MAINE INTERNATIONAL TRADE CENTER

Marketing Maine To The World

International Opportunities for Maine

Boat Building & Marine Trades

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I. Executive Summary

The following information is an update and expansion of the Maine International Trade Center's "International Boating Market: Opportunities for Maine" report. The initial report was completed in 2005 and focused primarily on Europe with brief synopsis for a handful of other non-European countries. This report updates the 2005 Europe information and takes an expanded look at the market opportunities available in the Middle East and China.

The United States has a worldwide reputation for high quality yachts and marine products around the world and demand continues with growth in exports increasing 23% between 2006 and 2007. In fact, the U.S. has been a net exporter of boats to the world since 2004. As of 2006 the export surplus had reached $443 million.[1]

U.S. exports of yachts and other vessels for pleasure or sport (HS code 8903*)

Rank		Country	2006	2007	%2006- 2007
1		Canada	$639,788,658	$798,773,141	24.85
2		Australia	$135,204,283	$148,996,625	10.2
3		Italy	$125,371,974	$108,545,829	-13.42
4		Spain	$77,353,935	$86,390,080	11.68
5		United Kingdom	$61,681,936	$84,286,263	36.65
6		France	$72,322,290	$80,574,391	11.41
7		Germany	$64,717,200	$71,838,495	11
8		Mexico	$96,150,786	$70,638,317	-26.53
9		Sweden	$42,409,469	$65,744,959	55.02
10		Netherlands	$62,239,257	$58,130,297	-6.6
11		Japan	$46,620,377	$56,082,246	20.3
12		Greece	$22,676,516	$47,578,894	109.82
13		Denmark	$11,853,300	$42,755,818	260.71
14		Russia	$31,917,141	$37,027,905	16.01
15		Costa Rica	$17,083,559	$32,322,257	89.2

Source: World Institute for Economic Research

*** HS code 8903 includes inboard and in-outboard motorboats, sailboats, canoes, row boats, pleasure yachts, and inflatable yachts.**

The U.S. enjoys a number of trade agreements with Europe, Canada, and the Americas, and with the recent weakness of the dollar U.S. companies have an opportunity to expand overseas markets. Additionally, European boat builders are experiencing an increasing backlog of orders. These facts emphasize that this is a prime time for U.S. boat building to take advantage of these opportunities and develop new customers overseas.[2]

With a world renowned boat building industry, Maine is poised to tap into the growing international market for yachts and pleasure boats and the marine trades that accompany this industry. Traditionally a wooden boat building industry, Maine has moved toward the increased use of advanced composite materials.[1]

Maine's exports of pleasure boats have increased 73% from 2005 to 2007. European markets continue to provide many opportunities for Maine boat builders and there are a number of new market opportunities in Asia and the Middle East.

Maine exports of yachts and other vessels for pleasure or sport (HS code 8903)

Rank		Country	2006	2007	%2006- 2007
1		Canada	$4,732,717	$6,270,593	32.49
2		United Kingdom	$1,553,982	$943,805	-39.27
3		France	$277,178	$753,469	171.84
4		Japan	$461,924	$681,960	47.63
5		Sweden	$31,080	$566,637	1,723.16
6		Italy	$706,268	$525,500	-25.59
7		Australia	$150,000	$503,935	235.96
8		Germany	$375,000	$92,163	-75.42
9		Netherlands	$28,000	$73,100	161.07
10		Bermuda	$233,273	$35,500	-84.78
11		Belgium	$104,857	$33,110	-68.42
12		New Zealand	$24,885	$22,836	-8.23
13		Finland	$30,076	$20,270	-32.6
14		Russia	$35,000	$15,000	-57.14
15		Turkey	$0	$11,445	0.inf

Source: World Institute for Economic Research

Boat Building Industry: Relative Market Sizes and Growth Rates

France

- Second largest pleasure boat producer in EU (behind Italy) in terms of sales and third worldwide (behind the U.S. and Italy);
- Four million pleasure boaters and a registered fleet of 880,000 boats in 2005;
- Value of yacht and other pleasure vessel imports (HS code 8903) in 2007: $988.4 million (motorboats represent 65% of these imports);
- U.S. is the third ranking supplier of yachts and other pleasure vessels and represents 18% of the French import market;
- Worldwide leader in sailboat production.

Canada

- By far the largest export market for U.S. yachts and other pleasure vessels;
- In 2006 boating industry valued at $12.3 billion;
- Yacht and other pleasure vessel imports valued at $818.9 million (89% from the U.S. alone) for 2007;
- The $818.9 million value of imports in 2007 represented a 23% increase from 2006.

Germany

- 6.34 million people engaged in water sports;
- Value of yacht and other pleasure boat imports in 2007: $381.9 million;
- U.S. responsible for 30% of German pleasure boat imports in 2007.

Italy

- Second largest pleasure boat producer in the world (first in EU) and fourth largest consumer;
- 450,000 pleasure craft currently in Italy;
- 2004: 57% increase in new registrations and 2.4% increase in new moorings;
- Value of motorboat sector: $894 million (inboard and in-outboard are the most popular motorboats);
- 95% of U.S. pleasure boat exports to Italy are motorboats;
- Imported $1.1 billion of yachts and other pleasure vessels in 2007 (the U.S. accounted for 12%).

Netherlands

- Pleasure boat fleet totals 500,000 boats with 60% motorboats;
- U.S. dominates pleasure boat market, exporting $238.4 million worth of pleasure vessels to the Netherlands in 2007;
- 30,000 additional marinas expected to be built by 2010.

United Kingdom

- 3.5 million people participate in boating/water sports;
- From 1999-2004 revenue of U.K. leisure marine industry grew by 57%;

- Imported $643 million of yachts and other pleasure vessels in 2007, with $101.7 million coming from the U.S.

Denmark
- Fleet of 366,000 pleasure boats with roughly 2/3 being motorboats;
- Imported $101.9 million of yachts and other pleasure vessels in 2007 (U.S. was responsible for 19% of those imports).

Spain
- Imports of yachts and other pleasure vessels totaled $1.6 billion in 2007;
- Fourth largest market for U.S. exports of yachts and other pleasure vessels.

Switzerland
- Number of new registrations decreased by 5% over the last decade;
- U.S. accounts for 39% of imported motorboats (2005).

Turkey
- U.S. holds approximately a 13% share of the import market of yachts and other pleasure vessels;
- Ranks third worldwide in 'mega yacht' production (yachts greater than 100 feet in length).

United Arab Emirates
- Fleet of 30,000 leisure boats;
- 30,000 new berths for boats will be built over the next five years;
- Gulf Craft Inc, a large manufacturer of boats and yachts, has reported 30 % growth annually over the past five years.

Australia
- 734,374 registered boats;
- World leader in the design, construction and quality of alloy of fiberglass boats and actively exporting up to two-thirds of its production in some sizes;
- Second largest export market for U.S., buying $149 million worth of yachts and other pleasure vessels in 2007.

China
- Pleasure boat market size expected to reach $10 billion in the next decade;
- Imported approximately $30 million of yachts and other pleasure vessels in 2007 with the U.S. representing approximately one quarter of the market share.

Russia
- Imports of yachts and other pleasure vessels totaled $118.2 million in 2007 (U.S. represents nearly 40% of this market).

Taiwan
- Fifth largest manufacturer of yachts over 80 feet;

- Value of yacht and other pleasure vessel exports totaled $280.9 million in 2007 (represented a rebound after a decade of increasing production costs and decreasing competitiveness in the industry);
- U.S. market accounts for approximately 65% of Taiwanese yacht and other pleasure vessel exports.

Boat Building: Best Prospects for U.S. Companies

France

- Access French pleasure boat market through partnerships with domestic manufacturers, distribution networks, and straight sales to boatyards.
- Best sales prospects: high-tech navigation instruments, motorboats less than 25 feet long, marine equipment, four-stroke and powerful outboard engines.
- France represents one of the largest markets for boat covers, bimini tops, sail covers, sail bags, and sails.

Canada

- Increased demand for luxury boats as a result of the aging population.
- Ontario, British Columbia, and Quebec represent the three largest markets.
- Best sales prospects: Motorboats, luxury yachts, and navigational instruments.

Germany

- Exhibit products and test market receptivity at one of Germany's international fairs.
- Best sales prospects: easy-to-handle rigs in the sailing yacht sector, high-quality heating systems, refrigeration, cooking technology, navigation and communications equipment.

Italy

- Development and management of Italian ports and marinas.
- Best sales prospects: lower to mid-range motorboats (20-40 feet).
- Enter the used-boat market (U.S. has captured 90% of this market).

Netherlands

- Best sales prospects: recreational boating equipment and aftermarket products including global positioning systems, system C marine communication, direct dialing marine communication systems, fluxgate compasses, electronic charting products, and versatile screen displays.
- Increase in demand for quality maintenance services to increase comfort and safety (due largely to the damp and windy Dutch climate).

United Kingdom

- Enter the boating market through UK distributors.
- Best sales prospects: Boating accessories and electronic equipment.
- Increased demand for environmentally-friendly paints and cleaning/maintenance products.

Switzerland

- Continual demand for replacement boats and high-tech boat accessories.
- Trend toward smaller sport boats in recent years.

- Best sales prospects: satellite antennas, electrical anchor winches, modern kitchen installations, and navigational instruments.

Turkey

- U.S. typically exports high-tech compression and ignition systems, piston engines, and radar/electronic apparatus.
- Best sales prospects: parts for the construction of new yachts, after-sales services.

United Arab Emirates

- Security and safety products increasingly important—coastal surveillance systems, marine security systems (for larger yachts), boat-locating systems, GPS navigation systems, low-light or night vision devices, collision-avoidance systems.

Australia

- Consider each state its own individual market.
- More generally, engines, raw materials, motors and motor components, fiberglass resins, and trailer boats (boats with outboard motors that can be lifted from the water) have the best sales prospects.
- All U.S. exports to Australia are duty-free as a result of the Australian Free Trade Agreement (AUSFTA).

China

- Opportunities for U.S. exports of pleasure boats, boat accessories, marina planning, and construction materials.
- Focus on the entire industry—establish marina/yacht clubs, promote a waterfront lifestyle, make sales, provide maintenance and sell accessories.

Russia

- Heightened demand for yachts and other pleasure boats.
- Best sales prospects: larger yachts, boat engines, navigation equipment, and boat interior products.

Taiwan

- U.S. a large supplier of marine equipment, parts, radar, and other electronic devices.
- Expected to see increase in demand for smaller yachts and recreational boating equipment.
- Access yacht equipment sector and collaborate with local builders and agents to distribute products.

