisations need to champion programmes on skills and competitiveness.

### 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 the substantial pool of skilled labour 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. Direct waterfront access is critical for some elements whilst others have less specific requirements and can operate from non-waterfront locations.

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. Each of three major activities is a definable industry in its own right, with particular needs and prospects. Each has within it a number of smaller clusters, some of them highly specialised and frequently overlapping the other major clusters, in addition to often complex and substantial supply chains across the sub-region and beyond. 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.

**Navel 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 Navel 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 with other well developed centres at Chichester and Portsmouth Harbour. Activities are also located on the rivers Test and Itchen. Numerous firms are also involved in boat / ship building and repair. The Solent hosts numerous internationally recognised showcase events for the leisure marine industry including the annual Southampton Boat show and Cowes week. These activities makes a significant contribution to the tourism offering of the region.

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 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.

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 a wide 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 – average productivity increases of 2.4% per annum and average employment growth of 0.6% per annum. The marine sector clearly offers significant potential to contribute both to employment and output growth increases in the sub-region.

### **Economic Significance of Marine Industries**

15. Our economic analysis of marine industries 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 value of Marine Industries to 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.
17. Based on an empirical and statistically significant sample of established marine businesses in the Solent, the following key facts demonstrate the importance of marine industries 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 generates a GDP of **£5.5 million** which represents around **27% of the total value of the Solent economy**. Furthermore, with the addition of these significant activities the total number of jobs supported in the Solent and beyond its boundaries may amount to approximately **77,000 jobs**.

***Solent marine industries are 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.

***Solent marine industries are 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 approximately **£125,000 per employee in the sector** which is far in excess of 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 is achieved in the South Hampshire sub region 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.
26. However, in order to ensure that the future economic potential of marine sector can realised for the benefit of the Solent and South East economies, it will 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 SEEDA and partner authorities to unblock the current and major constraints to growth as 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 work force development;
- 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, the PUSH and other relevant authorities, and business partners 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 emerging government policy, and provides support for the firm foundation of marine industries in future Policy.***

### ***Recommendation 2***

***The Solent is the centre of UK marine industries and SEEDA, the PUSH and other relevant authorities and marine industries should raise the profile of the importance of the Solent as such 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 the potential to be of national or regional economic importance should be identified and safeguarded for marine employment use only in relevant Local Development Documents.***

***Relevant Local Development Documents should identify strategic marine sites of existing or potential local significance and either safeguard them for such use or provide clear policy support for them to be used for such uses. It is suggested that strict policy criteria are set that would need to be met before these locally significant sites could be used for non-marine employment purposes.***

***Relevant Local Development Documents should also recognise that key marine employment sites may not be limited to those with access to water. During the production of relevant Local Development Documents, authorities should take note of the requirements of marine industries in respect of these 'off coast' sites. The SEEDA and marine industries should work with local authorities to identify such requirements. Such realistic needs should be taken into account by local authorities in the identification of land for employment purposes.***

**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 the PUSH authorities should work together with the Port to identify and safeguard land for future port-related use in Local Development Documents to secure the Port's future as a premier, global port and economic driver within the sub-region.***

**Recommendation 5**

***SEEDA should further co-ordinate existing recruitment and skills programmes, along with identifying where further investment is necessary in the sub-region to address the marine skills base shortage.***

**Recommendation 6**

***SEEDA, PUSH and other relevant local authorities working in partnership with Natural England, the Environment Agency and key elements of the principal marine industries should assess the feasibility of creating new habitats on at least a Solent-wide basis as a compensatory measure for the effects of the needed expansion of the marine industry.***

**Recommendation 7**

***SEEDA should emphasise to relevant local authorities the need for affordable land supply for marine uses. SEEDA, PUSH and other relevant local authorities should assess the feasibility of a range of fiscal measures and policy mechanisms to bring forward a supply of affordable employment land suitable for marine industries.***

**Recommendation 8**

***SEEDA, PUSH and other relevant local authorities, and marine industries themselves should seek to educate relevant bodies and organisations to enable the identification of the potential long-term planning solutions required to address the likely impact of climate change in respect of sea level rise. At the very least it should be made a priority that marine sites of existing or potential national or regional significance are protected from the implications of sea level rise.***

**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.***