

# Marine Leisure Economic Impact Report

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## 1 Background

A key focus of the Haven Gateway Partnership (HGP) is “to ensure the maritime industry within the Haven Gateway has access to the highest quality skills and training to support the economic growth and regeneration of the subregion”.

One important, but under-researched sector in the area is the marine leisure industry. It was thought to have a significant impact on the local economy, but this had not been quantified. In order to understand more about the value of the industry, research was commissioned in July 2006, and the findings contained in the following report were presented to the Haven Gateway Business Group in November 2006.

At the same time, another report was written on the skills needs of the Marine Leisure Industry in the Haven Gateway, and this is referred to in this report on several occasions.

## 2 Methodology

### 2.1 Scope of the research

The research regarding industry trends used information from the UK as a whole. The local data was confined to the boundaries of the HGP. This includes all or part of the following areas:

1. Babergh District Council (Suffolk) - part
2. Ipswich Borough Council (Suffolk) - all
3. Suffolk Coastal District Council (Suffolk) - all
4. Mid-Suffolk District Council (Suffolk) - part
5. Colchester Borough Council (Essex) - all
6. Tendring District Council (Essex) - all

As so few wards belonging to Mid-Suffolk District Council are included in the HGP area, the Office of National Statistics data for this council were excluded from the workforce information presented in this report. However, business information - collated on a company-by-company basis - covered all areas within the HGP area.

### 2.2 Interviews

Owners of marinas and manufacturing organisations were interviewed, as well as industry experts. Representatives from the county council, environmental

agencies, regional development agency and the Learning and Skills Council were interviewed by telephone or face-to-face.

Representatives of the British Marine Federation were interviewed, and information about economic trends and labour market data were shared.

### 2.3 Desk research

A range of source material was reviewed. This included publications and statistics produced by the British Marine Federation; reports by the DTI, KPMG, University of Plymouth, the Learning and Skills Council, and the Skills Agreement developed by SEMTA.

### 2.4 Employee numbers

Three methods were used for calculating employee numbers.

- An overview was obtained through the use of data compiled by the Office of National Statistics under licence.
- Detailed numbers of employees per business were obtained through interviews with companies about their workforces.
- Dun and Bradstreet and other commercial directories that collate employee numbers from published sources were reviewed.

### 2.5 Business sectors

Three methods were used for calculating the number of businesses.

- An overview was obtained through the use of data compiled by the Office of National Statistics under licence.
- Dun and Bradstreet and other commercial directories that collate business information were reviewed.
- Information collated by the Haven Gateway and Suffolk County Council was utilised.

Financial information about businesses was collated from various sources in the public domain, including records at Companies House as processed by Dun and Bradstreet.

### 2.6 Online survey

An online survey format was used to gather information about companies' views on their future growth or possible decline, their demand for labour, and skills issues. Companies were asked to identify potential opportunities and barriers in relation to future growth, and were given free-response opportunities to discuss the future of the industry as a whole. There were 24 questions about the industry and two questions that allowed classification of responses by subsectors.

Many organisations were approached through our email request, and also by an email request from the Suffolk Chamber of Commerce.

## **2.7 Visits to marinas, moorings and berths**

Marinas were visited and managers interviewed following a standard script.

Letters, emails and telephone calls were used to collate information about the number of moorings in the area, and the tariffs of charges. Freepost return envelopes were used to encourage responses.

## **2.8 Economic clusters in other areas**

Information was gathered on the importance of the marine leisure industries in the South and South West of England.

## 3 Findings

### 3.1 The marine leisure industry - background

The UK marine leisure industry is estimated to have had revenues of £2,000 million in 2005, and the latest figures from the British Marine Federation suggest that exports accounted for over 40 per cent of total revenues in 2004<sup>1</sup>. The total revenues have grown by about 60 per cent over the last ten years.

Using the BMF/GHK<sup>2</sup> definition of the marine leisure industry (see section 3.2), which excludes commercial marine industries such as oil and gas transportation, the BMF estimates that there are 5,000 companies and sole traders in the industry in the UK. By revenue, the largest subsectors are manufacturing (47 per cent), and sales, brokerage and retail (19 per cent).

The UK industry is dominated by the South West and South East of England which account for almost 60 per cent of the industry revenue. The East of England share is 10 per cent. The Haven Gateway Partnership area is only one of several economic clusters in the East of England, with Lowestoft, Great Yarmouth and north Norfolk further up the coast, and the Blackwater, Crouch and Thames to the south. Finally, the BMF estimated a workforce of approximately 5,000 for the East of England region as a whole (2005).

The BMF commissioned GHK to carry out a national study which was published in December 2005. It estimated that the UK had 30,000 jobs in about 5,000 businesses, and annual net exports of at least £150 million per year ("and possibly as high as £230 million").

The study suggests that there are between 450,000 and 500,000 boats in the UK (excluding small boats, canoes and kayaks) with up to 4 million adult participants in leisure boating activities. The GHK work noted that leisure boating extends to inland lakes, reservoirs, rivers and canals. This study for the HGP concentrates its attention on the coastal region and the main rivers, and not inland waterways.

The GHK study shows the dominance of boatbuilding within the manufacturing sector of the marine leisure industry by gross sales value. It suggests that manufacturing has half (51.4 per cent)<sup>3</sup> of the marine leisure industry turnover of £1.8 billion, and boat building is two thirds of the manufacturing sector. As we progress through the report, we will note that the HGP area has

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<sup>1</sup> British Marine Federation, May 2006, *UK Leisure Marine Industry Bulletin 2004-2005*

<sup>2</sup> GHK, December 2005, *The Economic Benefits of the UK Leisure Boating Industry*, British Marine Federation

<sup>3</sup> Note: there is a slight variation between the two reports cited regarding the size of the manufacturing sector.

tended to see a decline in its boat-building capacity. The UK boat / yacht builders by volume are Sunseeker International Boats, Princess Yachts International plc, Fairline Boats plc, Sealine International Limited, and Oyster Marine Limited. The first four boat builders are producing annual outputs of 250 to 300 boats per year. Oyster Marine Ltd is the only HGP manufacturer in this list and its production is about 45 boats per year. Another important manufacturer in the area is Spirit Yachts, which has a low volume but high value production (4-5 boats per year).

The greater proportion of HGP businesses are dealing with a UK market, which is a mature market, but there is scope for the large yacht manufacturers (mentioned above) with their sales generally going to the export market.

Various reports identify the main economic drivers for the industry. The broader, nationally acknowledged drivers are:

- increasing demand for boats generally
- increasing demand for larger boats, including super yachts and power boats
- the globalisation of the market
- the limitation on the number of moorings available, some of which are driven by environmental considerations

The most recent trends survey<sup>4</sup> mentions concerns about the general economy which may impact on boat owners and potential boat owners and their willingness to spend, particularly with regard to new boat sales. There was also some unease about the lack of skilled labour, and the industry lacking competitiveness in the areas of modernisation, technology and professionalism. Some employers were indicating a lack of orders, by comparison with previous years, although a quarter of respondents to that survey said they had been increasing their workforce numbers.

The report will discuss all the above issues in a local context based on employers', and stakeholders' views. The national and international flavour of the marine leisure industry businesses are exemplified by the case-studies presented overleaf.

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<sup>4</sup> British Marine Federation, July 2006, *Results of the Spring 2006 Marine Industry Trends Survey*, British Marine Federation

<p>Draper presented a 15-page business report for IBI early in 2006. The focus on UK yachting included companies operating in the HGP area, and these notes draw on some of the comments made.</p>
<p><b>Broadblue Catamarans</b>, Draper tells us, has its commercial offices on Neptune Quay in Ipswich, and has a turnover of over £5 million. It is three-and-a-half years old and is a subsidiary of the Broadblue Group. It employs 10 people directly in the UK. It uses local subcontractors, but its new boat - the 385 - is built by its partner company wholly in Poland. Other boats are built in the UK, but over half are sold abroad.</p>
<p><b>Brunton's Propellers</b> is based in Clacton-on-Sea. Its turnover is up to £1.7 million. It builds high-quality propulsion systems for sailing yachts, super yachts and commercial ships. More than 70 per cent of its business is marine leisure related. It is part of a multi-national company, Langham Industries.</p>
<p><b>Oyster Marine</b> is also based in Ipswich. It is a diversified company with marina services, boat sales, and brokerage, as well as manufacturing. Oyster is a good example of globalisation. The design, development and tooling happens in Colchester. Contractors in the UK and New Zealand produce mouldings and do some fitting out. They also have a fit-out facility in Southampton, and do commissioning at Ipswich. Draper says that new boat sales were £32 million in 2005, and 80 per cent of sales are in the export market. It also claims to get over 50 per cent of its sales as repeat business.</p>
<p><b>Spirit Yachts</b> was started by Newman and McMillan in 1993. It is based in Ipswich and produces 4 to 5 high-quality, high-specification yachts per year using modern wood epoxy laminating techniques. Spirit Yachts are highly sought-after craft.</p>

### 3.2 The marine leisure industry - a working definition

The marine leisure industry does not fit neatly into the standard industrial classification used by statistical agencies. In the following table, we identified codes that contain different aspects of the industry. However, many of the codes contain businesses that fit the classification, but are not part of the marine leisure industry. Therefore, any data in these categorisations must be treated with caution as it will necessarily overstate the number of businesses and the number of employees from the marine leisure industry.

