

Fragmented market in need of some joined-up thinking

IBI INVESTIGATES THE IMPACT OF THE ECONOMIC SLOWDOWN IN CHINA ON THE KEY SOUTH EAST ASIA BOATING MARKETS OF BRUNEI, HONG KONG, INDONESIA, MALAYSIA, SINGAPORE AND THAILAND

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IBI'S SOUTH EAST ASIA AND HONG KONG COUNTRY MARKET RATINGS

BRUNEI:

Short term: Low. Small market for outboard-powered boats and equipment.
Long term: Medium. Market should grow with the government policy of developing marinas and tourism.

HONG KONG:

Short term: Medium. Despite berth shortages, boat sales are still happening.
Long term: Strong, if berthing shortage can be overcome and the anti-corruption drive in China comes to an end.

INDONESIA:

Short term: Moderate, but mainly for used boats.
Long term: Good, if government follows through on planned marinas.

Excellent, if high import taxes on boats are reduced.

MALAYSIA:

Short term: Weak, given the low value of the Malaysian currency and poor economy.
Long term: Weak, given no likely improvement in the economy.

SINGAPORE:

Short term: Moderate. Market picking up after a weak 2015.
Long term: Good, if marina berthing is improved and no more restrictions on boating due to security concerns are implemented.

THAILAND:

Short term: Medium. Likely to improve after a weak 2015
Long term: Medium to good.

The balance of world economic power is swinging east towards Asia. Over the past seven years, during the economic downturn in the USA and Europe, the developed and developing countries in Asia have continued to record growth rates of up to 10% per annum. During this period discretionary spending power has also increased, fuelling growth in the leisure marine industry. New marinas have been developed and the boating lifestyle has become evident for the first time in places such as South Korea, Myanmar and Vietnam. There is now a shortage of marina berths in the established boating markets of Hong Kong, Singapore and Phuket.

While the Asian market has grown, it was evident at the start of 2015 that the brakes had been applied. Chinese policies, namely the anti-corruption drive, have influenced the slowdown right across the region and have affected most regional economies. With leisure boating a high-profile and very visible activity, it suffered disproportionately.

REGIONAL ECONOMIC OVERVIEW

Looking out from the balcony of the Republic of Singapore Yacht Club towards the Jurong commercial docks in early November this year, it was evident that there were more parked floating and Jack-Up oil rigs than in the past 20 years – a clear sign of the diminished oil exploration activities in the region. As the global price of oil has crashed, it has been beneficial to those economies having to import oil, but negative for those that are oil exporters, or as in the case of Singapore, service providers for the regional oil industry.

Asia suffered its own economic crisis back in 1997 as currencies de-valued and banks were rescued. However, Asian governments learnt from the crisis and put in place controls that were effective in ensuring that the region did not suffer badly during the global financial crisis post 2008. Most Asian countries have managed to keep GDP growth positive and, as a result, corporate and private wealth has grown. According to the Asia Pacific Wealth Report for 2015, published by Capgemini and RBC Wealth Management, “Asia-Pacific dominate High Net Worth Individual (HNWI) growth has overtaken North America as the region with the largest HNWI population”.

REGIONAL BOATING MARKET OVERVIEW

South East Asia’s boating waters were collectively named ‘Aseanarean’ by Singaporean Francis Lee, boating guru and president of Raffles Marina in Singapore. Lee pushed the Aseanarean name strongly in the late 1990s in a bid to create an image for the region similar to the Caribbean and the Mediterranean. It was unfortunate timing as it coincided with the Asia economic downturn of 1997, but over the latter years his vision has largely been

fulfilled. Blessed with over 20,000 island destinations and generally good year-round boating conditions, the waters of South East Asia are undoubtedly some of the best and least frequented by leisure boats in the world.

Boating as an activity has existed in the region since colonial times. The Republic of Singapore Yacht Club, founded in 1826, is one of the oldest in the world and the Royal Hong Kong Yacht Club has a strong heritage stemming from 1894. However, boating only really started to grow in the region in the early 1990s with the development of modern marinas such as Raffles Marina in Singapore and Ocean Marina in Thailand.

Despite economic knockbacks, the number of boats and marina berths has grown, but far from the extent predicted in the mid 1990s. At that time the industry was enthused with the growth potential as marina projects and clubs were the favourite of developers. This disappeared with the Asia financial crash of 1997, which caused the cancellation or delay of many projects. It took until 2005 for the industry to steadily recover in the region, but it is now on a more solid footing than 20 years ago.

Now that the region's economy has been relatively strong for over 10 years, one of the major obstacles for leisure boating growth has been removed. However, several other underlying factors still have to be overcome to ensure a boating boom.

