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2016 Top Markets Report **Recreational Transportation**

A Market Assessment Tool for U.S. Exporters

May 2016



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Executive Summary

The recreational transportation sector is perhaps the only labor-intensive sector of the U.S. economy that supports a positive trade balance. With growth projected into the future and burgeoning international demand for U.S. products, exports are expected to reach \$7 billion in 2018, supporting 180,000 American manufacturing jobs. Since overseas buyers often seek out U.S.-made recreational transportation products, the U.S. government can best deploy its resources to facilitate the alignment of regulatory requirements across markets and encouraging a flexible approach that allows for multiple standards to meet regulatory requirements, allowing consumers in key potential markets to easily purchase U.S.-made equipment.

In markets already open to U.S. products, export promotion activities should increase, as the sector stands to support a heightened level of U.S. competitiveness. The key industries of the Recreational Transportation sector are recreational marine products, recreation vehicles (RVs), motorcycles and miscellaneous vehicles (ATVs, snowmobiles and golf cars). The major competition in this sector is primarily from European manufacturers, except for motorcycles, which also have major competition from Japanese manufacturers. Much of the challenge for the U.S. industry is the development of the recreational markets, which in many cases are in their infancy stage or are only for the wealthy consumers (whereas U.S. markets are supported by middle class consumers).

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. Canada, Western Europe, Australia, and Mexico are the top markets for the recreational marine subsector.

There are over 60 RV manufacturers and 200 component parts suppliers in the United States. According to the Recreation Vehicle Industry Association (RVIA), the U.S. RV industry has a total economic impact of \$49.7 billion. RV manufacturers and suppliers are predominately small and medium-sized enterprises (SMEs). The industry is also highly concentrated. Over 80 percent of U.S.-made RVs are produced in Indiana. Most U.S. RV exports go to Canada, with only a small percentage going to other markets. Though Canada is expected to account for over 90 percent of all U.S. exports through 2018, emerging markets will offer the greatest opportunities for growth.

ITA expects the Motorcycles Sector to expand overseas as exports become a more important driver of the U.S. industry. In 2018, ITA forecasts the U.S. export-to-shipment ratio to grow to 30 percent for the sector. Total U.S. exports of motorcycle products are expected to grow 5 percent annually, reaching an estimated \$1.4 billion in 2018. The U.S. industry is composed of two major manufacturers and many smaller manufacturers of custom motorcycles, electric cycles, parts and accessories. The top three markets for motorcycles are Western Europe, Canada, and Australia.

ITA expects the Miscellaneous Transportation Sector to expand overseas as exports become a more important driver of the U.S. industry. Total U.S. exports of these vehicles are expected to grow 5 percent annually, reaching an estimated \$1.5 billion in 2018. This sector is quite diverse, and although most of the products are recreational, some products are industrial and commercial in nature. The demand for each product is very different in individual overseas markets. The top 3 markets for miscellaneous transportation are Western Europe, Canada, and Australia.

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Overview and Key Findings

Introduction

The recreational transportation sector is composed of boats, motorcycles, bicycles, recreational vehicles (RVs) and miscellaneous transportation (golf cars, snowmobiles and all-terrain vehicles, or ATVs). The International Trade Administration (ITA) expects the sector to continue its healthy growth over the next three years, punctuated by expanding markets both at home and abroad.

The U.S. recreational transportation market has rebounded strongly since 2009. Sales for the different sectors report annual growth ranging between 5 and 10 percent since 2009. Employment is also increasing, up an estimated 5 percent annually over the same period.

This sector has many attributes that make it a strong export sector to promote. The U.S. exports-to-shipments ratio for the sector is estimated to be 30 percent, meaning that exports already play an important part in the sector's growth. With the U.S. market growing at a faster rate than overseas markets, however, this may actually decline slightly. In 2015, U.S. exports declined 18 percent over the previous year. The biggest factor for that decline was the exchange rate, as a stronger dollar made U.S. products cost more in most overseas markets. The exchange rate with the Canadian Dollar (U.S. exports to Canada accounted for 41 percent of total U.S. exports for recreational transportation) was particularly telling as the nearly one-to-one exchange rate in September 2013 jumped up to nearly 1.34 Canadian dollars to one U.S. dollar in September 2015. In 2016 the exchange rate hit 1.44 CD/USD in the middle of January but has begun to fall again. 2016 could possibly be another year of declining export sales if the overall exchange rate stays high.

Smart manufacturers, however, will continue to seek overseas opportunities and maintain overseas relationships to survive downturns in the U.S. markets. Developing those overseas relationships now will pay great dividends once exchange rates improve, especially if oil prices also remain low. Transportation prices are a significant factor for remaining competitive and offering lower prices to bring new consumers into the infant recreational transportation sector in developing countries, such as China. For the next few years, ITA projects U.S. exports to grow by 5 percent annually through 2018, reaching \$7 billion in 2018.

This *Top Markets Report* provides a useful context in which to view global opportunities and provides commentary on how the U.S. government can best leverage its trade policy and export promotion tools to benefit exporters. The report is therefore intended to provide a candid assessment of various markets around the world. The report is not prescriptive of actions for individual companies.

Key Findings: Top Markets and Methodology

With growth projected into the future and burgeoning international demand for U.S. recreational transportation products, exports are expected to reach \$7 billion in 2018, supporting 180,000 American jobs. 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. Though Canada is expected to account for over 90 percent of all U.S. exports through 2018, emerging markets will offer the greatest opportunities for growth for recreational vehicles (RVs). ITA expects the motorcycles sector to expand overseas as exports become a more important driver of the U.S. industry. In

Figure 1: Ranking of Markets for U.S. Recreational Transportation Exports through 2018

1. Canada	11. Singapore	21. Norway
2. Belgium	12. New Zealand	22. Hong Kong
3. Australia	13. Italy	23. Venezuela
4. Mexico	14. United Arab Emirates	24. Columbia
5. Japan	15. Netherlands	25. South Africa
6. Germany	16. Taiwan	26. Bahamas
7. United Kingdom	17. Sweden	27. Thailand
8. China	18. Brazil	28. Vietnam
9. Spain	19. Korea	29. Saudi Arabia
10. France	20. Argentina	30. Malaysia

2018, ITA forecasts the U.S. export-to-shipment ratio for motorcycles to grow to 30 percent for the sector. Total U.S. exports of motorcycle products are expected to grow 5 percent annually, reaching an estimated \$1.4 billion in 2018. Total U.S. exports of miscellaneous vehicles are expected to grow 5 percent annually, reaching an estimated \$1.5 billion in 2018.

Methodology

Accurately assessing the recreational transportation trade is difficult and results are often inexact. In fact, due to the decline of 2015 and likely slow start to 2016, ITA's forecast of a 10 percent compound annual growth through 2017 from the 2015 Recreational Transportation Top Markets report is not likely feasible. The primary reason for that growth was an assumption that exchange rates would not fluctuate as they did in 2015. Coupling projections of future trade with future economic developments and exchange rates – either by product or country – given the sector's reliance on overseas consumer confidence and personal disposable income growth is often even more problematic. ITA has sought to be clear about the assumption made in its analysis and welcomes commentary on ways to improve the *Top Markets Report*.

To project the size of each country's potential export market for U.S. companies, ITA looked at past growth and the projected growth of each country's GDP. Additional information on industry expectations and priorities, market size and other economic conditions were incorporated when available. This sector, however, is subject to high growth and decline rates due to the fact that these are discretionary purchases.

Caveats

As stated previously, this sector is highly labor intensive. For some products, such as bicycles and small motorcycles, only high-end or niche product manufacturers are competitive. In addition, several products within the miscellaneous manufacturing sector, RV and boat sectors are not recreational in nature but rather are designed and built for commercial and industrial purposes. Exclusion of these products from this analysis and the underlying data is not possible. Fortunately, these products are still manufactured by predominately recreational companies.

Case Studies

ITA identified Canada, China and Europe for an in-depth case study of the overall recreational transportation industry sector. Since these various recreational products have unique issues, additional case studies are written about one or two particular subsectors.

The report also includes snapshots of the different recreational transportation subsectors. When possible, subsector rankings have been provided, which should support a better targeting of export promotion activities toward those events and strategies most supportive of U.S. exports within these markets.

Industry Overview and Landscape

The biggest advantage and challenge facing recreational transportation producers is the size and vitality of the existing U.S. market. Americans love to “work hard, play hard!” As a result, the U.S. market for recreational transportation accounts for over half the global demand for these products.

U.S. manufacturers often produce the highest quality products at costs lower than those of many competitors because of economies of scale. Japan and Europe, for example, produce many recreational transport products but often at a cost disadvantage or with far lower quality than many American-made products.

The size of the American market, as well as changing consumer tastes, has also created a demanding domestic business, stimulating a pace of product development that is faster than overseas markets. As a result, the United States produces more total products than any other country and more innovative products. This combination should continue to provide an important advantage for U.S. suppliers in the global market for the foreseeable future.

U.S. manufacturers, however, can sometimes be content to serve and develop the U.S. domestic market at the expense of smaller overseas markets. The largest manufacturers understand that all markets are important, but small and medium-size manufacturers often ignore export opportunities until there is a downturn in local demand.

Export promotion agencies, as well as domestic manufacturing assistance programs, must continue to educate U.S. firms about international opportunities and help potential exporters identify specific market opportunities. Once a downturn in the U.S. economy happens, it is often too late to shift to export markets,

causing smaller manufacturers that could have been supporting international consumers to suspend production or go out of business.

Global Industry Landscape

While there are many strong markets for recreational transportation products, Canada is, by far, the largest export destination. Forty-one percent of all recreational transportation exports are sent to Canada. With virtually no trade barriers, most American manufacturers treat sales to Canada no differently than they do domestic sales. Furthermore, regulatory requirements are nearly identical in both markets.

The second largest market according to U.S. trade figures is Belgium. Belgium is the leading transshipment point for Europe. American-branded outboard marine engines are manufactured in Belgium, so U.S. boats are exported there to have an engine attached for distribution throughout Europe. In addition, U.S. motorcycles also enter Europe through Belgium and are then shipped to dealers in many other European nations.

Australia is the third largest destination for U.S. recreational transportation products. As stated earlier, U.S. manufacturers' top priority is servicing the North American market. Since Australia's summer season is opposite from the United States, U.S. manufacturers can devote more time seeking sales opportunities in Australia. In addition, Australian and U.S. consumers share similar tastes, abundant outdoor recreational terrain and overall recreational interests.

Mexico is the fourth largest destination for U.S. exports. The key for Mexican growth is consumer confidence and the growth of personal disposable income. A big factor for consumer confidence is security. Can consumers feel comfortable on the roads and waterways in high quality recreational transportation products?

Japan is the fifth largest destination for U.S. exports. Japan used to be the second largest market for the sector in 2002, but with long-term economic stagnation, disposable income growth slowed and saturation in the market, opportunities are harder to find. But even under these conditions, Japanese consumers like and demand U.S. recreational products. Harley-Davidson Motor Company is the leading supplier of large motorcycles in Japan despite significant competition from local manufacturers.

Other notable Top 20 markets are China (eighth) and Brazil (18th). These markets are key priorities for U.S. recreational transportation manufacturers. These large markets are seeing the greatest growth in their middle class populations, the primary purchaser of these products.

Challenges and Opportunities

If you ask overseas consumers what they like and want from the United States, the most often heard term is the "American lifestyle" and products associated with that. Nothing represents America better than the roar of a Harley-Davidson motorcycle, the comfort an Airstream travel trailer or the fun of cruising on a Sea Ray boat on a lake. Often, these are the dreams to which foreign consumers aspire.

As overseas economies improve, more and more consumers have the disposable income to afford these products. In most cases, they do not want local products; they want the iconic American products that signify "American lifestyle fun!" Helping U.S. exporters deliver this message and showcase available products should thus be a cornerstone of export promotion in the sector.

In order to capitalize on overseas buyers' desire for American recreational products, U.S. export agencies will have to help buyers and sellers to get together. The best way will continue to be through cooperative trade show activities, including both the International Buyer (IBP) Program and the Certified Trade Fair Program. In addition, the International Trade Administration's Commercial Service's (CS) Gold and Platinum Key services will continue to be a great tool for U.S. companies to use. Other notable programs are the International Company Profile and the Small Business Administration (SBA) and Export-Import Bank (ExIm) loan programs. Please see the Addendum in the back of this report for a more comprehensive list of ITA services.

Promoting exports, however, is only half of an effective U.S. government strategy – removing barriers to market entry is the other half. Many markets are still developing, and thus, governments often seek to develop unique standards or impose standards developed for other, non-recreational products.

U.S. domiciled standards development organizations (SDOs) - the Recreation Vehicle Industry Association (RVIAS) and the American Boat and Yacht Council

(ABYC) - are leaders in developing standards for this industry. Both are accredited by the American National Standards Institute (ANSI), which indicates that they follow the best practices for development of standards as laid out in ANSI's Essential Requirements. The other major standards that apply to RV products internationally include EU regional standards that are referenced in EU directives. To be able to sell their products (manufactured according to RVIA or ABYC standards) in the EU, U.S. manufacturers must undergo costly, burdensome testing to prove that their products meet the requirements of the EU directives. Third-country regulators are hesitant to adopt standards developed by U.S.-SDOs, as they view the process of certifying to these standards as being more complicated than certifying to EU standards. In some instances, regulators combine regulations that apply to different products in this industry, producing hybrid rules that, for instance, apply requirements developed for autos to RVs. These hybrid rules are usually highly troublesome for foreign suppliers in these markets, including U.S. suppliers.

Another challenge is that foreign markets often see recreational products as luxury items and thus feel content to limit their importation by imposing high tariffs and/or taxes. In the United States, these products

are designed for the middle class and are used on vacations to avoid the higher cost of hotels, cost of airfare and other vacation costs.

For example, despite little or no domestic competition, imported RVs, boats and large motorcycles face high tariffs in several Asian markets. The tariffs for certain types of RVs in China are 80 percent. When all taxes and tariffs are applied, an RV selling in the United States for \$100,000 sells for \$235,000 in China, effectively changing how these products are marketed. With the additional tariff cost, an RV is no longer a way to avoid the costs of hotels and restaurant meals but only as a way to escape back to nature.

The recreational marine product sector is the largest exporting segment of this sector, as total U.S exports of such products are forecasted to reach \$2.4 billion in 2018. The next largest exporting sector is the miscellaneous vehicle industry. Total exports of these products are forecasted to top \$1.5 billion in 2018. Following closely is the RV industry, as exports are expected to be just under \$1.5 billion. The final two industry segments, motorcycles and bicycles, have U.S. exports that are forecasted to reach \$1.4 billion and \$327 million, respectively, in 2018.

Sector Snapshots

This section contains sector snapshots that summarize U.S. recreational transportation export opportunities in each subsector. The overviews outline ITA's analysis of the export potential across each of the sector's supply chain and offer recommendations to improve the effectiveness of U.S. export promotion. The snapshots provide subsector rankings and describe the different types of markets into which U.S. exporters must sell. Finally, each snapshot offers commentary on the relative competitive position of U.S. suppliers.

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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 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.

Figure 2: 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

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 (NNMA) serves as an outstanding partner to help find opportunities abroad. The NNMA 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.

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Recreation Vehicles (RVs)

Most U.S. RV exports go to Canada, with only a small percentage going to other markets. Though Canada is expected to account for over 90 percent of all U.S. exports through 2018, emerging markets will offer the greatest opportunities for growth. ITA will continue to work closely with industry to reduce high duty/tax rates on RV imports, address regulatory and standards issues, educate consumers and government officials about RVs, promote U.S.-made products and connect buyers with U.S. manufacturers to leverage increased opportunities for U.S. exporters.

A recreation vehicle (RV) is designed as a temporary living quarters for travel, recreation, camping, and seasonal use. RVs may have their own motor power (motorhomes), be mounted (truck campers) or towed by another vehicle (travel trailers, fifth wheel trailers, folding camping trailers). Sports utility RVs, which contain a built-in garage for hauling cycles, ATVs or sports equipment, are available in both motorhomes and towable RVs.