The second problem in our study of the Haven Gateway Partnership area is that that the Gateway area, when administratively defined, contains a mixture of whole districts, and part-districts. Although data is collected at ward level for employee and business numbers, our particular industries are so small that the numbers at both ward and district level are restricted with regard to publication.

We have reviewed the sector definition used by the British Marine Federation in its recent nation-wide study, and for the purposes of our work we have included additional sub-sectors.

### Industrial sectors

SIC 2003	Marine Leisure Studies - Haven Gateway	British Marine Federation - study 2005
17.40/2	Manufacture of canvas goods, sacks, etc.	
17.52	Manufacture of cordage, rope, twine and netting	
29.11	Manufacture of engines and turbines except aircraft, vehicle and cycle engines	Manufacture of engines and turbines except aircraft, vehicle and cycle engines
29.22	Manufacture of lifting and handling equipment	
35.11	Building and repairing of ships	
35.12	Building and repairing of pleasure and sporting boats	Building and repairing of pleasure and sporting boats
45.24	Construction of water projects	
55.23/9		Other tourist or short-stay accommodation
55.10, 55.22, 55.30, 55.40	Hotels, Camping sites, Restaurants and Bars	
51.87	Wholesale of other machinery for use in industry, trade and navigation	
52.48/5	Retail sale of sports goods, games and toys, stamps and coins	
61.10/1	Passenger sea and coastal water transport	Passenger sea and coastal water transport
61.20/1	Passenger inland water transport	Passenger inland water transport
63.22	Other supporting water transport activities	Other supporting water transport activities
63.30/1	Activities of travel agencies	Activities of travel agencies
71.22/1	Renting of passenger water transport equipment	

SIC 2003	Marine Leisure Studies - Haven Gateway	British Marine Federation - study 2005
71.22/9	Renting of other water transport equipment	
71.40/1	Renting of sporting and recreational equipment	Renting of sporting and recreational equipment
92.62/9	Other sporting activities not elsewhere classified	Other sporting activities not elsewhere classified

### 3.3 Sector businesses and employee numbers

We have used two methods to discover the numbers of businesses and employees in the marine leisure industry. The first uses data provided by the National Statistics Office. This is developed from the SIC codes identified above in section 3.2. The second is a business-by-business estimate developed from a range of local sources.

#### National Statistics data

In our analysis of employee numbers and businesses, we have concentrated on five of the six districts that make up the Haven Gateway Partnership area. We have excluded the wards in Mid-Suffolk, and included all of Babergh District although we know that just over half of its population is outside of the HGP catchment area.

In our final analysis of National Statistics data, we separated out the Hospitality codes, and did not use information about retail and sporting activities because of the difficulty in attributing businesses in these codes directly to marine leisure, although undoubtedly some of them are part of the marine leisure industry. Based on the SIC codes below for the Haven Gateway Partnership area, including the whole of Babergh District Council, we could estimate just under 400 businesses, and just over 4,000 employees (2004). Noting that the figures will also include businesses within a classification that are not directly related to marine leisure industry, these are over-estimates of the size of the industry. We therefore prefer to use our picture of the industry, on a business-by-business basis, through a postcode analysis. This is outlined later in this section, and adheres to the wards that make up the Haven Gateway partnership area. It still uses the following SIC codes to guide us when selecting businesses.

17.40/2	Manufacture of canvas goods, sacks, etc.
17.52	Manufacture of cordage, rope, twine and netting
29.11	Manufacture of engines and turbines except aircraft, vehicle and cycle engines

29.22	Manufacture of lifting and handling equipment
35.11	Building and repairing of ships
35.12	Building and repairing of pleasure and sporting boats
45.24	Construction of water projects
51.87	Wholesale of other machinery for use in industry, trade and navigation
61.10/1	Passenger sea and coastal water transport
61.20/1	Passenger inland water transport
63.22	Other supporting water transport activities
63.30/1	Activities of travel agencies
71.22/1	Renting of passenger water transport equipment
71.22/9	Renting of other water transport equipment
71.40/1	Renting of sporting and recreational equipment

### Business-by-business analysis

From a wide range of sources, we found a minimum of 262 businesses in the area. We have recorded them once only, although they may offer several services. The marina complexes often provide several services, with various different ownership arrangements. Organisations often set up separate legal entities for the different businesses (e.g. brokerage, repair and maintenance), and lease/subcontract land or buildings to other companies to deliver services (e.g. hospitality, chandlery on-site).

Chart 1 shows the approximate number of businesses, based on their core service, although they may offer others. It is based only on wards in the Haven Gateway Partnership area, and based on published statistics (e.g. returns to Companies House) and employer interviews. We estimate they provide employment for a minimum of 1,500 people, rising to about 1,800 when we include seasonal part-time staff in chandleries and marina restaurants, and sub-contractor sole traders/micro businesses that have been omitted from business listings.

The BMF study by GHK estimated that the marine leisure industry in the East of England (RDA region) employed 4,233 people, but its coverage did not include as many subsectors as this study (see section 3.2). It did cover both the inland and coastal marine leisure industry for the six counties.

Chart 2 presents the information on the total number of businesses by district council area.

Chart 1

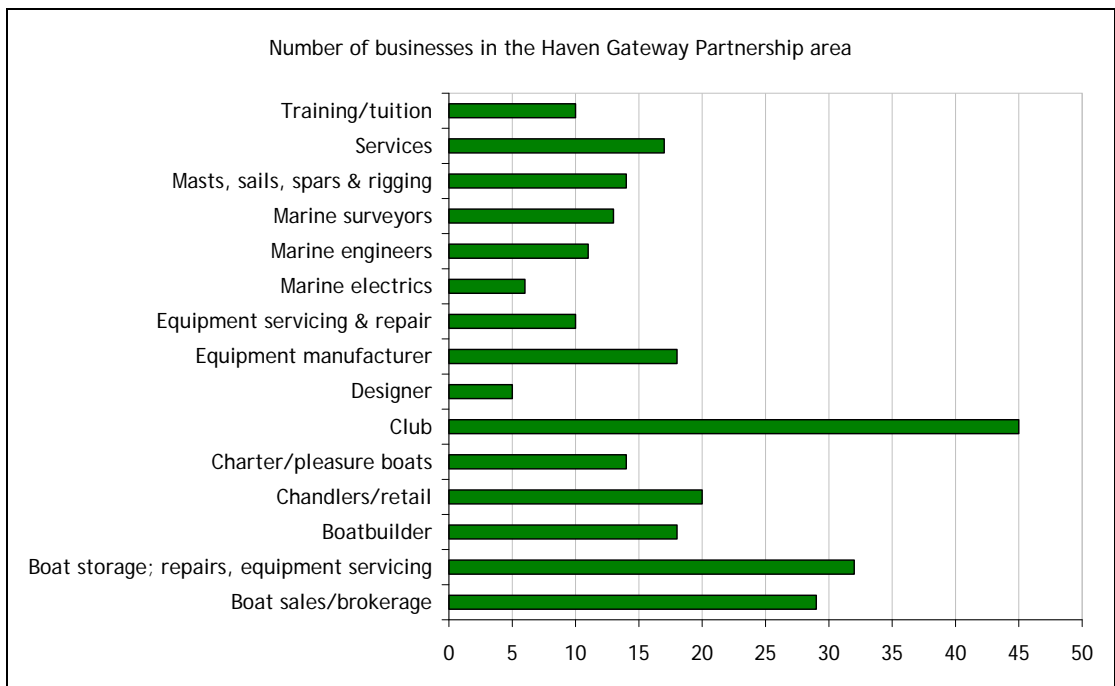
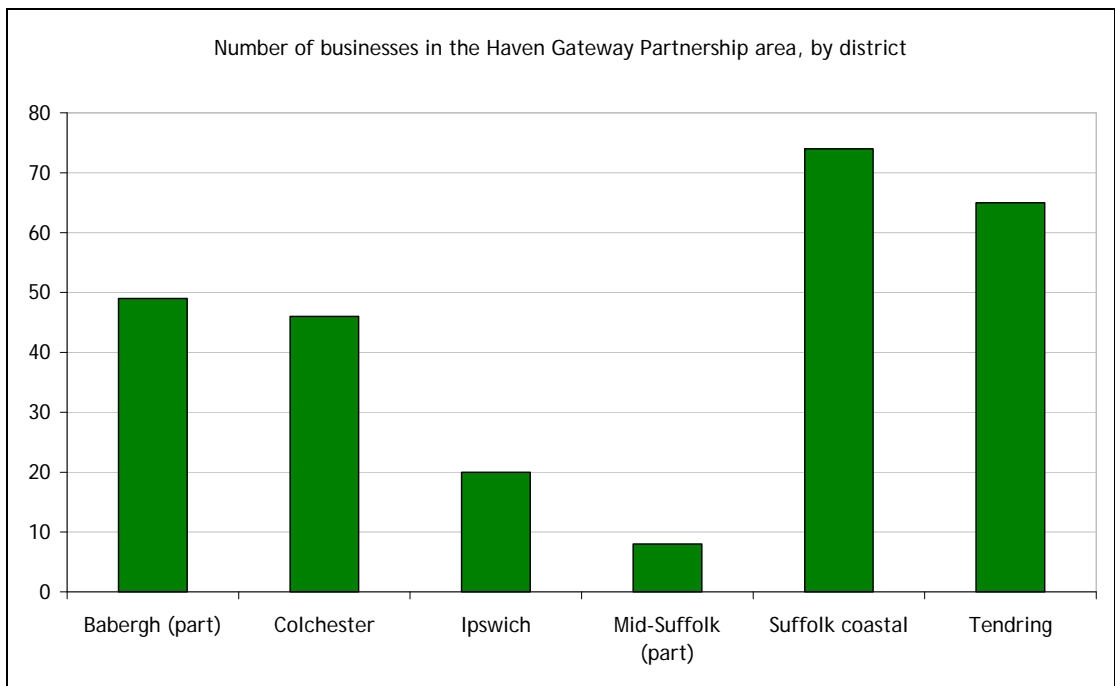