II. European Markets

Western Europe remains the largest market for U.S. boat manufacturers, as it accounts for approximately half of U.S. pleasure boat export revenues. Traditionally, the biggest European markets are Italy, the United Kingdom and Germany. France and Spain are also strong markets for U.S. exporters of pleasure boats.[3]

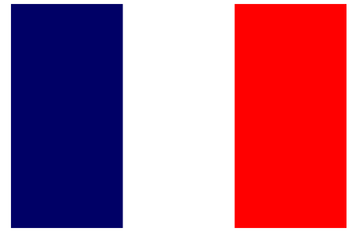
E.U. Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$6,392,290,560	$6,358,681,540	-.53
Imports from U.S.	$616,986,368	$758,227,876	22.89
Imports from Maine	$3,191,108	$3,008,054	-5.74
US import market share	9.69%	11.92%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

The European market is robust for the luxury yacht and associated industries. The European boat industry expects total sales of marine and maritime goods and services to amount to approx. US$ 35.7 billion for 2006, generated by around 37,200 companies with more than 272,000 employees. This revenue figure includes around US$11.8 billion arising from the sale of new boats and yachts. Of the roughly 213,000 boats and yachts sold in 2006, approximately 86% (183,000) were motor boats. Close to 90% of the sailing and motor boats are 7.5m or less, i.e. the category most affordable for wide sections of the population.[2]

1. FRANCE



1.1 Introduction

The French pleasure boat industry is the second largest in the European Union behind Italy and the third largest worldwide (after the United States and Italy). It accounts for nearly one-third of European sales. There are approximately 4 million pleasure boaters in France and a registered fleet of 880,000 boats as of 2005, which is a 2.6% increase from 2004. This increase is expected to continue in 2006 with around 3% growth over 2005.[3]

France has 466 ports and 3,400 miles of coastline (not including an additional 7,500 miles of coastline surrounding French overseas territories). Of boats registered annually, 80% are motor or speedboats, with another 15% being for sailing and a small number under this category, representing specialty craft like windsurfers.[4]

The reduction in working hours and the advent of the 35-hour week in France has brought about an increasing interest among French people for leisure in general, and sailing or motor boat cruising seem to have become highly desirable elements of holidays and lifestyle aspirations.[4]

Forty percent of the French population lives within 100 kilometers of the French coast. In addition to this affinity for boating activities, the increasingly popular trend among tourists to visit France on boating excursions has resulted in an expanding boat rental industry. Day excursions are by far the most popular form of nautical outing in France; only 20,000 boats are used for cruises lasting more than two days. High priced top-of-the-range boats tend to be purchased primarily by boat rental companies, because they renew their fleets regularly and look for high quality, ease of maintenance, high resale value, and competitive pricing.[3]

1.2 Market Highlights

In the last few years pleasure boat imports have grown annually at a rate of 20%. In 2000, the yacht and pleasure vessel industry (HS code 8903) imported a little under $200 million (mostly from Italy, the U.K. and the U.S.) and in 2007 the industry imported $988.4 million. Taking into account these last five years, the U.S. has had a stable hold on its share of the market while Italy's over 50% of the market in 2000, has been declining. Motorboats make up 70% of pleasure boats imports with $355 million in 2005. The U.S. is the third ranking supplier of yachts and other pleasure vessels and represents 18% of the French import market.

Sailboat imports were valued at $64 million with Germany and Italy as the top suppliers. The U.S. ranks as the number one supplier outside of Europe for sailboats and motorboats. In 2005, the United States was France's fourth ranking supplier of pleasure boats, with an 8% share of the import market. Italy currently ranks first (40%), Germany second (18%), and the United Kingdom third (13.5%). The U.S. is traditionally France's most highly regarded supplier of motorboats, with most U.S. manufacturers represented in France and many importers representing multiple U.S. brands.[3]

French Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$1,185,640,310	$988,395,950	-16.64
Imports from U.S.	$72,322,290	$80,574,391	11.41
Imports from Maine	$277,178	$753,469	171.84
US import market share	6.10%	8.15%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

Unlike the French sailboat industry, which exports more than half of its production, the domestic motorboat industry primarily serves the French market. However, French makers are handicapped by the lack of a national motor manufacturer which reduces their competitiveness. In 2004 motorboat imports totaled $284 million and grew 25% the following year to $355 million. Trade experts believe 2006 will experience import market growth of 13%.[4]

The U.S. is the number one motorboat supplier to France, outside of Europe and is usually within the top five supplying countries globally. In the motorboat sector, trade experts are confident that the U.S. share of the pleasure boat industry in France will continue to grow due to innovative technology and competitive prices.[3]

1.3 Domestic Production

Although over half the domestic demand in France is satisfied by locally-produced craft, the export market to the UK and other demanding client markets remains robust, while imports of pleasure craft arrive from the UK, Finland, Belgium, Germany and the US.[4] The French pleasure boat industry ranks right after Italy and the United States, and supplies one-fifth of the European fleet. It is the largest producer in the world for sailboats representing over $728 million in 2004. Motorboat production was $441 million while other miscellaneous pleasure boats amounted to $92 million. Habitable and light sailboats represented 57% of total production and motorboats comprised 25%.[3]

France's top two boat-builders--Beneteau-Jeanneau and Dufour & Sparks--account for 60% of total sales and the top eight boat builders have 80% of the market. According to the French Federation of Nautical Industry (FIN), the nautical boats industry in France, which includes all sales relating to boat building, sail making and all other nautical equipment accounted for approximately $1.2 billion in total sales in 2004. In addition, in 2004, the boating repair/maintenance and engine repair/maintenance businesses experienced sales of $ 82.5 million and $33.6 million respectively. French exports of boats represent 60% of domestic production, a large and significant business.[3]

1.4 Best Prospects for U.S. Firms

There are no specific barriers for entering the French pleasure boating market, with access best achieved through partnerships with domestic manufacturers, multiple distribution networks and straight sales to boatyards.[4]

Over the past 20 years, there has an interesting development in the French market: the French industry has been manufacturing sailboats while the French public has been buying motorboats. In 2005 the French public registered 18,757 new motorboats and a mere 3,614 new sailboats. Approximately 50% of new boat registration takes place in Brittany and the French Riviera. With the standard vacation set at five weeks per year, the French tend to split their vacations into segments throughout the year. Whereas sailing demands time and effort, motorboats are easier and more practical for short time periods. Additional characteristics important to French boaters when choosing a boat are comfort, individuality, reputation, state-of-the-art technology, and ease of use.[3]

French consumers are receptive to U.S. products, offering excellent opportunities to U.S. manufacturers of high quality and technologically sophisticated equipment.

Marine trade suppliers would be well placed to provide engines, spares and parts as well as electronics equipment such as navigation and safety devices, on board computing configurations and other information systems. In particular, industry players view the following products as the best sales prospects: high-tech navigation instruments, motorboats not exceeding 25 feet in length, marine equipment, 4-stroke engines (due to the collapse of the 2 stroke engines market), and powerful outboard engines (in five years average power increased from 28kW to 36kW).[3]

With nearly 900,000 registered pleasure boats, France offers one of the largest markets for boat covers and bimini tops, not to mention sail covers, sail bags as well as the sails themselves. The prospects are also good for suppliers to this industry, with fabrics or customized products such as boat covers, emergency equipment for rafts, lifejackets and outfitting elements (with buttons, hooks, ropes, oars and anchors providing an eclectic list to conjure with). Another area which could yet be explored in regard to the French external pleasure boat market is marketing, insurance and finance agency services.[3,4]

1.5 Key Trade Shows

Name: **Salon Nautique International de Paris**
(Paris International Boat Show)
Location: Parc des expositions de Paris, Porte de Versailles
Dates: December
Web Site: http://www.salonnautiqueparis.com

Name: **Monaco Yacht Show**
Location: Port Hercules, Principality of Monaco
Dates: September
Website: http://www.monacoyachtshow.org

Name: **Festival International de la Plaisance de Cannes**

(Cannes International Boat Show)

Location: Vieux Port of Cannes (South of France)

Dates: September

Web Site: http://www.salonnautiquecannes.com

2. GERMANY

2.1 Introduction

The pleasure boat industry and especially the marina market in Germany have seen considerable changes in the past 10 years. In Germany, the majority of the 2,200 marina facilities are operated by yachting clubs, however, a substantial segment of this field is now covered by commercial operators offering a wide range of services in contrast to simply providing a berth. Around 6.34 million Germans are engaged in water sports of which 26% or nearly 1.65 million are sail- or motor yacht users. Total sales for the boating market amounted to EUR 1.68 billion in 2005, including marinas but excluding tourism-related activities. Germany has a coastline of 1,550 miles and 5,600 miles of inland waterways which are a tempting attraction for water sports enthusiasts.[5]

Of the Germans engaged in watersports, 17% prefer sailing and 9% motorboats. These 1.65 million enthusiasts include boat owners as well as charterers and represent the actual target group for marina market suppliers. However, actual demand including tourism-related projects is difficult to define as the German federal government owns waterways, while state and local governments promote regional water sports projects and private operators increasingly pursue commercial objectives. Therefore, comprehensive statistical material is not available.[5]

German Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	**2007**	**% Change**
TOTAL imports	$744,037,490	$381,864,490	-48.68
Imports from U.S.	$64,717,200	$71,838,495	11
Imports from Maine	$375,000	$92,163	-75.42
US import market share	8.70%	18.81%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

The number of registered boats and the age structure of their owners can give a relatively accurate estimate of future market demand. The German water sports association reported 131,000 boats as being registered in 2005 and estimates that about the same number of boats are not registered equaling a total of approximately 250,000 boats in Germany.[5]

2.2 Market Highlights

In 2004 the motorboat market out performed the sailing boat market. However, the sailing-boat sector experienced more growth (54.4%), than the motorboat sector (8.7%). In the sailing-boat sector, fully equipped yachts over 12 meters long are currently in vogue. Large-scale manufacturers also directed their attention towards smaller boats and yachts up to 7.5 meters in 2003, due to a boost in demand. However, medium sized boats outperformed small boats with a 24% rise in terms of import value in 2004.[5]

The favorable dollar-to-euro exchange rates offer a considerable advantage to U.S. companies. Despite general price competition, the 420 members of the German Boat and Shipbuilder Federation reported that prices of boats, yachts and equipment had remained stable or even increased between 2003 and 2004. The number of small watercrafts imported, for instance, decreased by 11.8% and that of small motorboats was also 12.7% lower than in the preceding year, whereas the revenue of small motorboats increased by 10.3%.[5]

The number of imported larger motor yachts totaled 22.6 million euros, which meant an increase of 31% in number and 9.3% in value. The import of medium sized yachts improved compared to 2003, with a 51% rise of total number imported, but no increase of value took place, as the revenue only climbed 6.1%. The import of sailing yachts experienced a good year in 2004, when the number of yachts sold of a length above 12 meters increased by 70%, whereas their value soared to 130% compared to 2003. The amount of medium sized vessels increased by 44% and small sailing yachts went up 86%. In 2004, 18,697 boats and yachts were imported to Germany for an amount of more than US$221 million.[5]

The number of berths is estimated at 146,250 in 2005. Despite the fact that new marina projects were recently completed and that other projects with a more comprehensive approach where initiated, the German Marine Federation (Bundesverband Wassersport e. V., BWVS) conservatively estimates a yearly growth in berths of just 0.85%. Tourism-related projects including but not limited to marina facilities, will rise in popularity. Federal and state agencies have a strong interest to support these initiatives especially in economically weak regions. Growth in the charter business for sailing-, motor- and houseboats supports this trend.[5]

2.3 Domestic Production

Germany's boat yards continue to ride the wave of success. The leading manufacturers have further expanded their market position in Europe. And in Germany's home market, too, it appears that the upturn has finally arrived. In 2006, demand for new boats and yachts underwent a significant increase.[5]

Over the last few years, Germany's domestic market has been unable to keep pace with the rate of increase of its foreign markets, however, business picked up considerably in 2006. In an economic survey, 83.3% of the manufacturers and dealers of sailing yachts questioned reported results that were either as good or better than in the previous year. The motor boat market has also improved: 72% of companies (previous year: 61.9%) expressed satisfaction with their business situation. In its year-end statistics, the Federal Association of the Watersports Industry (BVWS) expects to see an increase of 4.3% to a total sales figure for marine and maritime products and services (excluding the superyacht industry) of EUR 1.75 billion for the German market. This means that Germany's marine sports segment is once again catching up with developments in the markets abroad.[5]

2.4 Best Prospects for U.S. Firms

For U.S. manufacturers and exporters wishing to sell in Germany (and other European markets), it is important to exhibit at one of Germany's major international fairs. Trade shows play a major role in product marketing in Germany. Exhibiting at fairs can bring direct sales, but more significantly, it can be one of the least expensive ways to test the market's receptivity. Furthermore, the strength and scope of the competition can be assessed and contacts with others in the same field of trade can be established. From these contacts, U.S. companies can garner much valuable information about marketing in Germany and Europe.[5]

In the sailing yacht segment, the trend is towards easy-to-handle rigs - regatta-oriented purchasers excepted. Whether this is achieved with roller furling devices for the mainsail or by sophisticated line reefing systems remains a question of company and product philosophy. Consumer's demand streamlined operations and that the crew does not have to keep weaving its way down to the focsle end.