Retail prices for RVs range from about \$5,000 for towable models (folding camping trailers) to \$500,000 or more for motorhomes (Type A motorhomes). The variety of models allows RVs to appeal to a wide range of consumer preferences and income levels. Motorhomes can be driven and travel trailers can be towed in the United States with a regular automobile driver's license.

In addition to their recreational use, RVs may also be outfitted for commercial and other specialized purposes, such as disaster assistance. RVs can be produced for use as mobile offices, medical clinics, isolation units, bathrooms and showers, laundries, bunkrooms, command centers and classrooms. They can also be used for temporary shelter for aid workers and contractors at disaster sites or for families that have lost their homes. Throughout its history, the U.S. RV industry has responded to natural disasters and emergency situations around the globe.

The Nature of the U.S. RV Industry

There are over 60 RV manufacturers and 200 component parts suppliers in the United States. According to the Recreation Vehicle Industry Association (RVIA), the U.S. RV industry has a total economic impact of \$49.7 billion, supporting 289,852 jobs and generating \$5.7 billion in taxes. RV manufacturers and suppliers are predominately small

and medium-sized enterprises (SMEs). The industry is also highly concentrated. Over 80 percent of U.S.-made RVs are produced in Indiana, with the majority in

Figure 3: Top RV Export Markets through 2018

- 1. Canada**
Large market, additional opportunities available
- 2. Mexico**
Mid-sized market, unique security concerns
- 3. Australia**
Large market, opportunities for rugged products
- 4. United Kingdom**
Mid-sized market, second largest producer country in Europe
- 5. China**
RVs and RV camping growing in popularity, RV and campground development are national priorities
- 6. Korea**
Camping is highly popular, large number of campgrounds
- 7. United Arab Emirates**
Small market, strong demand for high-end products
- 8. Thailand**
Camping becoming increasingly popular
- 9. New Zealand**
Small market, camping and RVing are highly popular
- 10. Italy**
Mid-sized market, large number of campgrounds

Elkhart County.¹

Large RV companies have economies of scale in production and distribution. Some large motorhome manufacturers produce their own chassis. A motorhome chassis typically includes the vehicle frame, engine, transmission, axles, wheels, brakes, cooling system electrical system, steering system, suspension and instrumentation. Most motorhome manufacturers purchase chassis from third party manufacturers. Small companies compete successfully by concentrating in specialty products or components.²

Other notable characteristics of the industry are that production is labor intensive and the workforce is highly skilled. It is also highly entrepreneurial and innovative as manufacturers increasingly produce lightweight towable RVs and smaller, fuel-efficient motorhomes. Green technologies, such as solar panels, are appearing on a growing number of RVs.³ The U.S. industry takes great pride in maintaining that it can build high quality, affordably priced RVs to almost any specification and need.

RV manufacturers are subject to a number of state and federal regulations and standards. RV standards include those for electrical and fuel systems, fire and safety, plumbing systems and Federal Motor Vehicle Safety Standards (National Highway Traffic Safety Administration, U.S. Department of Transportation). RVIA's members are required to build to the NFPA 1192 Standard on Recreation Vehicles and self-certify compliance to the standard. RVIA has inspectors that periodically audit manufacturer compliance to the standard.

RV demand is highly dependent on demographics and consumer income. Consumers, in increasing numbers, are reaching the ages when they want to travel and camp in RVs. While middle-income consumers between the ages of 55 and 64 have had high RV ownership rates historically, customers between 35 and 54 are now the largest group of buyers. Over 9 million households in the United States own an RV.⁴

Because purchases of RVs are discretionary, demand is strongly dependent on consumer confidence. As the U.S. economy has recovered over the past several years, purchases of financed non-essential items, such as RVs, have performed better than other categories of retail spending.⁵

RV manufacturers have experienced six years of sustained growth since 2009, when shipments dropped to a recession low of 165,700 units. During the economic downturn, a number of manufacturers were forced to close or consolidate, and many that survived did so by cutting their workforce. Since then, pent-up consumer demand, an improved economy, low interest rates, available credit, declining fuel prices and favorable demographics have contributed to continued growth in the industry.⁶

In 2015, RV shipments totaled 374,246 units, representing almost 5 percent growth from the previous year. Towable RVs made up 87 percent of total shipments and motorhomes the remaining 13 percent. In 2016, the industry predicts that total shipments will again more than double the industry's 2009 recession low and that this trend will continue for the foreseeable future.⁷

The RV Industry Export Base

The United States is the world's largest producer of RVs, producing more than twice as many RVs as the rest of world combined.⁸ Because domestic demand has been so strong in recent years (temporarily exceeding supply at times), many manufacturers have not sought opportunities in other markets, with the exception of Canada.

Although some companies, particularly large manufacturers, have been actively involved in exporting their products, many small and medium-sized companies have focused their attention almost exclusively on the domestic market. Other SMEs are unaware of overseas opportunities. A current U.S. exports-to-shipments ratio of less than 10 percent further illustrates that exports do not yet play a significant role.

While the RV industry anticipates strong growth to continue in the near-term, market conditions could change with an economic downturn - similar to what happened in 1980, 1990, 2001 and 2009, when wholesale shipments declined substantially.⁹ Increased industry involvement in exporting could help offset possible future slowdowns and declines in domestic demand.

Growing numbers of middle-class consumers with increasing discretionary income in a number of countries, particularly emerging markets, provide tremendous opportunities for U.S. exports of RVs. Also,

rising numbers of consumers in these countries are becoming interested in RVs, camping and the “RV lifestyle.” For a number of U.S. manufacturers that have been involved in exporting, much of their attention to date has focused on emerging RV markets in Asia – particularly China, Korea and Japan.

While U.S. RV manufacturers face competition in emerging markets from European manufacturers (particularly German and Slovenian), many consumers prefer U.S.-made RVs because they can be outfitted with features that European models cannot provide at a comparable price. European-built RVs do not have slide-outs and tend to be smaller and more expensive than U.S. models.

Today, over 90 percent of U.S. RV exports are to Canada. Exports to the other nine largest markets are small. While Mexico is the second largest market, it represents just over 2 percent of U.S. exports. Five markets - Australia, United Kingdom (U.K.), China, Korea and United Arab Emirates (UAE) - each account for about 1 percent of exports. The remaining markets - Thailand, New Zealand and Italy - account for smaller amounts.

Although current RV exports to most countries (except Canada) are small, export values can change substantially from year-to-year, depending on the types of RVs exported. For example, a large order of motorhomes exported to a country one year could result in higher export values for the period compared to the same number of towables the next year.

In 2015, U.S. exports of RVs totaled \$1.2 billion. The majority of exports (74 percent) were towable RVs (travel trailers), campers and other models. Twenty-six percent of exports were motorhomes. ITA expects U.S. RV exports to increase to \$1.4 billion in 2018, with a compound annual growth rate (CAGR) of 5 percent. Canada will continue to be a key destination for U.S. RVs through 2018, capturing over 90 percent of all U.S. exports.

Optimizing U.S. Leverage

ITA anticipates the greatest growth for U.S. exports to be in emerging markets, particularly China and Korea. In addition to increasingly favorable demographics and market conditions, growing consumer interest in RVs and camping, large numbers of existing campgrounds (Korea) and government efforts to promote tourism and develop RV and campground dedicated regulations

(China) should enable opportunities for U.S. exports to grow in these countries.

In 2015, RVIA received a second, consecutive three-year Market Development Cooperator Program (MDCP) award from ITA to grow exports in China, Korea and Japan. RVIA’s objectives under the award include programs and initiatives to:

- pursue adoption of RV and campground industry-developed standards compatible with U.S.-made RVs to ensure market access for U.S. exports;
- pursue the inclusion of RV definitions in the China Motor Vehicle Code;
- pursue the development of reasonable RV road use regulations, address licensing and registration issues and remove regulatory obstacles;
- pursue the reduction of import duties and tariffs on RVs;
- increase demand for U.S. RVs and post-disaster relief and recovery products;
- educate the Chinese and the Koreans on RVing and camping and RVIA members on exporting; and
- ensure the U.N. Economic Commission for Europe (UNECE) World Forum for Harmonization of Vehicle Regulations will not effectively lock U.S. RVs out of countries adopting the UNECE standard.

Under RVIA’s 2012-2015 MDCP award, RV exports to China, Korea and Japan exceeded \$143 million. Continued U.S. government support of RVIA’s 2015-2018 MDCP award and programs and initiatives in these countries will help increase opportunities for U.S. exporters in both the near and long-terms.

In addition to its partnership with ITA as an MDCP cooperator, RVIA is also a strategic partner with ITA. This important affiliation, which began in 2013, allows the association’s members enhanced access to ITA’s global resources and increased opportunities in export markets. Continued U.S. government support of RVIA’s partnership under this program will further enhance ongoing efforts to assist U.S. companies.

U.S. government services, such as the Gold Key and Platinum Services provided by CS, can also help leverage additional opportunities for U.S. companies. In the past, RVIA has utilized a Gold Key service in China and, more recently, a Platinum Service in Japan for its initiatives to provide Japan with post-disaster assistance and develop model campground sites in disaster areas.

The participation of foreign buyers in ITA’s International Buyer Program (IBP) trade shows is highly effective in

introducing the buyers to U.S. manufacturers and products. The U.S. RV industry's annual trade show, the National RV Trade Show (www.rvia.org), an industry-only trade show that will be held from November 29 to December 1, 2016 in Louisville, KY, is an IBP-Select event (as were the 2015 and 2014 shows). U.S. government efforts to bring foreign buyers to the show will provide increased export opportunities for U.S. RV manufacturers and suppliers.

Because relatively little is known about RVs in many emerging markets, opportunities to promote RVs and educate consumers and government officials about U.S. products and the RV lifestyle should play a crucial role in U.S. government and industry collaborative strategies. Trade promotion opportunities, such as outdoor lifestyle events, trade shows and other events that enable the showcasing of U.S. RVs, will enable public officials and consumers to learn more about U.S. RVs.

While there is strong potential for increased growth for U.S. exports, RV exporters face challenges in emerging markets. A number of countries have neither adequately developed campsites (electric hook-ups, water and sanitation infrastructure, etc.) nor highways to accommodate RVs. Further, because RVs are considered luxury items in some countries, they are subject to restrictive tariff and tax combinations, which limit U.S. exports to these markets. Concerns about crime also are a unique factor in some countries.

U.S. RV exports also often face a lack of regulation in overseas markets or inconsistencies between existing standards. These generate confusion among RV manufacturers and suppliers, consumers and government agencies and impede market access for U.S. manufacturers. Most emerging markets do not have a designated industry category for RVs, adding to the challenge of separating them from the requirements imposed on other motor vehicles or recreational products.

China, and possibly other markets, has looked to adopt International Organization for Standardization (ISO) standards for RVs. ISO standards, however, have not been updated the way U.S. and European standards have to incorporate current safety and production needs for RVs. Adding to this challenge, ISO and European standards often are not compatible with U.S. RVs.

Standards developed by U.S. domiciled standards developing organizations (SDOs) provide for excellent

safety as demonstrated by the industry's performance record. These standards allow for maximum design flexibility, which allow for an array of RV products to be built for consumers.

Despite the challenges, ITA encourages exporters to focus their efforts on emerging markets, as these have the greatest opportunities for growth in the long-term. Countries that have Free Trade Agreements (FTAs) with the United States provide particularly advantageous opportunities, as these have fewer restrictions, including reduced or no import duties for RVs.

ITA will continue working collaboratively with the U.S. industry to develop strategies that are specific for each market. As noted, coordinated U.S. government and industry efforts are already underway in several key emerging markets – China, Korea and Japan.

Country studies and snapshots of the RV markets in Australia, Canada, China, Europe (Czech Republic, France, Netherlands, Slovak Republic, Sweden and United Kingdom), Korea and Japan follow this section of the *Top Markets* report. Snapshots of the RV markets in Chile, Colombia, Kenya, Taiwan, Thailand and Turkey are below. Information from RVIA and ITA USFCS offices was used for these studies.

RV Market Snapshots

Chile

The current RV market in Chile is small. Though Chile has two major RV manufacturers, the domestic market is comprised primarily of imported or used RVs. In 2014, RV imports in Chile totaled \$4.5 million.

Despite its small size, the domestic RV market is growing little by little. Twenty years ago Chile did not have one suitable campground for RVs. Today, it has four campgrounds equipped for motorhomes—three in the North of the country and one in the South. Other campgrounds may allow motorhomes; these typically do not offer special connections for RVs.

Similar to other emerging markets, Chile does not have dedicated regulations for RVs. Under the Chile-U.S. FTA, there are no import duties on RVs—importers are only subject to a 19 percent value-added tax (VAT).

Though the RV market in Chile is small, ITA believes it could provide increased opportunities for U.S. exporters in the long-term. With demand for RVs and campground

development growing and its status as an FTA partner with the United States, Chile is a potentially favorable market for U.S. companies. In 2015, U.S. RV exports to Chile totaled \$1.3 million. Towables were the largest category of exports (58 percent).

Colombia

In 2015, U.S. RV exports to Colombia totaled less than \$500,000. Motorized RVs were the largest category of exports (95 percent). At present, Colombia does not have any campgrounds for RVs. Local companies that sell RVs, however, have signed partnerships with some national parks so that their vehicles are allowed in the campgrounds. There are two major manufacturers and distributors of RVs in Colombia.

The current RV market in Colombia is somewhat limited. Security concerns in the country make RVs a target for criminals. For this reason, Colombians generally try to avoid driving vehicles that may appear to be luxury items.

While there is not a dedicated trade show for RVs, local distributors have exhibited in the Salon Internacional del Automovil Trade Show in Bogotá. Though the current market in Colombia may be limited for RVs, ITA believes that it could provide opportunities for U.S. exporters in the long-term. A growing middle class with increasing levels of discretionary income and its status as an FTA partner with the United States make Colombia a potentially favorable market for U.S. companies in the long-term.

Taiwan

RVs have experienced very limited market growth in Taiwan due to the country's limited space for parking and underdeveloped camping facilities. There are 38 campgrounds across the country, but most are underdeveloped. The total number of RVs in Taiwan is less than 200 units. The Formosa Camping & Caravanning Club represents the interest in camping and RVing in Taiwan.

Thailand

Thailand currently does not have an established RV market. While there are a small number of caravans, camper vans and motorhomes in Thailand, most RVs are privately imported for personal use by individuals, groups of users (mostly wealthy families) or assembled

locally by foreign companies and local pick-up truck assembly companies.

There are approximately 20 campgrounds across the country. Most of these are owned and managed by private resorts, and some are operated by the Thailand government national parks. Additional information about RV parks in Thailand can be found at: <http://thairv.com/board/index.php?board=5.0>.

Five RV manufacturers in Thailand produce motorhomes, camping cars, caravans, and other products. Thailand does not have dedicated regulations for RVs.

Currently, Thailand does not have any official groups or associations that represent the RV industry. However, RV owners and consumers use the following website to communicate and share information about RVs, RV parks and buying/selling RVs: www.tairv.com.

Camping is becoming increasingly popular in Thailand, driven by expanded parking areas in national parks and resorts. The popularity of camping is expected to rise even more once the Association of Southeast Asian Nations Economic Community (ASEAN) is fully implemented.¹⁰ Though there are not any dedicated RV shows in Thailand, a few motor (automotive) shows feature a designated area for RVs. These include the Thailand International Expo and Bangkok International Motor Show.

While Thailand currently does not have an established RV market, camping is becoming increasingly popular. This trend, combined with a growing middle class, make Thailand a potentially favorable market for U.S. companies in the long-term. In 2015, U.S. RV exports to Thailand totaled \$4.7 million. Motorhomes were the largest category of exports (95 percent).

Turkey

There are 109 campgrounds in Turkey. Fifty-six of these are registered with the Turkish Camps and Caravan Association, www.kamkaravan.org.tr//index.php. In 2010, according to the Turkish Statistical Institute (TUK), the number of nights spent in caravans and camps by foreigners was 467,978. Total production of caravans in Turkey is estimated to be a couple of thousand units per year by the country's 10 manufacturers.

