



# UK Marine Export Strategy

Withdrawn 22 May 2019

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# 1: Introduction

**1.1.** The Marine Industries Alliance launched 'A strategy for growth for the UK Marine Industries' in late 2011. It sets out the ambition that co-operation across the sector could produce 4 per cent Compound Annual Growth, leading to an increased Gross Value Added of around £25 billion by 2020. This export strategy is a key part of delivering that growth.

**1.2.** The Marine Industries Leadership Council ("the Council"), co-chaired by the Minister of State for Business & Enterprise (Rt Hon Michael Fallon MP), and a leading industrialist (Richard Sadler, Chief Executive Officer, Lloyd's Register), commissioned the UK Trade & Investment (UKTI) Marine Sector Advisory Group (MSAG) to produce an export strategy.

**1.3.** This focus on the marine sector sits within a broader context, where the Prime Minister has set a National Export Challenge to get an additional 100,000 UK firms exporting and the Chancellor has set a target of more than doubling the amount the UK exports to £1 trillion by 2020. UKTI has also set a target of increasing to 50,000 the number of companies it helps by 2014-15 and raising the value of additional sales achieved by UK companies as a result of its support to £56 billion.

**1.4.** The overarching objectives for the MII export workstream are in Annex A and this report focuses on the principal objectives of achieving growth through increased trade and investment.

**1.5.** The UK marine sector, as defined in this report, encompasses:

- Leisure marine, covering boat and yacht building, superyacht, small commercial workboats and associated equipment and services;
- Commercial marine, covering ship building, ship repair and associated equipment and services, marine science and technology;
- Energy, covering marine-related platforms, products and services for the oil and gas and offshore renewable industries;
- Naval defence.

**1.6.** Stakeholders who have contributed to this report include individual companies, UK marine trade associations and the UKTI overseas network. A sub-group of MSAG was set up to develop this strategy (list of members at Annex B).

**1.7.** MSAG will lead the implementation of the export strategy and will regularly update the Council on its progress.

## 2: Executive Summary

**2.1.** The UK Marine sector is an important part of the economy with £19 billion gross value added contribution to GDP and employing over 360,000 people.

**2.2.** Growth opportunities exist in the global marine sector but UK companies are facing challenging conditions, particularly in more traditional markets such as the EU. Non-EU exports of ships, yachts and floating structures, have enjoyed a fivefold increase since 2007. Whereas UK exports to the EU in this market are down by 30 per cent in the same period. Similarly, exports of yachts increased by 53 per cent to non-EU markets from 2007-11, but fell by 17 per cent to the EU.

**2.3.** Marine sub-sectors have varying priority markets. Evidence shows that overall Brazil, China and South Korea are priority geographical markets for UK marine companies. The substantial opportunities offered by the Brazilian energy company Petrobras and Brazil's naval shipyard and shipbuilding programme are a good example of where the UK needs to be well positioned in the future. UKTI will develop a Campaign approach, building on the High Value Opportunity (HVO) model, targeting global opportunities offering greatest accessible value to the UK and using a whole of Government approach in support of UK business efforts to maximise the opportunities in growth markets.

**2.4.** For leisure boats and equipment, the major European markets of France, Italy, Germany, the Netherlands and Spain remain key for leisure boats and equipment and it is important for UK companies to get 'specified' by the major boat builders who sell across the world. In the medium term, 5-15 years, the British Marine Federation (BMF) has identified further markets with growth potential: Brazil, Russia, India, China, Turkey, Slovenia, Greece, Australia, New Zealand, the Middle East and Scandinavia.

**2.5.** There is substantial marine content in offshore oil and gas installations and applications. Markets that are driving demand for mobile offshore drilling units, according to 'Offshore Intelligence Monthly'<sup>1</sup> are Norway, the USA, Singapore, France and Brazil. The Brazilian High Value Opportunity in Brazil has substantial marine content (see details on HVOs in Chapter 5) and UKTI has a programme of business support activities to target this opportunity.

**2.6.** In defence, over a 10-year period, almost all world navies are anticipated to start or continue projects to acquire new surface and sub-surface capability. Some are raising their capability for maritime regional deterrence, regional assistance and maintenance of territorial and resource security. A smaller number of navies are continuing or commencing significant submarine projects (e.g. USA, South Korea, Australia, Norway, Netherlands and India). For both surface ships and submarine programmes, whilst there is a move to in-market platform build, the opportunities remain strong for UK consultancy and systems and equipment businesses.

**2.7.** The offshore wind industry, according to the International Energy Agency (IEA), will enjoy huge growth from the presently installed global capacity of some 6 GW to between 32 and 118 GW by 2020. The UK, Germany and Denmark are currently very strong markets with China, Japan, Korea, USA, Canada, Taiwan, and India all expected to develop capacity by 2020.

**2.8.** Information on export opportunities is patchy and the ability to acquire this information, particularly in emerging markets, has been identified by industry as a key barrier to growth. Moving forward, it is important that industry and government improve how they share information and intelligence about growth opportunities and changing markets. Improving management of this information with new ways of working on an ongoing basis is a key theme of this strategy, with the Marine Sector Advisory Group (MSAG) playing a lead role.

## 2: Executive Summary (continued)

**2.9.** A key barrier to exports, particularly for SMEs, is a lack of capacity within businesses to sustain export business. The ability of UK marine companies to fully exploit global business opportunities is shaped by a number of factors including company size, internal capability and capacity, the sub-sector in which it operates, export readiness and experience. Access to finance is a barrier affecting companies across the UK, including in marine. This will be helped by the Autumn Statement announcement (Dec 2011) that a £1.5 billion direct lending facility is to be established so that UK Export Finance can provide loans to overseas buyers who purchase capital/semi capital goods and services from British exporters. This facility will be available for small and medium size transactions where loan funds cannot be obtained from commercial banks. This will provide confidence to exporters and buyers that export credit financing is available from the UK and enable the UK to compete better with firms from other countries that have equivalent backing from their Export Credit Agencies. The funding will be made available from 1 April 2013 until end of 2015-16.

**2.10.** Industry has highlighted that managing and developing relationships, possessing technological superiority and managing costs are the most important factors affecting competitive advantage of UK marine companies in international markets.

**2.11.** UKTI can play a pivotal role in helping companies to build and develop relationships. A survey of the industry found that the three most customer types of the UK marine sector in overseas markets were the Government/public sector, shipbuilders and owners.

**2.12.** The marine sector has benefited from UKTI's Tradeshow Access Programme (TAP), with large UK groups attending the SMM commercial marine equipment show in Hamburg in September 2012 and the METS leisure marine equipment show in Amsterdam in November 2012. The UK marine sector has also run its own international activity, including visits organised by the Society of Maritime Industries (SMI) to the UK by Chinese shipbuilders.

**2.13.** UKTI is currently developing marine and offshore wind inward investment propositions which will be used as an evidence-base for UKTI inward investment staff to use when attracting marine investors to the UK.

**2.14.** The UK has a good record of innovation in the marine sector and this will need to continue to secure growth opportunities in the future. Industry predicts that the principal marine innovations that will shape the market over the next 10 years will include:

- Environmental protection and emissions reduction;
- Automation systems;
- Renewable energy;
- Propulsion technology;
- Electronics and data management.

**2.15.** Government has invested over £19 million since January 2012 to support innovation. This includes a new Technology Strategy Board (TSB) competition to develop solutions which improve current vessel performance and efficiency and also to generate novel low carbon, green shipping, propulsion and marine ICT projects.