The import figures indicate that Germany's domestic market is firming up. In the first half of 2006, a total of 751 sailing yachts were imported. This represents a rise of 103.5% in unit number terms and a value increase of 79.5%. Volumes and values on the motor boat side are roughly the same as in the previous year.[5]

Boat owners are investing more money in equipment and accessories. High-quality heating, refrigeration and cooking technology as well as navigation and communications equipment are being acquired with a view to making private sailing yachts more comfortable, safe and secure. In the general chandlery segment, 76.5% (previous year: 68.6%) of companies report sales equal to or better than the figure for the previous year. Service companies and refit firms are also profiting from the trend towards better facilities in private boats. 86.7% of the businesses (previous year 73.9%) are satisfied with the 2006 season. The high workload is as much a consequence of brisk business in the pre-owned boat segment, often the first choice of people new to the sport.[6]

2.5 Key Trade Shows

Name: **BOOT**
Location: Dusseldorf
Dates: January
Website: http://www.boot.de

Name: **Hanseboot**
Location: Hamburg
Dates: October/November
Website: http://www.hamburg-messe.de/

Name: **Interboot**
Location: Friedrichshafen
Dates: September
Website: http://www.interboot.de/

3. ITALY

3.1 Introduction

As of 2004, Italy had a total of 71,014 boats (over 24 feet) registered, including sailboats, motorboats and ships (registration is not required for shorter vessels). In 2004 alone 3,440 boats were registered, which is a 57% increase from the previous year. There are several factors that have lead to this increase, including the implementation of "boater friendly" legislation that reduced fees for boat ownership and cut a great number of bureaucratic requirements. In 2004 the number of new leasing contracts grew by 54.3% over the previous year.[7]

Italy has 104 ports, marinas and small harbors offering over 130,000 moorings along 8,000 miles of waterways. The Italian Minister of Transport and Navigation, as well as Italian Port Authorities, believes that there are about 450,000 pleasure craft in Italy. The Italian Government is promoting new and expanding existing marinas, creating new berths and moorings. In 2004, 3,029 new moorings were created, a 2.4% increase from the previous year. Sardinia alone experienced an 18% growth in the number of its berths, while Sicily and Puglia had a 7% increase each. Within the next few years, the government plans to more than double the existing number of boat berths in Southern Italy, especially in Campania and Sardinia. Projects such as these create new opportunities in the pleasure boat market.[7]

3.2 Market Highlights

The Italian pleasure boat industry is the world's fourth largest in terms of consumption and second largest for production. Overall, it has an estimated value of about $2 billion. The industry accounts for almost half of the European nautical market's turnover, with an estimated valued of about $1.7 billion, it produces boats with the highest average prices in the world.[8]

Imports from the U.S. represent a consistent share of the overall imports of pleasure boats, especially outboard motorboats. The U.S. share of the pleasure boat market in Italy will probably grow further due to the competitive dollar. According to the leading Italian financial newspaper, Il Sole 24 Ore, the cost of an American boat in Italy in 2004 dropped by some 20% in two years, thanks to the competitive dollar alone. The Italian pleasure boat industry is the largest in the European Union and the second largest worldwide after that of the United States.[8]

Within the Italian pleasure boat industry, the pleasure motorboat is one of the most important sectors, with an estimated value of about $894 million. According to industry sources, at the beginning of 2005 there were 57,048 registered motorboats in the country. Every year an estimated 4% of all registered crafts become obsolete and need to be replaced.[7]

Italian Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$940,191,450	$1,122,114,290	19.35
Imports from U.S.	$125,371,974	$105,545,829	-13.42
Imports from Maine	$706,268	$525,500	-25.59
US import market share	13.34%	9.41%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

Traditionally, Italy is the biggest European market for American pleasure boats, especially motorboats. This market sector has experienced consistent growth in the last few years. This growth is due to the expansion of the internal Italian market: both imports and local production have been growing. In the past, many Italians would rather buy a pleasure boat abroad to avoid very high taxation and to be able to benefit from convenient financing formulas. During the 1990's the Italian government passed legislation reducing the tax burden on pleasure boats. These initiatives not only boosted boat sales among Italians, but also gave many foreigners an incentive to purchase a boat in Italy. This means that the Italian market offers the possibility to reach customers from several other countries.[8]

According to analysts, this trend will continue for several years. In sum, the Italian market is in continuous expansion, has an interesting turnover rate (that 4% of registered boats that must be replaced every year) and attracts buyers from all over the world due to the availability of favorable financing conditions. Motorboats in Italy account for 88% of the Total Market Size of the pleasure boats market. It is thus by far the most important sector of the Italian Maritime Industry. About 95% of all pleasure boats exported to Italy by the U.S. are motorboats. In 2004 they accounted for 92% of the overall value of pleasure boats imported from the U.S.[7]

The most popular types of motorboats in Italy are the inboard and the in-outboard motorboats. They account for more than 84% of the overall motorboat Market Size. About 35% of the local production of inboard and in-outboard motorboats is absorbed by the local market. Some 12% of all motorboats of this type purchased in Italy in 2004 were made in the U.S.A. The outboard motorboats market is particularly favorable for the U.S. More than 70% of all crafts of this kind imported to Italy come from the U.S.A., which holds almost 17% of the overall Italian market for this product.[7]

3.3 Domestic Production

Domestic production for the Italian motorboat industry was estimated at $ 1.5 billion in 2004. It is the second largest in the world, after the Unites States. The most important sector by far is the inboard and in-outboard motorboat sector, with an estimated value of more than $ 1.3 billion. However, almost 62% of local production is for foreign markets. In the high-prestige segment, this share rises consistently, with some shipyards working almost exclusively for the export market. The Italian nautical industry produces boats with the highest average prices in the world. It specializes in the production of so-called “superyachts” (motorboats at least 80 feet) and has 37% of the world market. Advanced technology, hull line style according to the world famous “Italian design,” and vessel interiors are the main reasons for such success. In this segment of the motorboat market, price competition is a factor of secondary importance. Italy’s top luxury motorboat-builder companies are the Ferretti group, Azimut-Benetti and Baglietto.[7]

Italy’s most important commercial partners in the motorboat craft market are the U.S., the U.K. and France. In 2004 it imported over US$238 million of the total market. Both France and the U.K. hold consistent shares of almost all kinds of motorboat imports. France and Spain are the only European countries exporting an appreciable number of inflatable boats to Italy. Interestingly, several leading European countries in the pleasure boats world market play only a marginal role in Italy. Germany, Belgium, Denmark and specially the Netherlands hold only minor shares of the Italian motorboats market. The

U.S. holds a share of about 30% of all motorboat imports to Italy. American quality and technology are regarded as unmatched, which puts the U.S. in a great commercial position. Many American companies are represented in Italy. Imports may continue to expand due to the internal market expansion and the weak dollar.[7]

3.4 Best Prospects for U.S. Firms

Traditionally, lower to mid-range motorboat crafts, measuring 20 to 40 feet in length, have been the most popular in terms of sales in Italy. The Italian motorboat market has been growing in recent years, despite the country's economic crisis. Every year a consistent number of Italians decide to purchase a motorboat. Moreover, customers are coming from other (mainly European) countries. These people prefer to purchase motorboats in Italy to benefit from the so-called "Italian leasing" plans, which are much more convenient than purchasing solutions available in other countries. The used boat market also represents an excellent opportunity for American companies. At the present, American boats make up almost 90% of the used boat market.[7]

In additional to new and used motorboats, sailboats, inflatable boats and motors, opportunities can be found in the development and management of Italian marinas and ports. In these fields, American products lead in quality, technology and reliability. For the past ten years, the United States has held a steady share of imports. In 2007, 9.4% of pleasure boats of all kinds imported to Italy came from the United States. The largest imported American item remains the outboard motorboat; in 2005, the U.S. held 24.74% of this import market in Italy. According to analysts, this sector will continue to grow in view of the leasing formula that has become so popular in Italy recently.[7]

3.5 Key Trade Shows

Name: **Fiera di Genova**
(Genoa International Boat Show)
Location: Genoa, Italy
Dates: October
Web Site: http://www.fiera.ge.it

Name: **Nautic Sud International Boat Show**

Location: Naples, Italy

Dates: March/April

Web Site: http://www.nauticsud.info

4. NETHERLANDS

4.1 Introduction

Although OEM marine supply sales continue to face stiff competition in some international markets, the aftermarket for pleasure boat equipment and supplies in the Netherlands is expanding. The Netherlands is a mature boating market. It has a rich maritime heritage and affinity for the water. In a country of 15.6 million people, boat-ownership per capita is around one in 30. The estimated number of pleasure boats in the Netherlands is around 500,000, of which 60% are motorboats. While the Dutch marine industry has seen a decrease in the value of exported pleasure craft, the quantity of those sold has increased. A solid market remains for a wide array of marine products used by boat builders, as well as those sold to the marine aftermarket.[9]

Dutch spending on pleasure boat accessories and supplies amounted to $172 million in 1996, which reflects an increase of 2.4% over 1995. (A minor share of these products were subsequently re-exported after having been fitted to new boats).[9]

The Netherlands has numerous reputable boat builders of all sizes, the Western European boat market is worth approximately $8 billion annually.

The total outlay in 1997 on all forms of water sports in the Netherlands amounted to $1.24 billion. (This not only includes equipment, but also spending on new boats, mooring fees, boat rentals, sports fishing, etc.) Polyester boats, especially sail boats, are popular, but the majority of Dutch boats, especially motor boats, are of the displacement type, made of steel, and are diesel powered. These family boats are typically used for inland water boating and average 26 feet to 36 feet in length.[9]

In the Netherlands there are some 451,000 boats presently in use. Of these, 151,000 are sailboats and 300,000 are motor boats or other types of vessels. The Netherlands is often referred to as the "Gateway to Europe."[9]

A wide variety of recreational boating equipment and supplies are selling well, especially aftermarket products. Marine electronics are in great demand. There is demand for global positioning systems, system C marine communications, direct dialing marine communication systems, fluxgate compasses, electronic charting products, versatile screen displays, and interfacing. Other types of less sophisticated boat parts, equipment, and supplies also enjoy strong sales.[9]

4.2 Market Highlights

The abundance of waterways in the Netherlands has had an important impact on the economy, particularly that involving seagoing and barge traffic, as well as water sports. The European leisure boating supplies market is likely to see a temporary leveling off of sales following a slowdown in the major European economies. However,The Netherlands' boating supplies market still offers opportunities for U.S. boating equipment and supply firms.[9]

While there are numerous reasons to explain why the Dutch and, more generally, the European pleasure boating equipment market offer opportunities for U.S. firms, three are immediately obvious: 1) the market is large; 2) transportation and communication systems in Europe are well-developed which facilitates business transactions in Europe; 3) in the long term, a significant water sports industry will emerge in Eastern Europe which will be supplied largely by Western European companies.[9]

Additionally, during the 1990's, there was a surge in the number of pleasure craft sold in the Netherlands. This trend has boosted the demand for quality maintenance services and the latest equipment to increase comfort and safety on board in a climate that is often gray, damp, windy, and cool.[9]

Dutch Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$213,806,240	$238,459,120	11.53
Imports from U.S.	$62,239,257	$58,130,297	-6.6
Imports from Maine	$28,000	$73,100	161.07
US import market share	29.11%	24.38%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