Caravans in Turkey are subject to a Special Consumption Tax (OTV), which is very high (145 percent). Also,

mandatory insurance on caravans is quite high, approximately 10 times more than for a regular automobile. Turkish Camps and Caravan Association officials are trying hard to solve some of the major challenges to increase interest and the market for caravans. Industry experts believe the market will grow if these can be resolved.

The ATRAX Expo (December) in Istanbul, an amusement parks and recreation show, includes partial coverage of RVs. Also, some caravan manufacturers exhibit at the Izmir Tourism Fair (December). In 2015, U.S. RV exports to Turkey were less than \$800,000.

Motorcycles and Parts

ITA expects the Motorcycles Sector to expand overseas as exports become a more important driver of the U.S. industry. In 2018, ITA forecasts the U.S. export-to-shipment ratio to grow to 30 percent for the sector. Total U.S. exports of motorcycle products are expected to grow 5 percent annually, reaching an estimated \$1.4 billion in 2018. The U.S. industry is composed of two major manufacturers and many smaller manufacturers of custom motorcycles, electric cycles, parts and accessories.

U.S. product shipments of motorcycles were \$4.9 billion in 2014. The industry expanded from 2009 to 2013 but, in 2014, declined from \$5.0 billion the previous year. The export-to-shipment ratio was 27 percent in 2014, an increase from 26 percent in 2013. The forecast to grow to 30 percent in 2018 is a realization that middle-class wage earners are growing faster in overseas markets than in the United States. Motorcycles sales in the United States reached their peak in 2005. Sales fell drastically with the recession. Sales have rebounded since but are nowhere near the levels from the beginning of the century.

The U.S. industry is dominated by one manufacturer, Harley-Davidson Motor Company (H-D). H-D manufactures large motorcycles. Smaller-engine motorcycles are typically imported from Japanese companies. H-D has perfected a unique product that attracts many motorcycle riders worldwide. This iconic "V-twin" engine design has become a symbol of the American free spirit. That spirit has become very popular overseas.

The U.S. has a strong market for large motorcycles, as large motorcycles hold a much bigger share here than in most international markets, which are dominated by smaller, cheaper models. This is likely the reason for H-D being the leading supplier in the U.S. in 2014 at 31 percent, according to statistics from the Motorcycle Industry Council. The next largest supplier was Honda with 14 percent. Honda and Kawasaki both make some of their larger motorcycles in the United States. The U.S. apparent consumption of motorcycles and parts totaled \$5.7 billion in 2014.

The Motorcycle Industry Export Base

While Harley Davidson might be the key to the industry, there are many parts and accessory companies that supply the company and offer similar custom "V-twin" products, such as Victory (Polaris Industries) and Orange County Choppers. These

companies have great export opportunities if they meet international motorcycle standards.

While the domestic market for motorcycles may not reach earlier levels, H-D has made a greater effort to grow international sales. One reason for this is that motorcycle per capita usage is higher in many overseas markets, particularly in Asian markets.

H-D has begun manufacturing small engine motorcycles (the STREET line) with its signature "V-twin" design. This bike is likely to appeal to newer, younger consumers in the United States and, particularly, in overseas markets.

H-D has had success in several markets, including Japan, where it is has become the top brand for large motorcycles against the world's leading motorcycle manufacturers. U.S. exports to Japan totaled \$109 million in 2015.

The top destination for U.S. exports of motorcycles and parts is Belgium. Such exports will reach a forecast total of \$520 million by 2018. H-D uses distributors in the country to sell into several other Western

Figure 4: Top Motorcycle Export Markets through 2018

1. Belgium
2. Canada
3. Japan
4. Australia
5. Singapore
6. Mexico
7. Germany
8. Hong Kong
9. New Zealand
10. South Africa
11. United Kingdom
12. Netherlands
13. United Arab Emirates
14. Malaysia

European markets. The second largest destination for U.S. exports of motorcycles and parts is Canada. It is forecast that U.S. exports to Canada will total \$178 million in 2018.

Australia and Singapore are the next two largest destinations for U.S. exports of motorcycles and are forecast to reach \$103 million and \$72 million in 2018.

Optimizing U.S. Leverage

Harley-Davidson markets its products successfully worldwide. The company, however, has had difficulties in several markets. These difficulties are typically standards related, despite the fact that H-D manufactures safe, clean and quiet products that are designed to be ridden on all roads that an automobile can use.

A number of Asian markets do not have many large motorcycles; instead, they have a large fleet of small two-stroke motorcycles that can create pollution and over-crowd roads. To combat these problems some countries have created market-specific hybrid emission standards different from those of international norms. Some Asian markets have banned all motorcycles from highways because they have virtually no large motorcycles and the small motorcycles are underpowered and unable to maintain highway speeds. Large motorcycles are sufficiently powered for highways and are safer on highways than on crowded street roads. U.S. export agencies can point to how many U.S. states ban smaller engine motorcycles from

highways but not large cycles. Taiwan is a market that has removed such restrictions and allows large motorcycles on its major expressways. Korea, Vietnam and others, however, still maintain highway restrictions.

China has adopted Asia's most onerous restrictions to combat pollution and crowding in its cities. Over 100 cities in China have varied restrictions on motorcycles. In some areas, it is just a restriction on new motorcycle regulations. In other cases, they have outright bans. While some of the reasons for owning a large motorcycle are to enjoy the open countryside, most consumers who can afford these motorcycles live in these major urban centers. While these regulations may not reflect national policy, they were adopted following recommendations from policy makers in Beijing. U.S. negotiators should engage Chinese policy makers to encourage China to identify a trial city where large motorcycles are allowed to be registered and operated on streets and highways so that China can effectively assess the very limited impact these motorcycles have on urban traffic flow.

While a company like Harley-Davidson may not need export promotion services, custom builders and parts manufacturers are small firms that need considerable export assistance. Participation in domestic International Buyer Program shows and certified-overseas trade shows, like the EICMA show in Milan, Italy, would be the best way to reach and help these firms.

Miscellaneous Transportation Vehicles

ITA expects the Miscellaneous Transportation Sector to expand overseas as exports become a more important driver of the U.S. industry. Total U.S. exports of these vehicles are expected to grow 5 percent annually, reaching an estimated \$1.5 billion in 2018. This sector is quite diverse, and although most of the products are recreational, some products are industrial and commercial in nature. The demand for each product is very different in individual overseas markets.

This is the least defined product category within the recreational transportation sector. From an HTS statistical standpoint, it is a catch-all classification for various motor and electric vehicles. There are, however, several major recreational products. The first segment of products is golf cars. These vehicles are used to transport golfers, clubs and bags on the golf course and are both gas and electric-powered. Snowmobiles are also a major products found in this segment. The last major segments are All-Terrain Vehicles (ATVs) and industrial vehicles.

The Miscellaneous Vehicle Industry Export Base

The markets for ATVs are very similar to those for motorcycles. Most ATVs are manufactured in the United States by Japanese firms. The notable exceptions are Polaris and John Deere. These products are used for off-road purposes and, sometimes, not for recreation but for farming and other commercial applications.

Over 90 percent of the world's golf cars are manufactured in Georgia by three producers. Golf cars are typically sold to golf courses on a bid basis for their entire fleet. These products typically are sold into markets with expanding golf course development. China recently had a boon in golf course construction. These courses needed golf cars, as miscellaneous vehicle exports to China totaled \$100 million in 2010 at the peak of the boom. Since that time, sales have declined, but we could start seeing the market increase again, as the golf car fleets do need to be replaced every five to ten years, depending on usage.

The snowmobile market has the most defined demand of all recreational transportation products, as these are sold only in markets with sufficient snow. Canada, Finland and Sweden are the biggest market for these products.

All three of these product areas are extremely competitive worldwide due to economies of scale advantages that result from servicing the large U.S. market. ITA estimates that 90 percent of the world market lies within North America. For the ATV market in particular, there is enough demand to have many manufacturers offering different products. These products, however, could be considered unique or novelty products in most overseas markets.

Canada is expected to be the largest market for all miscellaneous vehicle products in 2018, with U.S.

Figure 5: Top Miscellaneous Vehicles Export Markets to 2018

- 1. Canada**
Major market for snowmobiles, ATVs and golf cars
- 2. Australia**
Major market for ATVs and golf cars
- 3. Germany**
Major market for ATVs and golf cars
- 4. Mexico**
Major market for golf cars and ATVs
- 5. France**
Major market for golf cars, snowmobiles and ATVs
- 6. United Kingdom**
Major market for golf cars and ATVs
- 7. Sweden**
Major market for golf cars and ATVs
- 8. New Zealand**
Major market for ATVs and golf cars
- 9. United Arab Emirates**
Major market for ATVs and golf cars
- 10. Belgium**
Major market for ATVs and golf cars

exports to Canada expected to reach an estimated \$656 million, representing 44 percent of all miscellaneous vehicle exports. All miscellaneous vehicle products are in high demand in Canada. There are significant trails for snowmobiles throughout Canada, perhaps even more than in the United States. Those trails often are used in summer by ATVs and motorcycles. In addition, there are also 2,363 golf facilities, the third largest total in the world.

The second largest destination for miscellaneous vehicle exports is Australia. In 2018, U.S. exports to the market will reach an estimated \$103 million. This market is primarily a great market for golf cars and ATVs. Australia has 1,628 golf facilities. In addition, there are large territories that are perfect for ATV use.

Mexico will be the third largest destination for miscellaneous vehicles and is expected to grow 10 percent annually to 2018 and reach \$69 million. Mexico offers great terrain to use ATVs throughout the country. It also has over 160 golf courses, primarily for international visitors and tourists.

Germany will be the fourth largest destination, as miscellaneous vehicle exports are expected to reach nearly \$68 million in 2018. Germany has 747 golf facilities. In addition, there are some opportunities to use both ATVs and snowmobiles.

The fifth biggest destination for U.S. exports of miscellaneous vehicles is France. U.S. exports to France are forecast to reach \$54 million in 2018. France has

the sixth largest number of golf facilities, with 648 such facilities.

Sweden is the seventh largest market for U.S. miscellaneous vehicles, as exports are expected to total \$47 million in 2018. This is the largest market outside North America for snowmobiles.

Optimizing U.S. Leverage

There are not many barriers for most miscellaneous vehicles. The most important one may well be noise standards for snowmobiles in Sweden, which will be elaborated in the case study of Europe.

Another issue for miscellaneous vehicle manufacturers is that certain markets have high tariffs for perceived luxury goods. Golf cars in Thailand are assessed at a high rate, due to their being considered a luxury good.

Finally, ITA will promote typical export promotion services like Gold Keys and International Company Profiles so that U.S. companies can find the best way to sell their products overseas.

Country Case Studies

The following pages include country case studies that summarize export opportunities in selected markets. The overviews outline ITA's analysis of the U.S. export potential in each market and offer recommendations to improve the effectiveness of U.S. government export activities. The markets represent a range of countries to illustrate a variety of points and not the top five markets overall. In this report, some country case studies are limited to one recreational sector as noted in the titles.

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Australia – Recreational Marine & RVs

Australia is a strong market for recreational marine products and recreation vehicles. This case study focuses only on these two export opportunities. Australia is the third largest destination for U.S. exports of these products. U.S. exports to Australia are forecast to grow 7 percent annually between 2015 and 2018 and total \$426 million. Some challenges remain, such as the possibility of needing more than one distributor in this large market and large land-mass country.

Marine	4	RVs	3	Overall Ranking	
Motorcycles	4	Miscellaneous	2		
					3

Recreational Marine

Australia has a coastline of 41,340 miles and almost 11,600 square miles of inland lakes and waters. Australians have a great opportunity to enjoy boating throughout the country. In addition, the Australian GNI per capita (Gross National Income) was the fifth highest in the world at \$64,540 in 2014. That is more than \$9,000 more than the U.S. GNI per capita. Potential boaters have both the ways and the means to enjoy the sport. There are approximately 1.8 million boats in Australia. Given the population, that means there is one boat for every 13 people.

Australia is a large, mature market with 450 marinas, 75,000 wet slips, dry-stack berths, dry-sail berths and 30,000 open moorings. The majority of boats in Australia are rigid boats, including those with an outboard motor. The majority of boat owners are part of Australia’s middle-class. Australia’s domestic

manufacturers account for 60 percent of Australian apparent consumption (production + imports – exports). Furthermore, several Australian manufacturers are competitive worldwide, exporting all over Asia and to many of the major boating markets.

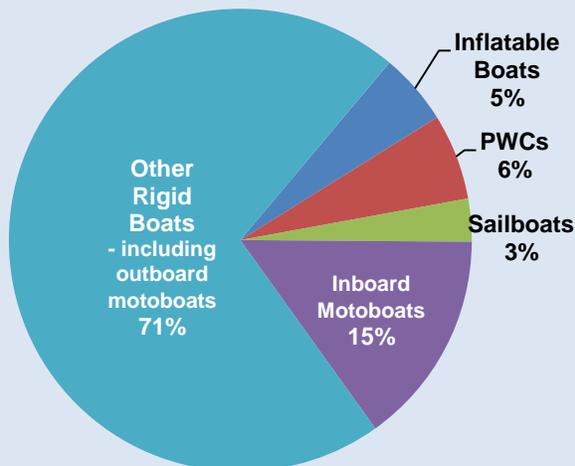
The U.S share of imports into Australia was approximately 42 percent in 2014. In 2015, U.S. exports of recreational marine products to Australia totaled \$138 million. Australian Disposable Personal Income is forecast to grow at a compound annual rate of 3 percent from 2014 to 2020, so it can be expected that U.S. exports of recreational marine products will grow 7 percent from 2015 to 2018.

Recreation Vehicles (RVs)

The RV industry in Australia is worth approximately \$7 billion annually and has been the country’s fastest growing tourism sector for over 15 years. There are over 580,000 RVs registered nationwide, and this number is expected to increase by 20 percent over the next five years. Of the current registrations, about 10 percent are motorized (motorhomes or campervans) and 90 percent are towed products (caravans, camper trailers, tent trailers and other towed RVs).¹¹

Approximately 85 percent of Australians have stayed in a holiday park at least once in their life. The largest domestic user group of RVs is 30 to 54 year olds, who make up 50 percent of the market, followed by 55 to 70 year olds who comprise 20 percent.¹²

Figure 6: Australian Boat Parks



In 2014, Australians purchased 20,000 caravans, 1,500 motorized units and 9,000 camper/tent trailers. There are over 2,300 campgrounds across the country. Approximately 30 million visitor nights were spent in a caravan park or camping ground in 2014. An estimated 170,000 powered and unpowered sites are available nightly nationwide.¹³

Australia has 19 major RV manufacturers and over 200 smaller producers. In the year ending June 2014, RV production totaled 20,753 units (19,806 towed, 947 motorized/self-drive). An estimated 10,000 units (mainly camper trailers) are imported annually. Approximately 70 percent of RVs purchased in Australia are produced in Australia. Domestic manufacturing wholesale value of RVs is estimated to be \$940 million annually. Seventy-three percent of caravans registered in Australia weigh below 1.5 metric tons, with most ranging from 500 to 900 kilograms.¹⁴

RVs in Australia must comply with Australia Design Rules (ADRs), which are national regulations for vehicle safety, anti-theft and emissions. Topics in the ADRs include mechanical connections, lamps, reflex reflectors, tires, brakes, trailer dimensions and trailer markings. A comprehensive list of ADRs can be found at www.infrastructure.gov.au/roads/motor/design/. Also, Australia's Vehicle Standards Bulletin (VSB1) establishes a set of design rules and construction standards for road trailers (with an aggregate trailer mass, or ATM, of 4.5 tonnes or less) that operate as an alternative to the ADRs. These standards are based on the ADRs but are simpler to use (see www.infrastructure.gov.au/roads/vehicle_regulation/bulletin/index.aspx). RVs must also adhere to Australia's LP Gas Standard AS5601 and 240V Electrical Standard AS3001.¹⁵

The leading organization representing the interests of the camping and caravan industry is the Caravan Industry Association of Australia, www.caravanindustry.com.au. There are over 40 RV and camping trade shows annually across the country. A list of these by state can be found at www.cavancampingsales.com.au/editorial/news/2015/2016-rv-show-calendar-55412.