**2.16.** A highly skilled workforce, an experienced supply chain and a stable regulatory environment are key strengths of the UK marine sector. However, there are risks including a dependence of some marine sub-sectors on slow-growing European markets and localisation requirements in some markets, such as Brazil. More information is needed to build up a clearer picture of the UK's relative export strengths and how that can be maximised. This is an area of work BIS will take forward, working closely with the MSAG, marine trade associations and UKTI.

**2.17.** The UK is already a strong exporter in the marine sector, in a good position to improve performance and, over time, increase its share of global trade. Recommendations for Government and industry action are set out below.



### Recommendation 1

MSAG and the Council, working with BIS, to make a detailed assessment of the relative strength of UK exports, broken down by sub-sector. BIS to lead this work, to be completed by end-May 2013.

### Recommendation 2

UKTI to encourage inward investment into targeted segments of the UK marine and offshore wind sectors which will build the capability of the UK and in turn increase its exportability. Ongoing process.

### Recommendation 3

MSAG to co-ordinate input from industry to the development of UKTI's campaign approach to target major overseas projects and sectoral opportunities in the marine sector. MSAG to lead, an ongoing process.

### Recommendation 4

The Council and MSAG to identify UK and international marine companies that are currently relationship-managed in Government and recommend other key marine companies for which the UK should establish relationship management strategies. Ongoing process.

### Recommendation 5

Establish a more structured arrangement through MSAG to provide market intelligence that will continue to inform the marine export strategy. MSAG to lead and initial recommendations on new, improved arrangements, to be made by end-March 2013.

### Recommendation 6

MSAG to consider major projects and opportunities where marine industry mentors could advise and guide companies and put them in a strong position to secure business. MSAG to identify 12 projects by end-May 2013.

### Recommendation 7

MSAG, working with industry, to finalise the criteria for prioritising market opportunities and undertake a full prioritisation exercise on a more complete evidence base. MSAG and UKTI's Strategic Trade and Inward Investment Groups to lead. Interim recommendations to be provided to MSAG by end-May 2013.

### Recommendation 8

To include luxury marine in the China GREAT Campaign. UKTI Strategic Trade to lead, campaign to begin by April 2013.

### 3: Forecast of Future Global Marine Demand & Market Trends

#### Introduction

**3.1.** This Chapter outlines future global demand for marine products and services in leisure and commercial marine, offshore oil and gas, renewables and defence.

**3.2.** The forecasts draw on different evidence bases including the industry survey, Clarksons and trade association international committees.

#### Industry Survey

**3.3.** The industry survey asked UK marine companies to identify which international customers and markets would generate the greatest demand for marine products and services over the next 5 years. Brazil and China were clearly identified as the most important markets.

**Table 1: Industry Survey: Priority Markets**

Geographical Markets	Number of Industry Respondents*
Brazil	24
China	22
Australia	17
USA	15
South Korea	13
India	11

\*respondents not limited in the number of markets they could identify as offering greatest demand.

**3.4.** In parallel, UK Government and marine trade association stakeholders have provided input on priority markets, which is outlined in Table 2.

**Table 2: UK Government & Marine Trade Association Priority Markets**

	UKTI DSO	UK Energy (Renewables)	SSA	BMF	SMI	ADS (defence)
Algeria	x					x
Australia	x			x	x (N)	x
Brazil			x	x	x	x
Canada	x		x	x		x
Chile	x					x
China		x	x	x	x	
India			x	x	x (N)	x
Indonesia	x				x (C, N)	x
Malaysia	x					x
Netherlands		x		x		
Singapore			x		x (C)	x
South Korea	x			x	x	x
Turkey			x	x		x
USA	x				x (N)	

N = Naval, C = Commercial Marine



**3.5.** From this initial market prioritisation, Brazil is the most important market, chosen by all the marine trade associations. India was also chosen by all four but two of the associations specifically targeted defence opportunities.

**3.6.** Other markets, selected by at least three trade associations were:

- Australia;
- Canada
- China;
- Singapore;
- South Korea;
- Turkey.

#### (i) Commercial Marine

**3.7.** Clarksons data<sup>3</sup> provides information on global commercial shipbuilding and helps to illustrate the markets UK marine equipment companies should be targeting.

**3.8.** Table 3 gives the ship type order book for August 2012. Further data on different categories of ship are shown in Annex C.

**Table 3: Overall order book for the top 5 markets in August 2012**

Rank	Country	No	m. egt
1	China	1,963	35.2
2	South Korea	891	30.3
3	Japan	780	13.6
4	Brazil	143	2.5
5	Philippines	70	1.9

**3.9.** Although China leads overall in terms of ship build, as Annex C shows, South Korea builds the most sophisticated, high-value vessels.

#### (ii) Leisure Marine

**3.10.** The developed leisure marine markets will continue to be highly attractive to SMEs with a high percentage of their export business.

**3.11.** Europe – with 6 million boat yards, 36 million boaters, the continent has a developed market and encompasses many of the main global brands e.g. Azimut-Benetti, Beneteau, Bavaria. These brands, and others, are also strong exporters enabling UK companies to be present in global markets by being specified in builds in Europe.

**3.12.** North America – overall retail expenditure for marine products and services was US\$32 billion in 2011. New sales of powerboats (most trailer able) were 142,830. The USA is driving growth for the Superyacht sector.

**3.13.** Croatia, Slovenia and Turkey are developing European markets and have existing capabilities as boat builders.

**3.14.** In the medium term (5-15 years), Brazil, Russia, India and China and other markets listed below will provide opportunities for growth:

- In general the Far East has cultural barriers to “boating” seeing leisure marine as a luxury lifestyle rather than a leisure activity.
- India has bureaucratic issues surrounding marina developments inhibiting boat ownership
- The Russians continue to be strong buyers in the superyacht sector, but restricted in the domestic market with the short summer season.
- Brazil is the most leisure minded and leisure marine orientated but considerable barriers to trade (duties/taxes) need to be overcome before UK companies can grow their sales there.

<sup>3</sup> Shipyard Orderbook Monitor Vol.19. No. 8, Clarksons Research Services Ltd, August 2012

## 3: Forecast of Future Global Marine Demand &amp; Market Trends (continued)

**3.15.** Remaining stronger opportunities for boat sales and equipment over a 5-15 year timeframe will come from:

- Countries surrounding developed markets – Turkey, Croatia, Slovenia, Greece
- Strong Middle East markets – UAE, Qatar, Kuwait, Saudi Arabia, Bahrain
- Australia and New Zealand
- Scandinavia – high value sail and power boatbuilders

**(iii) Offshore Marine Fleet**

**3.16.** There is substantial marine content in offshore oil and gas installations and applications. As production from onshore and shallow fields continues to decline and worldwide demand for hydrocarbons continues to grow, exploration drilling and production is moving further offshore to reach remaining oil reserves. With this comes increasing demand for mobile offshore drilling units (MODUs).

**3.17.** In 2011 and 2012, according to 'Offshore Intelligence Monthly', high oil prices helped drive MODU investment. US\$37.4 billion in 2011 and US\$34.3 billion in 2012. Across this period, 90 per cent of investment was in high specification units, including 58 drillships with an estimated contract value of US\$38.7 billion.

**3.18.** There are over 25 reported high specification MODU newbuild options yet to be activated and an expansion of exploration and production budgets in 2013, so it looks likely that in the near-term the fleet could be maintained.

