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Foreign sails dock in China

Zhou Yan

China is proving a safe harbor for yacht builders in the global economic slowdown.

The recent China International Boat Show (CIBS) in Shanghai attracted unprecedented attention from Western yacht makers, keen to tap the Chinese market to offset losses elsewhere.



China imported \$220 million worth of leisure boats last year. CFP

which will open this May and will produce hundreds of yachts a year.

This is the first year Japanese companies have attended the CIBS. The show also saw an increased presence from Italian, American and French companies.

"Our national pavilion is 50 percent larger (250 sq m) than last year and we have 15 exhibitors, up from last year's 11," said Maurizio Forte, trade commissioner at Shanghai's Italian Trade Commission.

Italy was the biggest leisure boat exporter to China in 2008 and set up its pavilion in the center of the main exhibition hall.

"The yacht industry is bleeding outside China, particularly in the US and Western Europe. We've seen dramatic drops of orders overseas and the demise of some small boat manufacturers. The Chinese market is crucial for us to maintain sustainable growth for our business this year," said a representative surnamed Lai from Japanese yacht maker Nissan Marine.

Nissan Marine just completed an industrial yatch zone in Zhangpu county, Fujian province,

Forte hedged his bets on how 2009 will turn out for boat builders in China. Some American and Japanese firms that were supposed to come to the show cancelled even though the Chinese leisure boat market appears less affected than others, he said.

"But the demand in the market still looks healthy," he said.

China imported \$220 million worth of leisure boats in 2008 and exported \$50 million worth, according to Forte.

Some of the companies, attending the show for the first time, such as Italian luxury yacht builder Sanlorenzo, are banking on Chinese demand staying strong.

"I've experienced some economic droughts before but this one is the most difficult because of its global penetration," said Giulio Bertani, a sales director with Sanlorenzo.

The company is suffering in Italy, he said.

"Our clients have started to bargain more and we cannot keep the price as high as before. China could be a good market for us; we have seen a rising number of buyers from the mainland purchasing our yachts in Hong Kong," Bertani said.

Optimism among boat-sellers at the Shanghai exhibition was likely high after five yachts, including two from US-based Brunswick Boat Group (the largest pleasure boat builder in the world) worth 6.15 million yuan and 3.4 million yuan respectively, were sold or booked during the show's first day.

Brunswick has been hard hit by falling demand in the West; its fourth-quarter sales were down almost 50 percent year-on-year.

According to Yang Xinfu, secretary-general of Shanghai Boat and Industry Trade Association, over 200 people in Shanghai have yacht-driving licenses and more than 60 Chinese cities have, or are building, marine clubs.

"Our boat industry has seen healthy development, although the pace of growth remains slow," Yang said.

"The number of marina developments on display at the exhibition was a big surprise for me and shows increasing interest among Chinese consumers in recreational boating," said Bill McEathron, general manager of Mercury Marine's Asian operations.

But, according to Yang, sales have dropped for about 60 percent of domestic boat manufacturers since the financial crisis and subsequent economic downturn. Only 20 percent have seen growth.

"We have cut prices by 20 percent to 40 percent to weather the economic meltdown," said Zhang Chi, marketing manager for Sunbird Yacht Co Ltd, which is based in Hunan province.

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But the drop in business for Chinese boat builders likely stems from their heavy reliance on exports.

Domestic yacht maker Double Happiness, which exports all its boats, has seen its sales in Europe drop from 20 yachts in 2007 to 10 last year.

"We have obtained very few orders so far this year from our existing clients," said Han Hongwei, the company's spokesperson.

Some domestic boat makers are following the foreign firms and turning to Chinese buyers in the hopes of shoring up their business.

"The time of depending on a rush of overseas orders has gone and we refitted our area at the exhibition this year to attract more domestic clients," Han said.

There is no shortage of potential clients in China; the country has 320,000 individuals with at least 10 million yuan in assets as of 2008, according to a survey jointly conducted by China Merchants Bank and consulting firm Bain & Company.

"The situation in Europe is gloomy but China still looks good," the Italian Trading Commission's Forte said.

According to the CIBS organizers, sales of luxury goods in China were up 20 percent from 2007, to over \$3 billion, in 2008.

"But more rich people doesn't necessarily mean a better luxury market," said Forte.

China may have a growing network of marinas but sound infrastructure and quality services are still limited, said Sanlorenzo's Bertani.

The boating market here is still young. Even people with a lot of money still find it difficult to get access to water for boats, McEathron said.

China also has strict rules governing recreational sailing and leisure boat use, said some boat sellers.

"The country needs to relax some of these regulations to stimulate the market and attract more people to boating," said Forte.

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