BOATING INDUSTRY CHALLENGES

Boating in Asia, with the exception of Japan, has yet to become a middle class recreational activity of any size, the affluent still making up the majority of boat owners throughout the region. Addressing obstacles to boating such as prescriptive rules and regulations, excessive taxes and duties, and educating the middle class to the pleasures of boating are key issues for the development of the industry. Recently the International Council of Marine Industry Associations (ICOMIA) and the local industry in Asia have taken up this challenge. ICOMIA has commissioned a major study, scheduled to start in early 2016, that is aimed at identifying key factors and establishing a strategy to overcome them.

HIGH COSTS

The most developed boating markets in the region are Hong Kong and Singapore, both of which have strong middle class populations and are congested island states. Waterside sites suitable for boat parks, marinas and clubs are in short supply, resulting in extremely high development costs for boating facilities. Trailer boating is prohibited in both countries, and with storage costs high, development of affordable boating in these key markets needs to be targeted creatively.



▲ Marina at Keppel Bay in Singapore entered operation in 2008, bringing the total number of marinas in the island state to five

FRAGMENTED MARKET

The region's boat population is fragmented over a vast area apart from the main concentrations in Singapore, Hong Kong and Phuket. The regional boat park is also quite low with an estimated figure of less than 30,000 leisure boats over 5m in length in the countries considered by this report (Brunei, Hong Kong, Indonesia, Malaysia, Singapore and Thailand). This makes distribution, service and aftersales difficult in a marketplace that has little in the way of an established leisure marine industry infrastructure outside Singapore, Phuket and Hong Kong.

INDUSTRY ORGANISATION

Marine industry associations in Asia have developed in recent years – a key indicator that the Asia market is developing. The Singapore Boating Industry Association, an ICOMIA member, was formed some six years ago, and in Phuket the Marine Alliance of Thailand (MAT) has been active for over 10 years.

For the superyacht industry, the Asia Pacific Superyacht Association (APSA) was formed in 2011 with the objective of promoting the region as the third major superyacht cruising destination in the world after the Caribbean and the Mediterranean. According to chairman Colin Dawson, the association, based in Hong Kong, has 59 members spread out across the Asia region. Dawson told *IBI*: "It's difficult

to get statistics and data on the regional market and we see this as a key priority for the future. In Hong Kong, problems are lack of berths and the government who hold an anti-boating stance. We need to work on these issues. I also think it's important to make sure governments are well informed of the benefits of leisure boating and superyachts.

“ In Hong Kong, the problems are lack of berths and the government who hold an anti-boating stance. We need to work on these issues ”

Once we have the statistical data and economic and social impact studies completed, a sensible case can be made to governments. It's important in the more economically developed Asian markets such as Hong Kong, Singapore and South Korea that the ➔

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social impact be considered, as this is possibly more important than the economic one. These countries are already wealthy and the emphasis is now turning to the quality of life for their citizens.”

ICOMIA’s recent move to work with the local associations to address the problems of the industry in Asia has been well received and an interim report on the research findings is to be delivered by April 2016 during a conference at the Singapore Yacht Show.

The following is an overview of the key South East Asia boating markets:

BRUNEI

A leisure boating market that is small, Brunei has been off the radar of the industry. But with the government’s new focus on tourism and marina developments, it has

increased potential. In 1888, Brunei became a British protectorate; independence was achieved in 1984 with the same family ruling Brunei for over six centuries.

ECONOMY

Brunei benefits from extensive petroleum and natural gas fields, the source of one of the highest per capita GDPs in the world. The government of Brunei has been emphasising, through policy and resource investments, its strong desire to diversify its economy – both within the oil and gas sector and to new sectors, particularly tourism.

BOATING MARKET

Brunei has no operational marinas and no boat or equipment outlets, so most customers source directly from Hong Kong or Singapore. The main focus for leisure boating is the Royal Brunei Yacht Club, established over 40 years ago. It has 600 members and a sailing school.

Alan Riches, who runs Intrepid Tours sailing school and handles visiting yachts as an agent, described the market to *IBI* during a recent visit:

“A network of small marinas that can handle tourism boats as well as local and visiting yachts is under consideration”

“There are an estimated 1,500 boats in Brunei, the majority of them outboard-powered in the size range 16ft-40ft. Fishing is one of the most popular boating activities and most leisure boats are imported as we only have two local boatbuilders who build small open boats mainly for fishing. Most owners keep their boats on trailers and are either towed to the launching site or kept in waterside compounds. There are 12 sailing yachts at the yacht club on moorings and this is also the only suitable site for mooring visiting yachts as we currently have no marinas.

