Environment
ANALYST

PRESS RELEASE

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UK environmental consulting market falls 3% in 2009 but predicted to bounce back this year

- *Market declines for the first time in over a decade, dipping 3% to £1.36 billion in 2009*
- *Modest growth forecast for 2010, with demand focused back on private sector due to impending government spending cuts*
- *Larger practices improve operational efficiency; smaller firms struggling more*

The latest research report[1] from *Environment Analyst* concludes that the UK environmental consultancy sector contracted by 3.0% in 2009, to stand at £1.36 billion. This marks the market's first decline after more than a decade of unbroken growth, although the report forecasts modest recovery in 2010 spurred by the push towards greener power sources and more efficient energy use.

The recession has transformed the environmental consultancy playing field to one of revenue loss, declining fees and job cuts equivalent to over 8% of the workforce employed by the country's top 32 environmental consulting practices. *Environment Analyst*'s Market Assessment – which includes detailed profiles of each of the top 32 players whose combined revenue represents over 70% of the total market – finds that these firms shed staff numbering in the region of 1,125 in 2009.

The headline findings also reveal the economic downturn has forced firms to sharpen their commercial skills and become more efficient, evident through rising staff utilisation rates and turnover per head in 2009.

The report's author, Liz Trew, comments: "It came as something of a shock to many environmental consultancy managers that their businesses were not as immune to the recession as they had hoped given the underlying legislative drivers. It pushed many of the larger firms to review their strategic direction and make difficult – but in some cases long overdue – decisions that will ultimately see them emerge as leaner, stronger and more efficient."

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Public sector spending was largely responsible for propping up the turnover of the top 32 environmental consulting practices last year. Demand from government bodies rose by 15.7% in 2009, in sharp contrast to a 9.0% dip in sales to the private sector (including utilities and other corporate clients). There were double-digit declines in sales to the extractive, manufacturing & process industries, as well as to the finance & services and construction/property sectors.

However, public sector demand began to weaken in 2010, with consultants reporting growth of just 1-2% in government work at the time of our market snapshot survey[3], which ran from March to May 2010. Notwithstanding the spectre of public sector spending cuts, the overall market in the UK is forecast to grow by 3.2% in 2010, compared with the projected GDP increase of 1.6%. Climate change and energy, waste management and strategic environmental/sustainability services are expected to be the strongest growth areas for this year.

Contaminated land no longer ranks as the number-one income generator for UK environmental consultants as it has been for the last fifteen years, with revenue shrinking by almost a fifth in 2009 to £171 million – a victim of the decimation of the housebuilding industry and fall-out from the credit crunch. Environmental impact assessment (EIA) & related sustainable development services has moved into pole position, with revenues stabilising at around the £200 million mark in large part due to demand from renewable energy developers and other energy firms. Some 54% of consultants active in this area reported positive growth in revenues from their EIA services in the early part of 2010, with only 7% reporting a decline.

Although 2010 is expected to herald a return to growth in the UK environmental consulting sector, there are indications that many small firms will struggle for survival this year. Almost half of SME survey respondents (those working for firms with revenues of less than £10 million) said their Q1 2010 performance was worse that they had budgeted for, compared with just 16% of larger firms (those with revenues greater than £10 million).

Liz Trew comments: "The larger practices have generally been quick to make tough decisions and become more focused on the need for routine strategic planning, while many also have the benefit of an international dimension to their work and better access to cash than the smaller players. If 2010 proves tough for SMEs as our survey suggests, there will almost certainly be a wave of consolidation and bargains to be snapped up."

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FURTHER INFORMATION

1. The *2010 Market Assessment of the UK Environmental Consulting Sector* includes a 150-slide Executive Presentation, Full Data Package (105 figures) and Competitor Analysis (74 pages). Both 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/intelligence

3. Our market analysis is based on core figures supplied by over 50 companies (representing approximately half the sector in terms of UK environmental consulting revenues), as well as market trends information collated from 375 environmental business managers via our Market Snapshot survey conducted during March to May this year

4. *Environment Analyst* (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 c135 achieve annual sales in excess of £1 million

6. The UK environmental consultancy sector remains highly fragmented, with the 32 firms each achieving revenues in excess of £10 million, accounting for 71% of the total market when combined. The top 32 practices handled over 52,000 projects in 2009, employing some 12,640 environmental consultancy staff in 2009 (down from 13,762 in 2008).

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

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