

U.S. CONSULATE GENERAL SHANGHAI

U.S. Commercial Service

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“ALL ABOARD?”

CURRENT TRENDS IN THE YACHT INDUSTRY IN CHINA

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By Kimberly Hagner

When your very first yacht sale takes a mere 90 minutes to close, you can't help but feel that something is a bit fishy. This was Taylor Lionel's, a luxury-yacht salesman in Xiamen, experience. But, with so many self-made billionaires in China, some just want to spend money.

Yachts for the Chinese

With the advent of China's one millionth millionaire, shipbuilders in China previously focused on exporting to Europe and the US are now concentrating on the local market. However, yacht design for Chinese versus European owners differs due to the strict regulations that govern marina use here. For example, yacht owners in China are restricted to coastal waters and need special permits to travel between provinces. Therefore, yachts are used to entertain clients, family, and friends for a few hours on the weekend instead of weeklong vacations as is popular in Europe. In addition, mahjong salons, karaoke machines and large galleys are popular add-ons in lieu of a large sun deck.

Manufacturing Yachts in China

As this is a relatively new industry in China, local shipyards are partnering with international brands to help to strengthen R&D, although it will take some time for Chinese producers to catch up with their partners. Chinese yacht manufacturers are also hiring foreign designers, importing foreign-made engines, components, and materials thus argue they create a very similar product to an imported yacht in terms of quality, but not in price point. The 43% import tax slapped on imported yachts that sell for around 20 million Yuan, makes yachts made in China, even with more expensive imported components, seem like a bargain. Nevertheless, imported yachts are still the most desired, but foreign yacht companies should be prepared for the development of China's yacht industry and leveraging their expertise in this new area of development for potential partnerships and new business opportunities abroad.

Expanding the Yacht Industry in China

Keys to success are building a series of new marinas in China, changing the regulation of yachts, and convincing wealthy Chinese to buy yachts made in China. First, marina development is currently happening on a large scale and fortunately part of China's 12th year plan for all coastal provinces. For instance, Hainan Island is currently being heavily developed and invested in as a tourist destination for wealthy nationals. Second, lobbying to change the regulations of marina use has already begun. Third, although international brands hold 80% market share of the yacht industry, as regulations change and the Chinese appetite for luxury boats increases, foreign yachts companies should adjust so they may be competitive in this new market.

As Taylor Lionel's account beeped signaling receipt of the wired deposit from the Chinese businessman, he had great hopes for a prosperous yacht industry for the future.



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China's Yacht Industry Statistics

- In 5-10 years the marine market in China will be worth \$8-16 billion annually
- Domestic yacht sales expected to grow 20-30% per year
- 43% tariff on an imported yacht making them a costly 20 million Yuan
- 350 shipbuilders in China, including 20 producers of superyachts
- Unskilled workers paid about 2,000 Yuan per month in China

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