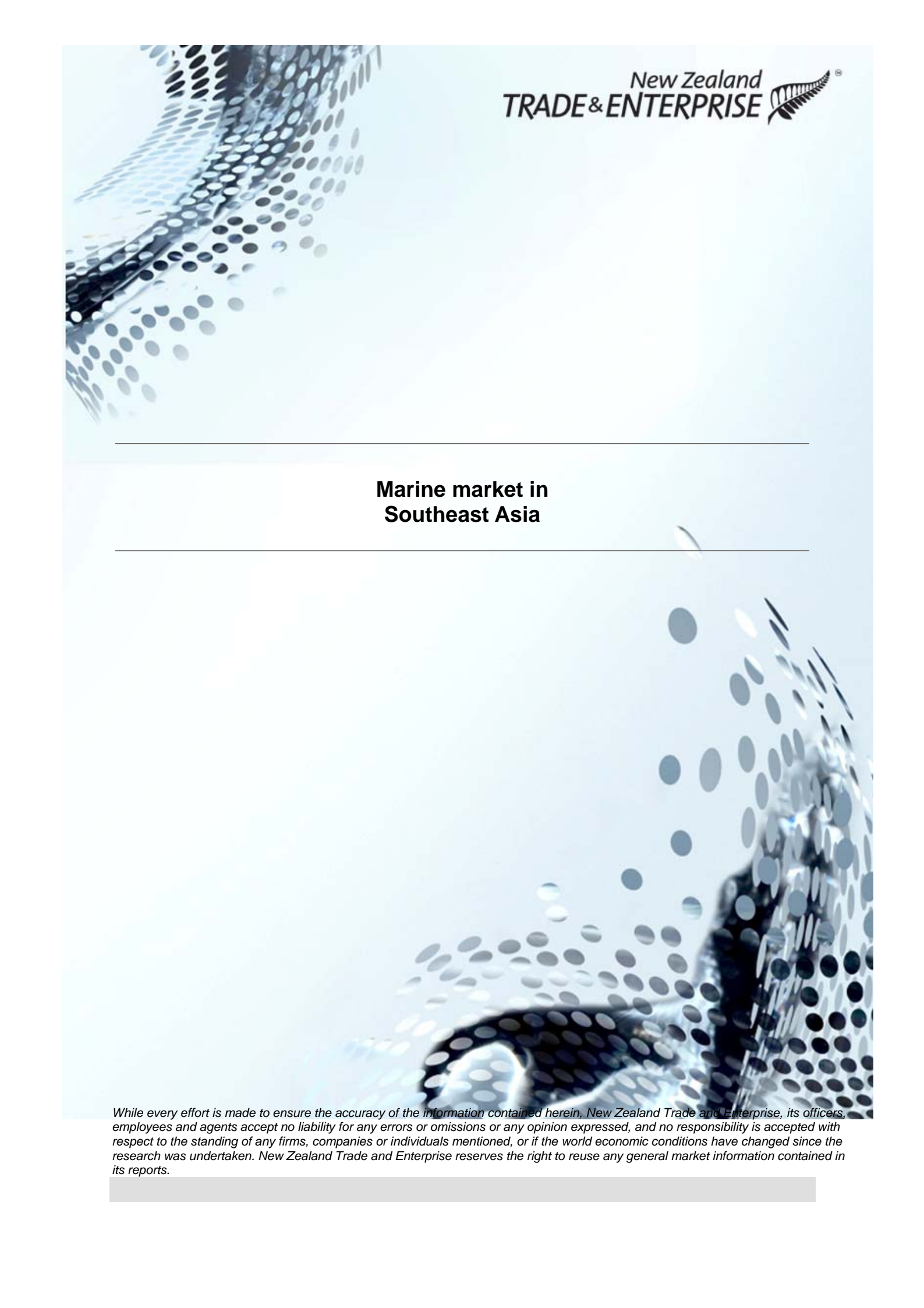

Marine market in Southeast Asia

While every effort is made to ensure the accuracy of the information contained herein, New Zealand Trade and Enterprise, its officers, employees and agents accept no liability for any errors or omissions or any opinion expressed, and no responsibility is accepted with respect to the standing of any firms, companies or individuals mentioned, or if the world economic conditions have changed since the research was undertaken. New Zealand Trade and Enterprise reserves the right to reuse any general market information contained in its reports.