However, the government is keen to diversify the economy away from oil-based industries. Tourism is a key target market and a network of small marinas that can handle tourism boats, as well as visiting and locally owned boats and yachts, is under consideration.”



▲ Alan Riches of Intrepid Tours

HONG KONG

Hong Kong has a free market economy highly dependent on international trade and finance. Hong Kong’s open economy left it exposed to both the Asian financial crisis of 1997 and the global financial crisis of 2008, but its increasing integration with China, through trade, tourism and financial links, ensured it did not suffer to the same degree as the other Asian countries, enabling a quicker recovery.

ECONOMY

Mainland China has long been Hong Kong’s largest trading partner, accounting for about half of Hong Kong’s exports by value. During the past decade, as Hong Kong’s manufacturing industry moved to the mainland, its service industry has grown rapidly. Credit expansion and tight housing supply have caused Hong Kong property prices to rise rapidly. Consumer prices increased by more than 4.4% in 2014. Lower and middle income segments of the population are increasingly unable to afford adequate accommodation. Hong Kong continues to link its currency closely to the US dollar, maintaining an arrangement established in 1983. Real GDP growth was 2.5% in 2014.

BOATING MARKET

Hong Kong has a long association with sailing, stemming from the days when Hong Kong was the bastion of British colonial power and the Royal Hong Kong Yacht Club – a prestigious and active sailing club sitting on prime property – was formed in 1894. The club still defiantly retains the ‘Royal’ title after the island’s handover to China. While the club still has a colonial air, boating has filtered down to the aspiring classes.

Many Chinese and Hong Kong ‘tai-pans’ (business entrepreneurs) are yacht owners, much of which is driven by corporate one-upmanship. In recent

▼ The Royal Brunei Yacht Club is a popular destination for families



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▲ **Rich Chinese with connections to Hong Kong often prefer to keep their boats in the former British colony to avoid the mainland 43% tax**

years, rich Chinese with Hong Kong connections have also chosen to berth their yachts in Hong Kong, where there is no boat tax (compared to 43% tax in China) and where their visible wealth may attract less attention. Marinas in Hong Kong are now full, making it difficult for dealers to sell new boats, which in turn has spurred a growth in marina development near Hong Kong – mainly in the Pearl River Delta. In Hong Kong the government is not supportive of new marina projects (viewing boating as elitist) and resistance by strong environmental groups also acts as a deterrent. These are key issues for the local industry to target and is high on the list of considerations for the ICOMIA project to address.

Despite the shortage of marina berths, most boat dealers managed reasonable sales in 2014/15. Many new boat orders have been to existing boat owners, but dealers have had to be creative in finding berthing for new entrants to the market.

Bart Kimman of Asia Yacht Services, a yacht brokerage in Hong Kong and a dealer for Grand Banks and Seawind catamarans, estimates the real number of Class 4 leisure boats, excluding those not active, is about 9,000.

“Some owners just keep their boat on a marina berth as these are valuable assets being in such short supply in Hong Kong,” says Kimman. “The Chinese border is generally not open to boating. While it is possible to bring boats across, the procedure is still quite bureaucratic and unfriendly. The result is that most crossings are a result of the few club-organised rallies that take place as annual events in the boating calendar.”

David Neish, advertising and marketing director of *Asia Pacific Boating*, one of the key consumer boating magazines in Asia and based in Hong Kong,

“Some owners just keep their boat on a marina berth as these are valuable assets being in such short supply”

confirmed that: “Business has held up surprisingly well in Hong Kong despite the lack of marina berths. While the boating business has slowed a lot over the past two years in China, it has not affected the Hong Kong market. Recent China boat shows have declined a lot in size and we need to be patient and see the outcome of the anti-corruption drive in China to get some realisation of when the market will pick up there.”

While the market has held up well in Hong Kong, Jepsen Marine, an importer of the Fairline brand into Hong Kong and China, decided to pull out from the business entirely. Lars Peterson, the Hong Kong-based director, declined to comment to *IBI* on specifics, but indicated that the weak market in China and changes in the ownership of Fairline were some of the reasons. Jepsen has represented Fairline for six years in the region while their main business is as the Porsche car distributor for Hong Kong.

Simpson Marine, based in Hong Kong but with a regional network of 12 offices around Asia, has been a leading player in Hong Kong and the regional market for 30 years. In an interview with *IBI* in Hong Kong early in November, managing director Mike Simpson said: “If we take an overview of Asia, China is the dominant economy and it affects the whole of Asia with regards to business confidence. The anti-corruption drive, which has been running for two years, has clearly affected the leisure boating industry as luxury yachts are a clear status statement – the main reason the Chinese bought large yachts in the past. What we now see in China is more interest in smaller boats under 40ft, as clearly they attract less attention from the government authorities.”