The importance to the Dutch economy of the water sports and sport fishing industries is illustrated by the following annual expenditures: boating equipment and supplies US$ 172 million, purchase of pleasure vessels US$106 million, mooring costs US$78 million, and miscellaneous water sports spending US$378 million. Day trip and holiday boating activities are also important to the Dutch economy by the following annual expenditures: water sports day trips by the Dutch US$85 million, water sports day trips by foreigners US$98 million, boating holidays by the Dutch US$79 million, boating holidays by foreigners US$54 million, water sports training US$13 million, sport fishing 180 million. The total 1997 water sports spending was US$1.243 billion.[9]

Since inland waterways are numerous but not large, the majority of all boats are about 32 feet to 36 feet in length. Roughly half of all Dutch boats are moored in about 1,250 marinas. The rest are tied up along shorelines, although this custom is gradually being discontinued by local municipalities. During the past five years some 250 new marinas have been built. Marina occupancy is about 90%. Expansion plans call for another 30,000 marina moorings by the year 2010. About half of all marinas are commercially operated, 35% are run by associations, and the remaining 15% by municipalities and other groups. The average annual mooring fee ranges from $700 up to $1,600 depending on the size of the boat.[9]

The boat charter business is growing in importance. Some 250 firms rent a total of about 3,400 motor and sailing vessels. Many charter companies are small, with no more than 8 to 30 boats. Of this business, 75% comes from Germany, 5% from other nations, and 20% from the Dutch. Total annual rental turnover is estimated at $26 million.[9]

4.3 Domestic Production

The Netherlands marine leisure market, probably the fifth largest in Europe, is currently seeing some slowdown, although some sectors are doing better than others. For example, the main big-yacht business continues to do well, despite a global softening in that sector over the past couple of years. The Dutch industry has the advantage of its custom-builders' reputation as the best in the world in terms of quality. The best-known super yacht builders generally continue to prosper, e.g. Feadship yards, Royal Huisman Shipyard, Heesen Yachts, Hakvoort, Jongert, Amels Holland, Vitters Shipyard, Holland Jachtbouw and Moone, and the Dutch industry that has grown up supplying it is also doing satisfactorily at home as well as abroad. The real sluggishness now is in the domestic new-boat sales and aftermarket/retail chandlery sectors.[9]

4.4 Best Prospects for U.S. Firms

In 2007, the U.S. continued to dominate the import market of yachts and other pleasure vessels in the Netherlands with a total value of US $58.1 million. Efforts are being made to accelerate the process of developing an EU directive on recreational craft for free trade of boats, equipment and supplies across international borders in Europe and around the world. This will enable buyers to shop around in Europe and take advantage of cross border shopping. Many European firms are not experienced in dealing in such a large economy (the EU has a population of 360 million) which can be an advantage for American firms that are accustomed to a continent-size home market.[9]

The import outlook for most marine products is favorable in the Netherlands. There has been a relatively strong surge in the Dutch and European markets for U.S. made boats as well as equipment and supplies. The overall U.S. share of the market, which was at one time insignificant, has grown stronger. This trend has been fueled by the 1992 European unification process and is expected to continue. The absence of a strong Dutch marine parts and accessories industry, in combination with a healthy market and the renowned Dutch export mentality, makes the Netherlands an attractive country for American firms to establish a foothold in the European market.[9]

4.5 Key Trade Shows

Name: **HISWA Amsterdam Boat Show**
Location: RAI Exhibition Center, Amsterdam
Dates: March
Web Site: http://www.hiswa.nl

Name: **HISWA In-Water Boat Show**
Location: IJmuiden
Dates: September
Web Site: http://www.hiswa.nl

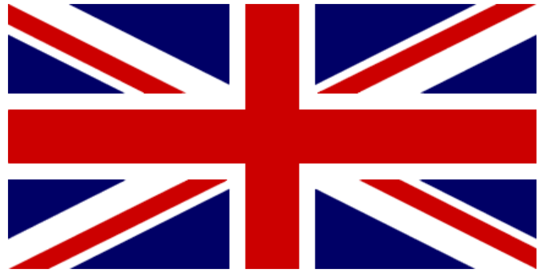
Name: **Marine Equipment Trade Show (METS) Amsterdam**

Location: Amsterdam

Dates: November

Web Site: http://www.metstrade.com

5. UNITED KINGDOM



5.1 Introduction

The UK marine pleasure boat business is the second largest in Europe, with an estimated value of $5.5billion and consistent growth over the last decade. The market consists of both powered and sailing boats ranging from small dinghies to super yachts. It is estimated that 3.5 million people regularly participate in boating and water sports on UK coastal waters and inland waterways. Marinas, boatyards and all the industry supporting the marine leisure market, both on the coast and inland, contribute significantly to the UK's economy. As for new-boat sales, the small size boat is slowish, the middle size market is better, but not perhaps quite as good as it was a year ago, and the 50ft-plus sector is still very healthy, although note the spending is offshore in warmer climates.[10]

5.2 Market Highlights

The UK marine leisure market is currently fairly buoyant and open to new products and services. The main drivers of the market are the strength of the economy and the weather. The UK economy has recorded positive growth for the past 53 quarters and living standards have been rising sharply. In addition, there has been a substantial influx of wealthy individuals to the United Kingdom from other countries. Finally, the aging UK population is now reaching retirement status in increasing numbers, with large numbers of active 50-60 year olds seeking new hobbies and recreational activities.[10]

UK Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$418,772,390	$643,019,700	53.55
Imports from U.S.	$61,681,936	$84,286,263	36.65
Imports from Maine	$1,553,982	$943,805	-39.27
US import market share	14.73%	13.11%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

The strength of the pound relative to the dollar currently makes U.S. products particularly attractive in the UK. In addition, the UK marine leisure market has been a fairly robust export sector, with North America being the second largest export market for UK companies. As a result, there could be attractive potential for joint ventures, as well as pure exporting opportunities. Finally, the UK climate has experienced record temperatures in recent years. The longer and warmer summers have been drawing increasing numbers of people to outdoor pursuits, including boating.[11]

5.3 Domestic Production

The British leisure marine industry grew by 8.5% in 2004, increasing its revenue to a total of $US1,979 million, according to the latest British Marine Federation (BMF). In six consecutive years of growth from 1999-2004, the revenue of the UK leisure marine industry has grew by an extraordinary 57%. The industry has also shown considerable strength in the export market, growing by 5.6% bringing in US$1,660 million to the UK economy, representing 42% of total revenue for the sector in 2004.[10]

The leisure marine industry is concentrated in the south of England. About 60% of industry sales are made in the South East and South West of the UK. This is because historically the weather has been better in the south, the south is generally more affluent, and the numerous estuaries, bays, etc in the south have made it an attractive location in which to keep a boat. This is changing, however, and the boating sector is now developing across the whole of the UK. The South East of England has the greatest share of industry revenue at US$2,038 million, followed by the South West at US$1,279 million.[10]

These regions have high levels of manufacturing activity, though consumer services is the largest sector in the Southeast. The East of England and Midlands are also important economic regions for these sectors, partly due to the large areas of inland waterways in these regions. It is estimated by the British Marine Federation that 451,000 boats (measuring over 2.5 meters) are kept in the UK and 90,000 UK-owned boats are kept abroad. The number of foreign owned boats kept in the UK is estimated at 16,000. The Federation also estimates that UK water sport participation totals up to 3.5 million people, aged 16 and over. The principal end-users are private boat owners throughout the UK. Boat owners are typically in their 50s and 60s.[10]

5.4 Best Prospects for U.S. Firms

The best prospects for American companies are in innovative boating accessories and electronic equipment. Although there are already many of these products on sale in the UK, distributors are keen to sell products which have a unique selling point and that may be new to the UK consumer. Paints, as well as cleaning and maintenance products that are environmentally friendly, are of particular interest due to the Environmental Code of Practice in place in the UK. While the majority of marine suppliers sell directly in the UK market, the most effective method for a U.S. company to enter this market is through an existing UK distributor. There is a sizeable supply chain and a large variety of consumer services already on offer to the boating public. The leading marine distributors have high visibility by advertising regularly in consumer and trade journals, exhibiting at major boat shows and operating online trading portals.[10]

There are two large boat shows in London and one in Southampton, as well as numerous smaller, local boat shows around the country. These provide an opportunity to buy chandlery items as well as new boats. Exhibiting at boat shows is an important means of promoting new products to the buying public. Their very popularity means, however, that it can be very difficult to secure a presence, particularly for boats. Some local boat shows also cater exclusively to the second-hand boat market. These items would normally be purchased directly by the private individual. Electronic equipment and chandlery accessories are sold at boatyards, online and through distributor catalogues.[11]

5.5 Key Trade Shows

Name: **London International Boat Show**
Location: London
Dates: January
Web Site: http://www.collinsstewartlondonboatshow.com

Name: **Southampton International Boat Show**
Location: Southampton
Dates: September
Web Site: http://www.southamptonboatshow.com

Name: **Earls Court Boatshow**

Location: Earls Court, London

Dates: December

Web Site: www.earlscourtboatshow.com

Name: **Boating Business Exhibition**

Location: International Centre, Bournemouth

Dates: February

Web Site: www.bbex.co.uk

Name: **National Boat Caravan and Outdoor Show**

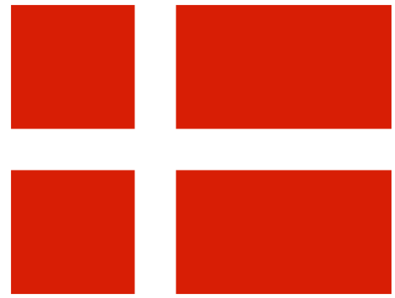
Location: Birmingham National Exhibition Centre

Dates: February

Web Site: www.boatandcaravan.co.uk

6. OTHER EUROPEAN MARKETS

DENMARK –



The Danish market is currently very healthy, with boat, yacht yards, and marine equipment and service companies that are supplying and supporting them. Domestic consumption of boats and boating-related products and equipment is also running at a strong level.[12]

Danes are some of the wealthiest people per capita in Europe and, although relatively small in European terms, the Danish marine leisure market has been riding high for quite a few years, principally on the back of consumer confidence buoyed by low interest rates. The Danish industry is very active internationally and is currently thriving in line with the overall marine leisure industry picture throughout Europe.[12]

Danish Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$91,026,240	$101,995,620	12.05
Imports from U.S.	$11,853,300	$42,755,818	260.71
Imports from Maine	0	0	0
US import market share	13.02%	41.92%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

Denmark's coastline measures some 7,314km with a myriad of small islands. Denmark has 43,000km^2 of sovereign territory and the biggest of these is the mainland peninsula known as Jutland. There are the three main island masses of Funen, Lolland and Zealand to the east. Zealand is close to Sweden's southwest coast where the recently opened Oresund Bridge now links Danish capital Copenhagen with Swedish city Malmö. A fifth island of reasonable size is Bornholm, which lies some 40km off the south-east coast of Sweden and quite a long way from the rest of the country. It is generally believed that pleasure boat activity is split roughly 50:50 between Jutland and the islands, with Zealand by far the wealthiest and hence busiest in terms of boating.[12]

According to recent estimates there are 366,000 boats in Denmark. There are around 220,000 outboard-powered motorboats, 25,000 inboard-engined motorboats, 53,000 sailboats, and around 68,000 ‘others’, which include inflatables, sailboards and personal watercraft.[12]