Chart 2



Charts 3, 4, 5, 6, 7, and 8 overleaf show the numbers of businesses, by sector, by district.

Chart 3

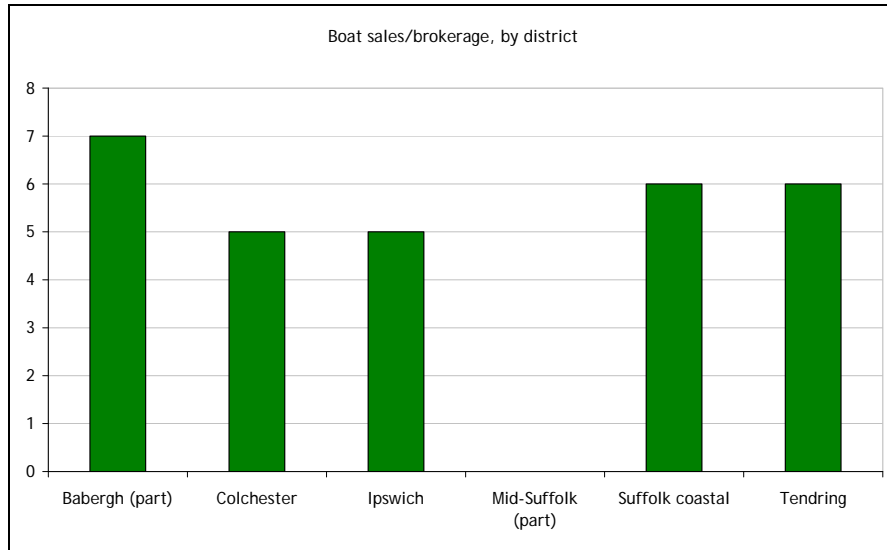


Chart 4

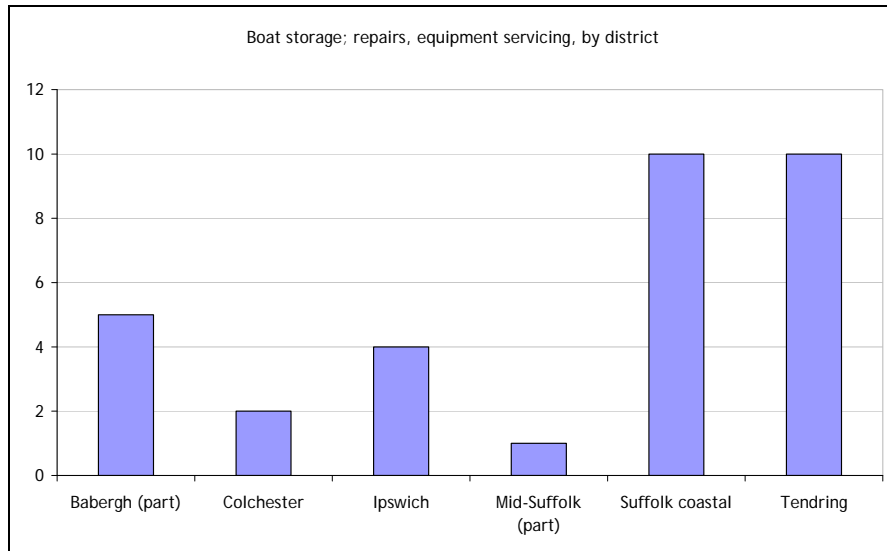


Chart 5

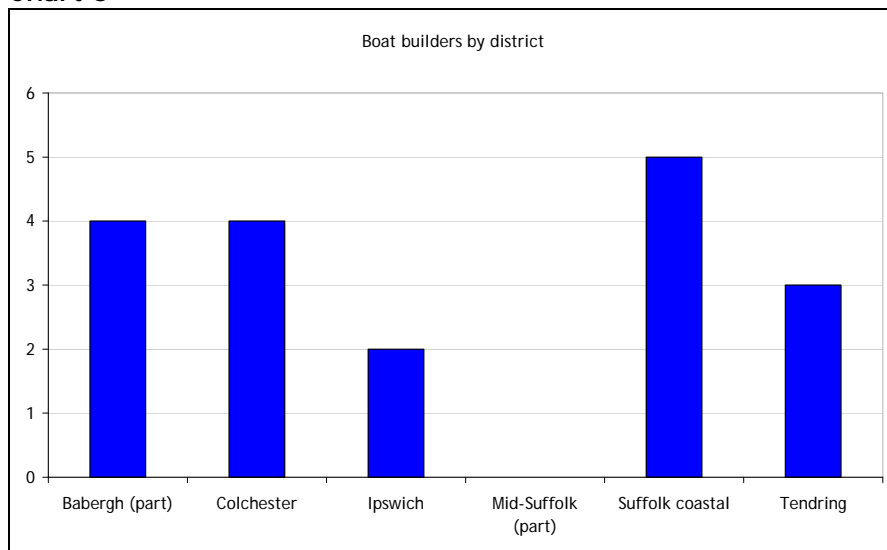


Chart 6

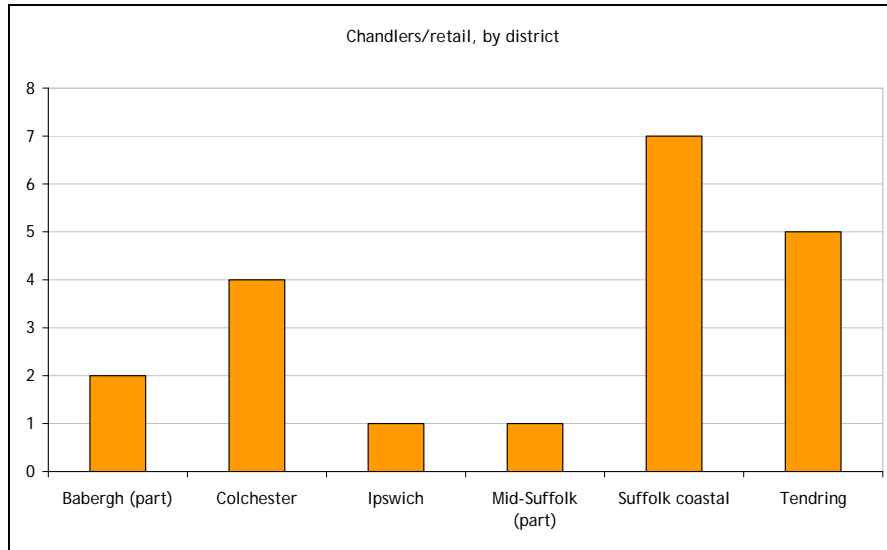


Chart 7

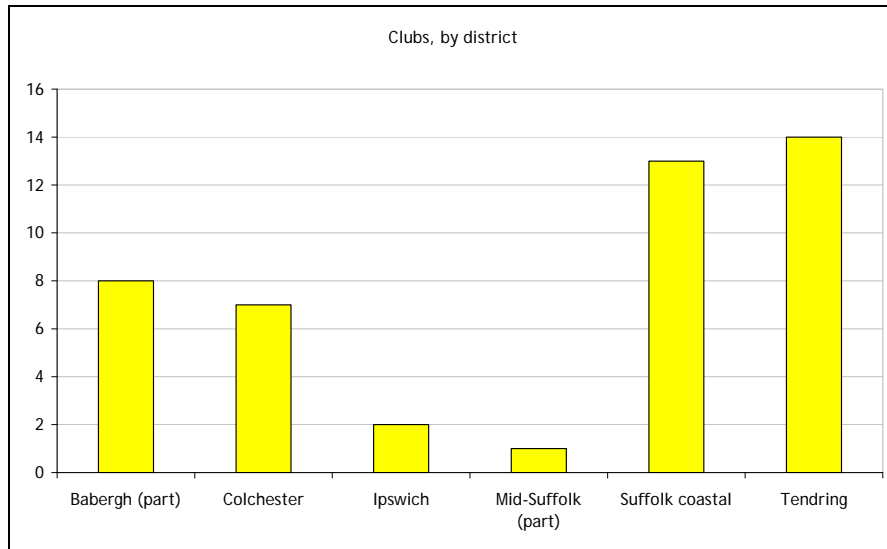
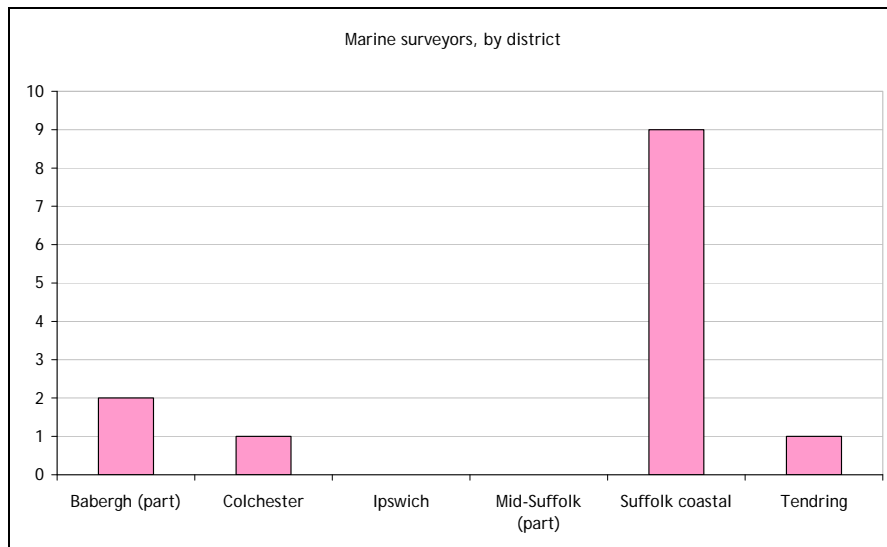


Chart 8



Within each district council, we have looked at the share of the businesses for each geographic cluster to see the importance of particular areas to the industry. These are presented in charts 9, 10 and 11.