1.0 MARKET STRUCTURE

1.1 Market size and structure

1.1.1 Shipbuilding and repair

Singapore

The Singapore marine industry has seen significant growth over the last 30 years, evolving from a small regional ship repair and building centre into a world-class industry that services international clientele. The industry includes ship repair, ship building, rig building and offshore engineering, and other marine supporting services.

Today, Singapore is one of the world's premier ship repair and ship conversion centres as well as a global leader in the building of jack-up rigs and the conversion of FPSO (Floating Production Storage and Offloading) units. It is also a niche player in the construction of customised and specialised vessels.

Globally renowned for its reliable and convenient range of comprehensive marine services, Singapore is a one-stop marine centre for ship owners, managers and agents around the world. Generating an annual turnover of \$3 billion and employing some 30,000 workers, the marine industry plays a crucial part in Singapore's economic growth. Ship repair and conversion form the backbone of the local marine industry, accounting for about 60% of the total revenue.

Singapore is also well supported by its strategic geographic, location and comprehensive and integrated marine infrastructure services. The marine industry has contributed to the economic development of Singapore for the last 30 years. It will continue to play a critical role in the national economy, in view of Singapore's drive to become a leading international maritime hub.

Vietnam

Vietnam is considered by Fairplay, an international shipping weekly magazine, as one of the five leading shipbuilding countries in the world.

Vietnam has approximately 60 major shipbuilding and repairing yards. Most of the facilities are owned by Vinashin, a national corporation with more than 40 affiliates and over 13,000 staff. The shipyards of Vinashin account for about 70 percent of the total shipbuilding capability. The joint-venture Hyundai-Vinashin is the largest entity with capital of about USD160 million with the yard capacity of up to 400,000DWT. Other companies are under the control of either the Ministry of Transportation or the Ministry of Defence. The smaller shipyards with about 50 facilities are currently able to build cargo ships of 6.500 DWT.

1.1.2 Leisure boating

In general, pleasure boat and yacht ownership in the region is somewhat limited; many Asians view boats as being for commercial use or as a means of transport, rather than being for leisure or sport. ¹

Southeast Asia's leisure boating market is still quite small. There are approximately 3,200 registered boats in Singapore. ² However, with more than 25,000 islands set in deep water, the region is regarded by the boating industry and marine tourism promoters as having considerable potential as a leisure boating destination. ³ Currently there are around 60

marinas in the South East Asia region and only a total of 11 marinas in Thailand, Myanmar, Laos, Vietnam and Cambodia.⁴

There are also stringent restrictions on boating in Singapore waters. Singapore is rated as one of the world's busiest ports and has a multitude of activities going on all the time. There are extensive rules and regulations to ensure port users are protected and there are also speed restrictions in most parts of Singapore waters. The Land Transport Authority does not allow trailer power boats to be towed at the back of cars which mean that trailer power boats have to be docked at marinas. These factors, coupled with the threat of piracy in Singaporean waters, means that the outlook is not promising at the moment for the leisure market.

1.2 Growth rate

1.2.1 Shipbuilding and repair

Both governments are promoting the shipbuilding and repair industries. In Singapore government has set aside S\$8 million under the new Capability Development Programme for marine firms to help them move up the value chain by producing new products and forming strategic groupings. The initiative is expected to benefit around 80 companies, and add S\$240 million a year in value to the sector.⁵

The shipbuilding industry is a priority sector with strong support from the Vietnamese government. This has become a key export industry with the total amount estimated to about USD5.1 billion by 2010.⁶

1.2.2 Leisure boating

Governments and industry are keen to promote the region as a boating destination. The ASEAN Marine Tourism symposium in June 2007 focused on promoting a coordinated approach to enhancing the growth of marine tourism in the region. A key outcome of this 2007 Symposium will be the formation of the ASEAN Marine Tourism Council an umbrella body for organisations involved in marine tourism in ASEAN.