Referring to the effects of the Chinese downturn

across the rest of Asia, Simpson said: “Singapore has been extremely quiet for the last 12 months, not only because of the Chinese downturn but also because of the lack of marina berths. Malaysia has had some activity, while Thailand has been also been slower than in previous years. Current brands we represent are Sanlorenzo and Monte Carlo Yachts, which are new brands for us after we stopped our long-standing distribution agreement with Azimut. For the future we are focusing on the superyacht market, opening new offices here in Hong Kong and in other parts of the region dedicated to this sector.

“Despite a disappointing year, I’m quite optimistic that the market is going to improve by the end of 2015 and we’re already seeing positive signs,” he adds.

EQUIPMENT MARKET

Hong Kong is a regional centre for equipment and boat services and supplies a lot of the equipment and service expertise to China’s leisure and workboat sectors.

Simon Boyde, director of Hong Kong-based marine equipment distributor Storm Force Ltd, which represents the likes of Side Power thrusters, Gill clothing and ICOM radios, told *IBI*: “Our business in Hong Kong has remained stable but the China market has been an interesting ride in the last two years with generally a big handbrake on boatbuilding. The anti-corruption moves have suppressed displays of ostentatious wealth, which has resulted in not only imported boat numbers being dramatically cut but Chinese-manufactured leisure boats also. I estimate our equipment sales to Chinese boatbuilders have reduced by some 50% up until May 2015. Since then we have seen an upturn.”

Going on to discuss boat manufacturing in China, Boyde said: “Boatbuilding in China has got more difficult – labour and overhead costs have been rising whilst importing equipment takes time and working with customs can be complicated. I see boatbuilding in China moving increasingly to service boats in the domestic market. Manufacturing leisure boats is getting more difficult and expensive and simply not competitive in the global market. We intend to continue marketing in China and will exhibit at the Shanghai International Boat Show next year, which I feel is the main show in China for reaching out to the leisure marine industry.”

With regard to the Hong Kong market, Boyde confirmed it was the largest market in Asia for sailboats: “There are about 1,200 sailing yachts in Hong Kong above dinghy size. This compares with China, which has about 200.”

INDONESIA

Indonesia, with a population of 240 million, is a country of enormous size, comprising over 17,000 islands stretching for 3,000 miles. The country gained its independence from the Dutch in 1949 and since

then has suffered from periods of political instability and civil unrest. The main religion for 80% of the population is Islam, making Indonesia the largest Islamic country in the world.

Of the total Indonesian population, some 100 million live on the more prosperous densely populated island of Java and are more involved in industry and agriculture than occupations involved with the sea. Away from Java, the sea has a greater influence on the local population with transport by water providing the main communication links. Fishing is a major industry, whilst tourism is well established on the island of Bali and is starting to develop elsewhere. Many of the Indonesian islands are remote and relatively inaccessible until recently to tourists. Government initiatives to promote tourism in these areas are starting to take effect, driving the popularity of marine tourism and diving. These activities will undoubtedly assist in developing a wider leisure boating culture in Indonesia.

ECONOMY

Indonesia has seen a slowdown in growth since 2012, mostly due to the end of the commodities export boom. Indonesia still struggles with poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, a current account deficit, and unequal resource distribution among regions.

President Joko Widodo – elected in July 2014 – has highlighted the need for maritime and other infrastructure development, and increased electric power capacity, since taking office.

BOATING MARKET

Leisure boating in Indonesia has always been the domain of the rich who have virtual monopoly

▼ A Fairline cruising in the waters off Hong Kong



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on the estimated 1,500 leisure boats in the market – mainly located near the capital Jakarta. Over the past three years the leisure boat market has become more active with some new boat deliveries, although the majority are used boats.

Indonesians rarely buy new boats. The culture is different from most of Asia, where people show off their wealth by buying the most expensive product. In Indonesia the culture is to hide one's wealth and there is no social stigma in having a pre-owned boat; indeed, it enhances your status because your friends see how clever you have been in getting a bargain. Most Indonesians buy used boats at bargain prices and the more boating savvy will spend time in the US and Europe if necessary tracking them down. They do this direct using the internet with overseas brokers if necessary and then conclude the deal personally. However, the potential for this is becoming less as the European and US markets are stabilising and prices are levelling out. Many Indonesians are knowledgeable about boats and have used them since childhood. Many are confident in their buying decisions, unlike the market in China.