**3.19.** In terms of the MODU order book, the top 5 markets in August 2012 were Norway (15 per cent), the USA (12 per cent), Singapore (10 per cent), France (8 per cent) and Brazil (7 per cent).

**(iv) Defence**

**3.20.** According to ADS<sup>4</sup>, using IHS Jane's defence budget data, procurement spend in the period 2011-2015 will be dominated by the USA, China and Saudi Arabia. *Please note this is overall defence data, and there is no separate breakdown for naval procurement spend.*

**Table 4: Top 10 Defence Procurement Budgets by Market**

Rank	Country	Total Market Value USD Billions
1	United States	660
2	China	193
3	Saudi Arabia	115
4	Russia	87
5	India	79
6	United Kingdom	76
7	Japan	51
8	France	50
9	Turkey	44
10	Australia	42

**3.21.** Over a 10-year period, almost all world navies are anticipated to start or continue projects to acquire new surface capability. Some navies are raising their capability, for maritime regional deterrence, regional assistance and maintenance of territorial and resource security. A smaller number of navies are continuing or commencing submarine projects.

**3.22.** Brazil has a major re-capitalisation plan and India has a major expansion plan, although with a strong desire to keep as much work as possible in-market.

**3.23.** Potential customer countries fall naturally into three groups, according to spend and market attractiveness.

**3.24.** A few countries are high spenders, capable across the life-cycle and technically advanced, but difficult to enter.

4: "The ADS Group International Defence Market Strategy 2012"

**3.25.** The majority of countries reviewed are low spenders, with gaps in their own capability and modest technical requirements, but may have individual defined requirements that the UK can meet.

**3.26.** The remainder are those with reasonable budget and aspiration but limited domestic capability, and relatively high attractiveness. They are therefore of most interest to UK.

**3.27.** Overall, the global market volume is flat, with supply exceeding demand, but average annual spend is significant in the region of £20 billion on surface ships alone. A significant proportion of this is accounted for by the US Navy (some 45 per cent).

**3.28.** However, many nations have closed acquisition processes, are subject to trade restrictions or questionable transparency in business dealings, or have strong pre-existing political ties.

**3.29.** Established navies continue to face budget constraints and reductions in the size of their fleets as “capability inflation” outstrips affordable budget increases. With contracting home markets, naval shipbuilders are seeking opportunities in new markets, where they are facing competition from new entrants such as South Korea.

**3.30.** Some markets, such as Oman and New Zealand, are willing to import complex warships. Combat system equipment supply for more complex vessels comes from three main sources: the UK/Europe and markets such as Israel and South Africa.

**3.31.** There is an opportunity for the UK to sell frigates to countries with which it enjoys good relations, such as Brazil, Canada, Turkey, India and Malaysia.

**3.32.** The offshore patrol vessels (OPV)/corvette market is a lower value segment but presents some opportunities, following the recent UK successes in Brazil and Thailand.

**3.33.** South East Asia remains a strong market, due to regional political developments, for increasingly capable OPVs based on indigenous capability or technology transfer.

**3.34.** There are also substantial future opportunities with coastguard operators, both in the commercial and defence sectors with markets such as Brazil, India and the USA having substantial requirements and budgets.

#### (v) Offshore Wind

**3.35.** From presently installed global capacity of some 6 GW (4.6 GW in 2012), the International Energy Agency (IEA) projects growth to be between 32 and 118 GW by 2020, with a mid-range estimate of 86 GW; and growing to 439 GW by 2050. This estimate is broadly consistent with analysis by the Global Wind Energy Council of growth by 2020 to 40 GW in Europe, and 70 GW globally.

**3.36.** The industry is dominated by Europe, principally by the UK and Denmark, with deployment mainly in the UK. Globally there is early engagement also by China, Japan, Korea, USA, Canada, Taiwan, and India.

## 3: Forecast of Future Global Marine Demand &amp; Market Trends (continued)

## (vi) Marine Wave &amp; Tidal

**3.37.** Marine Wave and Tidal energy conversion is at an earlier phase of development, and dominated by the UK. Presently deployed capacity is small, but projected to grow by 2020 to some 3.6 GW across the EU (some 2 GW within UK). Other countries globally are also engaging with marine energy technologies (note: present costs of marine energy are high, at this early phase of the development of the technologies. There is great pressure for them to match the costs of offshore wind).

## Current Marine Market Intelligence

**3.38.** As part of their contribution to the market prioritisation exercise, the UKTI overseas network has provided some information on potential short-term opportunities in their markets.

**3.39.** Examples relevant to some of the markets prioritised above include:

**3.40.** South Korean Marina Programme – The Korean Government is predicting that in 10 years, the demand for marine leisure will increase by a factor of 10 and has announced plans to build 32 marinas.

**3.41.** China Marketing UK Regulatory Regime – There is the potential in China for the Marine & Coastguard Agency (MCA) and Royal Yachting Association (RYA) to sell their knowledge and expertise.

**3.42.** Further detailed opportunities are in the 'International Marine Opportunities' document which accompanies this strategy.

## Summary of Market Prioritisation and Next Steps

**3.43.** Industry and Government have limited resources to spend on export campaigns. Prioritisation is vital to enable the UK marine sector to meet the Council's export growth targets.

**3.44.** This chapter has outlined the different sources and evidence bases through which priority international markets can be identified for the marine sector.

**3.45.** Some markets feature prominently, such as Brazil, China and South Korea. Chapter 5 outlines in more detail potential campaigns and activity that can be taken forward in these markets.

**3.46.** It is important not to overlook opportunities that exist in other markets such as Western Europe, which provide a good array of accessible business opportunities for UK companies.

**3.47.** Although industry survey and other evidence provide a good indication, UK companies would like further information to make a better informed judgement on the most suitable markets for UK marine companies to approach.

**3.48.** Chapter 5 outlines further details of the market prioritisation work MSAG will lead to produce a robust rationale for targeting geographical markets.

## Future Technology Trends

**3.49.** The industry survey asked UK marine companies to identify the marine product and service areas which would produce the highest number of new innovations over the next 10 years.

**3.50.** The main technology groupings identified were:

- Environmental protection and emissions reduction;
- Autonomous systems;
- Renewables;
- Propulsion technology;
- Electronics and data management.

**3.51.** The Technology Strategy Board (TSB) has a wide range of marine-related programmes, including on offshore renewables, as well as marine elements in their programmes on high-value manufacturing, advanced materials, electronics, ICT and transport. UKTI and TSB are working together to ensure that future international opportunities are reflected as appropriate in TSB programmes.

## 4: Current Marine Market Environment

### Introduction

**4.1.** The first part of Chapter 4 sets the current context of the UK marine sector in terms of its size and structure, its economic importance to the UK and its export and investment performance.

**4.2.** The second part provides an analysis of the current strengths and weaknesses of the sector, current UKTI and industry support and main barriers to generating export growth. The evidence base includes the industry survey of 75 companies.

### Industry Structure

**4.3.** The UK marine sector covers a wide spectrum of companies encompassing different industrial sectors, size of company and varying levels of export experience.

**4.4.** There is no definitive figure that gives the total number of UK marine sector employees as different sources use different sector definitions and there is duplication of companies captured in sub-sectors employment totals (e.g. workboats are in the commercial and leisure marine sectors).

**4.5.** According to Oxford Economics<sup>5</sup>, employment figures for the following marine and maritime sectors are:

- Shipping – 146,000;
- Ports – 117,000;
- Marine sector – 95,000.