SPAIN –

The marine leisure demand in Spain remains high with imports of yachts and other pleasure vessels totaling $1.6 billion in 2007. Spain is the fourth largest market for U.S. exports of yachts and other pleasure vessels. Despite this heavy taxes and licensing laws are inhibiting the boating market. Boating is seen as a luxury activity and as such the tax burden on all boats 7.5m (25ft) or over sold in Spain is 28%. This is the 16% VAT rate plus a 12% 'registration fee', an unpopular levy which has created a dead patch in the market.[13]

An additional 2% tax is levied on boats from non-EU countries, taking the total burden on non-EU imports over 7.5m to 30%. Little is likely to change regarding the taxation of boats in Spain, as a similar stance is taken with the automotive industry, which is much more powerful in lobbying terms. Furthermore boat licensing acts as a deterrent to go boating as a complicated four-stage driving-licence requirement, as well as user-licences for water-sports and fishing, tend to discourage all but the keenest boaters. Additionally, on-water policing backs up the bureaucracy.[13]

Spanish Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$1,924,163,720	$1,570,003,390	-18.41
Imports from U.S.	$77,353,935	$86,390,080	11.68
Imports from Maine	0	0	0
US import market share	4.02 %	5.50%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

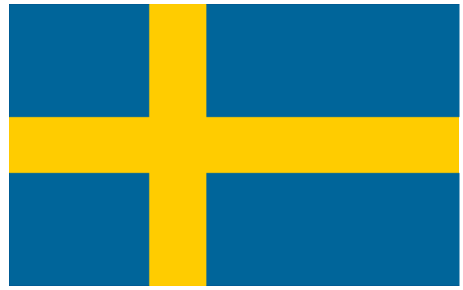
Nevertheless, the 2005 Barcelona International Boat Show broke all records in terms of sheer size. The show occupied $100,000m^2$ of area, with 600 exhibiting companies and 229 large boats in-water. Having grown in stature over the past few years, it now ranks among the Mediterranean's top three mainstream boating showcases, attracting 175,000 visitors. The event is a must on big-boat builders' show schedules as a result of the increasing number of Spanish buyers and the country's popularity with the world's rich, particularly 'expat' Europeans.[13]

Spain has a great boating geography, boasting $504,880km^2$ of land mass and almost 7,880km of generally boating-friendly coastline — more in fact than any other southern European country. And like France, it has both Mediterranean and Atlantic seaboards. It also has a wealth of island territories — the Balearic Islands 200km or so off the Catalonian coast and the Canaries 1,500km away off the coast of northwest Africa.[13]

Although the Spanish climate is very boating friendly, the country still suffers from too few suitable marinas and berthing-related facilities, although there have been quite a few added in recent years and several more new marina projects are underway in various parts of the country.[13]

According to the most recent survey issued last year by the Central Maritime Shipping Agency in association with industry federation ADIN (Association de Industrias Náuticas), there are now around 320 marinas in Spain offering a total of almost 107,000 berths. Almost 8% of all moorings are on the Mediterranean coast. But regardless of the actual numbers, everyone is agreed that the industry needs a lot more marinas and a lot more berths. The total Spanish boat park is believed to be around 240,000. That gives a boat-ownership figure per capita of 167 people per boat owned. Throughout Spain the power/sail split is thought to be around 85/15 in favor of power.[13]

SWEDEN –



Sweden's leisure marine industry shows no sign of slowing its decade-long upward trend. With a sizeable proportion of its boats manufactured outside Sweden, and much of its own production exported, the country boasts a healthy trade balance. This was highly visible at the 71st Stockholm International Boat Show, held from March 4-12 this year. Many of the boats on display came from Finland, Norway and other European countries, but there was an increasing number of representatives from further afield, notably South Africa, Brazil and China.[14]

In exporting, Norway leads Swedish export destinations, followed by Germany, the UK and The Netherlands. Imports are derived mainly from Sweden's Nordic neighbors, with Finland as its main source, as well as Germany and the US.[14]

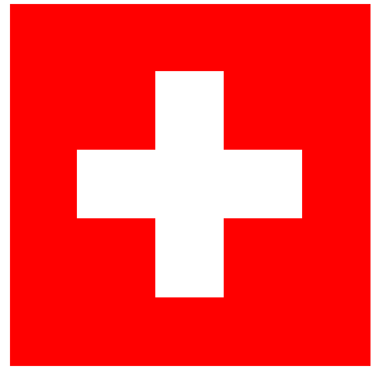
Swedish Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$255,641,150	$331,028,890	29.49
Imports from U.S.	$42,409,469	$65,744,959	55.02
Imports from Maine	$31,080	$566,637	1723.16
US import market share	31.53%	18.51%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

Sweden has a VAT rate of 25%, as well as a capital gains tax generally levied at 30%. Driver's licenses are required for all vessels over 12m (39ft) long or 4m (13ft) wide, but there is no mandatory boat registration. Personal watercraft are prohibited on Swedish waters except in specially-designated areas for training and competitions.[14]

SWITZERLAND –



Although Switzerland is a landlocked country, its numerous lakes offer great boating possibilities. The total lake surface belonging to Switzerland adds up to approximately 1,250 square kilometers. The many navigable lakes and Switzerland's high per capita income make it an attractive market for boats. Over 100,000 boats were registered in 2005. Considering the size of the population of 7.4 million people, this translates into a boat ownership of 1 boat per 74 people per capita. Although the market is saturated and the per capita boat ownership is very high, there is a continual demand for replacement boats and high-tech accessories and instrumentation.[15]

According to the Swiss Boat Builder Association, in 2005 a total of 2000 units (motorboats, sailboats and row boats) were sold. The total boating and yachting market, including boat accessories, after-sales services and repairs, was valued at approximately US$150 million. The share of maintenance and repair services accounted for approximately one third of the total market.[15]

Swiss Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$77,190,075	$99,457,379	28.85
Imports from U.S.	$5,285,339	$8,937,032	69.09
Imports from Maine	0	0	0
US import market share	6.85%	9.00%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

All boats over 2.5 meters in size must be registered with the relevant cantonal authority similar to the requirement for passenger cars. In September 2005 there were 100,078 boats registered in Switzerland, of these 34,011 were sailboats; 67,187 motorboats; and 6,902 row boats. The number of boat registrations have dropped by 5 % over the last decade, although annually almost 10,000 people take an exam on boat navigation. Boating is still considered to be an exclusive and expensive sport. Many people take an exam just to be able to charter a boat during their vacation abroad and not to purchase a boat.[15]

The slowdown of the Swiss economy from 2000 to 2004 had an obvious impact on the boating market. A limiting factor on market growth is the availability of berths on Switzerland's lake shores. The construction of new and the enlargement of existing marinas on certain lakes has relaxed the situation to some extent; however, there is still a shortage of berths on many lakes. For example, on Lake Geneva there is a long waiting list for berths.[15]

The Swiss nautical industry is comprised of boat builders, importers, distributors, vendors and maintenance and encompasses approximately 230 boat yards of which 170 are members of the Swiss Boatbuilders Association. The trend in the past few years has been away from the large luxury "swimming homes" towards smaller sports boats up to a length of nine meters, which can be used more spontaneously. The demand for boats is strong but stable. Consumer purchases of new boats are mainly to replace old craft. However, the renovating and re-equipping of old craft is enjoying a healthy growth. The Swiss are investing considerable money for high-tech accessories, such as satellite antennas, electrical anchor winches, modern kitchen installations, navigational instruments, etc. Most Swiss prefer to get a berth close to their domicile or vacation home. As a result, trailers to tow the boat from one lake to the other are not seen as often as in other European countries.[15]

Fifty years ago Swiss-made boats accounted for 90% of the total consumption. Nowadays, the market is heavily dependent on imports, and Swiss boat builders supply only about 10% of the total market demand. The main supplier countries are Germany, Italy, France, Sweden, Norway and United Kingdom. The USA has a considerable market share in motorboats. Of a total of 824 imported motorboats (inboard motors) in 2005, 322 were of U.S. origin. French-speaking Swiss seem to prefer sailing; whereas, motor and speed boats have a better market in the German and Italian parts of Switzerland. The Swiss tend to be willing to pay somewhat higher prices for a nice finish and quality and, in return, expect excellent after-sales service.[15]

III. Middle Eastern Markets

1. TURKEY

1.1 Introduction

Turkish buyers are very receptive to U.S. products. American suppliers are generally known for their high quality and technologically sophisticated products. Currently the U.S. has a 13% share of the Turkish import market of yachts and other pleasure vessels; however, it has a strong opportunity for increased growth. High technology products: compression, ignition, internal combustion, piston engines of various sizes, radar apparatus, and most electronic apparatus are major import-products. Turkish buyers would especially welcome these American products.[16]

1.2 Market Highlights

Imports represent over 99% of the total market, and European suppliers are dominant in the import market. Dominance of the European products in the market is understandable due to the close geography of European companies, zero customs duties on imports from EU countries as a result of the customs union agreement between Turkey and the EU, and most importantly that nationalities of most buyers are European. Engines of both inbound and outbound types are among the imported products with the largest shares.[16]

Turkish Imports of yachts and other vessels for please or sport (HS code 8903)

	2005	2006	% Change
TOTAL imports	$19,613,363	$8,876,190*	-54.74
Imports from U.S.	$8,167,045	$9,599,633	17.54
Imports from Maine	N/A	N/A	N/A
US import market share	41.64%	N/A	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research
*Reporting countries may not have reported all imports in all years.

1.3 Domestic Production

The Turkish yacht industry has been developing a strong reputation since the 1960s, especially among European customers, with the traditional production of wooden gullets from Bodrum. After the 1970s the Turkish yachting industry started coming into its own and is now a major location for yacht production.[16]

Modern yacht production is relatively young in Turkey. Regulations of the previous Turkish governments promoting deep-sea ships also attracted interest in yacht production and local producers became more successful in the production of yachts for foreign markets. Industry benefits from the high quality and cheaper labor force, result in very competitive prices, and more foreign firms are transferring production to Turkey. Though Turkey still lacks proper production facilities, it ranks third in the world for mega yacht production. In Turkey, yachts over 100 feet size are defined as 'mega yachts'. The total worldwide mega yacht market is $3 billion. Similar success for Turkish producers is expected in the small-medium size yacht production within the next 5-10 years. Yacht producers are spread around the country, continuing their production in small facilities.[16]

Most builders have been involved in the boating business for generations; however, in the last decades they have converted their family production facilities into more modern production facilities, and commenced exporting to other countries, such as the U.S., Netherlands, Germany, Italy, Greece, France, etc. Production lines grew tremendously from the classical to modern contest lines. Depending on order, these facilities can also provide CE marking which is very important. Recently, a yacht produced in Antalya was selected as the "third best yacht" in the world at the Monaco International Boat Show.[16]

The same success applies to parts production, as well. Parts suppliers and after sale service providers had to follow all of these industrial developments, rules, and standards. These serve, not only to the local production, but to international producers as well. Local producers made great strides beginning to supply buyers that previously preferred foreign suppliers in both products like hardware, and interior furnishings for yachts and in the last 5-6 years lifting the quality of domestic labor and products. The Turkish yacht industry currently provides not only high quality products but also a wide range of products at reasonable prices. There is significant production in some products, like generators used for boats, and deck equipment: anchor windlasses, steering systems, capstan, deck cranes, boarding ladders, gangways.[16]

The yacht production aided by excellent Turkish after sales servicing is well known. Both high quality workmanship and reasonable prices again attracted international yachts to Turkish waters for after sales servicing. This has resulted in an active parts industry for both serving yacht producers, and also after sale providers. Except some products like deck equipment, there is negligible local production of high technology parts. This makes the importation of products such as engines, radar apparatus, electronic maritime parts, etc. into the country mandatory.[16]

1.4 Best Prospects for U.S. Firms

U.S. products rank third in exporting yachts and other pleasure vessels to Turkey; however Turkish buyers are receptive to U.S. products, offering excellent opportunities to U.S. suppliers, which have high quality and technologically sophisticated equipment.[16]