In 2015, U.S. RV exports to Australia totaled over \$15 million. Travel trailers were the largest category of exports at 76 percent.

Challenges and Barriers to Exports

Australia has its own regulations, both national and state level, on electrical wiring and labeling for recreational boats. These local state regulations can be a challenge to having one distributor for the entire market. These differences stem from the how the local states reconcile differences in national boat regulations versus regulations on structures for habitation. U.S. companies should seek out experienced local distributors, who can help make any changes locally or at least pass along the changes to be made before they are exported into a local market.

ITA believes the market for RVs will continue to grow in Australia. The outlook, however, is not as clear for the importation of U.S.-made RVs. A weak Australian dollar and cheaper Asian competitors will affect the sales of U.S. products. Other challenges for U.S. RV exporters include compliance with Australia's ADRs, including those relating to electricity (240V) and LP gas. Also, regulations can differ by state in Australia, including variations in the Road Traffic Regulations.

Opportunities for U.S. Companies

With a mature market like Australia, there are still more export opportunities for all U.S. companies. Under the U.S.-Australia Free Trade Agreement, U.S. marine products enter Australia duty-free. Outboard motorboats and engines have the biggest opportunity. Currently, many of the larger U.S. manufacturers have done well in Australia, but smaller U.S. manufacturers should have opportunities to export their products into this market as well.

Optimizing U.S. Leverage

For this market, the U.S. export agencies need to concentrate on typical export promotion programs, such as the Gold/Platinum Key Services. ITA will continue to work with the NMMA and its counterpart in Australia, the Boating Industries Alliance Australia (BIAA), to identify new opportunities for U.S. exporters including the recruitment of U.S. manufacturers to Australian boat shows and working on getting Australian buyers to U.S. shows. One unique aspect of Australia is that selling products in the country may require several distributors in the distinct states within the country to maximize potential. ITA's knowledge on these differences could help U.S. manufacturers maximize their opportunities.

ITA hopes to bring Australian buyers to RVIA's National RV Trade Show, which will be held from November 29 to December 1, 2016 in Louisville, KY. The 2016 show is an IBP-Select event. The 2014 and 2015 shows were also IBP-Select events. Also, as noted earlier, Australia

hosts numerous RV-related trade shows annually across the country. ITA hopes U.S. exporters will attend one or several of these shows to better understand the market and Australian regulations and standards for RVs.

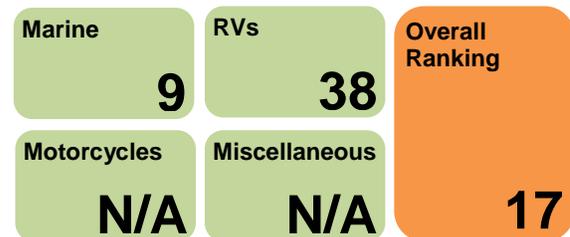
Did You Know?

1. Australia is the largest country market for recreational boats and accessories.
2. The Australian GNI per capita (Gross National Income) is the fifth highest in the world at \$64,540 in 2014. This combined with the fact that most of the population lives near the coastline is a perfect combination for a healthy boating market.
3. Distribution and sales opportunities can vary significantly in the different states of Australia, often requiring multiple distributors in the country to maximize sales opportunities for the boating manufacturers.
4. The RV industry in Australia is worth approximately \$7 billion annually and has been the country's fastest growing tourism sector for over 15 years.

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Brazil – Recreational Marine

Brazil is the second largest destination market for U.S. boat exports in Latin America, and ranks 17th in terms of overall projected recreational transportation exports. This case study therefore focuses on the export of marine products. U.S. recreational marine exports to Brazil are forecast to grow 7 percent annually between 2015 and 2018 and total \$63 million. Brazilian tax and tariff policies, however, pose serious problems for U.S. exporters. Brazilian import tariffs, which were recently raised to 35 percent, combined with several different taxes, lead to significantly higher purchase prices in Brazil when compared to other markets.



Brazil has approximately 4,660 miles of coastline. Add to that the Amazon River and all its tributaries, and Brazil has the potential to be a huge boating market. Already, there are 540 marinas, 67,687 wet berths, drystack and drysail berths and 8,240 open moorings. Brazil's GDP per capita PPP is only \$12,221. Like Mexico's, Brazil's boating market is mostly for the wealthy.

Bearing this out is the fact that 65 percent of all boats in Brazil are inboard motorboats. Inboards are typically large boats with large diesel engines. Brazilian manufacturers supply most of the Brazil boating market. Several European and recently an American firm have opted to establish joint ventures in the market in order to lessen the effect of tariffs, local taxes and fees.

Challenges and Barriers to Recreational Marine Exports

The challenge for the Brazil market is how to expand the market to the middle class. It should start with government reforms that will lower tariffs and taxes to give the middle class more buying power.

Opportunities for U.S. Companies

The infrastructure for a strong boating market is present, so there will be many opportunities for U.S. boating manufacturers. Several of the larger

manufacturers, however, may decide that the best way to sell in the market is to produce in Brazil.

There will also be opportunities for small-size outboard boat manufacturers as development along the Amazon River continues. In addition, portable customized dock structures will likely be popular in the Amazon basin. Most of the products will have to be environmentally friendly in this area.

Finally, the 2016 Rio Olympics could offer opportunities for high-end marine boats and accessories. Besides equipment for the organizers, boats can be used for viewing platforms at many of the aquatic events.

Optimizing U.S. Leverage

Brazil's recreational marine sector is hindered by high tariffs. If the applied tariffs for smaller boats were lowered to allow the entry level market to grow, this would eventually help Brazilian manufacturers of larger yachts when these consumers look to upgrade to larger models of boats.

In order to open up the market to more middle-class families, U.S. interests need to educate consumers. One of the best tools available is the NMMA's "Discover Boating" website and YouTube Channel. Brazil's trade association for recreational boating, ACOBAR, has started a new project called "Venha

Navegar,” which is a great step toward helping consumers chose a boat that is right for them.

During the 2016 Miami International Boat Show there was a large buyer delegation from Brazil that hopefully will open new avenues of expansion for U.S. companies, as these buyers met with many U.S. manufacturers. Another factor with the Brazilian market is that several Brazilian manufacturers are exploring the possibility of opening up manufacturing facilities in the United States. Continuing to recruit a

Brazilian delegation would be beneficial for further growth.

Furthermore, participation in Brazil’s major boat trade shows can be a great opportunity to increase sales to Brazil. The Sao Paulo Boat show (September 2016) and the Rio Boat Show (March 2017) are the major trade shows and take place on alternate years. Participating in overseas shows like these can help U.S. companies find the right long-term partner to sell their products into the Brazilian boating market.

Did You Know?

1. Currently, Brazil’s boat market consists mostly of inboard boats.
2. Brazilian trade association has introduced “Venha Navegar,” a program to encourage new boat owners in Brazil.
3. Many Brazilians buyers come to US boat shows, like the Miami International Boat Show.
4. Brazilian boat shows in Rio and San Paulo are a great way to introduce your products into the market.

Canada

Canada has ranked first on ITA's list of top recreational transportation export markets for the last decade.

Over the next three years, Canada will account for over 40 percent of all U.S. exports in the sector. Its proximity to the United States and the close commercial relationship enjoyed by many U.S. suppliers provide exporters a favorable environment to sell their products or services. While most exporters are well established in Canada, many small manufacturers, particularly in southern states, could benefit from export promotion activity.



Canada is the largest market for recreational transportation products and is the number one market for recreational marine products, RVs and miscellaneous vehicles. It is the second ranked market for the other recreational transportation sector, motorcycles. The rankings are not likely to change in the near or mid-terms future.

Overview of the Recreational Transportation Market

Canada has seen its Disposable Personal Income (DPI) increase since 2005. The GNI per capita for Canada was \$51,630 in 2014. As a result, U.S. exports to Canada of recreational transportation products have become more important to U.S. manufacturers. During the global recession in 2008, many U.S. manufacturers pointed to the continued growth in Canada as the savior of their bottom line. Canada's DPI is forecast to continue growing over the next several years, according to the Trading Economics.¹⁶

Unlike many other markets, there are major domestic competitors in Canada in most of these sectors. The ease of doing business between the two markets, however, means that opportunities are available and will continue to be available, particularly for U.S. producers that offer a unique or new product.

The Canadian market for recreational marine products is strong. U.S. recreational marine exports to Canada account for 27 percent of total U.S. recreational marine exports. Canada has more lakes than any other country, and many are perfect for recreational boating.

The National Marine Manufacturers Association (NMMA) of Canada represents the interests of the Canadian recreational boating industry. NMMA's recent statistics indicate that in 2012, more than one in five Canadian households owned at least one recreational boat while just over one-third of households participated in boating. Ontario leads the way with 40 percent of residents participating in boating, followed by British Columbia at close to 20 percent. Much like the United States, the primary buyers of boats and marine products are part of the middle class. The average boater in Canada ranges between the ages of 31 to 49, has children at home and has a household income of CAD 40,000 to CAD 99,000 a year.

There are several competitive manufacturers of boats in Canada that U.S. producers must compete with for market share. In the personal watercraft segment, Canada is home to Bombardier, one of the world's largest manufacturers of these products.

The United States has consistently been, by far, Canada's main RV trading partner. In 2015, U.S. RV exports to Canada totaled \$1.1 billion, representing over 90 percent of U.S. global RV exports. Towable RVs were the largest category of exports to Canada, accounting for about 76 percent. ITA expects U.S. RV exports to Canada to increase to \$1.3 billion in 2018 with a CAGR of 5 percent.

In 2014, Canada imported \$803 million worth of RVs, with \$672 million (almost 84 percent) coming from the United States. Canadian imports of RVs in 2014 increased by over 2 percent from 2013. Also, imports

in 2014 of motorhomes with gas combustion engines over 3,000 cubic centimeters (cc) were \$215 million, an 18.5 percent increase over 2013. Ninety-eight percent of these products were from the United States. Imports of motorhomes with larger gas and diesel engines recorded solid increases as well, representing a combined \$8.6 million in annual sales.

In 2011, Canadians spent \$1.6 billion by staying at one of the 5,000 independently owned and operated campgrounds located across the country. Total economic activity in 2011 associated with the Canadian RV industry was \$14.5 billion.¹⁷ There are over 1 million RVs currently in use in Canada. Surveys indicate that 14 percent of Canadian households own an RV.¹⁸

In 2011, the total value of RVs manufactured in Canada was \$265 million. Of this total, Canadians purchased \$156 million, and \$109 million were exported to other countries. Approximately 99 percent of all RVs retailed in Canada are made in the United States.¹⁹ ITA's office in Toronto listed 28 RV manufacturers in Canada.

There are more than 5,000 campgrounds across Canada. Approximately 3,000 of these are privately owned. Campgrounds contribute \$1.6 billion to Canada's GDP, and they are responsible for creating almost 30,000 jobs, mainly in rural communities.²⁰

There are a number of regulations applicable to RVs in Canada. Trailer towing requirements exist for each Canadian province and territory, as well as brake regulations and provincial licensing requirements. Also, each province has its own size restrictions, seat belt regulations and safety chain laws.

Several leading organizations represent the RV industry in Canada. These include the Canadian Recreational Vehicle Association, Recreation Vehicle Dealers Association of Canada, Canadian Camping and RV Council, Recreation Vehicle Industry Association, GoRving Canada and Recreational Vehicle Owners Association of British Columbia.

The U.S. motorcycle industry is the least dependent of all the recreational transportation sectors on the Canadian market. U.S. exports of motorcycles to Canada only account for 13 percent of total U.S. motorcycle exports. That is still significant but not a driving force for overall sector health. According to the Motorcycle & Moped Industry Council of Canada, over 160,000 new units of motorcycles, scooters and ATVs, plus parts and accessories, were sold during 2013 at an estimated retail value of \$1.6 billion.

By dollar value, new motorcycle sales accounted for 51 percent of the total retail value of sales and new ATV sales accounted for 48 percent of the total retail value of new unit sales. There were 747 authorized motorcycle dealers and 842 authorized all-terrain vehicle dealers across Canada in 2013.²¹ Within the miscellaneous manufacturing sector, the dependency on the Canadian market is more relevant. U.S. exports of snowmobiles, ATVs and golf cars to Canada account for 36 percent of total U.S. exports of these products. Snowmobiling and ATVs are quite popular in Canada.

The snowmobile market is quite large in Canada. There are nearly 70,000 miles of groomed trails in Canada. It is likely the second largest trail system in the world. There are three major manufacturers of snowmobiles in Canada. This is a market that is well developed and the most important outside of the United States. The American Council of Snowmobile Associations has created a resource for market information about snowmobile trails that can be found at <http://www.snowmobileinfo.org>. It has information on both the U.S. and Canadian markets.

Challenges and Barriers to Recreational Transportation Exports

There is little or no barrier to entry into the Canadian market for recreational transportation manufacturers. Many of Canada's regulations are very similar to those in the United States. Canadian regulators operate independently from U.S. regulators but usually modify the product standards incorporated into Canadian regulations after new standards are developed in the United States. Slight differences do exist and must be noted in order to successfully compete in the Canadian market, but these are not typically costly or onerous.

Opportunities for U.S. Companies

Where U.S. recreational transportation companies need help is in the area of export promotion, as they tend to think they are fully informed of all the export opportunities in Canada. Manufacturers, particularly small manufacturers, are likely to be overconfident in their knowledge of the Canadian market. Much like the U.S. consumer, Canadian buyers are conscious about what they want. The Canadian dealers are constantly looking to keep up with them and are seeking new products and new innovations. Therefore, the best way to support the industry is to bring Canadian buyers to U.S. shows through IBP events and encourage manufacturers to attend the Canadian industry's trade

shows. Finally, getting access to Canadian market conditions and opportunities would benefit many of the small U.S. recreational transportation manufacturers.

The important trade shows in the United States that could entice Canadian buyers are: 1) the Miami International Boat Show held in February, 2) the *Dealernews* International Powersports Dealer Expo held in December in Chicago and 3) the National RV

Trade Show in Louisville. The major shows in Canada for this industry sector are: the Toronto International Boat Show held in January, the North American Int'l Motorcycle SuperShow held in January in Toronto and the Toronto Snowmobile, ATV and Powersports Show. While for RVs, there are a number of RV shows across Canada each year. A list of shows in 2016 can be found at www.crva.ca/rv-shows.

Did You Know?

1. Canada has seen Disposable Personal Income (DPI) increase since 2005.
2. More than one in five Canadian households owned at least one recreational boat while just over one-third of households participated in boating.
3. Participating in Canadian recreational transportation trade shows is a great way to introduce your products to the market or increase market share.
4. Participating in U.S. recreational transportation trade shows is a great way to find firms looking to sell your products into Canada.
5. Over 90 percent of total U.S. RV exports are to Canada.

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China

China's recreational transportation market has undergone major changes the past several years, including a national focus on the development of tourism, campgrounds and the RV industry. ITA plans to continue working with the industry to address China's high duty and tax rates for recreational imports and regulatory and standards issues to leverage increased opportunities for U.S. exporters.



Recreation Vehicles (RVs)

China's RV market has undergone significant changes over the past several years, including a national focus on the development of tourism, campgrounds and the RV industry. With a growing demand for RVs and a shift in consumers' travel preferences, tourism experts in China anticipate a surge of RV-related businesses in the coming years. More people are choosing to explore the countryside and hit the roads with recreational vehicles.²²

China's domestic RV market is in the early stages of development. Chinese consumers purchased an estimated 21,000 RVs by the end of 2014, and this number could reach 300,000 by 2020. China's growing economy and rising middle class are fueling an increasing demand for leisure-related goods and activities, such as RVs and RV camping.²³

In 2015, China ranked sixth as a destination market for U.S. RV exports. ITA expects U.S. RV exports to China to increase to \$11 million in 2018 with a CAGR of 12 percent.