Few Indonesians register their boats locally and manage with overseas flags and various constructive ways of keeping the boat in the country to avoid the punitive taxes of up to 75% on new boats.

Indonesia lends itself to cruising with its vast number of island destinations. What is less well known is the fact that the country has some of the world's best coral reefs and diving sites. In recent years the number of superyachts visiting has increased considerably.

MARKET RESTRICTIONS

Indonesia has not developed as a leisure boating market because of high income disparity and political problems, government restrictions on cruising, lack of an affluent middle class and the fear of piracy and crime. This has not stopped a significant number of wealthy individuals acquiring large powerboats. But the number of boats entering the market is still low – reported as between 40-60 in the past four years, the vast majority power from 40ft-70ft. An estimated 75% of these boats are pre-owned and imported mainly from Hong Kong, Singapore or Europe. Many maintain an overseas registration in order to avoid the heavy taxes on luxury goods.

KEY BOATING AREAS

JAKARTA: The main areas of leisure boating are in the capital city of Jakarta where three areas, all in the north of Jakarta, are available to keep leisure boats. The total boat population in all three areas

is estimated at 600 boats in the 30ft-100ft-plus size range, with the main concentration being in the 35ft-45ft range.

BALI: There is one marina in Bali at Benoa Harbour which is very run down and accommodates about 35 boats. Bali is a high-profile tourist destination but there is very little leisure boating activity due to the lack of marinas.

RIAU ISLANDS: The Riau Islands near Singapore are accessible via Nongsa Point marina for visiting boats from Singapore where the cruising grounds have been opened up to leisure boating and attract some visiting boats from Singapore. The marina also accommodates boats owned by Singapore residents as it's only a short (25Nm) ferry ride away. The marina has 170 berths and is an immigration and customs entry port for yachts transiting in/out of Indonesia.

In a major move to develop leisure marine tourism, the government has deregulated many aspects of entry into Indonesia for private leisure boats and yachts, their crews and passengers and also announced a major expansion of the country's marinas. The announcement was made by Dr Indroyono Soesilo, the Honorary Advisor to the Ministry of Tourism in Indonesia, during a road show by

him and his delegation at Singapore's Raffles Marina on November 7. *IBI* was present.

In his speech to over 30 key marine industry members in Singapore, Soesilo said that the government wanted to increase the total number of tourists to 10 million in 2015 and to 20 million by 2019. "With regard to visiting boats and yachts we anticipate the total numbers to be 700/800 by the end of 2015 and we are targeting to increase these by our actions to 5,000 by 2019," he said.

Key elements of the deregulation already made law in Indonesia by Presidential decree include a visa-free policy for 90 countries for visits up to 90 days. Of particular interest to the leisure boating community is the liberalisation of CIQP (Custom, Immigration, Quarantine and Port clearance) for visiting yachts. This means that the CAIT (Clearance Approval for Indonesian Territory) and TIP (Temporary Import Permit) documentation for private visiting yachts is not required, a considerable reduction in the administration procedures required to enter Indonesia by leisure boat.

Indonesia also launched plans during the Singapore road show to build a range of new marinas, increasing the existing nine to 40 by 2019. The government plans to fund some of the marina developments directly, with some privately



▲ **New Indonesian President Joko Widodo is looking to promote marine tourism**

“*Indonesians buy used boats at bargain prices and the savvy will spend time in the US and Europe, tracking them down*”

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developed sites. *IBI* talked to key industry members in Singapore, and while all are positive about the move to open up Indonesian waters for marine tourism, some think funding marinas that may be financially marginal operations, when property development is not involved, will be difficult.

During his presentation in Singapore, Soesilo also hinted at moves to reduce the taxation and duties on leisure boats imported into the country, currently running at a prohibitive figure of nearly 100% of landed value. With strong interest in leisure boating at the high end of Indonesian society, this could well ensure a strong home market for large yachts which would also ensure the viability of the planned increase in marinas.

MALAYSIA

Malaysia, a middle-income country, has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy. Under current Prime Minister Najib, Malaysia is attempting to achieve high-income status.

The Najib administration is continuing efforts to boost domestic demand and reduce the economy's dependence on exports. Nevertheless, exports – particularly of electronics, oil and gas, palm oil and rubber – remain a significant driver of the economy.

Falling global oil prices in the second half of 2014 have strained government finances, shrunk Malaysia's current account surplus, and put downward pressure on the ringgit. The government is trying to lessen its dependence on state oil producer Petronas.

BOATING MARKET

The government of Malaysia has always been pro-leisure boating, ever since the former Malaysian Prime Minister Dr Mahathir Mohamad in year 2000 instructed chief ministers of the 13 states in Malaysia to each construct a marina for leisure boats. Since then the majority of projects have been constructed, although some have not been successful due to location problems.

