

Market Assessment of the UK Environmental Consulting Sector [Overview & Final Data]

SAMPLE REPORT

2018/19

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Fig 76 Client sectors annual revenue growth (£ million), 2013-2017

Annual growth (£ million)	2013	2014	2015	2016	2017	2016-17 change
Government & agencies	-13.3	-19.0	20.4	10.4	35.5	↑
Regulated industries	5.2	2.7	28.6	29.5	-33.0	↓
Extractive, manufacturing & processing	10.5	-8.6	16.5	17.6	-22.0	↓
Infrastructure & development	52.1	34.6	30.7	27.0	60.4	↑
Financial & service sectors	4.9	6.4	18.9	15.3	10.2	↓
Others	6.6	-2.6	23.9	-14.2	13.8	↑

Scaled up from the Top 25

Fig 77 Client sectors annual revenue growth (%), 2013-2017

Annual growth (%)	2013	2014	2015	2016	2017	2016-17 change
Government & agencies	-4.2	-6.3	7.2	3.4	11.3	↑
Regulated industries	1.2	0.6	6.3	6.2	-6.5	↓
Extractive, manufacturing & processing	5.5	-4.3	8.5	8.4	-9.7	↓
Infrastructure & development	19.3	10.8	8.6	7.0	17.0	↑
Financial & service sectors	5.8	7.0	19.5	13.2	10.2	↓
Others	15.1	-5.2	49.8	-19.7	13.8	↑

Scaled up from the Top 25

Fig 78 Client sectors 5 year growth (£ million), 2015-2017

5 year growth (£ million)
Government & agencies
Regulated industries
Extractive, manufacturing & processing
Infrastructure & development
Financial & service sectors
Others

Scaled up from the Top 25

Fig 79 Client sectors 5 year CAGR (%), 2015-2017

5 year CAGR (%)
Government & agencies
Regulated industries
Extractive, manufacturing & processing
Infrastructure & development
Financial & service sectors
Others

Scaled up from the Top 25

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8. Top 28 environmental consulting staff

Fig 28 Top 28 EC staff numbers, 2013-2017

EC staff numbers	2013	2014	2015	2016	2017	2016-17 change
AECOM	213	892	925	950	1,050	↑
Anthesis Group (inc Sustain)	35	50	55	56	99	↑
Arcadis	330	575	588	606	584	↓
Arup	152	161	164	183	186	↑
Black and Veatch	179	136	142	121	157	↑
Bureau Veritas	242	245	256	249	267	↑
Capita Real Estate & Infrastructure	253	161	161	155	155	↔
Cefas	110	134	138	116	120	↑
Environmental Resources Management (ERM)	372	331	327	346	361	↑
Golder	207	186	137	111	111	↔
Jacobs (inc. CH2M)	760	745	730	744	1,104	↑
JBA Consulting	230	255	365	395	410	↑
Mott MacDonald	390	397	445	506	506	↔
Peter Brett Associates	167	220	285	112		
Ramboll	147	207	270	300		
Ricardo Energy & Environment	366	379	350	370		
Royal HaskoningDHV	178	185	164			
RPS Group	1,050	1,088	1,282			
RSK Group	450	560	600			
SLR Consulting	285	291	300			
SNC-Lavalin Group	724	650				
Stantec	230	213				
Temple Group Management(Temple, The Ecology	135	120				
Wardell Armstrong	125					
Waterman Infrastructure & Environment (CTI)	94					
Wood, EB&S	342					
WSP	300					
WYG Environment						
CH2M (now part of Jacobs)						
ADAS UK Ltd (now part of RSK)						
Mouchel (now part of WSP)						
ENVIRON (now part of Ramboll)						
Hyder Consulting (UK) (now part of Arcadis)						
Parsons Brinckerhoff (now part of WSP)						
URS Corporation (now part of AECOM)						

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4.10 Infrastructure & development in overdrive, while government revenues back on tap

- Private sector revenue driven by infra & development** – overall private sector generated revenue grew by a modest 3.7% year-on-year in 2017 to account for almost an 80% share of the total UK EC market (extrapolated from the breakdown of the Top 28 EC practices). This is down overall from the 5.9% growth from private sector clients in 2016. Contributing to this year's performance was another very strong increase for infrastructure & development, with revenues from work in this sector up by an impressive 19.4%, an big acceleration over the prior year's 7.0%. This surge in growth, equivalent to the addition of £80m in added market value over the twelve months, means the infrastructure and development sector is now the industry's leading source of income, leapfrogging regulated industries. Planned airport, highways and rail improvements – notably HS2 – have been a major contributing factor, as has the UK's focus on housebuilding. The top five players serving the I+D area in 2017 (with market shares indicated in brackets) were: **RPS** (8.7%), **WSP** (8.0%), **Arcadis** (7.9%), **AECOM** (7.5%) and **Mott MacDonald** (7.1%).