China currently has about 40 RV manufacturers, comprised mainly of converters and specialty vehicle makers. Domestically produced RVs dominate the marketplace, accounting for about 60 percent of overall RV sales. Chinese manufacturers offer a variety of products, from towable RVs to motorhomes, ranging in price from about RMB 44,500 to over RMB 2 million (\$6,800 to over \$304,000).²⁴

Despite the growing popularity and demand for RVs, China had only about 200 campgrounds nationwide at

the end of 2014. Less than 50 of these were RV-ready. The lack of an adequate RV infrastructure has led to unrealized downstream goods and services needed by RV travelers (such as camping equipment, clothing, gasoline, food, etc.).²⁵

In addition to the shortage of campgrounds, growth of the RV industry has also been hampered by the lack of standards and a regulatory framework governing the manufacture and use of RVs. Although some government agencies have adopted their own rules and regulations for RVs, these are not uniform across agencies. Also, existing standards and regulations commonly are based on motor vehicle-related standards without regard to the unique characteristics of RVs.

China has made a push in recent years to develop domestic tourism, including campgrounds and the RV industry. At the national level, China's State Council has repeatedly called on accelerating development of the tourism industry and specified that China should vigorously support the emerging tourism industry, including RVs.

Campground development has received great support from the government in China. In August 2014, the State Council called for the development of campgrounds and campground standards and an updating of existing requirements on travel trailers. In October 2014, it called for "building auto campsites and RV campgrounds," and it included RVs and camping among one of the six growth areas the government is focusing on in an effort "to promote consumer spending on tourism and leisure activities."²⁶ Also, in August 2015, the State Council set

a goal of establishing 1,000 RV campgrounds by 2020 nationwide as part of China's 13th Five Year Plan (2016-2020). In a recent government work report (March 6, 2016) presented at the annual session of the National People's Congress, Premier Li Keqiang reiterated the government's support for developing campgrounds in the country.

In addition to public funding for campground development, the government has recently begun promoting private-public partnerships to speed up the development of campgrounds. Also, the Chinese automotive industry has listed RVs as a key emerging sector to boost healthy, rapid and stable development.

At the local level, large cities, such as Beijing and Shanghai, have been actively involved in efforts to develop tourism, campgrounds and the RV industry. In October 2014, the first campground for RVs in Shanghai opened on Chongming Island. It features recreation areas that offer a range of activities for RV owners and visitors wanting to rent RVs onsite.²⁷

Newly developed campgrounds continue to emerge monthly across China. Among these include sites in the Anhui, Guizhou, Heilongjiang, Hebei, Henan, Liaoning, Ningxia, Sichuan, Yunnan and Zhejiang provinces. National and local tourism officials have plans to develop other campgrounds in a number of other locations, as well.²⁸

Motorcycles

China has a large per capita usage of "two-wheelers". Virtually all of these, however, are small, two or four-stroke motorcycles producing high levels of emissions and are relatively underpowered when compared to the increasing numbers of autos. This has led to increasing concern over smog, overcrowding on roads and increased accidents on highways.

In addition, as the standard of living has risen in China, the demand and trade in heavyweight motorcycles has risen as well. The explosive growth of China's emerging middle class has brought sweeping economic change and social transformation, and it is not over yet. By 2022, it is projected that more than 75 percent of China's urban consumers will earn \$9,000 to \$34,000 a year. Furthermore, the upper middle class will account for 54 percent of urban households and 56 percent of urban private consumption.

U.S. exports of motorcycles and parts to China were \$10 million in 2015. U.S. motorcycles peaked in 2013 at \$21 million, which was a CAGR of 36 percent from 2009 to 2013. Since 2013, however, the CAGR was -18 percent. ITA estimates that such exports will increase again, reaching \$12 million in 2018 and growing 8 percent annually. If some improvements on the regulations on usage in cities are made, U.S. exports will easily experience double digit growth.

Recreational Marine

China has over 11,000 miles of coast line and 32,000 square miles of inland freshwater lakes and rivers. The country has the potential to be a huge market for recreational boats. Unfortunately, there are only 90 marinas and 7,000 wet berths/slips, drystack and drysail berths. By comparison, Brazil has less than half the coastline and freshwater but has 540 marinas and 67,000 similar berths. In addition, China's GNI per capita is slightly less than Brazil at only \$7,400.

The current boat park (registrations) in China is 53,836, of which 58 percent are inflatables, 32 percent outboard motorboats, 7 percent inboard motorboats and 3 percent sailboats. There are over 180 boat builders with virtually all of them producing inflatable boats for both domestic and export purposes.

China imports most of its non-inflatables. Perhaps because there is a lack of adequate marinas and boat slips, the import market is dominated by yachts and super yachts. The average unit price of boats entering China from the leading suppliers, Italy and France, were over \$970,000 and \$440,000, respectively. The United States was the fourth largest supplier, but the average unit price of its boats was just over \$18,000.

As the number of middle class families increases so too does the potential for more boat sales. In addition, the lending rate is 6 percent, which is rather low given the per capita income of China. Those consumers that have access to loans should have a relatively good rate to pay back the loan.

U.S. exports of recreational marine products to China were \$53 million in 2015, which was a CAGR of 19 percent from 2009 to 2015. ITA estimates that such exports will reach \$66 million in 2018, growing 8 percent annually.

Challenges and Barriers to Exports

RVs

The biggest challenge U.S. exports face in China is the country's duty/tax rates for imported RVs. These rates are very high and essentially price most potential Chinese RV buyers out of the market. U.S.-made RVs would be very competitive (compared with China-made RVs) if these duties and taxes were lowered.

Currently, motorhomes are subject to an import duty rate of 25 percent, a value-added tax of 17 percent and a consumption tax (up to 40 percent). As a result, imported motorhomes in China can cost up to three times more than the same units sold in the United States when insurance and freight are included. (China does not have a separate tariff classification and duty rate for motorhomes, so they are treated the same as imported automobiles).

Imported travel trailers can cost up to two times more, as they are subject to an import duty of 10 percent and value-added tax of 17 percent in addition to insurance and freight. In comparison, travel trailers enter the United States duty-free, and motorhome imports receive a 2.5 percent duty rate.

Another challenge for U.S. exporters is that China has few dedicated standards and regulations for the manufacture and use of RVs. China's standards system has multiple levels (national, industry, provincial and city), and each level has mandatory and recommended standards. The few RV-related standards that exist either incorporate outdated ISO standards or reference automobile standards. China is currently in the process of reviewing and/or writing RV-related standards to catch up with the market. According to Chinese standards developing organizations, they plan to have most of the necessary RV standards in place within three years.

The regulatory challenges include registration and licensing requirements for RVs. China does not have a separate category for motorhomes. Passenger vehicles are categorized by the number of seats and vehicle exterior length. For most Class A and Class C motorhomes in China, a Class A or Class B driver's license is required while the majority of drivers have a Class C driver's license. Licensing for travel trailers is inconsistent, as they are often treated as commercial vehicles depending on the length of the car and trailer.

Vehicle registration can be a challenge in China. Large cities, like Beijing and Shanghai, limit registrations via a lottery system. While smaller second and third tier cities do not limit registrations, this can still be difficult because registration officials in those cities are often unfamiliar with RVs.

Another challenge is highway toll fees. For motorhomes, fees vary according to the size of the vehicle. For travel trailers, even though China's road safety law allows the towing of trailers weighing up to 750 kilograms, toll station personnel often are not familiar with the law and thus, do not allow travel trailers to enter highways. At present, travel trailers are primarily being used in China for destination camping in campgrounds. They are delivered to a campground and rented out for use by campground visitors, remaining there permanently.²⁹

Testing and certification requirements for the China Compulsory Certification (CCC) mark also have been a challenge for U.S. manufacturers. The certification process is very expensive, and it was developed for cars and trucks without taking into account the unique nature of RVs. Less costly CCC procedures for domestic manufacturers compared to foreign manufacturers have put U.S. producers at a competitive disadvantage.

Another concern is growing competition from major global RV manufacturers. As growth in the economies of some leading RV producers has slowed, domestic demand for RVs in these markets has declined. Major RV producers in some of these countries are actively seeking opportunities in China, including involvement in the country's development of campground and RV standards. Adoption of international standards for RVs and campgrounds in China would pose additional challenges, as these generally are not compatible with U.S. RVs.

The rise of Chinese RV manufacturers poses another challenge. Although Chinese manufacturers entered into the RV market within the last five to ten years, they are advancing quickly and, due to their low cost and understanding of the market, have begun competing for market share among China's early adopters. In 2009, Yutong Bus, a traditional bus manufacturer located in Zhengzhou in the Henan Province, established a branch company for manufacturing RVs and specialty vehicles. After six years of development, Yutong now claims a growing share of the Chinese market. Competitive pricing, much shorter lead-time compared to U.S. imports, and

nationwide aftersales services are the major factors that drive domestic industry growth.

Motorcycles

China has adopted some of the world's most onerous motorcycle restrictions to combat pollution and crowding in its cities. Over 100 cities in China have restrictions on motorcycles. In some areas it is just long-term moratorium on new motorcycle regulations. In other cases, they have implemented motorcycle usage bans within specific geographic areas. While some of the reasons for owning large motorcycles are to enjoy the open countryside, most of the consumers who can afford these motorcycles live in these major urban centers. These regulations may not be national rules; they were adopted following recommendations from policy makers in Beijing.

U.S. manufacturers, such as Harley-Davidson, Victory, Orange County Choppers, Brammo and Zero, produce motorcycles primarily used for long distance touring, leisure and law enforcement. They are engineered to meet or exceed the highest safety and environmental standards. These bikes also serve as a partial solution to overcrowding roads, as more consumers will have the choice of space-taking automobiles or these well-powered heavyweight motorcycles. Due to their different uses and design, however, heavyweight motorcycles present different safety concerns for traffic administrators.

An additional challenge is that Chinese consumers are choosing small electric cars over small motorcycles. That trend may help U.S. manufacturers of electric motorcycles, like Brammo and Zero.

Recreational Marine

The biggest challenge for the Chinese boating market will be to increase the number of marinas and overall boat berths and slips. Without more places to put new boats, sales will be stagnant. In conversations with the Chinese boating industry officials, there was a belief that the European and U.S. industries were dominated by manufacturers of large yachts. This perception of boats being only for the rich could be limiting the demand for small and mid-size boats. These smaller boats are the driver of the U.S. industry.

Another factor limiting demand for recreational marine products is an owner tax. The tax is assessed on the size of the boat. A boat above 30 meters is assessed a

tax around \$275 per meter, which at a minimum would be \$8,250. A boat under 10 meters is assessed a tax of \$80 per meter or as much as \$800.

A final challenge facing the sale of boats in China is the lack of adequate and transparent standards. Current standards are outdated and create products that are less safe than products produced using standards developed by ABYC and the EU. In addition there can be different interpretations of the standards at different ports, so many importers have difficulty knowing what the particular standard is.

Opportunities for U.S. Companies

RVs

ITA believes there is great potential for U.S. companies in China. A rapidly growing economy, burgeoning middle class with discretionary income, rising consumer interest in RVs and RV camping, and a national focus on RV and campground development all contribute to making China a key target market for U.S. RV exports.

As noted, the biggest obstacle for U.S. exports is China's high duty/tax rates for RVs. A crucial way to help U.S. companies is to work with RVIA and Chinese officials to have these reduced. Lower duty/tax rates would not only help U.S. exporters, but they would also allow Chinese consumers greater access to a variety of high quality RVs. Increased competition would also improve the quality of domestically-produced RVs, further enhancing efforts to develop the RV industry and campgrounds.

Also as noted, because China does not have a separate tariff classification and duty rate for motorhomes, these products are treated the same as imported automobiles. The creation of motorhome-only harmonized tariff system (HTS) codes would help clarify within the Chinese government that these products are a distinct category of vehicle. This should also help in other areas where the government regulates motorhomes (e.g., driver's license type, standards, road travel).

Another key way to increase opportunities for U.S. exports is for industry and ITA to continue support of RVIA's programs and initiatives in China under the association's 2015-2018 MCDP award. Under the award (and the previous 2012-2015 MDCP award), RVIA has worked closely and extensively with

manufacturers, industry groups and government agencies (at the national, provincial and city levels) on the development of motorhome, travel trailer and campground standards and on RV-related regulatory issues.

On RV standards, RVIA is working closely with manufacturers and China's standards development organizations. On campground standards, RVIA has been involved in the development of China's first national campground standard. At the provincial level, it has worked with the Beijing Auto Camping and Tourism Association (BACTA) in developing campground standards for Beijing.³⁰ RVIA is also working with standards working groups on the development of campground standards for Shanghai. Additional work is planned on campgrounds standards with a number of other provinces as well. In 2015, the China Automotive Technology and Research Center (CATARC) invited RVIA to become a member of the RV Standards Working Group. RVIA's involvement in these standards development efforts should leverage additional opportunities for U.S. companies.

Though campgrounds are being developed at a rapid pace across China, most are in the early stages of development, and while many of these have some hook-ups for RVs, most are designed for non-RV visitors. This has created a need at many campgrounds for temporary living quarters, such as RVs, that can be rented out to campground visitors. U.S. companies are well-positioned to provide these as U.S.-made travel trailers, and park models are viewed in China as being of high quality and well-suited as rental units. Also, because many new campground operators lack expertise, this should create additional opportunities for U.S. companies.

ITA plans to work with U.S. industry to pursue opportunities to ship less costly knock-down units and/or enter into joint ventures with Chinese partners. These are among the ways to help counter some of the growing competition from international manufacturers. As Chinese automakers have begun developing their own RV programs, they are seeking partnerships with U.S. manufacturers.

RVIA has also been involved in work to ease requirements for CCC compliance. Among its efforts include collaboration with the Shanghai Motor Vehicle Inspection Center (SMVIC) to streamline the certification process for RVs.³¹ (SMVIC is one of the five agencies in China authorized to perform

inspections on imported vehicles.) Less costly and streamlined CCC procedures should create added opportunities for U.S. companies.

Efforts in China to lessen existing regulatory requirements and restrictions on RVs (registration, licensing, toll fees and towing) are expected to follow the recent announcements by the State Council to increase national efforts to develop the RV industry and campgrounds. ITA plans to continue working with U.S. industry to provide support for efforts to remove these obstacles, which would increase significantly the opportunities for U.S. companies.

ITA will collaborate with RVIA to promote RVs and educate consumers and government officials in China about the benefits of RVs and the importance of creating a favorable regulatory environment for RVs. As RVs and campground development have gained increased national focus in China, trade promotion activities, such as outdoor lifestyle events, trade shows and other events that enable the showcasing of RVs, will enable public officials and consumers to learn even more about U.S. RV products.

In September 2015, the United States and China announced a 2016 China-U.S. Tourism Year, a cooperative initiative to expand and shape travel between both countries. ITA plans to work with U.S. industry to develop suitable RV promotional activities and events under this program to increase opportunities for U.S. companies.

ITA also plans to work with industry in support of RVIA's programs and initiatives under the association's MDCP award to promote the use of RVs for emergency response in China, including post-disaster relief and recovery efforts. U.S. industry has provided RVs for disaster assistance purposes to Japan and other countries as well.

In addition, ITA hopes to bring Chinese buyers to RVIA's National RV Trade Show, which will be held from November 29 to December 1, 2016 in Louisville, KY. The 2016 show is an IBP-Select event (the 2015 and 2014 shows were also IBP-Select events).

China hosts two major RV trade shows: the China Beijing International RV and Camping Exhibition (March) and All In Caravaning (AIC) (June). Beijing International RV and Camping Exhibition is hosted by the Beijing Tourism Development Commission, People's Government of Fangshan and the Beijing

China RV & Camping Association. Exhibitors include manufacturers and suppliers from a range of motorized and towable RVs, parts and accessories, and outdoor/camping products, as well as representatives from the campground and park industries.