Chart 9

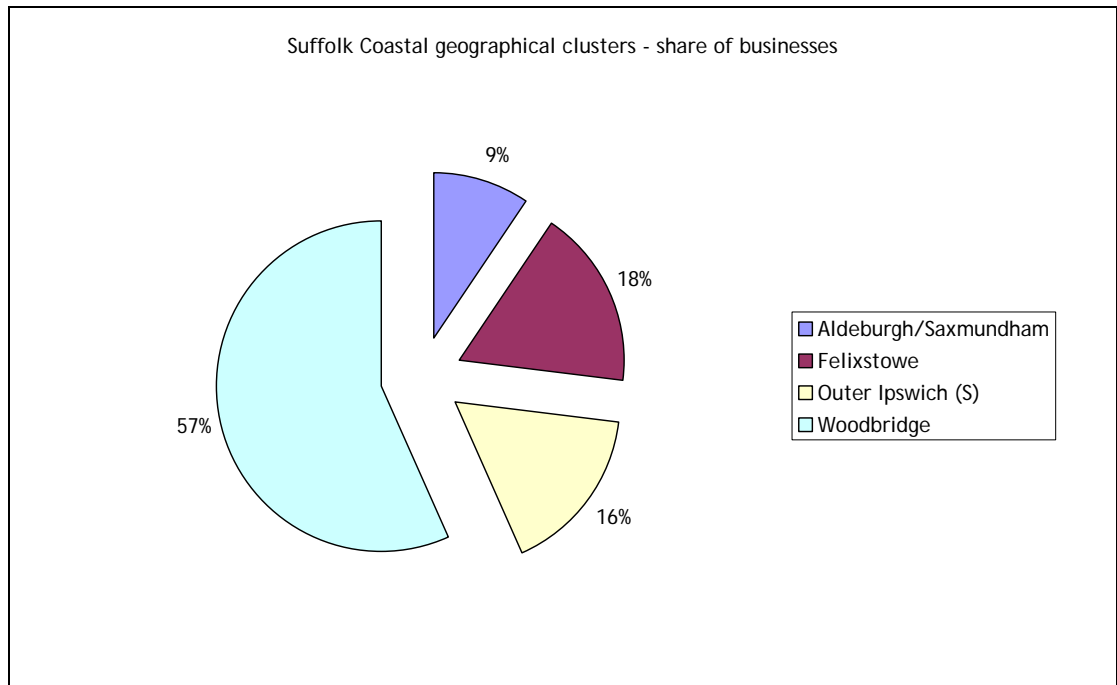


Chart 10

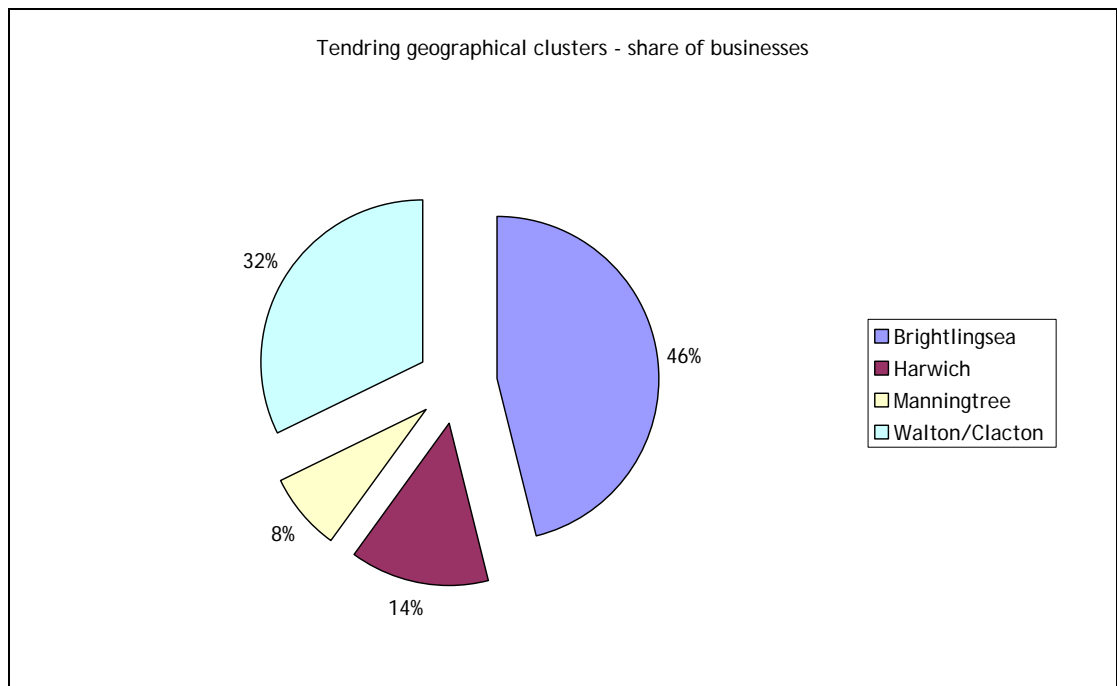


Chart 11

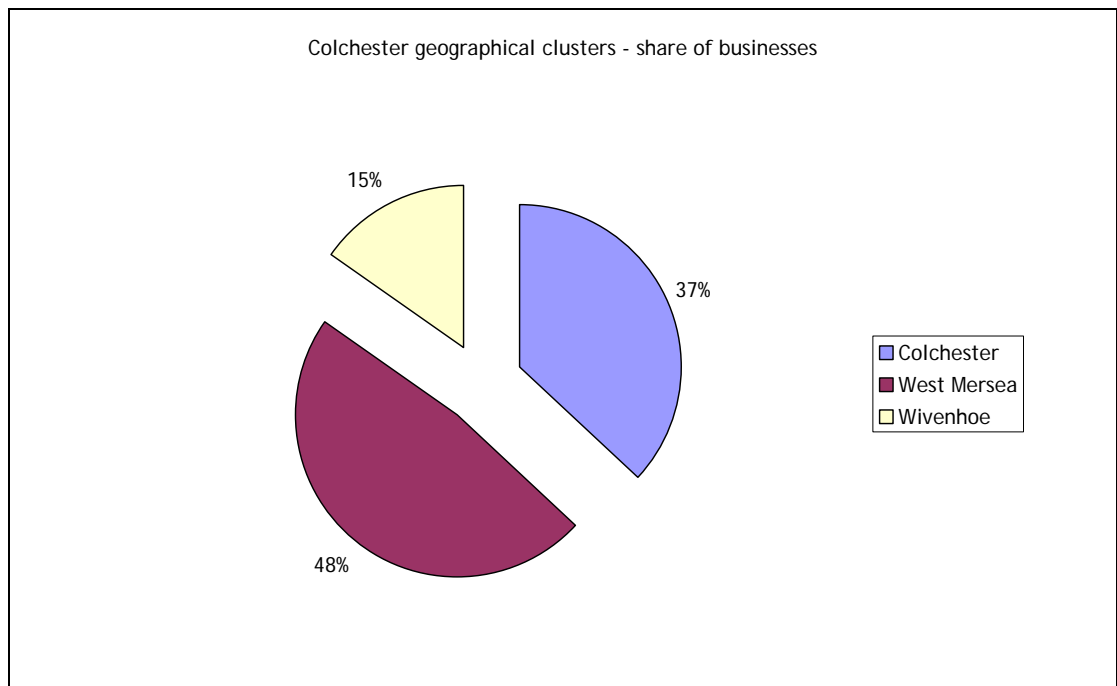


Chart 12

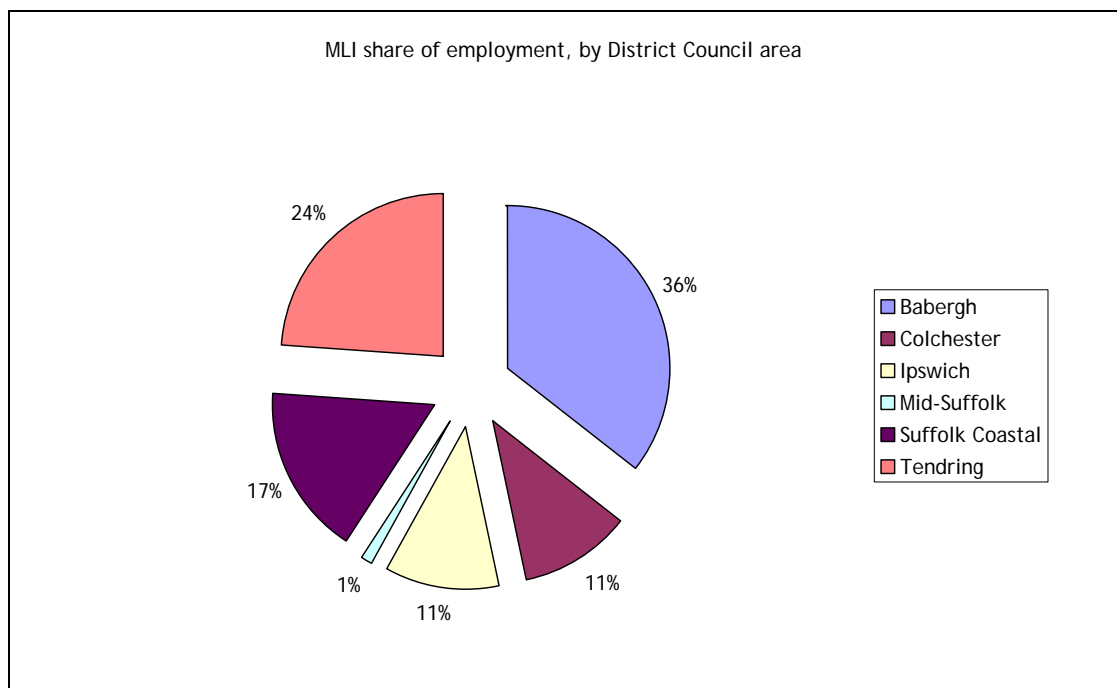


Chart 12 above shows the distribution of employment between district council areas. The Babergh employment is concentrated in wards close to Ipswich, and the two areas form an economic cluster that does not necessarily respect administrative boundaries.

### 3.4 Marina leisure berths, and moorings

There are approximately 2,500 marina-style leisure berths in the HGP area.

We have adopted a methodology similar to other researchers in the field for calculating the value of the marina berth space in the area. This is based on an average yacht size of 10 metres. We have used the actual prices charged per metre, per year in each marina to calculate the value of the business generated. In general, we have used no vacancies, based on the feedback we were given.

The revenue that can potentially be generated from berths, based on the average boat size calculation is approximately £7 million per annum.

Various current boat owners, as well as industry experts, were asked to outline their current costs for maintaining their boats. They used the following cost areas: insurance, basic maintenance including fees for craneage, engine service and winterisation, pro-rata annual costs for periodic upgrades of sails, and electronics. In each case, we saw an equivalent of the berthing fees being attributable to these upkeep requirements. The BMF European overview study using nationally-collated figures suggests that for every pound spent on berthing/mooring/storage then 63 pence was spent on boatyard services.

Therefore based on these estimates, the marina-berthed boats are contributing revenues to various businesses of £7 million for berthing plus between £4.5 million and £7 million for upkeep in the HGP area.

Apart from marinas, a further 60 organisations were asked for information about the number of berths available - permanent and visitor - and the number of boats in storage.

In addition to the 2,500 marina berths, we were able to identify by location a further 1,500 berths from 20 respondents, plus marina respondents. Almost all the returns indicated that there were no vacancies for permanent moorings. The number of visitor berths was minimal for the whole coastal stretch of the HGP area, and in most cases, it was in single figures per location. Most marinas accepted visitors, but there were few marina spaces dedicated for visitors. The approach, taken by the marinas visited for this research, was to make use of berth spaces vacated by permanent holders, where it was known that the permanent holders were away for set periods.

Through our research, we reviewed 67 locations, received information from 34 respondents, and we were able to locate and verify over 4,000 berths/moorings in the HGP area, including marina-managed moorings. We did not receive responses to information requests from about 30 organisations

