



2016 Top Markets Report **Recreational Transportation** Sector Snapshot

Recreational Marine Products

ITA expects the Recreational Marine Sector to expand overseas. By 2018, ITA forecasts total U.S. exports of recreational marine products are expected to grow 5 percent annually, reaching an estimated \$2.4 billion in 2018. The partnership between U.S. government and the private sector will continue to foster opportunities for further sector export sales.

This industry is primarily classified under NAICS code 336612, Boat Building and Repairing. Trade for most of these products comes under Harmonized System (HS) code 8903, Recreational Marine Craft. In addition, marine engines fall under NAICS code 333618. Most marine engines are classified under HS codes 8407.21, 8407.29 and 8408.10.

Unfortunately, much of the boat parts and accessory market is not captured statistically. This category includes marine furnishings, electronics and deck equipment. Furthermore, marina accessories, like floating docks, fenders/bumpers, boat lifts and boat trailers, are also part of the sector.

The Nature of the U.S. Recreational Marine Industry

The U.S. recreational boat industry is the strongest it has been in years. U.S. expenditures on boating products, as measured by the National Marine Manufacturers Association (NMMA), increased by a compound annual rate of 4 percent from 2009 to 2014. The 2008 to 2009 recession was very painful for the boat industry, as several smaller manufacturers went out of business, and overall sales and employment plummeted.

The U.S. boat market is very dependent on consumer confidence and personal disposable income. U.S. consumer confidence has rebounded to levels similar to 2007, just prior to the last recession. Also increasing is adult boating participation, which grew 6 percent annually from 2009 to 2014. The U.S. boating market is driven by the middle class. In 2014, about 44 percent of boat owner participants

Figure 1: Top Recreational Marine Export Markets to 2018

- 1. Canada**
Large market and large share but more opportunities to explore
- 2. Mexico**
Small market but large share with tricky distribution
- 3. Belgium**
Small market but is a transshipment point for outboard boats
- 4. Australia**
Large market and large share but with regional distribution concerns
- 5. Spain**
Large market with many opportunities
- 6. Italy**
Large market but primarily a sailboat market
- 7. Japan**
Strong potential market with structural impediments
- 8. China**
Large potential market but currently only luxury market
- 9. Brazil**
Large market and large share despite high tariffs and taxes
- 10. Germany**
Mid-size market with potential for mid-size boats

made between \$50,000 and \$99,999, according to a survey prepared for the NMMA. This middle class-driven demand is what many governments in emerging overseas markets do not understand.

U.S. Recreational Marine Industry Export Base

The best export category for the recreational marine sector is motorboats from 26 to 40 feet in length. This class of boat is also the most demanded boat in the United States. As a result, U.S. manufacturers can produce these boats in a labor-intensive assembly line format, reducing costs but maintaining high quality. Other countries just cannot match U.S. producers on costs or quality for this boat length. For example, a typical U.S. boat manufacturer can produce in a month what foreign manufacturers can produce in a year.

For boat engines, the U.S. manufacturers are also quite competitive worldwide. In 2015, U.S. exports of marine engines totaled \$584 million or 29 percent of all measured recreational marine products. U.S. manufacturers do have competition from Japanese manufacturers for outboard engines and European firms for inboard engines. In fact, total U.S. imports exceed U.S. exports of marine engines. U.S. manufacturers of direct injection 2-stroke engines have remained competitive against foreign products.

Personal watercrafts (PWC) are similarly in demand overseas and face competition from Japanese and Canadian manufacturers. Much of U.S. production, however, is by Japanese firms, who can offer more competitive pricing, even for export, by manufacturing in the United States.

On the accessory side, portable floating docks are easily customizable and have a strong demand overseas. These are typically plastic cubes that are linked together and can be built to moor PWCs or small boats. Other marina equipment products and services are sold overseas by U.S. companies. Many of these products are highly innovative and unique for overseas markets.

The primary lesson of this sector is that if you are competitive in the U.S. market, then you can be competitive worldwide. For products like sailboats and sailboat accessories, the United States may not be the world leader but can offer unique and quality products that are demanded worldwide.

Optimizing U.S. Leverage

With smaller but highly competitive manufacturers, the U.S. industry faces the biggest challenge of introducing these manufacturers to overseas opportunities. U.S. government agencies assisting exporters can focus on identifying opportunities, market research and export planning so that U.S. companies find the right long-term partner.