AIC showcases a variety of products as well, including caravans (also known as travel trailers) and motor caravans (also known as motorhomes), accessories, extension components and campground equipment from manufacturers and suppliers worldwide. AIC is jointly organized by YASN International Co., Ltd. and Messe Dusseldorf (Shanghai) Co., Ltd. European manufacturers and suppliers have major presence at the show.

As part of this collaboration, ITA plans to work with U.S. industry to determine whether AIC or the Beijing International RV and Camping Exhibition would be suitable as a certified show under ITA's Trade Fair Certification program. If so, this would be another way to increase opportunities for U.S. companies in the China market.

Motorcycles

In 2012, Chinese and American interested parties conducted a workshop in Beijing that addressed China's concerns over the current motorcycle situation along with the anticipated problems, which will result from the evolving motorcycle country fleet in China. This workshop and future workshops can demonstrate how other economies, which have significant numbers of heavyweight motorcycles, have dealt with these safety issues to create a safe environment that improves safety while improving access.

The upcoming workshops should address all aspects of safety as it relates to operator training programs, licensing, helmet laws and road restrictions. In addition, with the adoption of Asian and global best practices, China's regulators and traffic administrators

will have better motorcycle accident data in the future to further improve safety should the need arise.

Keeping this dialogue going should be an important strategy for U.S. export agencies (ITA, the Department of Transportation and the San Francisco Police Department participated in the last workshop). Once Chinese officials realize that these motorcycles will not add to the further pollution and overcrowded city roads, progress can be made. The hope is that this dialogue will lead to city and municipal governments changing their existing policies and removing these bans to allow large motorcycles to be operated in their jurisdictions.

Recreational Marine

The transformation of China's boat market from an elite luxury yacht market to one driven by demand from middle class families will take time, although coordination between the U.S. government, U.S. industry, Chinese tourism officials and boating marina developers continues to facilitate progress. The continued use of tools like the NMMA's Discover Boating program will help middle class consumers learn about the boating life, likely creating additional opportunities in the future.

If Chinese officials encouraged boating-related tourism, like they have with the RV and campground industry, ITA believes an important opportunity would be created. U.S. industry is encouraged to educate Chinese officials about major market standards, urging them to adopt boating standards along international norms.

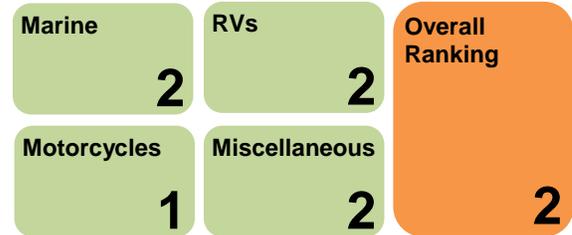
Did You Know?

1. China has recently undertaken a national focus on the development of tourism, campgrounds and the RV industry.
2. Campgrounds are being developed at a rapid pace across China, although most are in the early stages of development.
3. The biggest challenge for U.S. RV exports is China's high duty/tax rates for imported RVs.
4. China hosts two major RV shows: the China Beijing International RV and Camping Exhibition (March) and All In Caravaning (June).
5. Regarding the motorcycle market in China, much of the country's growing middle class live in urban areas.
6. Currently, China lacks marinas and boat slips. As a result, only the wealthy have access to these facilities for the most part.

Western Europe

Western Europe is the second largest regional destination for recreational transportation exports. Over the next three years, Western Europe will account for nearly 24 percent of all U.S. exports in the sector. The European region has some of the highest levels of leisure time, middle class consumers and income outside the United States. In addition, the region has some of the greatest infrastructure for recreational transportation with many rivers, lakes and waterways, a large highway and roadways systems making it easy for consumers to recreate. While most exporters are well established in Europe, many small manufacturers could benefit from export promotion activity either in the U.S or at European trade events.

Regional Ranking



This case study will look primarily at Western Europe. It includes 23 countries, including all the Scandinavian countries and all countries west and south of Germany and Greece. Some sections will include information that pertains to only EU countries and, in some instances, to countries outside Western Europe.

Overview of the Recreational Transportation Market

The countries of Western Europe have some of the greatest purchasing power in the world. The GNI per capita for Norway is the highest in the world at \$103,630. Other notable GNI per capita values in Europe are: Austria, \$49,670; Belgium, \$47,260; Denmark, \$61,310; Finland, \$48,420; France, \$42,960; Germany, \$47,640; the Netherlands, \$51,890 and Sweden, \$61,610. As a result of this type of purchasing power, virtually all recreational transportation products are in high demand in Europe.

Unlike many other markets, there are major domestic competitors in Europe for most of these sectors. The ease of doing business between these markets, however, means that opportunities are available and will continue to be available, particularly for U.S. producers that offer a unique or new product.

Recreational Marine

The European market for recreational marine products is strong. U.S. recreational marine exports to Western Europe account for 24 percent of total U.S. recreational marine exports. Europe offers a great number of rivers, lakes and other waterways to enjoy recreational boating. There are over 16,777 miles of inland waterways and over 43,496 miles of coastline. These waterways are used for commercial purposes. As a result, they can be over used and have environmental restrictions that limit use for recreational purposes.

According to ICOMIA, the association of boating industry associations around the world, over 48 million European citizens participate in boating activities on a regular basis. In addition, there are over 6 million registered boats. Finally, the number of marinas in Europe total 4,500, offering over 1.75 million berths for boats. These statistics point to a vibrant, strong and healthy recreational boating market.

Recreation Vehicles (RVs)

Europe is the second largest global RV market after the United States. In 2015, new registrations of RVs in Europe totaled 151,293, representing a 10 percent increase over 2014. Of the total 2015 registrations, 81,298 (54 percent) were for motor caravans, and 69,995 (46 percent) were for touring caravans. Germany had the largest RV market segment, with

47,143 registrations, followed by the United Kingdom (31,577), France (25,334), Sweden (7,201), Netherlands (7,037) and Norway (5,369).³²

In 2015, countries with the largest motor caravan registrations were: Germany (28,348); France (17,414); United Kingdom (10,577); Sweden (4,034); Italy (3,730) and Switzerland (3,544). Countries with the largest touring caravan registrations were: United Kingdom (21,000); Germany (18,795); France (7,920); Netherlands (5,785); Sweden (3,167) and Norway (2,597).³³

In 2014, estimated revenue of the European RV industry was £17.4 billion (\$19.4 billion). Of this amount, sales of new RVs accounted for £7.9 billion (\$8.8 billion), sales of used RVs £6.6 billion (\$7.4 billion), RV service/maintenance £1.7 billion (\$1.9 billion) and sales of RV equipment/accessories £1.2 billion (\$1.3 billion).³⁴

Figure 7: Number of RVs in Use in Europe (2013)³⁵
(in 000s)

	<u>Total RVs</u>	<u>Motorhomes</u>	<u>Trailers</u>
EUROPE	5,500	3,900	1,600
Germany	1,330	880	450
France	1,262	845	417
Great Britain	700	525	175
Netherland	547	462	85
Spain	360	330	30
Sweden	346	280	66
Italy	266	59	207

In 2012, there were an estimated 30,000 campsites across Europe. Countries and regions with the largest number of campgrounds were: France (10,400); Northern Europe (4,350); United Kingdom (4,000); Germany (3,600); Southern Europe (3,150); Netherlands (2,500) and Italy (2,000).³⁶

Motorcycles

The European market for motorcycles is likely the largest in the world. There were nearly 25 million motorcycles in the EU in 2012. New registrations of motorcycles began increasing in 2015, reaching 798,328, a 7 percent increase from the previous year. This category had been declining since 2007 and the recession that hit Europe. The European market has a high per capita use of motorcycles that is higher than that of the United States but not as strong as many Asian markets. Unlike in Asia, however, there are no

regulations that have been enacted to hinder further growth of the market. The industry association for motorcycles has pointed out that increase in motorcycle and moped use will improve traffic congestion on European roads. The European industry is also pushing the use of alternative fuel and electric powered bikes in the region.

Miscellaneous Vehicles

The market for miscellaneous vehicles is strong in Europe. There are numerous golf courses in the region, as highlighted in the Miscellaneous Vehicle Sub-Sector section of the report. In addition, the Scandinavian countries offer a great opportunity for snowmobiling. ATV use is also desired throughout Europe. Germany is the third largest market for ATVs in the world, and France is the fifth largest market.

Challenges and Barriers to Recreational Transportation Exports

There are several challenges to exporting to Europe for U.S. manufacturers of recreational transportation products. For boats and marine products, there are EU regulations that, although they lead to largely equivalent products, do not automatically allow for the acceptance of products manufactured to standards by U.S.-domiciled SDOs. Standards developed by the American Boat and Yacht Council (ABYC) are more focused on safety concerns, reacting to boat accident data, whereas European standards are more design and performance related. Although modifications are not typically required, the cost to meet a second major standard raises costs and, therefore, hurts competitiveness.

For RVs, certain regulatory aspects are governed by EU standards and areas where there is no EU directive or standard are subject to EU member state rules. EU requirements for RVs include those for habitation relating to health and safety, 12 V direct current extra low voltage electrical installation, safety ventilation and liquid fuel heating systems. The most cumbersome EU regulations for the U.S. industry are related to width and weight requirements. These regulations can make most U.S. RVs models ineligible to be sold in the EU markets. (For additional information on EU standards, see www.cen.eu, European Committee for Standardization, CEN/TC 245/WG 6 Published Standards.)

Most RVs in Europe can be driven with a conventional driver's license. Only four countries (United Kingdom, Sweden, Germany and France) have provisions that allow for persons to operate vehicles over 3.5 tonnes.³⁷

Most EU regulations for motorcycles and ATVs are or will soon be harmonized with U.S. regulations. Some manufacturers are worried that noise standards in the EU could become a problem. New proposed regulations on noise reduction may be more burdensome and require going beyond current technology to meet.

Opportunities for U.S. Companies

The ongoing TTIP negotiations represent a great opportunity to eliminate burdensome costs U.S. companies face because the EU does not recognize standards developed by U.S.-domiciled SDOs as automatically meeting their regulatory requirements and stipulates additional, costly testing to prove compliance. The U.S. and European boating industry are hoping for some sort of mutual recognition agreement or the establishment of one notifying body for both regulations.

Where U.S. recreational transportation companies need help is in the area of export promotion. Much like U.S. consumers, European buyers are informed and demanding about what they want. This is a positive aspect, as many U.S. manufacturers have modified and customized their products to meet a demanding clientele. European dealers are constantly looking to keep up with them and are seeking new products and new innovations. Therefore, the best way to support the industry is to bring European buyers to U.S. shows through the International Buyer Program and encourage manufactures to attend the European industry's trade shows.

The important trade shows in the United States that could entice European buyers are: 1) the Miami International Boat Show, which is held in February; 2) the Dealernews International Powersports Dealer Expo, which is held in December in Chicago and 3) the National RV Trade Show in Louisville. The major shows in Europe for recreational marine products are: 1) Marine Equipment Trade Show (METS) in Amsterdam in November (marine parts and accessories), 2) The London International Boat Show, 3) The Dusseldorf Boat Show and 4) The Genoa International Boat Show (mostly super yachts).

Europe has several major RV trade shows. The largest is CARAVAN SALON (August) in Dusseldorf, Germany. In 2014, over 192,000 attended the show. Other shows (in order of attendance in 2014) include: Il Salone Dei Camper (September) in Parma, Italy; Salon des Vehicules de Loisirs (September/October) in Paris, France; The Motorhome & Caravan Show (October) in Birmingham, U.K. and Caravaning (October) in Barcelona, Spain.

For motorcycles, ATVs, snowmobiles and golf cars, the most important trade shows are: 1) EICMA in Milan, Italy (motorcycles and ATVs); 2) INTERMOT in Cologne, Germany (motorcycles and ATVs); 3) MC Massan in Gothenburg, Sweden (motorcycles, snowmobiles and ATVs) and 4) Golf Europe in Munich, Germany (golf cars).

Sub Sector Snapshots in Europe

Marine

ITA has created the Pleasure Boat International Resource Guide the covers 31 international markets, including 17 European markets. This guide can be found at:

http://export.gov/build/groups/public/@eg_main/@byind/@marine/documents/webcontent/eg_main_09_2148.pdf . Below are highlights from three of the European markets.

Belgium

Technically, Belgium is the largest destination for U.S. boats in Europe. Because Mercury Marine makes outboard engines there, it is used as a jumping off point for the broader EU market with many boats entering Belgium, having their engines attached, and being distributed throughout Europe. The market is situated on the North Sea and has many canals, rivers and other waterways suitable for recreational boating, so it is nevertheless a strong market in its own right. In 2014, there were about 40,000 boats in Belgium. About 25,000 of those boats were large enough to accommodate an overnight stay. The market is a well-developed market with discerning consumers demanding high quality.

Spain

Spain is the fifth largest economy in Europe. The country itself, however, is just emerging from the recession that started in 2008. New boat registrations

increased 15 percent in 2015 from the previous year with almost all the boating segments experiencing growth. The two fastest growing segments in 2015 were Jet Skis and boats registered as rentals, increasing 61 percent and 56 percent, respectively. Spain has 4,516 miles of beautiful coastline, making it a great market for recreational boating. It is the largest consumer boating market in Europe. The Barcelona International Boat Show will be held on October 12 to 16, 2016 and is one of the top three shows in Europe. ITA has assisted with the USA pavilions in the past.

Italy

The Italian boat market is also just emerging from the 2008 recession. The market increased about 2 percent in 2014, and ITA estimates that the market will only have slightly better growth in 2015. One of the best prospects for entering the market remains outdoor motorboats between 20 and 40 feet. The Italian consumer is also becoming very safety conscious, and U.S. manufacturers offering fire suppression, life saving devices and life rafts should do well in this market. The Genoa International Boat Show is one of Europe's largest with many large boats, yachts and super yachts present. Those should also fair well be at this show and in Italy in general.

RVs

Czech Republic

In 2015, ITA reported that the RV market in the Czech Republic was estimated to be about \$30 million and that it was expected to grow steadily. In 2013, 1,657 units were imported into the Czech Republic, with an average value of \$20,000. This was a 57 percent increase over 2012 levels. In 2014, 734 RVs were sold by September. There are two major domestic RV manufacturers.

Industry groups that represent the RV industry in the Czech Republic include OSCAR and ASOCIACE CARAVAN CLUBU ACR. The leading RV trade show in the Czech Republic is Caravaning Brno, International Caravaning Show (November).

France

In 2015, the French RV market comprised of 25,124 new registrations and 54,548 used vehicle registrations (campers and motorhomes). There are

five major manufacturers and distributors of RVs in France. Approximately 11,000 campgrounds are located across the country.

The main organization representing the interests of the RV industry in France is UNI VDL. The leading RV trade show is Les Salons des Vehicules des Loisirs (late September/early October). In 2015, U.S. RV exports to France totaled less than \$500,000.

Netherlands

The Netherlands currently ranks second (to Sweden) in terms of caravan density in Europe. The Dutch consumer association, Algemene Nederlandse Wielrijdersbond (ANWB), lists over 1,200 caravan and campsites in the Netherlands (see www.anwbcamping.nl). There are two major domestic RV manufacturers.

In 2014, new caravan sales in the Netherlands totaled 5,489 units, compared to 5,782 in 2013. The brands Hobby and Fendt are leaders in the caravan market. (Fendt recorded a 20 percent rise in sales in 2014.)

Campers are becoming increasingly popular in the Netherlands. In January 2009, there were 60,000 units in the market, but 2014 closed with more than 90,000 campers, an increase of 50 percent over the past six years. Leaders in the new camper market are Humer, Adria and Burstner. Campers are particularly well-received by people in the 55 and over age group.

Organizations that represent the RV industry in the Netherlands include BOVAG, which has over 10,000 members, and ANWB, which represents consumers and companies. The European Caravan Federation (ECF) is the umbrella organization representing the national organizations of the European Caravanning Industry. The leading domestic RV trade shows are Auto RAI (April) and Kampeer en Caravan (October).