The market for parts to construct new yachts and provide after sale services reached $200 million in 2006, with an increase of 22% compared to 2005. Industry experts believe that it might even be higher than this figure in 2006 because the Turkish Institute for Statistics, due to a new law, is limited in providing information on certain items. Even without the detailed statistical information, an increase of 22% in one year is very high. A similar increase is expected in 2007 with the increasing visibility of the Turkish market in the global yachting industry.[16]

This increase was achieved despite some restrictive regulations in the Turkish market. Even though the Turkish regulations promote foreign investment in all industries, Turkish laws prohibit foreigners to own a yacht carrying a Turkish flag. Additionally, the two major taxes on yachts—Special Consumption Tax (OTV)& Vehicles with Engines Tax (MTV)—are additional restrictions limiting industry growth in Turkey. These limitations have not prevented Turkey from being a major supplier of yachts, especially the mega yachts, and providing after sale service for international yachts as well.[16]

1.5 Key Trade Shows

Name: **Avrasya Boat Show**

Location: Istanbul, Turkey

Web Site: www.avrasyabostshow.com

Name: **Izmir BizBoat**

Location: Alsancak_zmir, Turkey

Web Site: www.bizbost.com

Name: **Antalya Boat Show**

Location: Antalya, Turkey

Web Site: www.boatshow.com.tr

Name: **Bodrum Boat Show**

Location: Istanbul, Turkey

Web Site: www.interteks.com

2. UNITED ARAB EMIRATES

2.1 Introduction

The Gulf region's marine industry is on a growth trend. There are currently some 30,000 leisure boats in the region. As the number of marinas and boating clubs in the Gulf continues to expand, particularly in Kuwait, Oman and the UAE, the growth potential for the region's marine industry continues to climb.[17]

Numerous waterfront developments and mega projects such as Dubai marina, The Palms and Dubai festival City have triggered record growth in the boat market. An estimated 30,000 new berths for boats will be built over the next five years in the UAE. In Dubai alone, mega projects will feature large marinas, capable of hosting thousands of boats.[17]

Boating has become a part of the industry now. It's not just the fishing industry. It is entertainment at the corporate level, organized by hotels resorts and charter companies. Nowadays more and more UAE residents are inclined to take up boating for a hobby or leisure. With the Dubai brand gaining global acceptance, people who come here to live and buy a house in the Palm or an apartment in Dubai Marina are ready to spend their money here. These are the people who are more inclined to own a boat.[17]

2.2 Market Highlights

Currently the UAE has seven marinas and boating clubs with an additional four (including the Dubai Marina) scheduled to be built in the near future. While the main focus for leisure boating in the region is on fishing and diving, cruising on larger yachts is gaining in popularity and there are nearly 1,500 larger leisure yachts in the Gulf region mainly in Kuwait and the UAE.[17]

The use of yachts for corporate events and tourism is growing in the Gulf and it will propel demand for bigger and better luxury vessels, people in the boat industry say. Boat ownership is growing in the UAE and other countries in the region as large-scale waterfront property developments and affluence create new yacht buyers. Builders and suppliers are moving in to anchor themselves in the region for potential deals.[17]

UAE Imports of yachts and other vessels for please or sport (HS code 8903)

	2005	2006	% Change
TOTAL imports	$117,380,213	N/A	N/A
Imports from U.S.	$15,231,192	$14,036,764	-7.84
Imports from Maine	N/A	N/A	N/A
US import market share	12.98%	N/A	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

2.3 Domestic Production

Gulf Craft Inc the Ajman based manufacturer of boats and yachts, has been reporting 30 % growth annually during the last five years and is expected to announce Dh300 million in revenue growth for the year 2006.The company was set up in 1982 to build small vessels and boats, over the years boats that the company built became bigger and more sophisticated as customers were looking for more and more luxury vessels. Gulf Craft now exports more than 70% of its output to the GCC counties and the wider Middle East and North Africa(Mena region), Australia, US, Europe and India.[17]

2.4 Best Prospects for U.S. Firms

International security experts have been urging Gulf States to enhance border surveillance, exchange intelligence and boost cooperation to prevent terrorist attacks. The UAE's coastline stretches for 1,300 km and the UAE has numerous islands especially in the Emirate of Abu Dhabi. Like many prosperous nations located near less-prosperous nations, the UAE struggles to combat the smuggling in of illegal aliens along its coastline.[17]

Coastal surveillance systems are generating significant interest for that purpose as well as for the security of the UAE's numerous offshore oil platforms. With new and modern marinas being established in the numerous beach resorts, luxury boat ownership has also been on the rise, offering very good opportunities for all types of marine security systems, including boat-locating systems, GPS navigation systems, collision avoidance systems, and low-light or night-vision devices.[17]

2.5 Key Trade Shows

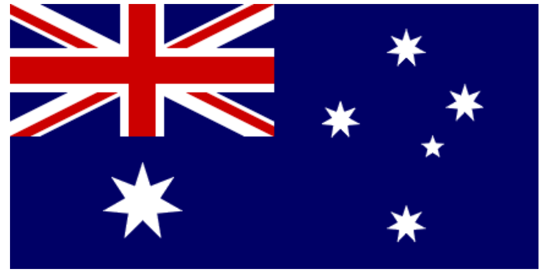
Name: **Dubai International Boat Show**

Location: Dubai, UAE

Dates: March

Web Site: www.boatshowdubai.com

IV. Other Markets



1. AUSTRALIA

1.1 Introduction

Most Australians live near water. The desire for a water-related lifestyle, coupled with higher levels of income, has resulted in a surge in sales of larger craft, with trade shows reporting record sales. The number of registered boats in Australia is increasing. Currently, in total there are 734,374 registered boats in Australia, around 90% of which are estimated to be engine-powered, the remainder being powered by wind. Additionally, there are an estimated 110,000 boats that do not require registration.[18]

In 2004, Australia was the third largest market for U.S. pleasure boats, after Canada and Mexico. It is projected that, if current trends continue, Australia will overtake Mexico during 2005 as the second largest. Australia's 23,000 miles of coastline is dotted with U.S.-made and equipped boats of all sizes, whether for fishing, diving, skiing or just cruising and enjoying the waterways.[18]

Australian Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$371,289,524	$438,439,520	18.09
Imports from U.S.	135,204,283	148,996,625	10.20
Imports from Maine	150,000	503,935	235.96
US import market share	36.41	33.98	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

Since 2001, the Australian boating industry has been experiencing buoyant growth, and increasing sales of boats and equipment. Australians are experiencing an unprecedented surge in wealth, stemming from solid prices and strong demand for commodities and resources. Boat sales of established brands are up, and new brands are also entering the market. Whether used for sailing, cruising, or just messing about, boats of all sizes are in demand. Sales of larger craft exhibited a significant surge in 2004, reflecting the growing popularity of larger cruising craft. The effect of the stronger Australian dollar also underscores Australia's import performance.[18]

1.2 Market Highlights

Each State in Australia can be defined almost as an individual market. Queensland claims to be the largest boating market, with its 8,000 miles of coastline. Queensland boating registration statistics in 2005 showed a strong growth rate of approximately 4% across the board. Registrations of vessels above 9 meters (28ft) have doubled and, in some demographics, tripled. There are currently 193,460 registered vessels in Queensland, thirty five per cent of which are over 18 feet in length. The major boat show in Australia takes place at Sanctuary Cove on the Gold Coast, where in May each year over 50,000 visitors view boating exhibits from twenty countries. Queensland boasts world-class sailing grounds, including the Great Barrier Reef, an export industry where two-thirds of Australian recreational boat exports are manufactured, rapidly expanding super-yacht development opportunities, and a world-class marine infrastructure. There are 203,393 registered craft in New South Wales. Registrations are increasing at a rate close to 3%. The demand for registration is increasing faster than population growth. Yachting NSW, representing the competitive yachting community in the State, has 13,500 sailing members, which constitutes approximately one-third of the national membership. About a third of the nation's 640 marine equipment suppliers are located in New South Wales.[18]

Boat registrations in Victoria have increased 16% in a decade, reaching a record 155,000. Charter vessels are an increasing component of recreational boating in Victoria. Registered commercial charter vessels are being used for whale spotting and sightseeing of coastal attractions such as seal and bird colonies.[18]

In South Australia there are 55,100 registered recreational motorboats. South Australians, claiming to have the highest per capita boat ownership in Australia, enjoy diverse aquatic activities ranging from fishing, sailing, holiday houseboats, water skiing, kite surfing or riding personal watercraft. The State's population is in love with the water, and increasing numbers are retiring near the water to enjoy an aquatic lifestyle. There are

76,259 registered recreational vessels in Western Australia. This includes boats from 18ft with a motor greater than five horsepower. There are many thousands of other boats including substantial sailing yachts not registered. There are various estimations of the possible total number of boat operators in the State, ranging up to 250,000 people.[18]

1.3 Domestic Production

Australia is world leader in the design, construction and quality of alloy and fiberglass boats, and is actively exporting up to two-thirds of its production in some sizes. Riviera is hailed as the biggest, with a large number of well-known local makes such as Mustang, Quintrex, Cruise Craft and Whittley. Boat building is one of the fastest growing industries in Australia, particularly on Queensland's Gold Coast. Australia has a growing international reputation for the design and production of high quality fiberglass, luxury cruisers, yachts and light commercial boats. The industry designs and produces world-class component parts and accessories for these types of boats. Australian boating industry establishments are located: 35% in Queensland; 24% in New South Wales; and 21% in Western Australia. Australian boat builders are exporting successfully to the U.S., and recently, to Asian buyers.[18]

Local Australian boat-builders are developing a strong export trade, and the need to equip and finish these locally built craft is also helping U.S. export sales. This has resulted in a strong demand for items such as rod-holders, storage systems, navigation and deck lights, electronics, pumps, refrigerators, radios, paints, hardware, etc. Increasingly, Australian boat builders are making gains in nearby Asian markets.