The National Marine Manufacturers Association (NMMA) serves as an outstanding partner to help find opportunities abroad. The NMMA is an ITA strategic partner. Following an ITA outreach event on ITA's National Export Initiative for Recreational Transportation, the NMMA hired staff dedicated to assisting its membership to export. They have led U.S. participation in several overseas boat shows and events. The most notable example is the NMMA pavilion at the METS trade show in Amsterdam, which has been supported by ITA staff from Industry and Analysis and the U.S. Commercial Service.

In addition, the NMMA's largest U.S. show, the Miami International Boat Show, has been an IBP event the last three years. The February 2016 IBP-sponsored show attracted over 130 overseas companies and over 300 individual foreign buyers. These events and the ITA-certified trade shows are the key to helping the U.S. industry increase their exports.

In order to expand export opportunities, this relationship will need to expand. The NMMA and ITA will work to choose the most appropriate overseas markets. The Association will continue to find U.S. companies willing to export, and ITA will provide in-country market intelligence and industry analysis to these companies. Furthermore, the Association wants to put a little more emphasis on non-recreational boats (i.e., work boats) so that there will be an area of expansion for ITA as well. These boats are typically still made by recreational marine manufacturers but have different applications and accessory needs.

Another key to growth has been, and will continue to be, the Marine Tech Global Team. This team has brought together all the experts in the recreational marine industry from all parts of ITA, domestic specialists, overseas specialists, country specialists and industry specialists. The Global Team was instrumental in creating the Pleasure Boat International Resource

Guide, which has market insights on over 30 international markets.

For the U.S. boating industry, there are few markets which retain high tariffs that effectively protect domestic industry. There is one market, however, where this policy continues, Brazil. Brazil raised its tariffs on boats in 2012 to cool off increased demand for imported boats. The increase to a 35 percent tariff is still under Brazil's bound rate but has negatively affected U.S. exports, as U.S. recreational marine product exports to Brazil declined 47 percent from 2012 to 2015.

In some markets, tariffs on recreational marine products are high to gain revenue from wealthy consumers. Some developing boating markets believe that boats are for the upper class and represent a luxury purchase, so the government imposes a high tariff on the product to tax the wealthy. One goal for both the industry and ITA should be to advise overseas markets that boats are not simply a luxury but can also play a role in a middle class lifestyle and that lowering tariffs would stimulate demand, increase tourism and, in the long run, result in more tariff revenue and economic growth.

One way to achieve lower tariffs is through free trade agreements (FTAs) and multilateral agreements. FTAs with Mexico and Australia significantly opened up these markets for U.S. boating products. U.S. exports of boats to Mexico increased 65 percent in a four year period after implementation (1993 to 1997) while U.S. exports of boats to Australia increased 82 percent in the first four years of the FTA. The Trans-Pacific Partnership (TPP) would result in significantly lower tariffs in Vietnam, Malaysia and New Zealand. In addition, the Transatlantic Trade and Investment Partnership (TTIP) could help eliminate tariffs with the EU, the second largest export market behind Canada.

TPP and TTIP may also benefit U.S. manufacturers by achieving greater convergence of boat safety standards. Standards and conformity assessment are often significant barriers to entry into overseas markets. Boats manufactured in the United States met strong safety standards, as the U.S. Coast Guard and the American Boat and Yacht Council have some of the world's toughest standards.

Unfortunately, certain smaller markets have attempted to adopt modified U.S. or EU standards (the other

significant set of regulations on recreational boats) to create hybrid standards. While U.S. and EU standards are virtually functionally equivalent, these hybrid standards would make the boats less safe or be cost prohibitive for U.S. manufacturers to meet as manufacturers might have to modify their products to enable them to be sold in markets that utilize these hybrid systems.

Finally, in order to grow overseas markets, further education is needed, both in terms of educating U.S. manufacturers to the various overseas opportunities and in educating the overseas markets in expanding the boating market. ITA hopes to continue to develop market research and Gold/Platinum Key Services. The U.S. industry and ITA work together to show that boating is not just an activity for the wealthy but can be a viable option for a growing middle class population with increasing disposable income and time.

The NMMA has a program called DISCOVER BOATING which explains the boating lifestyle and helps potential consumers choose a boat that is right for their budget and understand what is involved in buying a boat. These videos and resources could be adapted to attract overseas consumers to the fun of boating. The NMMA and ITA will continue to cooperate to distribute this message to those countries that do not have a big recreational boating market yet so that they can understand the pleasure of boating.