**4.6.** RenewableUK estimates that the offshore wind sector in the UK has around 4,000 full-time employees.

### Economic Impact to the UK

**4.7.** Oxford Economics findings say that “firms within the sector generated a £18.9 billion gross value added contribution to GDP. This is 1.2 per cent of the economic activity created in the UK in the year.

**4.8.** In relation to sub-sectors, in 2011/12, shipping made the biggest GVA contribution to UK GDP (£5.6 billion or 29 per cent) and shipbuilding and repair at £1.6 billion (8.3 per cent).

**4.9.** In 2011/12, the marine and maritime sector made a £4.6 billion tax contribution to HM Exchequer – 1.1 per cent of all tax receipts.

### Commercial Marine

**4.10.** According to the SMI, the UK commercial marine sector produces annual revenue of approximately £1.6 billion (which includes some maritime sectors such as ports not covered in this report) and employs 16,600 people. The SMI's definition of commercial marine includes; merchant shipbuilding; maintenance, repair and conversion; marine equipment, systems and services; ship recycling, marine science and design development and research.

**4.11.** The global merchant shipping industry provides a massive market for commercial systems and equipment and the UK is well-placed with its strength in marine systems and equipment manufacturing to exploit international opportunities.

**4.12.** The customer-base of UK marine equipment companies is diverse and includes commercial shipbuilding, leisure marine, oil and gas and defence.

**4.13.** The UK commercial marine sector is experienced in working with value-added complex marine structures and platforms and has extensive experience in international markets.

### Leisure Marine

**4.14.** The UK leisure marine sector, according to the BMF, generated revenue of £2.9 billion in 2010-11 and employed 31,000 people. They define leisure marine as encompassing a wide range of products and services including superyacht, powerboat and yacht manufacture, marine equipment, business services, small workboats and the aftermarket (including clothing). There is some cross-over, particularly in marine equipment and workboats, with commercial marine, so some of the same companies will account for revenue, and employment, generated in these sectors.

5: The economic impact of the marine and maritime sector on the UK in 2011/12 – December 2012

## 4: Current Marine Market Environment (continued)

## Offshore Renewables

**4.15.** Although this sector is relatively small today, with around 4,000 people employed in the offshore wind sector, the UK alone is forecast to invest up to £75 billion in offshore wind farms by 2020 and the growth of its wave and tidal industry could attract up to £4 billion per annum of investment by 2050. Offshore Wind opportunities are increasingly international and large scale. Wave and tidal technology is still maturing, but there is international demand for the UK's technology and advice.

## Defence

**4.16.** The UK defence sector is the largest in Europe and second only to the US globally. The UK defence industry is a significant contributor to the UK's economy, contributing more than £22 billion of annual revenues of which £4.5 billion is from exports. It directly employs more than 107,000. A survey by ADS, the industry trade body, estimates that maritime accounted for 27 per cent of domestic turnover and 12 per cent of exports.

**4.17.** Key areas of UK marine defence capability

- Research and Development;
- Complex platform design, development and manufacture including training and simulation support;
- Advanced Engineering Development and Manufacture;
- Complex systems integration;
- Niche design and manufacturing capability;
- Through-life support

## Key International Statistics (see Annex D).

**4.18.** Table 5 shows that UK exports to the EU of ships, yachts and floating structures, other than the one-off in 2007, have been steadily declining since 2007. They are down by 30 per cent compared to 2007. This decline is in sharp contrast to the situation with non-EU exports, which have enjoyed a fivefold increase since 2007.

**4.19.** In relation to yachts, outlined in Table 6, exports over the period 2007-11 also fell, in this instance by 17 per cent but exports to non-EU markets substantially increased by 53 per cent.

Table 5: UK Exports of Ships, Boats &amp; Floating Structures 2007-2011 (ONS)

Ships, Boats & Floating Structures (millions of £)	2011	2010	2009	2008	2007
EU	301	880	316	363	430
Non-EU	656	573	569	820	124

Table 6: UK Exports of Yachts 2007-2011 (ONS)

Yachts * (£m)	2011	2010	2009	2008	2007
EU	249	226	257	331	299
Non-EU	471	449	458	665	306

\* Yachts and other vessels for pleasure or sports; rowing boats and canoes

**4.20.** BIS has provided statistics on some UK marine exports. These figures do not represent a full picture of export activity as they do not include, for example, marine equipment which is hard to disaggregate from the current Office for National Statistics (ONS) data.

**4.21.** More detailed information is needed to build up a clearer picture of the UK's relative export strengths and this is an area of work BIS will take forward, working closely with MSAG and marine trade associations.

### Recommendation 1

**MSAG and the Council, working with BIS, to make a detailed assessment of the relative strength of UK exports, broken down by sub-sector. BIS to lead this work, to be completed by end-May 2013.**

### International Customers of UK Marine Companies

**4.22.** The industry survey asked UK marine companies to identify their major international customers.

**4.23.** The responses showed a wide number of marine customers with the main 3 types being (in order of priority):

- Government/public sector;
- Shipbuilders;
- Owners.

**Table 7: UK Marine Company International Customers**

Customer	Industry Responses*
Government/public sector	51
Shipbuilders	47
Owners	40
Distributors	39
Contractors	36
Boat builders	22
Vendors	19

\*respondents were not limited in the number of customer types they could identify

**4.24.** In terms of the segments to which UK marine companies were selling, the main ones, identified in Table 8 were (in order of priority):

- Defence;
- Commercial Marine;
- Oil & Gas.

**Table 8: Major Customer Segments of UK Marine Companies**

Segment	Industry Responses
Defence	55
Commercial Marine	47
Oil & Gas	43
Renewables	31
Leisure Marine	22

\*respondents were not limited in the number of segments they could identify to whom they were selling

### Major Competitors to the UK

**4.25.** The industry survey asked companies to identify the UK's main marine competitor by geographical market. The top 6 markets identified in the survey are outlined in Table 9.

**4.26.** The USA was identified as the main geographical competitor to the UK, with France and Germany ranked almost equally behind the USA.

**Table 9: Major UK Competitors by Geographical Market**

Geographical Market	Industry Responses
USA	37
France	26
Germany	25
Netherlands	12
Norway	12
Italy	9

\*respondents were not limited in the number of markets they could identify as the UK's main competitor



## 4: Current Marine Market Environment (continued)

**4.27.** In relation to defence, competitors range from niche players to companies capable of producing the entire range of concepts, designs, products and services. Among the more developed competitor countries, principally NATO members in Western Europe, competition is strengthening because of declining domestic demand arising from changed domestic political priorities, consequent budget constraints and Eurozone issues. There is a highly competitive supply side including state-owned providers. Many of the Western European competitors are in the process of reducing costs, improving efficiencies and seeking low-cost partners as ways to assist competitiveness, as well as diversification into adjacent markets to maintain volumes and potentially achieve real growth.

**4.28.** Major defence competitors are France, Italy, Spain, Germany and the Netherlands and increasingly Russia and South Korea.

### Inward Investment

**4.29.** UKTI is currently developing marine and offshore wind inward investment propositions which will be used as an evidence-base for UKTI inward investment staff to use when attracting marine investors to the UK.

**4.30.** The marine proposition document segments the UK marine sector into the following broad sector areas:

- Offshore Renewables
- Naval
- Leisure
- Super Yachts
- Commercial
- Supply Chain Opportunities

**4.31.** More specifically, the proposition highlights priorities in the following marine sub-sectors:

- Marine navigation;
- Marine equipment;
- Electronics;
- Marine energy.