Among the Australian Marine Industries Federation 2004 boating awards, there was a mix of local and imported craft among the finalists. Australian builders Riviera, Whittley and Powercat fared well, while Cobalt, Four Winns and Sea Ray from the U.S. were considered to be the best of the overseas builders.[18]

1.4 Best Prospects for U.S. Firms

The U.S. and Australia began trading under a Free Trade Agreement (AUSFTA) on January 1, 2005. U.S. exports incurring the traditional 3-5% tariff were freed of duty under the Agreement. Exports are broad-based and range from yachts to motorboats and also include components such as engines, raw materials, motors, fiberglass resins and motor components for which the latest technology is required.[18]

Australia is a large market for trailer boats - boats with outboard motors that can be lifted from the water and stored indoors. These boats are usually used for pleasure cruising or fishing. Privately owned boats, charter operators, marinas and dealerships proliferate close to the population centers. Water-borne holidays feature prominently among Australians' choice of vacation. Australians and New Zealanders boast Olympic and international recognition for their boating achievements.[18]

Pleasure cruising in Australia is seen as a sport and recreation for all people and there are boats and activities designed for every age group. Boats are moored and launched from marinas and ramps along coastal and inland waterways. People who don't own their own boat can hire to cruise, row or sail with or without charter and crew to travel at the speed of the wind, or at full throttle in a speed boat. There is a concentration of offshore cruise and boat charter operations on the northern coast of Queensland, along the inshore edge of the Great Barrier Reef. Small boat hire is concentrated in the south east of the state near the state capital, Brisbane. There is a thriving houseboat sales and hire industry in Australia's most extensive lake and river system, in the Gippsland area in eastern Victoria.[18]

Fishing is one of Australia's biggest industries. According to the Australian Recreational and Sports Fishing Confederation, about five million people go fishing for sport and recreation each year. Most of Australia's recreational fishing is undertaken along the coast and estuaries of the East Coast (New South Wales, Queensland and Victoria), denoting the best fishing areas and the geographic spread the population. Freshwater recreational fishing in inland areas of Australia plays an important role in regional economies. About 80% of the fishing market is comprised of powerboats.[18]

1.5 Key Trade Shows

Name: **Sanctuary Cove International Boat Show**

Location: Queensland, Australia

Dates: May

Web Site: www.sanctuarycoveboatshow.com.au

2. CANADA

2.1 Introduction

The total value of Canada's boating industry was valued at approximately $12.3B in 2006. This value, according to the Canadian Marine Manufacturers Association, is calculated for the entire boating industry and has increased from 2005.[19]

The pleasure boating industry in Canada has remained very strong. The industry is well developed and serviced by a network of dealers, brokers, sales representatives, and trade and associations. Major boat dealers have seen an increase of over 15% in the past year. Worldwide pleasure boat imports account for $819.6 million into Canada, of which 97% are from the U.S.[19]

As Canada's economy remains strong, consumer spending will continue to increase and the pleasure boat market is estimated to grow. It is estimated that of Canada's population of over 32 million, approximately seven percent own boats (over 2.2 million, ratio of 1:15). This number has been increasing steadily every year for the past seven years. The Canadian boating market represents a mature market with a high level of competition, mainly from domestic boats and Japanese engines. However, with the U.S. manufacturing a wide variety of specialty crafts, the Canadian market should clearly be considered by new-to-export U.S. companies interested in expanding into foreign sales.[19]

2.2 Market Highlights

As Canada's economy continues to rise, especially in western Canada, an increase in disposable income has kept the pleasure boating market strong. Canadians' purchasing decisions are not unlike those in the U.S. They pay attention to price, brand name, and value. On the west coast of Canada, most dealers sold pleasure boats for recreation fishing use. In Ontario, most mid sized pleasure boats were sold for water skiing activities.[19]

The demand for the luxury boats is on the increase, particularly with the aging baby boomer. The overall majority of luxury boat dealers saw an increase in sales, but noted that some regions are seeing a limited moorage capacity for the larger vessels. This may slow sales down in the following years until the moorage capacity can be resolved.[19]

Canadian Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$668,215,095	$819,552,750	22.65
Imports from U.S.	$639,788,658	$798,773,141	24.85
Imports from Maine	4,732,717	6,270,593	32.49
US import market share	95.75%	97.46%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

In 2007, Canadian imports of yachts and other pleasure vessels totaled $819.6 million, an increase of 23% from 2006. The pleasure boating industry is primarily centered in the province of Ontario, which also hosts the largest population in Canada. The provinces of Quebec and British Columbia, numbering two and three behind Ontario, also have a strong pleasure boating industry. Ontario's boating economy is estimated at $2.85 billion, Quebec $2.05 billion and British Columbia at $1.36 billion.[19]

2.3 Domestic Production

Canada has a strong pleasure boating market, bolstered by a booming economy in the West and steady consumer demand overall. Although the recent high value of the Canadian dollar has hurt domestic manufacturers, the result has been a surge in U.S. imports. The value of Canada's 2006 domestic production was $779.7 million. There has been a slight decrease in domestic production due to the rise in value of the Canadian dollar compared to the U.S. dollar.[19]

2.4 Best Prospects for U.S. firms

Canada's pleasure boating industry remains very strong. Boating is also seen as a traditional vacation activity with Canadians choosing boating as a lifestyle choice, using boats for destination travel. Canadians are very receptive to U.S. products with 17-26' motorboats (powerboating and recreational fishing), 35-60' motorboats (travel vacation and destination holidays/lifestyle choices), luxury yachts (age 50+), and high tech navigational insturuments as the best prospects.[19]

2.5 Key Boat Shows

Name: **Toronto Interantional Boat Show**

Location: Exhibition Place, Rotonto, ON

Dates: January

Web Site: www.totontoboatshow.com/splashpage.aspx

Name: **London International Boat Show**

Location: Excel, London, ON

Dates: January

Web Site: www.londonboatshow.ca

Name: **Vancouver International Boat Show**

Location: BC Place Stadium, Vancouver, BC

Dates: February

Web Site: www.vancouverboatshow.ca

Name: **Montreal Boat & Sportsman Show**

Location: Place Bonaventure, Montreal, QC

Dates: February

Web Site: www.sportsmensshows.com/Montreal/

Name: **Halifax International Boat Show**

Location: Exhibition Park, Halifax, NS

Dates: February

Web Site: www.masterpromotions.ca/halifax-international-boat-show.asp

Name: **Ottawa Boat, Sportsman's & Cottage Show**

Location: Landsdowne Park, Ottawa, ON

Dates: February

Web Site: www.sportsmensshows.com/Ottawa

3. CHINA

3.1 Introduction

With the rapid growth of the economy, China's recreational industries such as golf and pleasure boats are poised to expand rapidly in the coming years. Based on the confidence that pleasure boats will become part of the life style of China's growing wealthy population, provincial governments, property developers and boat builders are all investing heavily in the rising industry. Business experts estimated that the market would pick up speed after 2005, and the overall market size will reach US$ 10 billion in the next decade which will present significant opportunities for U.S. exporters of pleasure boats, accessories, marina planning and construction materials.[20]

3.2 Market Highlights

With the rapid growth of China's recreational marine market, imports from the U.S. have increased 105% from January to October 2004, compared with the same period in 2003. China imported nearly USD 30 million of yachts and other pleasure vessels in 2007 with the U.S. representing approximately 40% of the market share.

Chinese Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$11,689,966	$29,361,194	151.17
Imports from U.S.	$2,840,375	$11,561,717	307.05
Imports from Maine	0	0	0
US import market share	24.30	39.38	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

However Europe's aggressive entry into China late last year may force the market restructuring. Additionally, China is also spending hundreds of million of dollars to develop marina and yacht facilities throughout the country.[20]

China has over 90,000 lakes, 6,500 islands, water networks, 18,000 kilometers of coastline, and 380,000 square kilometers of aquatic territory, which provide great natural resources for the development of a recreational marine industry.[20]

Economically, China's GDP growth reached 9.1% in 2003, and some more developed coastal cities such as Shanghai, Qingdao, and Guangzhou witnessed continuing growth figures of around 10% without any signs of slowing. There are many successful business people, locally and from abroad who can afford yachts as a new status symbol. Their demand for weekend villas, high-end residences with waterfront views and marinas are encouraging property developers to invest in yachting facilities and yacht clubs. As a luxury and modern lifestyle, yachting has also been targeted by major corporations as a way to entertain important clients.[20]

The tourism industry generated revenues of US$ 60 billion in 2003, and China is expected to become the world's biggest tourism destination by 2020. China's undeveloped water recreation infrastructures, including pleasure boats and relevant facilities have been identified as an impediment to the development of China's tourism industry. Many resorts specializing in "scenic water destinations" are seeking high-tech pleasure craft to attract more domestic and overseas tourists. Those big cruising yachts may find a market niche. Shanghai for example plans to develop a passenger-shipping center along the Hungpu River and purchased a116ft. Sir Winston Luxury Yacht from Florida in June 2004. The new Three Gorge Reservoir will be another hot spot for cruising service.[20]

The Chinese Government considers pleasure craft manufacturing an "encouraging" sector for foreign investment. Many foreign manufacturers have moved their shipyards to china since the1990's to take the advantage of cheaper labor and land. Currently, China has 260 boat manufacturers with a total output of US$250 Million in 2003; half of these manufacturers are located in the East China, region which includes the city of Shanghai, and provinces of Jiangsu, Zhejiang and Anhui.[20]

As local manufacturing grows, so will opportunities for exporters of recreational marine equipment such as on-board instrumentation and other equipment. Based on a recent survey, the 30-48ft yachts, costing about $150,000 to $400,000 USD gradually replaced the 18-28ft boats to become the mainstream of the market. With an upward trend in the size of boats, the demand for boat over 50ft is increasing.[20]

3.3 Domestic Production

The China market will take time to grow and the pleasure boat industry is still in its infancy. There are many logistical issues to be resolved before a large number of private boats will be able to cruise the inland rivers. The following issues are frequently raised by the Chinese as necessary for the development of the pleasure boat industry: marina design, brokerage, legislation, standards of boat inspection, crew training and licensing, navigation and waterway management, safety and rescue system, insurance, maintenance and repairing facilities, club managements and profitability.[20]

3.4 Best Prospects for U.S. Firms

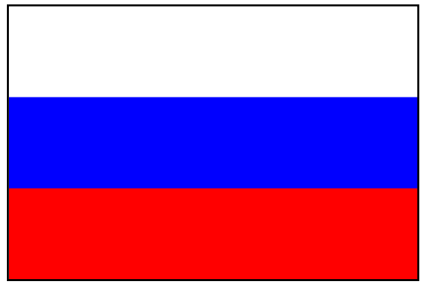
Regarding market entry strategies, exporters should keep their eyes on the industry developing as a whole, not just the specific business of selling boats. A successful model might be: establishing a marina and yacht club first; then using the facilities to promote the idea of waterfront lifestyle to potential clients; making sales and providing maintenance service, and selling accessories.[20]

Many people who are interested in buying boats can afford the price, but have three main questions: "Where can I put it? Who can take care of it? How can I get the boating license?" Although there are presently only a handful of marinas in China, dozens more are under construction or being planned, and there are a number of luxury residences along the waterways of major cities that have boating infrastructure.[20]

3.5 Key Trade Shows

Name: **China International Boat Show**
Location: Shanghai Exhibition Center
Dates: April
Web Site: www.cmpsinoexpo.com

Name: **Marintec China**
Location: Shanghai New International Expo
Dates: December
Web Site: www.marintecchina.com



4. RUSSIA

4.1 Introduction

Marina services in Russia are poorly developed however, the demand for yachts and pleasure boats is growing. The local market offers a selection of used U.S. and Japanese yachts and locally manufactured boats. With booming tourism, fishing, and hunting, the local market demands variety. Purchasing a small boat or yacht is a long-term investment, and local end-users want to invest in a product of better quality, which creates potential for U.S. exporters.[21]

The popularity of yachting on Russia's seas and waterways has skyrocketed in the past five years. While yacht sector in Russia barely existed 5 years ago, Russia is now estimated to represent 25% of the global market today. Although surrounded by land, navigators sometimes call Moscow "the Port of five seas" since the White, Baltic, Caspian and Black seas and the Sea of Azov can all be reached by river from Moscow.[21]

Yacht clubs are also rapidly developing along the banks of the Moscow River and the City's several reservoirs. These elite clubs often charge more than marinas in Monaco. The Admiral Yacht Club is located in a cluster of five inlets north of Moscow's major beltway. Across the bay from the Admiral Yacht Club there is Burevestnik, another of the city's most prestigious yacht clubs. Referrals from two members and the ownership of a yacht or jetski are required to join. Its sister club, Gals, is equally elite. Crocus City Yacht Club itself is so exclusive that, despite the crowds of boats berthed there during the summer, only 14 people have been invited to become full members.[21]

4.2 Market Highlights

Russia imported $ 118.2 million of yachts and other pleasure vessels in 2007, and the U.S. was the source of approximately one third of these imports. Yacht club and pleasure boat sports are growing in the southeastern territories of Russia. However, infrastructure for these types of sports and marina services are underdeveloped. The larger the boat, the more expensive marina services are – for a 25-30 ft boat it is $100-600/month. There are three yacht clubs running three marinas in Vladivostok. In Vladivostok, most of the bays suitable for marinas are occupied with military works or are polluted. Building a new marina within the city limits may require dredging. Marinas should have access to drinking water, power, sewage and a hangar for maintenance, which may be a problem in Vladivostok, which suffers from drinking water and power shortages and from geographical disadvantages, i.e. access to the sea is obstructed by the city itself and rocks, limiting plans for expansion.[21]