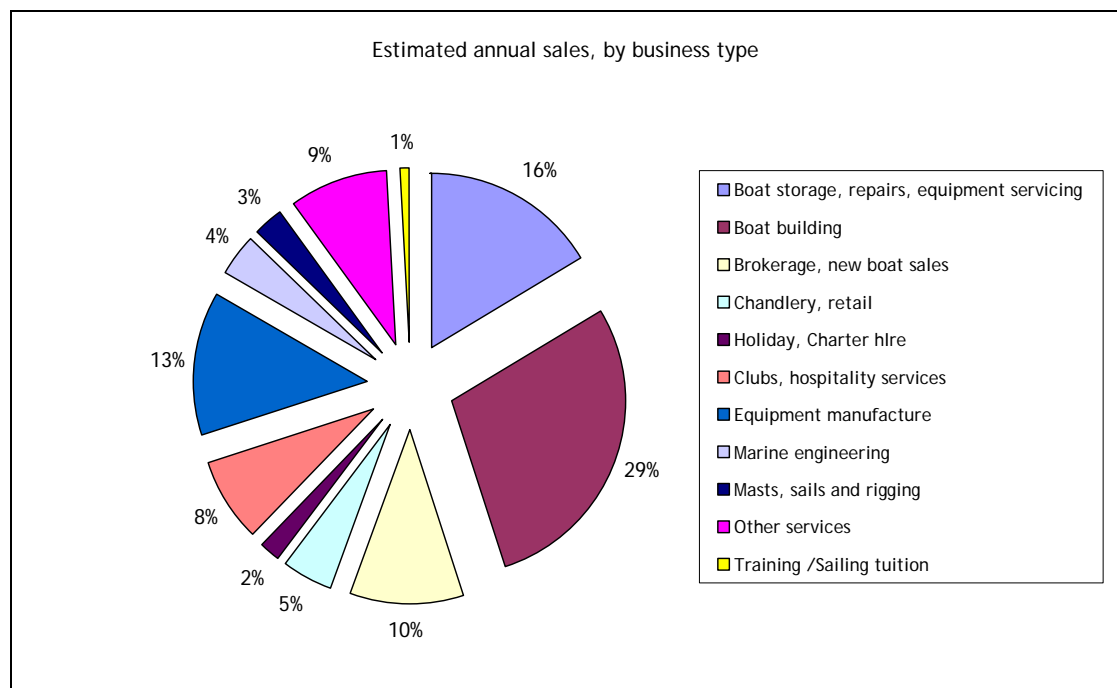
and cannot substantiate the generally quoted figure of 10,000 moorings in the HGP area. The evidence gathered to date, however, does not contradict the estimate. The British Marina Federation's *Marinas and Moorings Audit* in 2003 estimated that there were 150,000 moorings in coastal areas in the UK.

The respondents to the survey reporting on non-marina berths indicated that there were as many places on land for storage as there were moorings. The difference was that there were almost no vacancies for the moorings, but there were vacancies for dry-land storage.

### 3.5 Business value

Chart 13 below shows an estimated distribution of the sales turnover by sector based on the 260+ businesses that we identified in the HGP area.

Chart 13



The boat-building share of annual sales in the HGP area is lower than the national share for this subsector. The HGP has lost some boat-building capacity, although there are supply-chain businesses in Norfolk and in Suffolk outside the HGP area. The boat-building share for the HGP area is also inflated by companies with offices in the HGP area, qualifying them for inclusion in the survey, that do much of their manufacturing elsewhere.

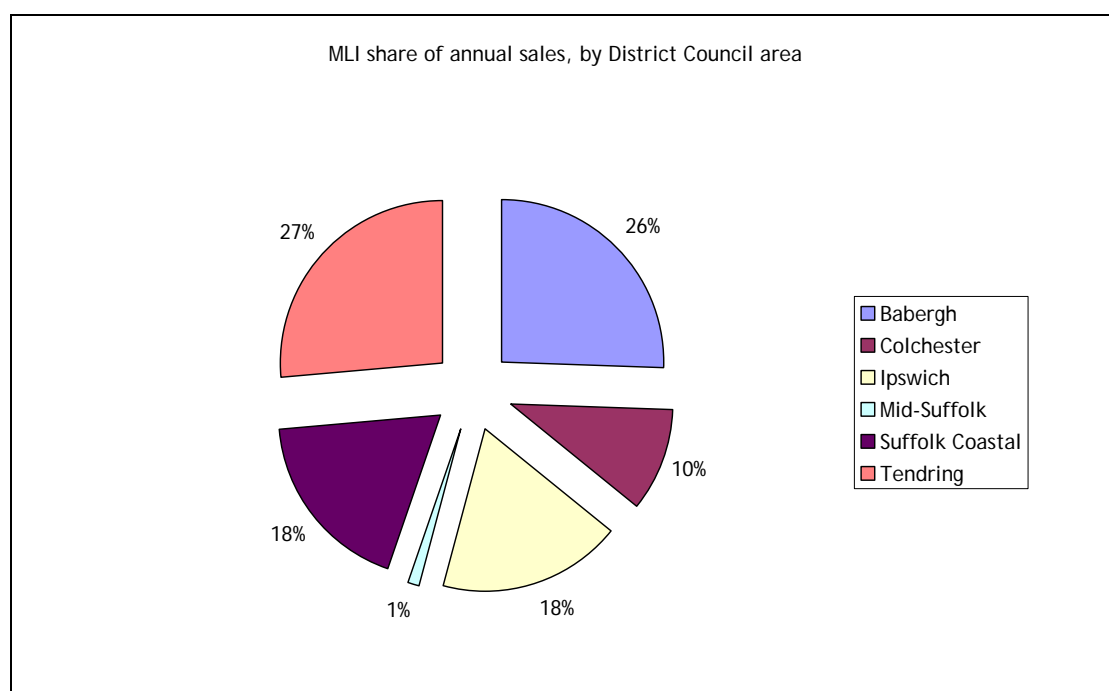
Clubs and hospitality services at marinas add significantly to the value of the industry.

Finally, it should be noted that the sub-division of the industry in the chart is arbitrary. The reality is that there are several geographical clusters of businesses, often gathered around a marina site. These businesses, within their localities, are mutually dependent and share a customer base. Marine berths, boatyard services, electronics support, chandlery and hospitality services are fulfilling different customer needs in the same vicinity. Also, there are close links with brokerages and boat sales. As indicated earlier, several businesses at a location may have common ownership, even if they are trading as separate businesses.

### By district council areas

Chart 14 and the next table show the share and estimated value, by annual sales, of the marine leisure industry to the district council areas situated within the Haven Gateway (noting that it only includes 3 wards within Mid-Suffolk)

Chart 14



The table has been built using actual sales turnover figures from sources such as Dun and Bradstreet. Dun and Bradstreet analyses returns to Companies House and provides summary reviews that we have used. Where information has not been available, we have used alternative industry sources, or used estimates based on comparable businesses where we have actual data. The total value of the marine leisure business to the HGP area is probably between £45 million and £55 million. The table below uses estimates at the top of the range for each area, but it should be noted that business turnover of companies headquartered in the HGP and that have turnover assigned to

that office, may be carrying out production activities elsewhere in the UK or abroad.

	£million
Babergh	14.0
Colchester	5.5
Ipswich	10.0
Mid-Suffolk	0.5
Suffolk Coastal	10.0
Tendring	14.5

The sales turnover estimate for the East of England in the GHK/BMF study suggests a regional figure of £183.7 million for the whole region. Our HGP estimate is just under 30 per cent of the regional figure. (The GHK/BMF figures are based on data from 2002 and 2003/04; the Dun and Bradstreet data is based on returns between 2002 and 2005.)

### 3.6 Business development in related sectors

In addition to the direct sales turnover of marine leisure industries, there is an effect on the retail and hospitality industry in the coastal area and the immediate hinterland. The tables in the previous sections have looked at the turnover of clubs on the coast and hospitality services at the marinas, but there is also the broader hospitality industry that may benefit. In the Haven Gateway Partnership area, National Statistics returns suggest that there are about 1,500 establishments and more than 12,000 employees in the Hospitality sector. This figure covers bars, restaurants, hotels and camping sites. It also covers the whole of the five district council areas (including all Babergh District), and will include those hospitality jobs and business that we have already counted in the charts above.

Other agencies have looked at the impact of tourism spend associated with the leisure boating industry. Extrapolating from the national and regional spending patterns, associated tourism spending in the non-marine leisure industry businesses for food, accommodation, and inland transport could amount to approximately £30 million in the HGP area. (The national figure is estimated to be approximately £2 billion.) This amount is in addition to the direct sales included in the £55 million gross sales revenue for the industry. It is estimated to support 600 jobs in the local non-marine leisure industry economy.

The economic development department of Suffolk Coastal District Council estimated the day visitor spend in its area by tourists was £89.5 million in

2000. This includes a wide variety of tourists, of whom boat owners are a small but significant proportion.

### 3.7 Labour demand

The majority of employers and industry experts that we spoke to anticipated an increase in the number of people employed in the industries as a whole. Many of the employers anticipated a small increase in their own workforces, although a few expected stronger growth in the next few years and thus to increase the total numbers employed.

The main growth by companies was anticipated through the opening of additional departments, or branches in additional locations.

There were two other issues: replacement demand and specific skills needs.

Although the rise in overall employee numbers was not likely to be dramatic, there was concern about the ageing workforce and lack of skilled young people coming through. There were specific skill short shortages that needed to be addressed where traditional supply routes were slowing down. In previous times, skilled craftsmen from the armed forces often took jobs in marine leisure. Meanwhile, some craftsmen had moved out of employee roles, and set up as self-employed contractors.