With no taxation of leisure boats and few restrictions on licensing and operation, the country should have a dynamic leisure boat industry but so far growth has not taken off. Since the downturn in the economy in 1997, the number of boat dealers in Malaysia has diminished considerably in line with boat sales, leaving only established local dealers such as Pen Marine, Simpson Marine and Explorer. Sales of imported boats are difficult because of the weak local currency, the Malaysian ringgit.

The owner of Pen Marine in Penang, Oh Kean Shen, told *IBI*: "I estimate that 12 boats have been sold in Malaysia in the past year, all above 50ft in size. Below this level the market has virtually disappeared due to the poor economy. We have 15 marinas in the country with more in planning."

One of the largest marina projects currently under



▲ Sunda Kelapa, the old harbour in Jakarta

construction in Malaysia is the 'Melaka Gateway' project, which is part of an island development in Malacca located equidistant between the capital Kuala Lumpur and Singapore. The project was unveiled early in 2014 by the Prime Minister Najib and is being constructed by KAJ Developments. With a planned 15km of waterfront and berthing that will eventually cater for 1,000 yachts, it's an ambitious project. A temporary marina was to have opened in late 2014 but has been delayed.

Malaysia is home to the largest leisure boat builder in South East Asia, Grand Banks, which has a manufacturing plant in Johor just across the Straits from Singapore. Grand Banks, publically listed on the Singapore stock exchange, restructured in 2014, acquiring Australian boatbuilder Palm Beach and appointing a new CEO, the previous Palm Beach owner Mark Richards.

The marina network already exists in Malaysia and there are few rules and regulations to hinder leisure boating. Any major upturn in the Malaysian market can only be anticipated once improvements in the economy allow the currency to strengthen its value to improve the competitiveness of imported leisure boats.

SINGAPORE

Singapore has a highly developed and successful free-market economy. It enjoys a remarkably open and corruption-free environment, stable prices, and a per capita GDP higher than that of most developed countries. Unemployment is very low.

The economy contracted as a result of the global financial crisis, but has continued to grow since 2010 on the strength of renewed exports. Growth in 2014 was slower at 2.9%, largely a result of soft demand for exports amid a sluggish global economy and weak growth in Singapore's manufacturing sector. The government is attempting to restructure Singapore's economy by weaning its dependence on foreign labour, addressing weak productivity, and ➔

“ 12 boats have been sold in Malaysia in the past year, all above 50ft... below this level the market has disappeared ”

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increasing Singaporean wages. In 2015, Singapore will form (with the other ASEAN members) the ASEAN Economic Community.

BOATING MARKET

With an estimated leisure boat population of over 4,000 boats of all sizes, Singapore is the second largest boating market in South East Asia after Hong Kong and is also the regional sales and service hub for the industry. It is also a barometer for the state of the regional boating industry, being the main delivery port for larger boats coming into the South East Asia region from Europe or the USA. Until 1997 these numbers were 25-30 boats a year. After the Asian financial crash in 1997, these numbers were reversed as boats were sold out of the region at fire sale prices back to Europe and the USA. Import numbers climbed again to 20-30 a year in 2014 but have dropped back again in 2015 as the regional economy has slowed. Boat manufacturing has virtually died out in Singapore due to environmental issues and the high cost of labour.

Over the last 10 years, with indicators that the market was slowly improving, more dealers set up offices in Singapore. One degree 15 Marina is base of choice for several including Lotus Luxury Yachts, Princess Yachts and key regional player in the market, Simpson Marine.

Early 2008 also saw the opening of another new marina in Singapore the 'Marina at Keppel Bay' bringing the total number of marinas in the Island State to five.

According to Ray Parry the CEO of Raffles Marina, which was Singapore's first full service marina that opened in 1992, "almost all of the marinas are full, at Raffles Marina nearly all of our 200 berths are occupied and berthing shortages are starting to affect boat sales in Singapore. The opening of the extension to the Metro railway line which will have a station right next to our marina, is expected to boost visitors to this end of the Island."

Demand for berths at ONE°15 and Keppel Bay marinas, which are centrally located, is strongest. The Republic of Singapore Yacht Club has a plan to install a new breakwater which will increase berthing capacity.