Used Japanese 30-35 ft boats dominate the Russian market. Larger boats are imported from the U.S., as their lower prices and usually better working condition are more competitive, as compared to Japanese boats. Before 1995, Russian clients were buying boats parked in Japanese ports, at which Russian vessels called. Today, as living standards are growing, pleasure boats in convenient destinations in Japan sell out fast. An interested buyer has to identify a boat/yacht dealer and ship the boat to a port, where a Russian merchant vessel calls. There is great demand for high-speed sports or fishing boats, with modest interiors, quality navigation and fish searching equipment.[21]

Russian Imports of yachts and other vessels for please or sport (HS code 8903)

	2006	2007	% Change
TOTAL imports	$61,424,735	$118,241,761	92.50
Imports from U.S.	$31,917,141	$37,027,905	16.01
Imports from Maine	35,000	15,000	-57.14
US import market share	51.96%	31.32%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

4.3 Domestic Production

There are three pleasure boat manufacturers in the RFE – KnAAPO (Komsomolsk-on-Amur aviation plant), East Marine, and Dalverf' (Vladivostok). KnAAPO produces several types of aluminum boats – pleasure, patrol, rescue, etc. The manufacturer is flexible in providing an end-user with a choice in interior finishing and equipment (open/closed cockpit, 90/135/250 hp engine, etc.) The latest product is a 26 ft long jet boat (most in demand by local fishermen and hunters, as it allows running in shallow waters).[21]

East Marine produces 14-15 ft boats with a plastic hull. There is a good demand, but they only manufacture 20-25 units/year, because of limited production capacities. East Marine's prices for boats are competitive in the Russian market.[21]

Dalverf' shipyard builds boats and yachts up to 84 ft from wood and fiberglass. This type of boat is produced by individual order. The shipyard's production capacity is 35 boats/ year. In its facilities Dalverf' also provides maintenance to Bayliner boats. In April 2004, the shipyard suffered a severe fire, and has not yet fully recovered.[21]

The Russian Federation (RF) is not providing any extra support for the local manufacture of pleasure boats – import duties are relatively low (5%), and are based on price, and in the shipping documents a seller can indicate the lowest reasonable price, according to Russian buyer's request. (For comparison – RF supports Russian manufacturers of automobiles. Import duties for used Japanese cars have increased threefold within the last three years, depending on the engine capacity.)[21]

Local manufacturers usually equip boats with Japanese (Yamaha) or U.S. (Mercury Marine, Johnson) engines, sometimes, with engines manufactured in Kazan, Moscow (Krasny Oktyabr), Samara, Biisk. Navigation equipment is usually imported (GARMIN, U.S.). However, the quality of locally manufactured boats leaves much to be desired -- rivets are not fixed properly and parts of the boat may separate. Aluminum's life span is shorter than plastic, as it is corroded in seawater.[21]

Russian customers can now buy luxury boats from several posh showrooms around Moscow and can even have a super-yacht built to their specifications in the center of town. In 2001, Timmerman Yachts, a Holland-Russia manufacturer of luxury yachts, began constructing yachts from scratch at a yard 20 minutes from the Kremlin. Its gamble on Russia being a market for luxury boats paid off with their production line now booked through through 2009. Timmerman has received orders for some impressive yachts including the Pallada, the yacht built especially for President Putin. Another outstanding order is for a 45 meter yacht featuring a platform for a mini-submarine, a helicopter pad and large sauna for an as yet unidentified buyer.[21]

4.4 Best Prospects for U.S. Firms

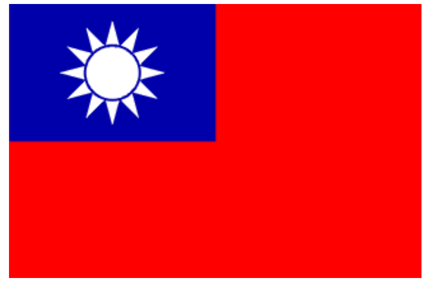
U.S. boat and yacht brokers may enjoy vast opportunities in the Russian market for yachts with a length of 50 ft and 100-130 ft, not exceeding $2 million; 35-40 ft yachts are of high interest among upper and middle-class end-users; and aluminum boats and inflatable rubber durable boats, propelled by mounted boat engines for tourists and amateur fishermen are on top of the shopping list.[21]

Aluminum boat hulls may be nested in one container for shipping, and engines and equipment may be mounted in a dealer/wholesaler's warehouse. Potentially, the Magadan Free Economic Zone may be suitable for establishing assembly works, as it provides customs duties and taxation exemption/privileges for local companies processing imported raw materials into final product or assembling equipment from imported spare parts, thus considerably decreasing the product's price and increasing export volumes, provided there is a high demand for this product in the local market.[21]

U.S. manufacturers of boat engines, navigation equipment, boat interior products and accessories may promote their products to local boat manufacturers or wholesalers. The Russian temperature extremes and salty foggy seaside climate generate promising opportunities for U.S. corrosion protective coatings exporters. There is some potential for U.S. yacht clubs in establishing a JV or selling used equipment and accessories.[21]

4.5 Key Trade Shows

Name: **Moscow Boat Show**
Location: Moscow, Russia
Dates: February
Web Site: www.mosboatshow.ru



5. TAIWAN

5.1 Introduction

Taiwan's yacht building industry has been in existence for over 30 years. Taiwan ranks as the world's fifth largest manufacturer of yachts over 80 feet in length. However, the domestic market for pleasure craft in Taiwan is just beginning to get off the ground as most yachts made in Taiwan have been intended only for export markets. In early 2005, the Taiwan authorities began promoting Taiwan's marine environment and formulating strategies to encourage maritime leisure activities. This goes hand-in-hand with moves to relax laws that made use and ownership of yachts and pleasure boats difficult. Increasing demand for small recreational boats and marine equipment, including engines, repair and building materials, radar apparatus and navigational instruments has the potential to create export opportunities for US manufacturers.[22]

5.2 Market Highlights

The population has the leisure time, the wealth and the proximity to the ocean to pursue marine recreation. Taiwan itself is a major exporter of large recreational yachts and would seem ripe for the expansion of a domestic pleasure boating industry. The Taiwan authorities seem increasingly aware of the contributions a recreational boating industry could make to economic development on, what is, after all, an island with an extensive coastline. To this end they have recently begun promoting Taiwan as a marine domain and formulating strategies to encourage recreational marine activities.[22]

Taiwanese Imports of yachts and other vessels for please or sport (HS code 8903)

	2005	2006	% Change
TOTAL imports	$2,135,517	$1,249,465	-41.49
Imports from U.S.	$775,754	$361,383	-53.42
Imports from Maine	0	0	0
US import market share	36.33%	28.92%	

Source: United Nations Statistic Division; World Institute for Strategic Economic Research

With the trend to concentrate on larger and ever more sophisticated custom-made yachts, a number of yards have transferred the building of smaller yachts, especially in the thirty to fifty foot range, to mainland China where labor is considerably cheaper than in Taiwan.[22]

In the 1980s, when the island boasted more than 100 yacht makers, Taiwan exported more than 1,500 yachts per year with an estimated value of US$190 million. At that time, Taiwan focused on manufacturing small-to-medium-sized yachts, shorter than thirty feet and valued at an average USD 80,000 apiece. Cheap labor cost was important to Taiwan's competitive edge in this sector.[22]

However, with economic development and steeply rising production costs, Taiwan's yacht industry began to loose its competitiveness. Some 70% of Taiwan's yacht builders had closed their doors by the end of the 1990s, either shutting down completely or moving production of smaller yachts (thirty to fifty foot range) to China in search of cheaper inputs. Remaining builders have survived by enhancing the value of their products. As many have transformed themselves from producers of small, relatively cheap yachts to larger and more expensive models, industry data indicates a comeback, with exports of yachts and other pleasure vessels totaling $280.9 million in 2007. However, the domestic market remains quite undeveloped.[22]

The United States market has been most important for the Taiwan yacht industry for many years, accounting for approximately 65% of Taiwan's exports of yachts and other pleasure vessels in 2007. At the same time, U.S. firms are major suppliers of marine equipment, parts, radar, and other electronic devices, second only to Japan in this market. Given the U.S. position as a major partner in the Taiwan yacht industry, U.S firms should be in a position to benefit as Taiwan's demand for small yachts, recreational boating and water sports equipment develops. The market associated with repair and maintenance facilities is also promising.

Recently the Taiwan authorities changed the regulations regarding imported boats up to 24 m (90ft). Individuals can now import these boats, whereas in the past only companies with the appropriate licenses could do so and licenses were rarely issued.[22]

Now "mechanized boats" are subject to duties that vary from 6 to 15%. Everything sold in Taiwan, boats and equipment included, is also subject to a five percent "business tax". At present, a yacht owner still needs to go through a very cumbersome process, including quarantine and security issues to obtain a permit to operate within Taiwan waters. Once the current regulations have been modified as expected, the process for foreign registered yachts should be considerably simplified. Modified rules and continued encouragement of a leisure boating industry should give a strong boost to the development of public marinas.[22]

5.3 Domestic Production

In the large-yacht building business, Taiwan ranks behind the UK, the Netherlands, the United States and Italy, and ahead of Germany, New Zealand and China. Around 200 companies are involved in the yacht-building industry in Taiwan. One of Taiwan's most successful yards is a 17-year-old company, Horizon Yachts, which manufactures two types of motor-yachts ranging from 15.2m-39.6m (50ft-130ft). These are sold under the brands Horizon and Elegance, in the US and Europe, respectively. Horizon is currently embarking on its biggest-ever project, a 40m (130ft) motor-yacht with an asking price of around US$10 million. Like Horizon, most Taiwan yacht-builders focus on larger boats. Sales are heavily dependent on distributors in the USA or Europe. Only a few yacht makers have their own sales offices promoting their brands internationally.[22]

As part of a long-term development strategy, major Taiwan yacht builders are either planning to participate in a major yacht industrial park project or expect to expand their own existing facilities. The surge in demand for advanced equipment and aftermarket service that began in 2002 is expected to continue for the next few years.[22]

Taiwan's import market for yachts is still tiny compared to its export market but there has been the beginning of significant growth since 2004. Given the very low starting point, growth rates are not necessarily meaningful in and of themselves, but do indicate a change in the nature of the market.[22]

5.4 Best Prospects for U.S. Firms

The bigger opportunity for U.S. manufacturers is in the yacht/boat equipment industry. American, European and Japanese firms have been the major suppliers of advanced equipment and design for decades. It takes years to build a reputation in the yacht industry, thus there are barriers for new entrants. Given complex marine regulations, most foreign companies collaborate with local agents or boat builders to distribute their products and services. Most big yacht builders have import licenses for major equipment items or materials. They prefer to import goods directly unless agents/distributors can provide a better price or exclusive services. However, several builders indicate difficulties in finding suppliers for specific products as stipulated by the designer. Several marinas offer a full range of services including boat importation, customized services, licensing, instruction and rental services. They also are beginning to play a key role in promoting boating activities in Taiwan. Most of these still focus on small boats for fishing, windsurfing and dinghy sailing activity. It is recommended that foreign companies work with qualified and experienced Taiwanese distributors.[22]

5.5 Key Trade Shows

Name: **Kaohsiung Marine Exposition**
Location: Chi-chin Fishing Port
Dates: September

Name: **Taiwan International Boat & Watersports Show**
Location: Taipei, Taiwan
Dates: December
Web Site: www.tibws.com

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