

PRESS RELEASE

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UK environmental consulting market falls 8.4% in 2010; prospects flat for 2011

Market declines for the second consecutive year to stand at £1.23 billion in 2010, shedding just under 1,000 jobs within the top 32 firms

Government austerity measures are largely responsible for the decline and will continue to hinder return to growth; Environment Analyst predicts 0.5% growth for 2011; however, long-term drivers remain intact

Whilst many practices may be struggling, others have adopted successful business models

The latest report from market research firm *Environment Analyst* concludes that the UK environmental consultancy sector contracted by 8.4% in 2010, to stand at £1,230 million. This is the market's second consecutive decline after more than two decades of unbroken growth.

The £113 million decline in the sector was primarily the result of government austerity and the curtailment of local authority expenditure. Between 2009 and 2010, £79 million in public spend was lost from the environmental consulting market equating to 70% of the overall decline. The private sector declined less sharply in 2010, losing £34 million. However, this was far from 'picking up the slack' from the public sector, instead contributing a further third to the market decline. Despite these contractions, sales to the regulated industries increased by £14 million offering encouragement for 2011.

The report's co-author, Stuart Foxon, comments: "The depth of the recession surprised many environmental consultancy managers. Unlike 2009, in 2010 it became apparent that a reliance on public sector projects would hit the sector hard, beyond the general downturn caused by the wider economic conditions. Consultants are often one of the first to benefit under economic prosperity, but also likely to be one of the first to suffer under economic austerity."

The recession has transformed the environmental consultancy playing field to one of revenue loss, declining fees and job cuts equivalent to over 8%, and 1,000 staff, of the workforce

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employed by the country's top 32 environmental consulting practices. The headline findings also reveal that consultancies have become slightly less efficient this year as longer lead-in times and legislative uncertainties have led to a reduction in turnover per head and staff utilisation rates throughout 2010.

In terms of service areas, environmental impact assessment (EIA) and sustainable development remains the top income generator for UK environmental consultants, despite a 12% contraction in revenue in 2010 to £168 million. Contaminated land contracted by only 3.4% to £159 million, much less than the previous year when revenue shrank by more than a fifth as a result of the decimation of the house-building sector.

Turnover from climate change and energy services, at £136 million, superseded that from waste management services for the first time after the latter underwent double-digit contraction in 2010 to stand at £121 million. The only service offering which substantially grew during 2010 was environmental/sustainability policy and strategy which grew by 14.7%. This is an indicator, perhaps, of increased CSR activities and investor pressure on multinational firms.

In 2011, ecological/landscape services, climate change & energy, EIA & sustainable development, and environmental/sustainability policy & strategy services are expected to be the strongest growth areas.

Despite two years of consecutive market contraction and the impacts of the 2010 spending review on the public sector, the overall conditions are set to improve in 2011. Indeed, there are indications that many firms are doing well this year. Nearly half of large firm survey respondents (those working for firms with revenues greater than £10 million) reported that their Q1 2011 performance was better than they had budgeted for with a further 40.6% stating growth was in line with expectations.

Environment Analyst is therefore predicting 0.5% growth in 2011, compared with the projected GDP increase of 1.1%. Although 2011 is expected to be relatively flat – unless the Eurozone crisis tips the region into a double-dip recession – our research does highlight that long-term drivers remain intact – namely, the need to invest in capital infrastructure projects to stimulate a stagnant economy whilst delivering on strict legislative targets in the transition to a low carbon, low waste and energy secure economy.