Alan Pickering, a long-standing boat dealer in Singapore who now runs Pro Marine, handles used boat sales and is a dealer for Gulf-based Majesty Yachts and Gulf Craft, said: "We sold several large yachts in 2014, including a 105 Majesty, but sales in 2015 have been slow, something which started before the Singapore Yacht Show in April. However, in the last three months we have seen an upturn in enquiries. One of the badly needed services in the region is a dedicated repair and maintenance facility for larger yachts. Currently yachts that need to be lifted out of the water have to utilise commercial shipyards, a situation that is not ideal."



SINGAPORE BOAT SHOWS

Singapore has had a boat show since 1991. The original show was called Boat Asia and embraced the entire spectrum of the leisure marine industry, from fishing and diving activities to superyachts. The last edition of the Boat Asia show was in 2013 and it appears that there are no plans to reactivate the event.

The Singapore Yacht Show was established in 2011 as an event dedicated to superyachts and the 2015 event in April was the largest ever with 36 superyachts over 20m, 150 brands exhibiting and, according to organiser Singapore Yacht Events, 11,600 visitors. The show has established itself as the major boat show in South East Asia with the sixth edition due to take place again at ONE°15 Marina in April 2016.

With the Singapore Yacht Show firmly established as a luxury event and the demise of Boat Asia, there is no platform dedicated to promoting small boats or watersports activities – a disappointment to many in Singapore.

THAILAND

Numerous deserted islands, beautiful scenery, exciting food, unspoilt beaches, competitive prices, friendly people and good service have been the prime ingredients for the growth of the marine industry in Thailand over the past 25 years. However, excessive rates of import duty and excise tax on leisure boats imposed in 1995 have pinned back its potential. At one point these exceeded 200% on both imported and locally built boats. Fortunately, due to the efforts of the Thai boating industry, these were abolished in early 2004 leaving only VAT at 7% on imported boats. This set the scene for a rapid growth in leisure boating and related marine tourism.

Thailand is the third largest country in South ➔

▲ Majesty yachts moored up at Straits Quay marina, Penang

“ Sales in 2015 have been slow. However, in the last three months we have seen an upturn in enquiries ”

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East Asia after Indonesia and Vietnam, with a population of 60 million. Thailand is one of the few Asian countries with a monarchy. King Bhumibol Adulyadej and the Royal Family are highly respected by the nation. The King was no mean sailor in the past, having represented the country at the Asian sailing games and winning a medal.

ECONOMY

Like other ‘Tiger economies’ in the region, Thailand enjoyed rapid economic growth until the Asian economy ran out of steam in 1997, resulting in a substantial devaluation of the currency. Recovery, after more than a few false starts, has taken time.

The economy experienced slow growth and declining exports in 2014, in part due to domestic political turmoil and sluggish global demand. With full employment, Thailand faces labour

shortages. Following the May 2014 coup d’etat, tourism decreased 6-7% but is beginning to recover. The Thai baht has remained stable.

BOATING MARKET

There is no doubt that in the past few years the growth of boating in Thailand has been mainly due to the influx of foreign-owned boats that have packed the marinas and moorings in Phuket, making it one of the world’s fastest growing boating destinations.

The leisure boat fleet in Thailand has grown to an estimated 4,500 boats, most of this growth down to foreign-owned boats in Phuket. The four established marinas in Phuket – Boat Lagoon, Yacht Haven, Royal Phuket Marina and Ao Po Grand Marina – are all nearly full, taking over 1,000 boats with a roughly 50% split of power to sail. An estimated 95% of the boats moored in Phuket are owned by foreigners,

most of whom live outside Thailand in Singapore, Hong Kong and increasingly further away in Europe and Australia.

In contrast to the expatriate-dominated leisure boating scene in Phuket, interest by Thai owners is much more focused on the east coast of the country in the capital city of Bangkok where the majority of the wealth is concentrated. Over 10 million Thais live in or around Bangkok. Interest in leisure boating among the Thai people has never been strong, with a lack of facilities, high taxes and duties, and poor servicing back-up all cited as major drawbacks. But the reality is that most Thais have yet to be persuaded that leisure and water make a desirable mix. Because of this, most interest has been in the larger powerboat market, where the advantage of an air-conditioned saloon is much more appealing than enduring the hot sun pulling ropes on a slow moving sailboat. Status is a key factor here – none is to be gained on a sailboat, whereas on a powerboat with one’s friends, family and business contacts, a rise up the social pecking order is virtually guaranteed. The exception is with fishing and diving, which are popular activities and where small, fast powerboats find their mark.

Most Thai-owned larger leisure boats are kept either in Bangkok on the Chao Phraya river or at the east coast resort of Pattaya, where there are several boating clubs and where Ocean Marina is situated with a capacity for nearly 500 boats.