In Singapore the number of new boat registrations has grown slowly in recent years, but more significant growth is anticipated. Singapore has two first class marinas one at Sentosa Cove which was opened in 2007 and the other one is at Keppel Bay and was opened in 2009.

A comprehensive plan for development of the shipbuilding sector has been developed by Vietnam. The main focus will be upgrading the technology of the existing shipyards, finding foreign partners for production of steel and finding places to assemble diesel engines and other marine equipment. The strategy also includes building a ship model centre for research purposes, modernising design works and management control systems, and setting up training centres to ensure there is enough skilled staff for the sector.

1.3 Known factors influencing growth rate

One of the current impediments to leisure boating in the region is the sometimes difficult process of acquiring a cross-border sailing permit from each individual country in the region. Vietnam, in particular, remains complicated to enter and charter operators have had difficulties in getting business licences.⁷ Singapore is one of the most regulated and

restrictive boating areas in Southeast Asia and the rules that govern the industry have recently become more restrictive.⁸

The marine segment in Singapore is seeing tough times due to the economic situation at the moment. The Singapore economy is mainly a services economy and the credit crunch and high fuel prices have seen exports contracting. Boats are luxury items and people are putting off purchasing. Buyers tend to be middle to senior executives who do not have the financial resources to buy larger luxury boats.

There is also increasing pressure from low cost boats entering the market from China. Dealers may be forced to remove non-performing brands and concentrate on more popular brands meaning consumers will have fewer choices in the market.

2.0 COMPETITIVE ENVIRONMENT

2.1 Major players in the market

There are three major international boat brokers, Pan Marine, Simpson Marine and Kingfisher Marine, have recently set up new offices in Singapore.⁹

In the domestic market SembCorp Marine is the largest shipyard in Singapore, followed by Keppel Offshore and Marine. Other shipyards include:

- Jurong Shipyard (owned by Sembcorp)
- Atlantis Shipyard
- Dundee Marine & Industrial Services
- Keppel Shipyard (owned by Keppel)
- Keppel Offshore and Marine Dockyard (owned by Keppel)
- Kwong Soon Engineering
- PPL Shipyard (owned by SembCorp)
- Sembawang Shipyard (owned by Sembyard)
- Singapore Technologies Marine
- North Shipyard
- Pan-United Shipyard
- SML Shipyard (owned by Sembcorp).

Tritex, a Singapore based distributor of marine equipment has expanded its operations into retail and chandlery. The company has plans to open six chandlery outlets in the next three to five years.

2.2 Imports and exports

Singapore imports the majority of its ship and marine parts from other Asian nations. In 2008 the top three countries were South Korea (48 percent by value), followed by China (25 percent), and Japan (11 percent). The main product imported was transport vessels. However there has been an increase in the number of motor boats, leisure craft and marine engines being imported over the last few years.

Table 1 Imports – Total number of motor boats, leisure craft and marine engines imported by Singapore 2005-2008

HS	Description	2006	2007	2008	08/07
890392	Motorboats (excluding outboard)	23	196	10211	5109.69
890310	Inflatable yachts, vessels for pleasure/sports	2419	1385	6078	338.84
890399	Yachts for pleasure/sports, rowboats, canoes	3502	3629	3324	-8.4
890391	Sailboats, with or without auxiliary motor	198	554	782	41.16
840810	Marine compress-ignition, combustion piston engines etc	10681	9897	6969	-29.58
840729	Inboard engines for marine propulsion	2980	8125	2783	-65.75
840721	Outboard engines for marine propulsion	1227	1412	2580	82.72

Table 2 Exports – Total number of motor boats, leisure craft and marine engines exported by Singapore 2005-2008

(World Trade Atlas. International Enterprise Singapore Official Statistics)