**4.32.** The marine proposition also outlines the UK's strong marine universities and research institutes. Leading UK marine-related research institutes with international relationships include the Southampton University Maritime Centre of Excellence, Strathclyde University, the University of Plymouth Marine Institute, the National Composites Centre (Bristol), the SuperGen UK Centre for Marine Energy Research (HQ Edinburgh) and the European Marine Energy Centre (Orkney).

**4.33.** In terms of offshore wind, the UKTI proposition states that the UK currently has 18 offshore wind farms representing c2,094 MW of installed capacity, the highest capacity in the world and more than double that of its nearest competitor Denmark. Wind farms are expected to deliver 40GW to the grid by 2020.

**4.34.** A number of world leading turbine manufacturers have already indicated that they will be manufacturing offshore wind turbines in the UK – Siemens has indicated that they will manufacture in Hull, Gamesa has selected Scotland as their preferred location and other large OEMs are looking at UK sites.

**4.35.** The growth of offshore wind presents a number of supply chain opportunities for the UK: turbine components, turbine foundations, undersea cabling, high voltage electrical equipment, composites, O&M capabilities, and specialist consultancy services.

**4.36.** The UK has excellent research capability in offshore wind in both commercial and academic settings – Narec, Orec, the Scottish Energy Laboratory, University of Strathclyde and Durham University are all excellent examples.

**4.37.** Turbine manufacturers that have invested, or declared an intention to invest in the UK, include: Vestas Wind systems (Denmark), Siemens Energy (Germany), Gamesa (Spain), Sinovel Wind (China) and Alstom (France) and key existing development investors include: Vattenfall (Sweden), DONG Energy (Denmark), Statkraft (Norway), E.on (Germany) and Iberdrola (Spain).

**4.38.** Sub-sectors that are expected to grow in the UK include: development and consents, turbine manufacturing, foundation and tower manufacturing, installation and commissioning, operations and maintenance.

## Recommendation 2

**UKTI to encourage inward investment into targeted segments of the UK marine and offshore wind sectors which will build the capability of the UK and in turn increase its exportability. Ongoing process.**

## UK Strengths and Weaknesses in the Marine Sector

**4.39.** This section sets out the key strengths and weaknesses of the UK marine sector applying a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.

## SWOT Analysis

**4.40.** The SWOT uses as its evidence base the industry survey proposition work done by UKTI's Inward Investment Group and analysis by the trade body ADS.

### Strengths

- **Skills** – UK has a well established skills base that supports the marine sector across the supply chain particularly in advanced engineering, composites and design.
- **University R&D** – There are currently over 150,000 third level students in the UK studying engineering-related degrees. Many universities have specialised R&D marine centres, including Southampton, Strathclyde and Plymouth Universities and new wave research takes place at the SuperGen UK Centre for Marine Energy Research (HQ in Edinburgh) and the European Marine Energy Centre (Orkney). R&D is also a strength of the UK defence sector.
- **Complex platform design** development for defence and manufacture including training and simulation support.
- **Complex systems integration** for defence.
- **Vocational training** – Strong and an area the defence sector wants to market overseas. Training creates strong customer intimacy and generates good operational feedback.

- **Experienced Supply Chain** – UK marine equipment companies supply to major defence and energy contractors (e.g. BAE Systems, Babcock, AMEC, Siemens) and boat builders (e.g. Sunseeker and Princess Yachts) so are in a strong position to offer their specialised products to international markets. In the commercial sector, a history of working in export markets across the globe for more than 50 years, following the demise of large non-defence shipbuilding in the UK, has been responsible for many UK marine supply companies seeking new overseas markets. As a result, a strong reputation for service and support of their engineering wherever a ship operates has been gained.
- **Growing sub-sectors** – Offshore renewables has grown significantly in recent years. The UK has 40 per cent of EU wind capacity and the largest project portfolio in the world.
- **Stable Regulatory Environment** – Maritime & Coastguard Agency and the Royal Yachting Association provides a stable environment in the UK in which to do business.
- **Through-life support** for defence.
- **Marine Helicopters** – provide value to different marine sectors including naval, commercial, oil and gas and renewables.
- **Energy Capabilities** – experience of offshore oil and gas operation, lessons can be applied to offshore wind. Strong, R&D intense technology areas.

### Weaknesses

- **Dependent on Markets of Slow Growth** – Leisure marine companies heavily focused on European markets.
- **Scale** – UK leisure boat builders do not have scale of their French and Italian counterparts.

## 4: Current Marine Market Environment (continued)

## Opportunities

- **Markets** – Brazil – Petrobras and Shipbuilding HVOs, China, South Korea and Australia.
- **UK Regulatory Offer** – Opportunity to market in China
- **Marine Energy** – growing segment can act as springboard to export;
- **Marine Inward Investment** – opportunities to invest in the sub-sectors of marine navigation, marine equipment, electronics and marine energy.
- **Renewables Inward Investment** – encourage manufacturers to locate in the UK, particularly in areas of turbine components, turbine foundations, undersea cabling, composites and high-voltage electrical equipment.

## Threats

- **Established Renewables Supply Chains** of overseas OEMs and remote from construction/application;
- **State-owned defence manufacturers** in emerging markets;
- **UK capability gradually shrinks** as companies exit the sector due to reductions in defence spending
- **Reduced exposure by SMEs** to companies manufacturing sophisticated platforms and equipment in the defence sector will diminish UK R&D capability and innovation;
- **Skills**, lack of students doing Science, Technology, Engineering and Maths (STEM) courses at school;
- **Unethical conduct** by competing nations
- **ITAR regulations**;
- **Offset requirements** inhibiting for smaller companies
- **Localised requirements** in some markets such as Brazil.
- **Proliferation of technical standards**, e.g. USA Customs-Trade Partnership Against Terrorism (C-TPAT) and European Authorised Economic Operator (AEO) schemes.

## Current Competitive Advantages of the UK

**4.41.** The industry survey asked respondents to identify the principal competitive advantages UK marine companies had to possess to increase their share of the global marine market.

**Table 10: Most Important Competitive Advantages UK Marine Companies Need to Possess to do Business in International Market**

Competitive Advantage Areas	Industry Responses
Relationships	46
Technological Superiority	40
Cost	39
Capacity	27
Innovation	24
Through-life Support	19
Speed of Response	12
Customisation	8
Volume	3
Factors/Tangible Assets	0

**4.42.** The 3 key areas UK companies identified as being the most important to compete in international markets were:

- Managing and developing relationships;
- Possessing technological superiority;
- Managing cost.

**4.43.** In the defence sector, strong relationships with customers at every level are essential to success. In the most successful defence campaigns, business relationships are underpinned by defence agreements and/or defence trading arrangements.

**4.44.** The scope of the offer is also critical in securing defence contracts that can encompass local partnering and supply chain, technology transfer, joint programmes, training, support solutions and offset.

**4.45.** Partnering is also important whether it is with overseas shipyards in the customer's country, third-party yards, or other suppliers and countertrade providers.

## Current UKTI Support for UK Marine Exporters

**4.46.** The ability of UK marine companies to fully exploit international business opportunities is shaped by a number of factors including company size, internal capability and capacity, the sub-sector it operates in, export readiness and experience.

**4.47.** UKTI provides a wide range of products and services to UK exporters (further details are available at [www.ukti.gov.uk/export](http://www.ukti.gov.uk/export)), including marine companies, and recent examples of support are outlined in this chapter.