Slovak Republic

The RV market in the Slovak Republic is very limited. There are 149 campgrounds in the country, but these are usually underdeveloped.

Sweden

Camping is very popular in Sweden, which has the most travel trailers per capita in Europe (295 travel trailers per 10,000 inhabitants). Motorhomes are

increasing in popularity and may soon overtake the number of travel trailers. Sweden has 450 campgrounds, with 75,000 individual camping places.

Sweden has 281,321 registered travel trailers and 74,343 registered motorhomes. In 2014, new registrations for motorhomes were 3,967 and 3,638 for travel trailers, each representing an increase of 13 percent from 2013.

The Swedish manufacturer Kabe has a growing share of the market for motorhomes and travel trailers, mainly in the premium segment. Sales within this segment seem to be increasing as new customer groups can be noticed: for example, boat owners and customers who have sold their summer houses are looking for well-equipped motorhomes.

A Slovenian company, Adria (represented in Sweden by Kabe), offers many smaller travel trailers. In 2014, its products represented a growing share of the domestic market for travel trailers and motorhomes. These RVs are particularly popular among first time buyers and families. ITA believes that the travel trailer market in Sweden may already be reaching oversaturation, but there is still potential for growth for motorhomes.

HRF-Husvagnsbranschens Riksforbund (Swedish Caravan Trade Association) represents the RV industry. Major industry trade shows in Sweden are Elmia Husvagn & Husbil (Scandinavian Caravan Show) (September) and Caravan Stockholm Kista (February).

United Kingdom

The caravan industry in the United Kingdom (U.K.) contributes more than £6 billion (\$8.5 billion) to the U.K. economy. The industry employs approximately 130,000 people, including part-time and seasonal staff (mainly in parks).³⁸

Caravanning is an important contributor to U.K. tourism. In 2013, over £1.8 billion (\$2.6 billion) was spent on caravan holidays across Great Britain. More than 51 million nights are spent in caravans each year. Caravan holidays are popular for their low cost, their low carbon footprint and the abundance of places to visit in the country. There are over 3,000 campsites and caravan parks across England, Scotland, Wales and Northern Ireland.³⁹

It is estimated that there are 550,000 touring caravans, 330,000 caravan holiday homes and more than 205,000 motorhomes currently in use across the United Kingdom. In addition, there are about 100,000 residential park homes in use.⁴⁰ There are 15 major RV manufacturers in the United Kingdom.

According to data from the National Caravan Council, production of touring caravans in the United Kingdom between January and July 2015 rose by 2 percent (over the same period in 2014) to 11,916 units, and the moving annual total production increased by 3.6 percent. Also, holiday home production between January and July 2015 increased by 16.5 percent (over the same period in 2014). Motor caravan dealers reported strong new order numbers during the summer months of 2015, as well. Motor caravan sales increased 24.7 percent from January to July 2015 (compared to the same period in 2014).⁴¹

Several organizations represent the RV industry in the United Kingdom. These include the National Caravan Council (NCC), The Caravan Club and Camping and Caravanning Club. Major RV trade shows are the Caravan, Camping and Motorhome Show (February) and Motorhome & Caravan Show (October).

In 2015, U.S. RV exports to the United Kingdom totaled \$12.1 million. Travel trailers were the largest category of exports (64 percent).

Motorcycles

ITA put together a series of European Market Briefs on Motorcycles in 2014. There are 17 markets covered in this report. One can view these reports at: http://export.gov/build/groups/public/@eg_main/@byind/@autotrans/documents/webcontent/motorcycles066908.pdf .

This report is invaluable to those new to market and even experienced exporters. The reports, however, were written while the European motorcycle market was still in a recession. We hope that these market briefs will be updated to capture the growing market opportunities for U.S. manufacturers of motorcycles, parts and accessories.

Snowmobiles and ATVs

Sweden

Scandinavia is likely the largest market for snowmobiles outside North America. Sweden has 54 trails throughout the country. The largest lies between the Sweden and Norway border, which is about 1,010 miles long. Guided snowmobiling through the country is a popular activity for tourists in Sweden. Snow usually covers the ground from December to April in the southern region of Sweden

while the northern region can see snow beginning in October and lasting until May.

Currently, there are no major barriers for U.S. snowmobile manufacturers. Sweden has been trying to toughen its noise standards beyond what the EU mandates. If these proposed standard are enacted as written, most, if not all, manufacturers would be excluded from the market, as the current and anticipated technologies will not reduce noise emission sufficiently to meet the regulation according to the International Snowmobile Manufacturers Association (ISMA).

Did You Know?

1. ITA works to recruit European businesses to participate in U.S. recreational transportation trade shows like the Miami International Boat Show and the National RV Show in Louisville, KY.
2. ITA programs, such as Gold Key services and International Company Profiles, offer small firms the knowledge to make the best decision possible when selecting an European partner to sell your products into the recreational markets.
3. Participating in European recreational transportation trade shows is one of the best ways to find dealers, learn about the market and maximize your sales potential in Europe.
4. The U.S. Government is negotiating an agreement with the European Union to lower tariffs and other barriers in the TransAtlantic Trade and Investment Partnership (TTIP).
5. Europe is the second largest global RV market after the United States.
6. Sweden has the most travel trailer RVs per capita in Europe.

Japan – RVs

RVs and RV camping are becoming increasingly popular in Japan. ITA plans to work closely with industry to address the United Nations (U.N.) Economic Commission for Europe (ECE) brake requirement and other regulatory challenges and assist Japan with its post-disaster recovery efforts (by providing U.S.-made RVs), including the development of campgrounds to improve local tourism and the provision of temporary living quarters in the event of a natural disaster to leverage increased opportunities for U.S. exporters.



The RV market in Japan is in the early stages of development. Japan produced its first RV in 1958, a three-wheel unit exported to Europe and the United States. Japan's first imported RV, from Germany, arrived in 1962.⁴²

Today, there are a number of small RV manufacturers in Japan. Production comprises mainly of small motorhomes, some of which may also be classified as SUVs. There are about 89,900 units in operation nationwide. In 2014, Japanese RV manufacturers shipped 5,319 units.

Japan has relatively few campgrounds. Currently, there are about 1,300 campgrounds across the country; many of these, however, are underdeveloped.

The demographics of the RV industry in Japan are similar to those of the United States, with the majority of RV owners in their 40s. The most popular RV models cost between 4 and 5 million yen (\$33,000 and \$41,200), with more expensive models growing in popularity.⁴³ RV camping is becoming increasingly popular among elderly Japanese, which may contribute to increased demand for more expensive models.

In addition to their recreational use, RVs have also been used for commercial purposes in Japan. Since the devastating tsunami and earthquake in 2011, U.S. manufacturers have shipped RV travel trailers and park models to serve as temporary shelters and for other post-disaster assistance purposes.

Several leading trade associations represent the RV and camping industries in Japan. These include the

Japan RV Association, Japan Trailer House Association and Japan RV Importers Association.

In 2015, U.S. RV exports to Japan totaled \$2.2 million, of which approximately 84 percent were towable RVs. ITA expects U.S. RV exports to Japan to increase to \$2.5 million in 2018 with a CAGR of 4 percent.

Challenges and Barriers to RV Exports

U.S. RV exporters face several challenges in Japan. These include a low number of developed campgrounds in the country. Development of additional campgrounds capable of accommodating RVs and RV camping is needed to generate increased demand for RVs among consumers and opportunities for sales by U.S. exporters.

Also, Japan does not have dedicated regulations for RVs. Instead, RVs are subject to a number of motor vehicle and other regulations that do not take into account the uniqueness of RVs. Large travel trailers and park model RVs, for example, are treated as housing rather than vehicles. Also, wide-body RVs are not allowed to be driven on the roads in Japan. In addition, a special driver's license is required to tow trailers weighing over 750 kilograms.

Additionally, restrictions placed on dealers of liquefied petroleum (LP) gas, or propane, discourage them from selling LP gas to RV owners. (LP gas is commonly used in RVs for cooking, hot water, heating and air conditioning systems, etc.) Eliminating burdensome requirements on RVs and developing regulations that

are compatible with U.S. RVs would create more opportunities for U.S. exporters.

Another recent development, which threatens to overshadow the other challenges, is Japan's 2013 adoption of a United Nations (U.N.) Economic Commission for Europe (ECE) requirement (under Agreement 58) governing brake systems for buses, trucks and trailers. Under the regulation, which is scheduled to go into effect in Japan in February 2017, air brakes with anti-locking braking systems (ABS) are required for trailers over 3.5 tonnes (7,716 pounds).

Opportunities for U.S. Companies

As a result of Japan's adoption of the UNECE brake regulation, opportunities in the near-term for many U.S. RV exporters may be limited. Because of the safety record of RVs, U.S. industry believes the regulation was aimed at commercial vehicles rather than RV trailers. ITA plans to work with industry to address this issue with the aim of obtaining an exception for RVs, which would create a more favorable outlook for U.S. companies in Japan.

ITA also will continue its support of RVIA's programs and initiatives (under the association 2015-2018 MDCP award) to provide RVs as temporary housing/offices for the 2020 Olympics in Tokyo and assist Japan with its disaster recovery and preparedness efforts. Under RVIA's 2012-2015 MDCP award, the association has worked closely with ITA to promote RVs in Japan for

disaster relief applications. The first purchases by Japan of U.S. travel trailers for this purpose occurred in 2013.

RVIA's initiatives in Japan include working with local industry to possibly develop campgrounds at roadside stations near disaster areas to assist with Japan's disaster preparedness efforts. These campgrounds would have travel trailers onsite for campers and visitors for recreational use, which could be transported easily to a disaster site, if needed. ITA plans to continue working with industry to help RVIA further develop these initiatives, which should increase opportunities for U.S. exporters in the long-term.

In addition, ITA will continue working with RVIA to address the regulatory challenges on RVs in Japan that limit U.S. exports. Development of RV dedicated regulations and additional RV-capable campgrounds across the country would further increase opportunities for U.S. companies in Japan.

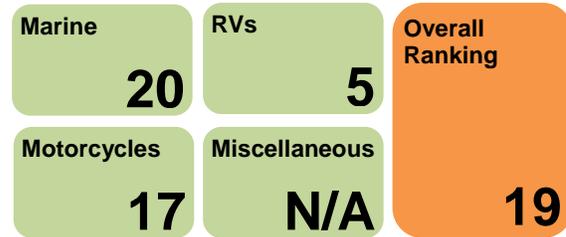
ITA also hopes to bring Japanese buyers to RVIA's National RV Trade Show, which will be held from November 29 to December 1, 2016 in Louisville, KY (an IBP-Select event). The leading trade show in Japan for RVs is the Japan Camping Car Show (February). It features manufacturers, dealers and suppliers from across the RV and camping industries. There are also many small local RV shows throughout Japan, mainly in the summer.

Did You Know?

1. RVs and RV camping are becoming increasingly popular in Japan.
2. U.S.-made RVs have been used to assist Japan's post-disaster recovery and disaster preparedness efforts.
3. A U.N. ECE brake requirement threatens to limit U.S. travel trailer exports.
4. The leading trade show in Japan for RVs is the Japan Camping Car Show (February).

Korea – RVs

Camping is highly popular in Korea. As the popularity of camping has grown, the number of campgrounds has soared. Today, there are approximately 1,800 campgrounds across the country. Also, as national interest in campgrounds has grown, so has interest in caravanning and RV camping. As a result, the outlook for the RV market is very positive, and it is expected to grow at a rapid rate. ITA's collaboration with industry to address regulatory challenges, promote U.S.-made RVs and connect Korean buyers with U.S. manufacturers should leverage increased opportunities for U.S. exporters.



Camping is highly popular in Korea, which is why this case study focuses on RV export opportunities. Each year, more and more Koreans take to the roads in their cars or RVs to go camping. In 2014, the industry was worth an estimated \$550 million, an eight-fold increase since 2008. Television shows about camping are increasingly popular as family travel turns more to nature. In 2011, an estimated 300,000 Koreans went camping, and by 2014, this number had grown to an estimated 4 million.

With household income growing and family-oriented lifestyle activities becoming increasingly mainstream, the leisure boom has swept Korea over the past several years. Camping is the one of the latest trends, as 70 percent of Korea's geography is composed of hills and mountains.

As the popularity of camping has grown, the number of campgrounds in Korea has soared. In 2008, the country had an estimated 200 campgrounds. Today, there are 1,766 campgrounds across Korea. Of these, approximately 900 have been developed for use by RVs. About 300 campgrounds are owned and managed by the government (federal and regional); the remaining are privately owned.

Most camping sites in Korea are located in national parks, in forests, along rivers or in leisure camping sites. Approximately 35 percent of camping sites are located in mountainous areas, over 27 percent in valleys, 16 percent in forests and the remainder along rivers and near the ocean. Twenty-eight percent of the

sites are general campgrounds, and 72 percent are auto-camping sites.

The RV industry is relatively new in Korea. Caravanning and RV camping are gaining popularity as an evolving form of traditional travel and tourism. The Korea Camping and Caravanning Federation (KCCF), an affiliate Korea representative of the Fédération Internationale de Camping, Caravanning et de Autocaravaning (FICC), newly formed Korea Recreation Vehicle Industry Association (KRVA) (whose members include RV manufacturers and distributors/dealers), and Eco-friendly Camping Association (formed in 2015) represent the growing interest among Koreans in the camping movement.

According to the Korea Agency of Camping and Outdoor Industry, the largest category of consumers buying camping cars are those over 50 years old. With this in mind, significant market growth is expected as baby boomers retire. The next largest category of purchasers of camping cars is 30 to 40 year olds, followed by consumers in their 20s.

Introduction of the five-day work week in Korea and keener attention being paid to healthier lifestyles have contributed to the rapid growth of Korea's camping and outdoor markets. Camping is evolving into a year-round leisure activity in Korea, and a variety of high-performance camping equipment is becoming popular. Because of the nature of camping and enjoyment of outdoor life with family members, the industry believes that men in their 40s with small children in particular will drive market growth.

Riding the camping fad are local governments scrambling to attract campers with newly established camping grounds. Local governments are also rushing to build automobile camping grounds. Gangwon Province is the frontrunner in this regard, as the region is famous for its beautiful valleys and mountains.

While local governments attract campers by building new campsites, upscale resorts cater to a different set of clientele with so-called “glamping.” Glamping is among the newest trends in the camping industry, combining both glamour and camping. This fad seems to be most popular among wealthy over 60-year olds in Korea who appreciate soft beds, espresso machines and noreabang facilities in their camping cars.

The Korean industry classifies RVs as motor vehicles including caravans, camper vans, mini vans, sports utility vehicles (SUVs) and motorhomes. Korea has seven RV manufacturers, which produce about 1,000 to 1,500 caravans annually. There are no dedicated standards for RVs in Korea.

As camping has become increasingly popular as a leisure activity, Korean automakers are trying to take advantage of this trend. Local automakers and imported car brands have launched various RVs and SUVs to attract those who go camping by emphasizing their benefits for such purposes. The nation’s largest automaker, Hyundai Motor, has the most extensive RV and SUV lineup, including the Santa Fe and Tuscon models. It recently launched another model, the Maxcruz, which is a longer-body version of the popular SUV, the Santa Fe, and the Grand Starex Camping Car, a modified version of the Grand Starex minivan.

Korea currently imports a total of about 2,000 units of RVs per year. Approximately 1,000 are imported from Germany and England. Imports of RVs are expected to increase considerably as consumer interest in these products and RV camping grows. Imports of travel trailers enter Korea duty-free. Duties on motorhomes have been phased out and they now enter duty free under the U.S.-Korea Free Trade Agreement.

In 2015, U.S. RV exports to Korea were over \$7.8 million. Towable RVs accounted for over 65 percent of this total. ITA expects U.S. RV exports to Korea to increase to \$10.4 million in 2018 with a CAGR of 10 percent.