HS	Description	2006	2007	2008	08/07
890710	Inflatable rafts	2979	6716	17185	155.88
890310	Inflatable yachts, vessels for pleasure/sports	1355	655	4528	591.3
890399	Yachts for pleasure/sports, rowboats, canoes	94890	1124	4008	256.58
840729	Inboard engines for marine propulsion	2965	4777	3681	-22.94
840721	Outboard engines for marine propulsion	3196	926	1589	71.6
890392	Motorboats (excluding outboard)	101	105	511	386.67
890391	Sailboats, with or without auxiliary motor	233	297	698	135.02

2.3 Marketing strategies

Singapore: Prospective exporters to Singapore should be aware that competition is strong and that buyers expect a high level of after-sales service. Establishing a presence in the market is extremely advantageous in gaining trust and support from the local partners/clients, obtaining contacts, and attracting venture capital funding.

New Zealand Trade & Enterprise has good local knowledge and expertise that can assist in identifying opportunities for New Zealand companies entering the South/Southeast Asian market.

2.4 Distribution channels

Singapore

New Zealand companies that are seeking partners should participate in relevant conferences and trade shows to network and raise their international profile (especially since Singapore is the hub for holding regional and international conferences and conventions). They can also leverage on New Zealand Trade and Enterprise's presence in Singapore to garner support, especially when dealing with the Singaporean government or government-linked companies.

Singapore is very status-driven and the name of current partners/clients will help New Zealand companies gain acclamation. Current partners, clients, and case studies should be well documented for perusal by potential Singaporean partners/clients.

Vietnam

Vietnam's distribution system is a mixture of state-owned import-export companies, private and state-owned wholesalers, independent agents, distributors and retail outlets. Foreign companies are generally not permitted to participate in the distribution system. However, companies licensed to manufacture in Vietnam may be able to distribute their products domestically.

3.0 REGULATORY OVERVIEW

3.1 Duties/Taxes

3.1.1 Duty rates

	8901	8902	8903	8904	8905	8906	8907	8908
Singapore	0%	%	0%	0%	0%	0%	0%	0%
Vietnam	5-10%	0-10%	10%	0-5%	5%	0-5%	5%	0%

Source: ASEAN tariff database

3.1.2 Taxes

Singapore: There is a goods and services tax (GST) of five percent. Goods kept in the Free Trade Zone are not subject to GST unless they are later released for local consumption.

Vietnam: There is a value added tax between 10 and 20 percent applied on CIF (cost, insurance and freight) plus duty.

3.2 Regulatory requirements

Singapore: Singapore is generally a free port and an open economy and has very few trade barriers.

Vietnam: According to Vietnamese regulations, unless a foreign company has an investment license permitting it to distribute its own goods in Vietnam it must appoint an authorized agent or distributor.

Vietnam became a member of the World Trade Organisation (WTO) in January 2007. Ongoing efforts to implement WTO mandates mean that the country's legal and regulatory environment is currently undergoing significant change.

4.0 RECOMMENDED STRATEGIES

4.1 Possible points of differentiation for NZ companies

New Zealand's long standing history in nautical endeavours, which has now fostered an industry of OEM suppliers, pleasure boat builders, and marine supply equipment is renowned as world class and should be leveraged on.

Sales & Promotional Activities - The promotional vehicles include local and national boat shows and local and national advertising in boat magazines, local newspapers and the Yellow Pages.

Large dealers hold "trade days" from time to time in their factories and yards. The extent to which the boat builder, supplier, or dealer pays for promotion is usually negotiated between the supplier and dealer. One popular split is for the builder/supplier to place national advertisements and take space at national boat shows at its costs, and to require the dealership to pay for local advertising and for participation in local boat shows.

Every boat dealer has a small array of promotional and selling activities particularly suited to the boats being offered and to the local boating environment. However, the stand-out vehicles are boat shows, boating magazines and trade journals.

4.2 Tactical recommendations on market entry

Singapore: New Zealand companies that want to target major projects with the government or government-linked companies should provide case studies of previous work, i.e. ANZAC frigate, Australian coastal minehunter. Marine distribution in Singapore is based upon a network of independently-owned distributors.