**4.48.** UKTI products to overcome market barriers on access to information and contacts include:

- The Passport to Export service which assesses a company's readiness for international business;
- The Gateway to Global Growth service for experienced exporters which offers a 12 month programme of strategic support tailored to growing companies' business overseas;
- The Overseas Market Introduction Scheme (OMIS) where companies can commission tailored research through the UKTI overseas network;
- The Export Market Research Scheme (EMRS) provides independent advice, at no charge, to companies on carrying out marketing research and provides grants of up to 50 per cent to companies to the cost of conducting market research;
- Business Opportunities disseminated through the UKTI website;
- Open to Export website, [www.opentoexport.com](http://www.opentoexport.com), which provides advice and support from a wide range of experts and advisors across industry and Government;
- Targeted overseas trade missions and inward visits of key customers to the UK;
- Participation in overseas trade fairs through the Tradeshow Access Programme (TAP).

Examples of recent UKTI support to the marine sector include:

### (i) Major UK Presence at Overseas Trade Fairs

**4.49.** The UK marine sector has benefited from TAP support and some major global marine shows attract large UK groups. In 2011-12, UKTI supported 10 UK groups at marine shows, with 119 companies receiving grant support and in 2012-13, support is being given to 10 UK groups and an estimated 110 companies will receive grant support.

**4.50.** In September 2012, 90 UK companies attended SMM in Hamburg, the largest commercial marine equipment show in the world with 300 companies exhibiting on the UK Pavilion organised by the British Marine Equipment Association (BMEA), part of SMI, and 60 companies exhibiting in the rest of the show. In addition, UKTI hosted a reception on a Royal Naval Ship. Business & Enterprise Minister, Michael Fallon, attended the reception.

**4.51.** In November 2012, 83 UK companies exhibited in the UK Pavilion at METS in Amsterdam, the world's largest leisure marine equipment trade show, with 43 companies receiving TAP grants. Overall, 190 UK companies took part in the exhibition.

### (ii) London Boat Show Meet the Buyer

**4.52.** UKTI is supporting a 2-day Meet the Buyer event at the London Boat Show in January 2013. Twenty two international buyers will attend the event, from key markets such as Brazil, France, Germany, Italy, the Netherlands, Taiwan, and Turkey. The buyers will have around 400 meetings with an estimated 60 UK companies.

**4.53.** In addition to UKTI support to the sector, marine trade associations have also provided export support to UK marine companies.

Examples include:

### (iii) China Shipyard Visits to the UK

**4.54** The SMI has organised 4 visits by Chinese shipyards to the UK over the past 18 months.

### (iv) Market Briefings

**4.55** The BMF has organised 'Meet the Exporter' market briefings and mentoring sessions for UK leisure marine companies targeting France, Germany and the USA.

## 4: Current Marine Market Environment (continued)

## Autumn Statement

**4.56.** In the Autumn Statement in December 2011, the Government announced a number of measures to assist companies, including those in the marine sector, such as:

- Introduction of a National Loan Guarantee Scheme. Up to £20 billion of guarantees for bank funding will be made available over two years. This will allow banks to offer lower cost lending to smaller businesses, subject to state aid approval;
- Making available an initial £1 billion through a Business Finance Partnership, which will invest in smaller and mid-sized businesses in the UK through non-bank channels.
- In addition to the measures announced in the Trade and Investment White Paper in May 2011, spend £10 million to make available to 500 mid-sized businesses each year the bespoke export support services of UKTI and spend £35 million to double, from 25,000 to 50,000, the number of SMEs that UKTI supports each year.
- Working through the EU to complete free trade agreements with India, Singapore and Canada 2012, and make substantial progress towards completing trade agreements with Mercosur, most ASEAN countries and Japan within the next three years.

## Potential Barriers to Exports

**4.57.** Barriers to exporting can be divided into 2 categories: generic ones that apply to exports across sectors and those more specific to marine.

**4.58.** Some of these barriers apply to companies of all sizes and export experience but are particularly relevant to SMEs.

## Generic

**4.59.** These barriers are commonly cited by companies to UKTI and some were raised in the industry survey.

- Access to finance from banks;
- Access to export credit insurance;
- Ability to acquire information about export opportunities, particularly in emerging markets;
- Ability to target key contacts in potential overseas customers;
- Lack of internal capacity to sustain export business;
- Lack of language skills, particularly in emerging markets, e.g. Mandarin, Brazilian Portuguese.

## Marine-Specific Barriers

- ITAR Regulations;
- Offset requirements inhibiting for smaller companies;
- Tariffs and local taxation in some markets, e.g. Brazil, India;
- Localisation requirements, e.g. Brazil;
- Proliferation of technical standards.

## 5: How the UK Marine Sector can Contribute to the Export Growth Target

### Introduction

**5.1.** Chapter 3 addresses the issue of how the UK marine sector can generate growth through exports, using as its evidence base the forecast of future global marine demand and taking into account the relative strengths and weaknesses of the sector and barriers to growth.

**5.2.** This chapter outlines a number of options on how the UK marine sector can improve its export performance, and over time, increase its share of global trade. These include:

- Developing a Campaign approach;
- Relationship management of key customers and investors;
- Greater collaboration and co-ordination in targeting opportunities;
- Strategic market prioritisation.
- Enhancing UK reputation.

**5.3.** These strategic options can be built from:

- Enhancing existing UKTI programmes;
- Building on existing industry initiatives;
- Developing new approaches to working.

### Developing a Campaign Approach

**5.4.** UKTI DSO has taken a campaigning approach to winning major international business for many years, leveraging its excellent Government-to-Government relationships and mobilising Ministerial and senior diplomatic support to secure major contracts for the UK. Such an approach has previously been deployed in the marine sector in the successful pursuit of key elements of the Bonga FPSO project.

**5.5.** A campaigning approach is now being more widely adopted for non-defence sectors, including marine. UKTI's High Value Opportunities (HVO) programme is a key feature of the new campaigning approach. HVOs cover overseas opportunities with accessible value to the UK of at least £250 million and will be expected to generate major supply chain opportunities for SMEs.

**5.6.** Campaigns will feature intensive support to HVOs that will include Ministerial and senior diplomatic involvement and the creation of virtual teams including stakeholders such as UKTI, UK Export Finance and industry. In recognition of the increased focus on HVOs, UKTI will be commissioning more specialist support to help UK exporters win contracts on these projects.

**5.7.** Industry input will be valuable in many ways, including advising on:

- Accessibility and potential of the opportunity;
  - Validation of the opportunity in relation to how much potential business could flow to the UK;
  - Providing insights on customer and market characteristics; and
- as part of the project cycle where UK Government interventions will make the biggest difference.

**5.8.** Current HVOs that have substantial marine content are:

- Brazil Naval Shipyards & Shipbuilding Programme;
- Petrobras Business Plan 2010-2014 (Brazil).

**5.9.** The Petrobras HVO presents a good example of an active marine campaign, drawing on the UK strengths in the marine sector and the associated oil and gas sector expertise. A delegation from the company visited the UK from 10-14 December 2012 and met companies in Aberdeen, Newcastle and London. UKTI is now in detailed discussions with Petrobras about their procurement requirements. Kenneth Clarke, in his role as a UK Trade Envoy, is visiting Brazil in January 2013 and UKTI is planning further activity where it can engage with Petrobras.

**5.10.** The UK marine industry, using its own intelligence of market opportunities, will be able to advise UKTI on future potential HVOs and campaigns and this is very much an iterative process.