The comments above are from local industry representatives. The national picture for engineering and manufacturing skills anticipates a downturn in the number of employees required of between 13 per cent (for operatives) and 18 per cent (for skilled trades) by 2014 compared with the numbers employed in 2004. The replacement demand over the period to 2014 (against the numbers employed in 2004) shows figures of 32 per cent for skilled trades and 35 per cent for operatives. The impact is a net requirement for new labour over the period of 13 per cent (for skilled trades) and 21 per cent (for operatives).

The national picture for the associated areas of hospitality and retail shows that there will be expansion demand in each sector, and a net increased labour requirement of 46 per cent in both sectors by 2014 against the numbers employed in 2004.

A full presentation of the skill issues is in the complementary report, *Marine Leisure Industry Skills*. Considering the total number of employees in the HGP area is 280,000, the skills shortages and replacement demands in an industry employing no more than 2,000 people are numerically low. However, a failure to address them would be critical for some subsectors where global competition is significant.

### 3.8 Future growth

Over the longer term, all the businesses in the research anticipated some growth, and some quite significant growth, and this was reflected in an anticipated growth in the numbers employed in each business.

In the short term, there appeared to be a stable market in the sale of goods and services, repairs and maintenance, rather than dynamic forward growth.

In the medium term, there was concern about the physical limitations to business growth imposed by environmental factors, either geographic, or regulatory. Several indicated that the way forward for the marine economy as a whole, was to seek an increased spend per customer through additional services. There was potential through hospitality and retail/chandlery services, but there were some price sensitivities for repairs and maintenance as the owners of boats and smaller yachts may opt take a “do-it-yourself” approach for some tasks.

#### Boat building

One of our respondents suggested that high volume, low-cost manufacturing in the UK is struggling to compete with overseas boat builders, but the UK’s high-quality, lower-volume manufacturers are thriving in global markets. They do, however, need high-quality skills and the problem is that there is insufficient training available to meet the needs of this segment of the industry. It was said that some lower-level skills training is available, but it is equipping people for a market that is fast disappearing locally.

A supply of skilled labour was the most commonly reported factor needed to foster business growth locally. When asked what was the biggest obstacle to business growth, half of the respondents indicated that it was an insufficient supply of skilled labour.

One issue that was raised in the *Skills Agreement*<sup>5</sup> was the need for the boat-building industry to adopt lean manufacturing techniques. One company that manufactures outside the area has done this. A recent press release said: “Following the introduction of Lean Manufacturing principles at Fairline Boats plc .....the company has developed an accredited training programme and NVQ.” In association with Tresham Institute, Fairline Boats developed a programme leading to an NVQ in Business Improvement Techniques, initially testing the programme as a pilot scheme with Production Supervisors. The qualification encompasses many topics relevant to Lean Manufacturing and Fairline has further plans to train more staff on the course.

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<sup>5</sup> Sector Skills Council for Science, Engineering and Manufacturing Technologies, July 2006, *Sector Skills Agreement for the UK Marine Sector*, SEMTA

Boat builders visited in the HGP area were equally advanced in manufacturing techniques, however, there may be some elements of Fairline's accreditation programme that could be utilised locally.

## Environment

In the review of potential obstacles to growth, businesses were concerned about a possible downturn in business from the rest of the UK. Several people suggested the quality of the road infrastructure to the east coast was a disadvantage when trying to increase trade. Some others suggested that A-roads brought customers to the east coast from London and the Midlands relatively easily, and combined with lower pricing for facilities gave the area a competitive advantage compared with the south coast, particularly the Solent area.

A more contentious issue was planning. Some of the marinas visited said that their businesses were previously able to grow by increasing the number of berths. Future growth in terms of the number of marina berths is often constrained because areas have been designated to be of "special scientific interest" (SSI). There are regulations affecting any change within an SSI, and although requests can be made, we were told that applicants might find it difficult to succeed. Conversely, the political drive to increase the level of marine tourism to the area means that in some cases planning permission for marine-related developments on land is more likely to be achieved than similar requests would have done 20 to 30 years ago.

While some businesses were concerned about restrictions to growth, the anecdotal evidence from a wide range of sources suggested that the number of moorings and berths on the rivers in the HGP area is at saturation point. Several experts/practitioners have indicated that they regard the rivers as already having sufficient traffic, and as the survey work indicated, most of the moorings/berths are taken at the present time, with organisations indicating that there are few vacancies for new customers.

## Industry trends

HGP respondents had different views about the changes in boat manufacture. Some welcomed the increased availability of lower-priced boats made from new materials. Technological advances and the global market had brought down the initial costs for taking up the sport/hobby. On the other hand, it was felt that the lack of mooring facilities would deter new participants to the industry.

The decreasing building cost per metre for yachts has seen a steady increase in the average length of boat now being built and purchased. There has also

been an increase in the sales of power boats. Some of the marinas visited are already reviewing the disposition of their moorings to accommodate the larger boats.

Although new materials are dominating boat-building manufacture, there is still an enthusiasm for the retention of traditional wooden boat building skills. There are two ventures, one in Colchester and another in Woodbridge, that are looking at restoration projects. The Woodbridge and Melton Riverside Action Group has put forward some proposals which are subject to the purchase of privately-owned local land and buildings in Woodbridge. The vision is to create a centre, based on an existing disused boatshed, that will carry out historic boat restoration, maintenance and skills training.

### **Economic clusters and supply chains**

There are three elements to future growth:

- increasing the size of the economic clusters
- more affordable berths and mooring
- increasing export revenues.

There is often potential for land-based expansion, and one of the marinas visited was looking to increase the numbers of services available through the creation of workshop units to service the yacht owners' needs. The aim would be to lease the workshop units to small companies/self-employed persons who would provide different trades, including some who currently operating as mobile contractors. Another boatyard had already increased its service facilities and land-based storage.

While berthing prices were market-driven, it was felt by some respondents that a lack of affordable provision would be detrimental to future growth.

The boatyard services respondents to our survey work envisaged their business growth coming mostly from UK-based visitors, the boat builders and brokerage respondents saw continuing strength in the export market, with a several respondents indicating that future export sales would be 80-90 per cent of their business.

## 4 Conclusions

### 4.1 Size and shape of the industry

It is estimated that there are 30,000 jobs in the leisure boating industry in the UK, 4,200 in the East of England, and between 1,500 and 1,800 in the marine leisure industry in the Haven Gateway Partnership area. In the East of England there are estimated to be 500 businesses in the leisure boating industry, and 260+ in the Haven Gateway Partnership area in the marine leisure industry<sup>6</sup>.

The total sales figure for the leisure boating industry in the UK is £1,838 million, and for the East of England the figure is £183.7 million. The estimated sales figure for the HGP area is between £45 million and £55 million, which includes export sales and brokerage sales to clients from abroad.

The graph of business types in chapter 3 showed the importance of the clubs/hospitality services sector to the overall industry. There were at least 45 organisations in the HGP area in that sector. Boatyard services, repairs and equipment servicing also had more than 40 businesses, and there were 29 companies identified providing boat sales or brokerage. The district council areas with the strongest representation of marine leisure businesses were Suffolk Coastal - 73 businesses, and Tendring with 65 businesses.

There are at least 2,500 marina berths in the HGP area, including those being built at Brighlingsea, but not including the Harwich regeneration proposals which would add a further 400-500 to the total. There are few marina berth vacancies, and the estimated income for berths only from the current provision is £7 million. Each berth also requires services, and total sales of between £4.5 million - £7 million are likely to be generated in and around marina complexes. These figures are within the total estimated industry sales of £45 million - £55 million cited above.

Other agencies have looked at the impact of tourism spend associated with the leisure boating industry. Extrapolating from the national and regional spending patterns, associated tourism spending in non-marine leisure industry businesses for food, accommodation, and inland transport could amount to approximately £30 million in the HGP area. (The national figure is estimated to be approximately £2,000 million.) This amount is in addition to the direct sales included in the £45 million - £55 million gross sales revenue for the industry.

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<sup>6</sup> Note that the BMF study is for the leisure boating industry and includes inland waterways. This study's figures for the HGP area are based to the coasts and rivers, and a slightly broader range of SIC codes – as outlined in chapter 3.

## 4.2 Labour market

The complementary report on the feasibility of a marine leisure industry skills academy identifies skills shortages and skills gaps in the industry. There are currently some vacancies, and most employers surveyed anticipated modest business growth and a potential increase in the number of jobs that they could offer.