The Thais that are slowly being enticed into boating are more likely to keep their boats on the east coast within easy access of Bangkok than travel the 500 miles to Phuket. The cruising grounds on the east coast are also attractive, especially near the border with Cambodia where there is a network of island destinations.

THAI BOAT MANUFACTURE

Thailand has long been a centre for manufacturing boats in GRP, with strong local demand by the tourism industry for fast boats for island hopping and diving spawning large numbers of small local builders. In parallel, Western expatriates set up boat manufacturing operations focussing on custom-built boats and catamarans, leveraging on the low labour costs and overheads in Thailand.

CONCLUSION

Regionally the marine industry has had a lot thrown at it in the last 20 years – the Asia financial crash in 1997, the ‘Haze’ air quality disaster at the end of the ’90s, the Bali bombings in 2002, a Tsunami in 2004, as well as the global financial crisis in 2008 and more recently security restrictions and tightening regulations in many countries. But it’s had the resilience to survive them and it’s likely to be all the stronger in the future for it, in a region destined to be the major economic growth area for the world in the 21st century. **IBI** ➔

“*Interest in leisure boating among the Thai has never been strong – lack of facilities, high taxes and poor servicing are drawbacks*”

▼ The Royal Phuket Marina in Thailand



SOUTH EAST ASIA | SWOT ANALYSIS

MARKET <i>(leisure vessels over 5m LOA)</i>	STRENGTHS/OPPORTUNITIES	WEAKNESSES/THREATS
SOUTH EAST ASIA REGION AND HONG KONG: Total leisure craft <i>(estimate): 25,000+</i> Number of marinas <i>(estimate): 53</i>	<ul style="list-style-type: none"> • Strong regional economies with rising GDP per capita • Some of the best boating waters and climate in the world and uncrowded seas 	<ul style="list-style-type: none"> • Risk of regional tension with China asserting power in the region • Increasing security restrictions on boating may restrict boating in some areas
BRUNEI: Total leisure craft <i>(estimate): 1,500</i> Number of marinas: 0	<ul style="list-style-type: none"> • One of the world's richest economies. High level of discretionary spending power • New government policy to develop tourism and marinas 	<ul style="list-style-type: none"> • There has been little interest in the use of larger leisure boats in the past • Economy is highly skewed with 80% of the GDP depending on the oil and gas sector
HONG KONG: Total Class 4 leisure craft: 9,000 Number of marinas: 9	<ul style="list-style-type: none"> • Strong economy • No taxes on leisure boats • Strong culture of using large leisure boats by business tycoons and corporations • Strong sailboat sector, especially with expatriates • Distribution and service centre for the China marine industry 	<ul style="list-style-type: none"> • Lack of marina berths is a growing problem for the industry • Government is not boating friendly
INDONESIA: Total leisure craft <i>(estimate): 1,500 with another 2,000+ commercially used in the marine tourism industry</i> Number of marinas: 9	<ul style="list-style-type: none"> • Large cruising potential amongst a vast island network • Government has turned very pro leisure boating and in process of cutting rules and regulations for visiting yachts • Government plan to increase marina network from 9 to 40 in the next 5 years • Government may cut taxes on leisure boats to boost the domestic market in line with the marina expansion plan • Indonesian Yacht owners are very informed about prices and specifications of boats 	<ul style="list-style-type: none"> • Most boat sales into Indonesia have been of used boats because of high taxes • The rules and regulations for leisure boating are largely open to local interpretation and are not transparent
MALAYSIA: Total leisure craft <i>(estimate): 4,000</i> Number of marinas: 15	<ul style="list-style-type: none"> • No taxes on leisure boats • Few regulations imposed leisure boating • Government is pro leisure boating 	<ul style="list-style-type: none"> • Weak economy and low value of the Malaysian ringgit is slowing imported boat sales
SINGAPORE: Total leisure craft <i>(estimate): 4,500</i> Number of Marinas: 6	<ul style="list-style-type: none"> • Strong economy • Taxes are low on leisure boats • Strong marine service sector that services neighbouring countries • Annual Singapore Yachts Show that has established itself as the regional show 	<ul style="list-style-type: none"> • Increasing rules and regulations related to security on the water • Shortage of marina berths • Singapore is a high cost country for business and personal living
THAILAND: Total leisure craft <i>(estimate): 4,500</i> Number of marinas: 15	<ul style="list-style-type: none"> • Very good boating waters on both east and west coasts of Thailand • Very strong expatriate boating market for sail and power in Phuket • Good marine service industry in Phuket • Strong boat manufacturing industry • Annual Phuket Boat Show in January is a strong local event and has run since 2003 	<ul style="list-style-type: none"> • Shortage of marina berths in Phuket • Political stability of the country