### Recommendation 3

**MSAG to co-ordinate input from industry to the development of UKTI's campaign approach to target major overseas projects and sectoral opportunities in the marine sector. MSAG to lead, an ongoing process.**

## 5: How can the UK Marine Sector contribute to the Export Growth Target? (continued)

**Relationship management of key customers and investors**

**5.11.** The industry survey identified good relationship management as a key area that the UK had to develop to retain its competitive advantage in international markets.

**5.12.** Relationship management relates to existing key UK-based trade and investment customers as well as new overseas companies and potential inward investors to target.

**5.13.** UKTI is developing a relationship management approach to manage key UK and international customers. UKTI strategically relationship-manages (SRM) both from a civil and defence perspective, major UK-based companies with marine interests such as BAE Systems, Rolls-Royce and Siemens and the aim is to treble the number of SRM companies to 150 by 2015.

**5.14.** The UK marine industry has a major role to play in advising on new overseas customers and inward investors to relationship-manage, including those outlined below broken down by sub-sector.

**(a) Leisure Marine**

**5.15.** In leisure marine, boat builders specialise equipment and services. With superyacht the network is even tighter, with owners and their representatives making decisions from design through to detailed specification of fitting.

**5.16.** An example of where UKTI could directly influence owners is in China. UKTI has built close relations with the China Entrepreneurs Club, which comprises high net worth individuals whose combined wealth is equivalent to 8 per cent of China's GDP.

**(b) Commercial Marine**

**5.17.** In relation to commercial marine, it is important to cultivate procurement managers in the major yards of the top 3 shipbuilding markets of China (building on the missions that SMI has delivered over the past 18 months), South Korea and Japan and other growing markets such as Brazil. Owners also play an influential role in making design and engineering procurement decisions. In-market UKTI staff can identify procurement contacts in these organisations where UK companies do not have established relationships.

**(c) Defence**

**5.18.** The UK defence sector has established excellent contacts in NATO markets, as well as other countries. They have utilised Government-to-Government mechanisms, ministers and senior diplomats to maintain and develop relationships both in the public and private sectors.

**(d) Energy**

**5.19.** Major international oil and gas companies, OEMs and contractors such as BP, BG Group, Shell, Rolls-Royce, GE, AMEC, Siemens, Vestas, REpower Systems and Areva, and their contractors, control and drive oil and gas and renewables supply chains.

**Recommendation 4**

**The Council and MSAG will identify UK and international marine companies that are currently relationship-managed in Government and recommend other key marine companies for which the UK should establish relationship management strategies. Ongoing process.**

**Greater collaboration and co-ordination in targeting opportunities**

**5.20.** Greater collaboration across the UK marine sector can help create the environment to generate export growth.

**5.21.** Practical areas that could be explored are:

- Better co-ordination of export intelligence;
- Knowledge sharing of non-competitive intelligence;
- Mentoring and capability building.



### (i) Better Co-ordination of export intelligence

**5.22.** The development of an international trade and investment strategy depends on reliable and robust market intelligence underpinning it. There are currently information gaps in some areas, such as the current level of exports from the UK in different sub-sectors. In other areas there is not a lack of marine market intelligence, but the lack of a mechanism to analyse and more effectively co-ordinate information to disseminate to companies and other marine stakeholders. For example Existing campaigns and high value opportunities covering marine, energy and defence;

- Industry identifying key influencers such as procurement contacts in shipbuilding yards and super yacht owners and their representatives;
- UKTI network sharing market intelligence of future industry investment plans.

**5.23.** Industry stakeholders, including individual companies, trade associations and Government all have access to data which could help the UK marine sector identify customer needs, which includes:

- Defence budgets;
- Oil and Gas Operators' investment priorities;
- Offshore wind operator investment priorities;
- Major commercial shipyard investment programmes (e.g. South Korea, China);
- Superyacht owner investment plans.

**5.24.** It is important that information co-ordination and sharing is improved. MSAG should work with industry to identify market intelligence by utilising external industry market reports and publications, UKTI marine market reports and industry market intelligence (such as that produced by trade associations), to ensure we are joining up the information available and maximising the use of market information across the sector.

### Recommendation 5

**Establish a more structured arrangement through MSAG to provide market intelligence that will continue to inform the marine export strategy. MSAG to lead and initial recommendations on new, improved arrangements, to be made by end-March 2013.**

### (ii) Knowledge Sharing of Non-Competitive Information

**5.25.** There are mechanisms through which non-competitive information in the markets could be shared. MSAG could provide a mechanism and industry representatives could share information through industry events in the UK.

### (iii) Mentoring and capability building

**5.26.** This could be done through the opentoexport.com website or through targeted programmes around specific campaigns, such as Brazil.

**5.27.** In Brazil, UK marine companies are pursuing defence, oil and gas, commercial marine and leisure marine opportunities in the market and collective experience of market characteristics, such as localisation, local taxation and tariffs, could be shared for the benefit of the wider sector.

**5.28.** MSAG could broker some pilot projects where virtual teams could form to target specific opportunities (below the HVO threshold of £250 million). The teams could comprise of individuals and experts with experience of particular client needs or characteristics, which could mentor more inexperienced UK marine SMEs and put them in a stronger position to win business.

### Recommendation 6

**MSAG to consider smaller projects and opportunities where marine industry mentors could advise and guide companies and put them in a strong position to secure business. MSAG to identify 1-2 projects by end-May 2013.**

## 5: How can the UK Marine Sector contribute to the Export Growth Target? (continued)

**More strategic market prioritisation**

**5.29.** An initial list of priority markets was outlined in Chapter 3.

**5.30.** Industry and government have limited resources to support export campaigns. Prioritisation is vital to enable the UK marine sector to meet the Council's export growth targets. MSAG has developed a market prioritisation framework to help target resources in the future. This provides the framework for continuous prioritisation to reflect changing market circumstances. The framework consists of four stages:

**Stage 1– Information gathering** – use publicly available market intelligence on market opportunities, supplemented with intelligence from the companies, trade associations and the UKTI network.

**Stage 2– Calibration** – working with businesses to bring in their own experiences and intelligence, calibrating the analysis to ensure that it reflects the market they are experiencing.

**Stage 3 – Prioritisation** – Industry and government prioritising market opportunities.

**Stage 4 – Campaigns** – industry and government working together in a co-ordinated manner to target resources on priority campaigns.

**5.31.** In order to prioritise markets (stage 3) the MSAG is currently working with industry to develop a set of criteria, by which to assess opportunities identified, including:

- Size of the market opportunity
- Market attractiveness
- Benefits to UK in terms of potential winnable business
- Current level of UK marine exports
- Level of investment presence and competitors;
- Market barriers/accessibility
- Fit with UK key strengths and capabilities

**5.32.** This market prioritisation framework has been developed as a way of approaching future campaigns. It has become clear in trying to work through this process that there are currently gaps in all four stages of the framework, such as the information gaps highlighted in the previous section, which need to be addressed collectively.

**5.33.** Some trade bodies, such as ADS, have developed criteria to assess priority markets. ADS in its "International Defence Market Strategy 2012" used market attractiveness/ accessibility dimensions. The attractiveness criteria it used included accessible defence spending, propensity to import, market growth rate, business ethics and intellectual protections. Accessibility was around the level of acceptability under UK export controls.

**5.34.** MSAG will lead a group that will look at market prioritisation criteria in more detail and make recommendations on an appropriate methodology.

**Recommendation 7**

MSAG working with industry to finalise the criteria for prioritising market opportunities and undertake a full prioritisation exercise on a more complete evidence base. MSAG and UKTI's Strategic Trade and Inward Investment Groups to lead. Interim recommendations to be given to MSAG by end-May 2013.