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FURTHER INFORMATION

1. *The 2011 Market Assessment of the UK Environmental Consulting Sector* includes a 229-page analytical report, a 150-slide Executive Presentation, Full Data Package (105 figures) and Competitor Analysis (109 pages). All components are available to *Environment Analyst's* Market Intelligence Service subscribers.
2. For further details (including a full list of contents and figures) see:
<http://www.environment-analyst.com/intelligence>
3. Our market analysis is based on core figures supplied by over 40 companies (representing approximately half the sector in terms of UK environmental consulting revenues), a detailed analysis of the top 32 consultancies, as well as market trends information collated from over 300 environmental business managers via our Market Snapshot survey conducted during April to June this year
4. *Environment Analyst Ltd* (<http://www.environment-analyst.com>) is a publishing and market research organisation focusing on the environmental consulting and support services sector – we collect and analyse information from the industry for the benefit of the industry
5. *Environment Analyst's* market research has identified more than 675 firms active in the UK environmental consulting sector, of which c143 achieve annual sales in excess of £1 million
6. The UK environmental consultancy sector remains highly fragmented, with the 30 firms each achieving revenues in excess of £10 million, accounting for 68% of the total market when combined. The top 32 practices handled over 44,500 environmental consultancy projects in 2010, employing some 11,354 environmental consultancy staff in 2010 (down from 12,352 in 2009).

7. In order of market share, the top 32 practices are:

1. RPS Group
2. Halcrow Group
3. AEA
4. URS/Scott Wilson
5. Atkins
6. Mott MacDonald
7. Environmental Resources Management (ERM)
8. Jacobs Engineering
9. RSK Group
10. AMEC Environment & Infrastructure
11. Arup
12. WSP Environment & Energy
13. SKM Enviros
14. SLR Consulting
15. MWH
16. Capita Symonds
17. WYG Environment
18. Parsons Brinckerhoff
19. Bureau Veritas
20. Golder Associates
21. Mouchel Group
22. ADAS UK Ltd
23. Hyder Consulting (UK)
24. Environ
25. AECOM
26. PwC
27. Black and Veatch Ltd
28. Cefas (Centre for Environment, Fisheries & Aquaculture)
29. Wardell Armstrong
30. JBA Consulting
31. Arcadis
32. Waterman Energy, Environment & Design

The charts overleaf are provided for publication:

Fig 1 UK environmental consulting market revenues, 2003-2011e

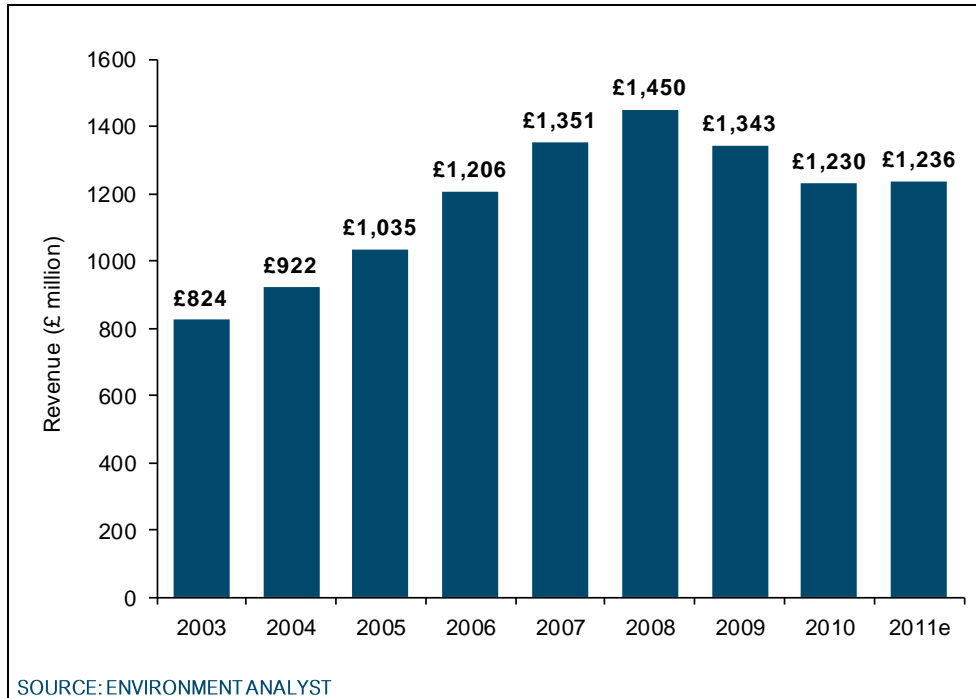


Fig 2 Market revenue breakdown by service area, 2010