Fig 5 Client sector revenue and annual growth, 2016-2017*

	Turnover UK EC (as defined by EA)		Annual change (%)		Forecast growth (%)		CAGR 2013-17
	2016	2017	2016-16	2016-17	2018	2019	
Government & agencies	374.3	366.8	-2.4%	-11.2%	5.5%	5.8%	1.1%
Regulated industries	588.7	475.7	-8.2%	-8.0%	1.2%	1.0%	1.1%
Extractive, manufacturing & processing	277.9	255.9	-8.4%	-8.7%	-1.0%	1.0%	1.0%
Infrastructure & development	413.0	493.9	19.4%	19.4%	7.0%	8.0%	7.5%
Financial & service sectors	131.1	141.3	7.8%	7.8%	5.2%	5.0%	5.0%
Others	37.8	71.8	19.2%	20.0%	20.0%	21.0%	21.0%
Total market	1,803.2	1,762.2	-2.2%	-2.2%	4.7%	4.7%	4.7%

* Based on the client sector breakdown of the Top 28 EC practices and extrapolated to the total market.

- Regulated industries contraction** – a big constraining factor on growth in the EC sector's former largest client sector, that of the 'regulated industries' (oil, gas, nuclear and renewables), water and waste client groups. This sector's quarter of (27.4%) of the total EC sector income, equivalent to £500m, was facilitated by a hiatus in pre-planning work for new energy projects in the first half of this year. News of investor **Toshiba's** exit from the MoU for new nuclear power plants this year. It seems that even the peak period for investment in new nuclear power investment programme could not stave off the impact of the recession in the management and energy sectors. The top five players serving the regulated industries sector in 2017 (with market shares indicated in brackets) were: **CH2M** (6.7%), **RSK** (5.7%), **Stantec** (5.4%), **WSP** (5.3%) and **AECOM** (5.2%). **WSP** managed to buck the trend by posting a 12.6% increase in revenue in this area.
- Extractive, manufacturing & processing** – revenues from manufacturing, mining, quarrying & processing fell by 8.4% in 2017, a decline in EC revenues of 9.7% in 2017, the best post-recession year to date. This was through a weaker currency and a decline in well-established (£23bn) client base. Many of the London-based firms such as **Goldman Sachs** and **JP Morgan Chase** have seen a recovery in this area. The top five players serving the extractive, manufacturing & processing sector in 2017 (with market shares indicated in brackets) were: **WSP** (8.0%), **Arcadis** (7.9%), **AECOM** (7.5%) and **Mott MacDonald** (7.1%).

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cautioned that its bottom line will be impacted in 2019 by "essential investment" to transform the business "from a conglomerate of small units to a truly global firm", including a branding relaunch. Meanwhile, Danish-based Ramboll announced in December 2018 its plans to buy OBG in the US, a 900-person multidisciplinary consultancy with capabilities across the water, energy, environment and design sectors.

Fig 3 Market share change of the Top 5 EC firms in 2017, since 2008



- **Industry makeup** – the majority of firms have 50 or more in their latest financial year. The majority of firms are professional/technical in nature, with a focus on environmental/sustainability. The industry remains distinctly in-house, with a high level of match or exceedance. The industry is finding success in finding success to favour the consortium.

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revenues for the Top 28 – including all international activities and work via UK and non-UK offices – grew by 4.0% to total £9.5bn.

- **Private vs public balance shifting again** – private sector revenues accounts for some 80% of the UK EC market vs. 20% for the public sector, which is a significant change from its make up pre-recession when public sector sources accounted for around one-third before government austerity took its toll. But revenues derived from government sources are shown to be growing again (up 11.3% in 2017) – which has helped boost the overall market and offset the slower 3.7% growth in revenues from work in the private sector (which also includes regulated industries).
- In terms of **service areas**, environmental management and compliance (+15%), water quality & resource management (+12%) & ecology/landscape services (+9.2%) lead the way based on the Top 28's growth dynamics in 2017. EIA (+2.5%), climate change & energy (+0.9%) and waste management (+1.4%) services see disappointingly low rates, while demand for contaminated land/remediation advice shrunk for the second year running (at -5% in 2017).
- The **client sector** breakdown and growth rates indicate the importance of infrastructure & development (+19%) and the public sector (+11%) in the latest year's market story, with added revenue from these two areas more than offsetting the £55m decline from the regulated industries (-6.5%) and extractive, manufacturing and processing sectors (-10%).
- **Outlook steady despite Brexit** – the UK EC market five-year forecast to 2022 is lifted a little this year with a CAGR of 3.0% owing to improved market optimism in 2018 compared to the last year of this report (when we reported a projected CAGR of 2.5%). This is still a fairly cautious forecast given that the latest economic indicators suggest UK GDP growth will level out at around 1.5% over the next five years despite the many uncertainties associated with Brexit and the regulatory and enforcement landscape changes coming into play as a result of the government's Industrial Strategy Plan and the new Environment Bill (a draft of which was released at the end of 2017).

Fig 1 Major UK EC acquisitions 2016-2018



4.2 Recent market developments

After around two decades of strong growth driven by the oil and gas price shock to the UK economy, there has been a significant downturn in the market. In 2012 the market was valued at £1.5bn.

However, in the past few years there has been a significant recovery in the market. In 2017 the market was valued at £9.5bn.

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