Challenges and Barriers to RV Exports

U.S. RV exporters face several challenges in Korea. Korea does not have dedicated regulations for RVs or the development and use of RV campgrounds. Because RVs are classified as motor vehicles, motorhomes are subject to the same emissions requirements as passenger cars. The requirements are too high for motorhomes, limiting imports into Korea of these products. Creating a separate requirement for motorhomes that is similar to trucks and compatible with U.S. RVs, would create increased opportunities for exporters in the market.

Also, Korea requires a special driver’s license for certain towable RVs. Under Korean law, a special driver’s license is required to tow trailers weighing over 750 kilograms. Elimination of this requirement would facilitate increased sales of towable RVs in Korea. (Most Korean men have a Type 1 driver’s license, which qualifies them for driving motorized RVs.) Another concern is the U.N. ECE requirement (under Agreement 58) governing brake systems for trailers discussed in the country study on Japan as Korea has also adopted the requirement.

In addition, Korea has restrictive limitations on the use of liquefied petroleum (LP) gas, or propane. (LP gas is commonly used in RVs for cooking, hot water, heating and air conditioning systems, etc.) U.S. fire safety requirements for RVs have specific conditions for LP gas usage, which provide for its safe use.

Opportunities for U.S. Companies

With camping established in Korea as a preferred choice of family travel and getting back to nature, the outlook for the RV market is very positive, and it is expected to continue growing at a rapid rate. Korea’s large number of campgrounds, rising consumer interest in RVs and RV camping and its status as an FTA partner with the United States make it a favorable market for U.S. RV exporters.

ITA is working with industry to address the regulatory challenges in Korea and to promote RVs and the RV lifestyle, which should benefit U.S. exporters in the near and long-terms. Currently, RVIA is working with ITA under the association’s 2015-2018 MDCP award on programs and initiatives in Korea to grow U.S. exports. Continued support of RVIA’s efforts will increase opportunities for U.S. exporters.

ITA will continue to collaborate with RVIA and Korean authorities to develop emissions and other requirements, such as those for the development and use of campgrounds, that are compatible with U.S.-made RVs and to address other regulatory issues in Korea, such as the driver's licensing and braking requirements for travel trailers which limit U.S. exports.

ITA also plans to continue working with RVIA to promote RVs and educate consumers and government officials in Korea about the benefits of RVs and the importance of creating a favorable regulatory environment for RVs. As camping and RVs have increased in popularity, trade promotion activities, such as outdoor lifestyle events, trade shows and other events that enable the showcasing of RVs will enable public officials and consumers to learn even more about U.S. RVs.

Also, ITA plans to work with RVIA in support of its programs and initiatives (under the association's 2015-2018 MDCP award) to provide RVs as temporary living quarters for the 2018 Winter Olympics, and promote

the use of RVs for emergency response in Korea, including post-disaster relief and recovery efforts. In addition, ITA hopes to bring Korean buyers to RVIA's National RV Trade Show, which will be held from November 29 to December 1, 2016 in Louisville, KY. The 2016 show is an IBP-Select event. (The 2015 and 2014 shows were also IBP-Select events.)

Also, U.S. government services, such as those provided by ITA's U.S. Foreign and Commercial Service (USFCS) like the Gold Key and Platinum services and International Company Profile service, could be of additional help to U.S. exporters. ITA encourages U.S. companies to utilize these resources as they could provide additional opportunities to increase exports.

While Korea does not have any dedicated RV trade shows, several motor and outdoor camping shows allocate special areas for RV displays due to the growing interest in RVs and camping among Korean consumers. These include: the Seoul International Sports & Leisure Show (February), International Camping Fair (February), Dong-A Sport & Leisure Industry Expo (May) and Goyong International Outdoor Camping & Festival (June).

Did You Know?

1. Camping is highly popular in Korea.
2. Korea has an estimated 1,800 campgrounds across the country.
3. Motorhomes are classified as motor vehicles in Korea and are subject to the same emissions requirements as passenger cars, which are too stringent for U.S. motorhomes to meet.
4. Though Korea does not have any dedicated RV trade shows, several motor and outdoor camping shows allocate special areas for RV displays: the Seoul International Sports & Leisure Show (February), International Camping Fair (February), Dong-A Sport & Leisure Industry Expo (May), and Goyong International Outdoor Camping & Festival (June).

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Mexico – Recreational Marine

Mexico offers tremendous potential to become a leading market for recreational marine exports, which is the focus of this case study. It is already the second largest destination for U.S. exports of these products. U.S. exports to Mexico are forecast to grow 10 percent annually between 2015 and 2018 and total \$206 million. The current market situation, however, limits the market, as a few major distributors control market access and sales opportunities.



With miles of coast line and a temperate climate, the Mexican boating market has huge potential. The driving factor for boat ownership is personal disposable income. If the Mexican economy can develop and the number of middle class families grows, the Mexican boating market may eventually rival the Canadian market. The GNI Per Capita was \$9,870 in 2014.

Mexico also has an estimated 7.2 million citizens who are able to purchase high-end goods, which ranks fourth globally. As a result, Mexican boat owners favor vessels over 35 feet. This is not the type of demand that creates long-term growth. Typically, boats between 17 and 35 feet are the kind that most middle-class families seek. Middle class families are what sustain demand in the United States and other developed markets. For example, children of boating families are more likely to purchase a boat when they get older and have families of their own.

According to the Mexico’s Secretary of Infrastructure and Transport, there are 167,805 registered boats in the country, and 26 percent of those are for leisure and sport activities. In addition there are 12 federal marinas and approximately 28 private marinas. This is one area where Mexico lags behind some of the other Latin American markets. Furthermore, many of the marinas need to offer more and better services.

Challenges and Barriers to Recreational Marine Exports in Mexico

There are many challenges in the Mexican market but few formal policy-related barriers. Under NAFTA, there are no tariffs on imports of boats from the United States. Safety and emission standards in Mexico are not

on par with American standards and have not been a deterrent for U.S. manufacturers.

The challenges are the previously mentioned lack of infrastructure and the lack of middle class demand for boating products. Additional challenges are inadequate distribution channels. Currently, only a handful of distributors control the market, so it is difficult to break into the Mexican market, as these distributors may not want to compete against themselves and their biggest brands. More distributors would lead to more competition and lower prices. The lack of distributors has also made it difficult for sustained growth for boat shows, a key marketing tool used to enter the market.

The final challenge, which will be hard for the industry to address, is the issue of personal and property security. Many potential boat owners fear their boat may be stolen if not housed in a secured marina or dry-stack facility. This is particularly true around inland waterways and lakes.

Opportunities for U.S. Companies

The United States is the largest supplier of boats to Mexico. U.S. exports of recreational marine products to Mexico totaled \$155 million in 2015 and are expected to grow at a compound annual rate of 10 percent to 2018, reaching \$206 million. This is largely due to the lack of domestic competition, which has limited investment in the sector.

This is an area where American marina suppliers and the recreational marine service industry could potentially help foster investment. As boating infrastructure grows, so too will the demand for boats,

likely creating opportunities for American suppliers. If Mexico could develop this infrastructure, it would be a great boost to tourism, as many Americans would travel to Mexico to enjoy boating, as they could rent boats at local marinas. ITA expects boats under 35 feet to become increasingly popular in the years ahead.

Optimizing U.S. Leverage

U.S. industry and export promotion agencies should continue to work together to grow the Mexican boating market. The NMMA, with help from ITA staff in Mexico, learned much about the market and how U.S. boats are sold. Now we should work together to determine the best strategies to grow the market. The U.S. industry's involvement will be essential to grow the market beyond a market for the "nouveaux riche."

For the development of infrastructure, U.S. interests, private and federal, should meet with government officials to determine what role U.S. marina developers could play to increase opportunities. The U.S. industry has the most to gain if this market is expanded, so it

should play the biggest role supported by U.S. export agencies.

In order to open up the market to more middle-class families, we need to educate consumers. One of the best tools available is the NMMA's "Discover Boating" website and YouTube Channel. These videos should be translated into Spanish for the entire Latin American market and should be disseminated by industry and trade specialist whenever possible.

During the 2016 Miami International Boat Show, there was a significant buyer delegation from Mexico that will potentially open new avenues for expansion for U.S. companies, as these buyers met with many U.S. manufacturers. Continuing to recruit Mexican delegations would be beneficial for further growth.

A long-term goal may be for the U.S. industry to support a particular Mexican trade show on a continuing basis, a show that supports the participation of smaller U.S. manufacturers to find new distributors. Currently, there are three major Mexican boat shows in Acapulco, Los Cabos and Cancun.

Did You Know?

1. The GNI Per Capita for Mexico was \$9,870 in 2014, the top ranking in Latin America.
2. Mexico also has an estimated 7.2 million citizens who are able to purchase high-end goods, which ranks fourth globally.
3. If the infrastructure (marinas and boat slips) for boats develops and grows significantly, Mexico might one day rival our export market to Canada.
4. Participating in Mexican boat shows and seeking Mexican buyers and distributors at U.S. boat shows are the best ways to introduce your products to the market.

Addendum: Resources for U.S. Exporters

The U.S. government has numerous resources available to help U.S. exporters: from additional market research to guides to export financing, to overseas trade missions, to staff around the country and the world. A few key resources are highlighted below. For additional information about services from the International Trade Administration (ITA), please visit www.export.gov.

Country Commercial Guides

<http://export.gov/ccg/>

Written by U.S. Embassy trade experts worldwide, the Country Commercial Guides provide an excellent starting point for what you need to know about exporting and doing business in a foreign market. The reports include sections addressing: market overview, challenges, opportunities and entry strategies; political environment; selling U.S. products and services; trade regulations, customs and standards; and much more.

Basic Guide to Exporting

<http://export.gov/basicguide/>

A Basic Guide to Exporting addresses virtually every issue a company looking to export might face. Numerous sections, charts, lists and definitions throughout the book's 19 chapters provide in-depth information and solid advice about the key activities and issues relevant to any prospective exporter.

Trade Finance Guide: A Quick Reference for U.S. Exporters

<http://www.export.gov/tradefinanceguide/index.asp>

Trade Finance Guide: A Quick Reference for U.S. Exporters is designed to help U.S. companies, especially small and medium-sized enterprises, learn the basics of trade finance so that they can turn their export opportunities into actual sales and achieve the ultimate goal of getting paid—especially on time—for those sales. Concise, two-page chapters offer the basics of numerous financing techniques, from open accounts to forfaiting, to government assisted foreign-buyer financing.

Trade Missions

<http://www.export.gov/trademissions/>

Department of Commerce trade missions are overseas programs for U.S. firms that wish to explore and pursue export opportunities by meeting directly with potential clients in their markets.

Trade missions include among other activities: one-on-one meetings with foreign industry executives and

government officials that are pre-screened to match specific business objectives.

Certified Trade Fairs

http://www.export.gov/eac/show_short_trade_events.asp?CountryName=null&StateName=null&IndustryName=null&TypeName=International%20Trade%20Fair&StartDate=null&EndDate=null

The Department of Commerce's trade fair certification program endorses overseas trade shows that are a reliable venue and a good market for U.S. firms to sell their products and services abroad. These shows serve as a vital access vehicle for U.S. firms to enter and expand to foreign markets. The certified show/U.S. pavilion ensures a high-quality, multi-faceted opportunity for American companies to successfully market overseas. Among other benefits, certified trade fairs provide U.S. exhibitors with help facilitating contacts, market information, counseling and other services to enhance their marketing efforts.

The two shows that have been certified by ITA in the past and have been successful promotion events for the industry and ITA are the METS Show in Amsterdam for marine parts and accessories companies and the EICMA in Milan, Italy for motorcycles, parts and accessories.

International Buyer Program

<http://export.gov/ibp/>

The International Buyer Program (IBP) brings thousands of international buyers to the United States for business-to-business matchmaking with U.S. firms exhibiting at major industry trade shows. Every year, the International Buyer Program results in millions of dollars in new business for U.S. companies by bringing pre-screened international buyers, representatives and distributors to selected shows. U.S. country and industry experts are on site at IBP shows to provide hands-on export counseling, market analysis and matchmaking services. Each IBP show also has an International Business Center where U.S. companies can meet privately with prospective international

buyers, prospective sales representatives and business partners and obtain assistance from experienced ITA staff.

During the current fiscal year (Oct.-Sept.), two shows of the Recreational Transportation sector were part of the IBP program. The Miami International Boat Show was a full IBP event held in February 2016 that attracted over 130 international buyers from all over the world. RVIA's National RV Show was held in December 2015 and was an IBP Select Event. The show had 3 delegations from China, Korea and France.

The Advocacy Center

<http://www.export.gov/advocacy/>

The Advocacy Center coordinates U.S. government interagency advocacy efforts on behalf of U.S. exporters bidding on public-sector contracts with overseas governments and government agencies. The Advocacy Center helps to ensure that sales of U.S. products and services have the best possible chance competing abroad. Advocacy assistance is wide and varied but often involves companies that want the U.S. government to communicate a message to foreign governments or government-owned corporations on behalf of their commercial interest, typically in a competitive bid contest.

ITA Global Teams

ITA has created global industry teams that are made up of ITA staff worldwide who work on promoting the export opportunities for companies in a particular industry. Recreational Transportation companies currently have three Global Teams helping promote exports: the Automotive Team that includes RV, ATVs, Snowmobiles, Bicycles and Motorcycles; the Marine Technology team that includes boats, engines and recreational marine products; and the Textiles and Sporting Goods team that includes golf cars. These teams have done a great job maximizing the export opportunities for recreational transportation companies.

U.S. Commercial Service

<http://www.export.gov/usoffices/index.asp>

With offices throughout the United States and in U.S. Embassies and consulates in nearly 80 countries, the U.S. Commercial Service utilizes its global network of trade professionals to connect U.S. companies with international buyers worldwide. Whether looking to make their first export sale or to expand to additional international markets, companies will find the expertise they need to tap into lucrative opportunities and increase their bottom line, including: trade counseling, actionable market intelligence, business matchmaking and commercial diplomacy.

Appendix 1: Methodology

Accurately assessing the recreational transportation trade is difficult and results are often inexact. Coupling projections of future trade with future economic developments, either by product or country, given the sector's reliance on overseas consumer confidence and personal disposable income growth is often even more problematic. Assumptions on exchange rates is also very difficult as these rates are often effected by not just economic factors but political and social factors as well. ITA has sought to be clear about the assumption made in its analysis and welcomes commentary on ways to improve the *Top Markets Report*.

Understanding the nature of the Recreational Transportation growth patterns is quite different from most other products. In many cases, consumers want these products but have three major hurdles:

1. Can they afford them at this time? They must believe they are securely employed and in control of living essentials like housing, food and utilities. Do they have income leftover after the essentials are secured?
2. Do they believe they can afford them in the future? Recreational transportation products are expensive and often require financing. Interest rates can pay a key part in a consumer's decision to buy a recreational product, particularly for the middle class buyers. These consumers must feel confident in future economic growth.
3. What are the costs for alternative recreation options? When air fares and hotel costs are low, consumers could chose to vacation and recreate using these options instead of using a boat or RV.

As a result of these factors, industry growth tends to be robust during economic growth due to pent up demand during lean years. In addition, recreational transportation sales can signal future weakness in the economy as consumers are anxious to take on new debt. Finally, declines are also likely to be larger and more impactful on the industry.

To project the size of each country's potential export market for U.S. companies, ITA looked at past growth (2009 to 2014) and the projected growth of each country's GDP. Additional information on industry expectations, priorities, market size and other economic conditions were incorporated when available. ITA analysts also looked at opportunity statistics, like infrastructure development and climates.

1. How much access is there to waterways, oceans and highways?
2. How many marinas and campgrounds are currently open and are projected to be operating in the next several years? Are there sufficient golf courses to sell golf cars into?
3. Are climates and terrain acceptable to support a boating, RV or motorcycle lifestyle. Is the weather suitable for snowmobiles or ATVs?

All these economic factors and opportunity statistics were analyzed and factored into the growth for a particular market and industry sector.

Appendix 2: Citations

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www.trade.gov/industry

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