The principal dealers in Singapore are:

1. WH Brennan and Company
2. William Water Sports
3. Taylor Stanley
4. Simpson Marine
5. Soon Cheong
6. Spininnaker International
7. Pro Sail
8. Marina Bahari Raya
9. Leslie's Yacht and Marine
10. Lotus International
11. Loyang Marine
12. Kim Tuck Huat
13. Keppel Marine

These dealers also undertake these services.

- Identify and secure a suitable purchase
- Undertake new construction
- Manage and maintain your boat
- Undertake any repairs, refits and maintenance
- Arrange appropriate shore support when cruising
- Source a captain and crew, if required
- Assist with financing and insurance aspects
- Arrange registration and ownership
- Identify and book international yacht charters

New Zealand companies that are seeking partners should participate in relevant conferences and trade shows to network and raise their international profile (especially since Singapore is the hub for holding regional and international conferences and conventions). They can also leverage on NZTE's presence in Singapore to garner support, especially when dealing with the Singaporean government or Government-Linked Companies (GLCs).

Singapore is very status-driven, and the name of current partners/clients will help New Zealand companies gain acclamation. Therefore, current partners, clients, and case studies should be well documented for perusal by potential Singaporean partners/clients.

Vietnam: Companies considering exporting to Vietnam for the first time should conduct sufficient due diligence on potential local agents/distributors to ensure they possess the requisite permits, facilities, manpower and capital. Firms seeking a direct presence in Vietnam should establish a commercial operation utilising the following options:

- a representative office license
- a branch license
- a foreign investment project license under Vietnam's revised Foreign Investment Law

4.3 Recommendations on long term strategic issues for exporters to consider

Establishing a presence in the market is extremely advantageous in gaining trust and support from the local partners/clients, obtaining contacts, and attracting venture capital funding.

New Zealand Trade & Enterprise also has good local knowledge and expertise that can assist in identifying opportunities for New Zealand companies entering the Singapore market.

In the pleasure boat area, participation should be considered in Asian Shipping and Work Boat held every two years, which gives access to the broader Asian market and the last show was held from 24 to 26 February 2009.

4.4 Government

Singapore Economic Development Board - www.edb.gov.sg

Maritime Port Authority Singapore www.mpa.gov.sg

Ministry of Transport of Vietnam - www.mt.gov.vn

4.5 Industry

Singapore Maritime Directory - www.sgmaritime.com

Association of Singapore Marine Industries – www.asmi.com

4.6 Trade publications

SEA Yachting – <http://www.seayachting.net> (link broken at time of publishing this document).

4.7 Trade events

Asia Pacific Maritime
Held every two years in Singapore
Next export March 2010
www.apmaritime.com

Boat Asia
Held in March every year in Singapore
www.boat-asia.com

Maritime Vietnam
Held every two years in Hanoi
Next trade show March 2011
www.maritimeshows.com/vietnam/ and <http://maritimeshows.com/vietnam/index.php>

Prepared by:

New Zealand Trade and Enterprise, August, 2009

-
- ¹ World pleasure boating industry. Thai Press Reports, 2 May 2006
 - ² Singapore Maritime and Port Authority, *Information on Licensed Pleasure Craft in the Port, 2006-2008*.
 - ³ SEA has potential for development marine tourism. Thai Press Reports, 10 May 2006.
 - ⁴ Boat Thai 2007 trade show information.
 - ⁵ Small firms in the marine sector get \$8m boost. Straits Times, 26 Oct 2006
 - ⁶ *Maritime Vietnam. Vietnam's Industry Outlook, 2009*. <http://maritimeshows.com/vietnam/index.php>
 - ⁷ Making Asia a new playground, Boat Tech Asia 2007 news.
 - ⁸ Singaporean Government Stifles Growth of Yachting Industry. (February 2009) SEA Yachting Magazine.
 - ⁹ Sixth C makes waves in Singapore. Business Times, 17 Mar 2007.

Association of Singapore Marine Industries. Annual Report 2008.

Singapore Maritime and Port Authority. Vessel Calls by Purpose and Number 2001 – April 2009.

Nordic Industries Development. Marine Sector Shipbuilding Industry Middle East & Vietnam, August 2008.