**Enhancing UK Reputation**

**5.35.** The UK marine industry has a number of available options to market UK capability. UKTI supports exhibitors at international trade fairs and there is the opportunity to access enhanced funding to highlight UK excellence in areas such as superyachts.

**5.36.** There will also be a major China 'GREAT' campaign starting in 2013, that, as one of its focus areas, will include luxury and there is the opportunity of using this campaign to promote UK capability in boat building and superyacht.

**Recommendation 8**

To include luxury marine in the China GREAT Campaign. UKTI Strategic Trade to lead, campaign to begin by April 2013.

## 6: Recommendations

### Recommendation 1

MSAG and the Council, working with BIS, to make a detailed assessment of the relative strength of UK exports, broken down by sub-sector. BIS to lead this work, to be completed by end-May 2013.

### Recommendation 2

UKTI to encourage inward investment into targeted segments of the UK marine and offshore wind sectors which will build the capability of the UK and in turn increase its exportability. Ongoing process.

### Recommendation 3

MSAG to co-ordinate input from industry to the development of UKTI's campaign approach to target major overseas projects and sectoral opportunities in the marine sector. MSAG to lead, an ongoing process.

### Recommendation 4

The Council and MSAG will identify UK and international marine companies that are currently relationship-managed in Government and recommend other key marine companies for which the UK should establish relationship management strategies. Ongoing process.

### Recommendation 5

Establish a more structured arrangement through MSAG to provide market intelligence that will continue to inform the marine export strategy. MSAG to lead and initial recommendations on new, improved arrangements, to be made by end-March 2013.

### Recommendation 6

MSAG to consider smaller projects and opportunities where marine industry mentors could advise and guide companies and put them in a strong position to secure business. MSAG to identify 12 projects by end-May 2013.

### Recommendation 7

MSAG working with industry to finalise the criteria for prioritising market opportunities and undertake a full prioritisation exercise on a more complete evidence base. MSAG and UKTI's Strategic Trade and Inward Investment Groups to lead. Interim recommendations to be given to MSAG by end-May 2013.

### Recommendation 8

To include luxury marine in the China GREAT Campaign. UKTI Strategic Trade to lead, campaign to begin by April 2013.

## Annex A: MILC Export Objectives

The Council, in discussion with the MSAG, has set out the following objectives for the export strategy. These objectives will be reviewed by the Council and MSAG as the export strategy is developed:

- Encourage significantly more marine SMEs to export, with a particular focus on innovative and high-growth SMEs. MSAG to engage with the UKTI regional network to assist in mentoring marine SMEs and to signpost them to practical areas of assistance such as trade finance, credit insurance and venture capital.
- To assist medium-sized and larger companies, through an intensive programme of support, who are seeking to win major overseas contracts, which will also bring major supply chain opportunities for marine SMEs.
- Working closely with UKTI and other Government Departments, to ensure there is marine participation in Ministerial-led trade delegations particularly where major commercial deals are about to be announced.
- To work with UKTI in attracting inward investment to sustain a strong, sustainable marine industry, particularly in areas that are R&D intensive and which will promote growth.
- To encourage the marine industry to collaborate across sub-sectors and, working with UKTI, to disseminate overseas market intelligence that will benefit the wider sector.
- To work with UKTI, the Technology Strategy Board (TSB) and the wider UK innovation network to identify R&D intense technology areas where the UK is competitive and has the potential to win substantial international business.

### Development Objectives

- Develop the processes to pro-actively influence Government policy through a co-ordinated effort between marine key stakeholders such as trade associations and relevant Government departments engaged with the marine sector.
- To identify all sources of all UKTI and BIS and other Government Department funding that can assist companies, particularly SMEs, to grow their export business.
- To investigate the most effective way, whether through individual company or trade association data, to produce an international marine forward look which will identify major overseas business opportunities.
- To develop a marketing strategy to communicate UK marine strengths to international customers.

## Annex B: MSAG Export Sub-Group Members

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### Companies

**Giles Whitefield** – BAE Systems  
**Jeff Owen** – Babcock International  
**Nick MacLeod-Ash** – Finmeccanica Marine  
**Adrian Went** – Griffon Hovercraft  
**Russell Gould** – Kelvin Hughes (Chair of MSAG)  
**Toby Allies** – Pendennis  
**Patrick Carnie** – QinetiQ  
**Mike Burnham** – MCB Marine Ltd

### Trade Associations

**Tom Chant** – British Marine Federation  
**John Murray** – SMI  
**Roger Mabbott** – British Oil Spill Control Association  
**Ash Sinha** – SSA

### Government

**Neil Semple** – UKTI Strategic Trade Group (Secretariat)  
**Daniel Harrison** – BIS  
**Commander Tim Green** – UKTI  
**Hazel Quashie** – UKTI Inward Investment  
**Christopher Uniacke** – UKTI South East  
**John Buckley** – UKTI Specialist (Renewable Energy)  
**John Nutt** – UKTI Specialist (High Value Opportunities)

## Annex C: Clarksons Data

### Tankers by Builder Country: August 2012

Rank	Country	No.	nt. cgt
1	South Korea	249	6.5
2	China	255	5.1
3	Japan	68	1.4
4	Brazil	56	1.2
5	Turkey	48	0.5

### Bulkers by Builder Country: August 2012

Rank	Country	No.	nt. cgt
1	China	1,007	19.1
2	Japan	611	11.9
3	South Korea	193	3.7
4	Philippines	51	1.2
5	India	65	0.8

### Containers by Builder Country: August 2012

Rank	Country	No.	nt. cgt
1	South Korea	231	10.9
2	China	208	5.9
3	Taiwan	31	1.0
4	Philippines	13	0.4
5	Japan	9	0.3

## Annex D: International Trade Statistics

### UK Exports of Yachts 2007-2011 (ONS)

Yachts (£m)	2011	2010	2009	2008	2007
EU	249	226	257	331	299
Non-EU	471	449	458	665	606

*Yachts and other vessels for pleasure or sports; rowing boats and canoes*

### UK Exports of Rafts, Tanks etc (see below) 2007-2011 (ONS)

Rafts (£m)	2011	2010	2009	2008	2007
EU	36	20	32	23	18
Non-EU	57	63		45	52

*Rafts, tanks, coffer-dams, landing stages, buoys, beacons and other floating structures (excl. other vessels and floating structures for breaking up)*

### UK Ship & Boat Building & Repair Exports (n.b. there are some suppression of data in these figures, including to warships) (source: OECD)

Building & Repair of Ships & Boats, (Value in thousand USD\$)	2011	2010	2009
Australia	17,145	52,392	41,113
Brazil	25,733	24,087	18,422
China	8,231	23,288	21,520
France	102,443	78,660	68,675
Germany	36,155	466,096	39,553
Hong Kong	118,697	77,024	63,220
Italy	21,907	39,431	96,163
Netherlands	67,776	41,212	30,080
Norway	34,855	41,747	66,649
Russia	20,095	14,258	27,405
Spain	69,554	91,940	102,373
Turkey	78,736	53,770	59,534
USA	124,976	151,118	85,495



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Many of the world's leading yacht designers and producers are based in the UK. To help your business launch with our latest advanced manufacturing, contact UK Trade & Investment.

*Christopher in St Barths, built by  
Pendennis Yachts, Falmouth, UK*

[www.ukti.gov.uk/greatbritain](http://www.ukti.gov.uk/greatbritain)



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