In engineering and other skilled trades, there is expected to be a significant “replacement” demand requirement in the period up to 2014. Over the ten-year period from 2004 this could be as much as 20 per cent of the workforce. The supply of new labour into the industry is weak. Moreover, some of the more established workforce are moving into self-employment and working as contractors.

## 4.3 Current and future trends

### **Boat building**

In the immediate Haven Gateway Partnership area, significant business growth is likely to come from two companies. The largest local business, Oyster, has design facilities in Colchester, and finishing and commissioning in Ipswich, but other aspects of its boat building are outside the HGP area. Spirit Yachts builds its yachts in Ipswich, and with a full order book for some time to come, it could expand further with a stronger labour supply. Other large yacht builders from outside the area also commission boats locally.

There is some traditional wooden boat building all along the coast, but it is very small scale. The future for the HGP area is to ensure that it can make, or part-make, high-quality, high-specification, high-value yachts for national and export sales. It has the capability to grow, providing the supply of skills is forthcoming.

### **Boatyard services, repair and maintenance**

This is a relatively stable part of the industry, but needs to ensure that it has a supply of labour with up-to-date skills to ensure steady business growth.

### **Marinas and moorings**

Marinas and associated services in the immediate environs of the marinas have shown steady growth over the last 15 years. However, these businesses are facing limits to further growth because of planning constraints. There are several areas of “special scientific interest” on the east coast, and the protections awarded have either prevented commercial growth, or meant

protracted negotiations and “compensation” arrangements being required before businesses can expand.

There are different ways forward. Marinas, boatyard services and brokerages can all try to increase the spending per head from individuals by increasing the services and products available. Another route is the maximisation of the land value adjacent to the water’s edge by residential and retail development. Brightlingsea’s Waterside Marina development, currently under construction, will have 184 residential dwellings and 23 retail units, but only 69 berths.

Some businesses suggested that planning permission on land was becoming easier to obtain, while the planning constraints on the water were becoming tighter.

In respect of moorings generally, it was suggested by several industry experts that the rivers and estuaries could not accommodate further mooring facilities, and the evidence on take-up, suggested there were few vacancies for permanent moorings.

However, each marina operator interviewed said that there was generally scope to accommodate visiting boats.

### **Chandlery, new boat sales and brokerage**

As indicated in the report, many products, including many of the low- to mid-price range GRP boats and yachts, are manufactured abroad. Nevertheless, there is a stable market for new boat sales (UK-built, or imported), the brokerage of used boats and the equipment sales aftermarket.

The BMF study says that UK chandleries and brokerage have stood up well to the challenge of internet sales competition. Comments from the HGP area suggest that individual chandlers are struggling to survive as single outlet operations, and the way forward is to operate more than one outlet, and/or add an internet sales capacity. The requirement is to provide a broad enough product range to maintain customer interest, as well as securing economies of scale. There were some examples of good practice and consolidation in these sales-based sectors locally.

Local brokerages anticipated a steady sales pattern over the next twelve months, but none anticipated spectacular growth. Commission levels varied at between 5 and 8 per cent.

Several local comments suggested that longer-term failure to expand the opportunities for moorings generally, and moorings at a reasonable price - in particular, would limit the number of new participants to the industry. This,

in turn, would hinder the economic growth of the boat and equipment sales market in the future.

In the meantime, a variety of other economic factors was sustaining sales in the short term. It was suggested that demographic and socio-economic factors were supporting sales in the HGP area from UK residents. People aged 45 plus were using occupational pensions and the equity value in residential property as the financial means for trading up to mid-range yachts and for the purchase of power boats. An increasing number of richer people worldwide was also giving impetus to yacht sales for boats priced over £1 million. The higher-priced boats sales were creating increased business in the associated areas of marine surveying, financial, insurance and legal services in the HGP area.

#### **4.4 Hospitality and retail services**

The study shows that there are 45 clubs, which, including membership income, are generating collectively at least £4 million in sales revenues per annum. Marina-based restaurants are showing turnovers of up to £750,000 per annum.

There are further opportunities for non-marine leisure industry retailers and hospitality service organisations to maximise the amount tourists spend, and to maximise the use of the facilities by other businesses.

Local businesses should be looking at the marine leisure visitor market and making their retail or hospitality product offer more high profile to that group. The evolution of local Wi-Fi<sup>7</sup> services is one communication channel that could be exploited. In terms of facilities maximisation, one marina was looking to the conference market as a means of getting greater “throughput” for its restaurant area.

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<sup>7</sup> Wi-Fi stands for Wireless Fidelity; Wireless Ethernet Compatibility Alliance's (WECA) brand identity for the IEEE 802.11b standard

## 5 Recommendations

### 5.1 Overview

The marine leisure industry in the Haven Gateway Partnership area is in a period of transition. There are opportunities to exploit, but also limitations to be overcome, if the industry collectively is to be an engine of economic resurgence for the area.

Changes in the global market mean that the industry needs to maximise the value of its expertise in design, building, finishing and commissioning high-specification, high-quality yachts. It needs a good supply of skilled labour to do this.

Boatyard services, chandlery, boat and equipment sales, brokerage and hospitality services all have scope for expansion and increased sales.

There are some limitations to expansion on the water - with increased moorings - which need to be approached sensitively to meet environmental concerns, but the continuing growth of the industry is dependent on further managed developments on the land and on the water.

There is much good-will by businesses and industry practitioners to work collectively on promoting the products and services of a modern industry to new customers, as well continuing the heritage of traditional wooden boat building. The task is to build on that by working with organisations such as the councils, EEDA and 1st East, in promoting the east coast as a venue of first choice for marine leisure industry participants, and businesses.

### 5.2 Public policy

There are some awareness-raising activities required.

It is suggested that this report, and other related publications, are circulated to public bodies, such as the regional development agency, to emphasise the economic contribution made by the marine leisure industry to different east coast communities.

It is recommended that joint working takes place with key agencies, the Haven Gateway Partnership, the county and district councils, regeneration agencies, the LSC, Business Link and the Chambers of Commerce, to promote the east coast's marine leisure industry, and to ensure the industry's development figures as an important part of their strategic planning for the future. The collective approach would cover improved access to learning and training, the development of best business practices, and the promotion of the east coast as a leisure boating venue. There is sufficient potential in the

wider area from the Thames to Great Yarmouth to emulate the learning delivery, business development, and knowledge transfer good practice that exists in similar economic clusters on the south coast.

It is suggested that bodies charged with environmental protection and planning control, while continuing to maintain environmental standards, should also be treating the expansion plans of the marine leisure industry in a supportive fashion, and in a way that the whole community will see economic benefits materialise.

### 5.3 Business support

There are detailed recommendations on improving the skills of new entrants to the industry, as well as existing employees, in the Marine Skills Academy report. There are other general recommendations to be made.

There are examples of good practice elsewhere that could be emulated locally. A partnership group similar to MareNet - a marine sector network - organised through Wessex Business Link to serve local marine businesses could be developed in the HGP area.

(<http://www.businesslinkwessex.co.uk/marenet/about.asp>)

The use of the lean manufacturing techniques as adopted by Fairline Boats plc, and the benefits of advanced technologies as developed through knowledge transfer partnerships<sup>8</sup> could all be adopted locally.

Although local businesses are already using the internet, more can still be done to improve sales and raise company profiles. Mail-order chandlery and online brokerage promotion are two areas that need further exploitation. Continuing enhancements to local Wi-Fi systems are also essential to improve customers' positive impressions of east coast marine venues.

Public agencies and trade bodies need to emphasise, particularly to smaller businesses, the impact of globalisation. The east coast's key to survival and prosperity is to produce high-quality products, and high-specification services to an increasingly discerning market - part national, and part international.

Many local businesses supplied clear and engaging information about their service offer. However, there were still some that need to be more transparent in their business offer, and charging procedures, and demonstrate a more professional appearance in their "web" presence.

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<sup>8</sup> The Fairline Boats plc initiative is described in Chapter 3; the knowledge transfer work cited is a collaboration between Mustang Marine (Wales) Ltd and University of Wales Institute Cardiff resulting in advancements in boat design and manufacturing techniques.

The hospitality industry, outside the immediate marina / yacht club environment, needs to be more aware and more responsive to the wider yachting / visitor market, and thus boost income from leisure boating participants.

Finally, in the Marine Leisure Skills Academy report, a recommendation was made that a part-time liaison officer should be appointed<sup>9</sup> to provide a channel of communication between businesses, public bodies, schools and colleges to raise awareness of the industry.

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<sup>9</sup> Funding sources would need to be found to take this recommendation forward.

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