

OPPORTUNITIES FOR SRI LANKAN BOAT BUILDINGS IN UNITED ARAB EMIRATES (UAE)



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1. SUMMARY

The boat and yacht building industry is rapidly becoming one of these areas where there is a favorable expected demand even with the expected market shrinking.

The (United Arab Emirates) UAE is set to build on its position as one of the world's leading yacht manufacturing hubs as local manufacturers expand with the coastal line developments, according to the Industry experts. The UAE ranks ninth in the world for super yacht manufacturing according to the 2015 showboats international Global Order Book. The demand for the yachts and ships is expected to grow further in the coming years in line with the green shipping concept, sustainable infrastructure development and with the UAE's expanding tourism Industry.

With the expected downfall of the oil prices in the World Market the United Arab Emirates is implementing to mitigate the impact from the said downfall of the oil prices by the means of developed infrastructure, health care, tourism and the green cities.

As the Boat building market in UAE is mainly deals with the yachts, super yachts, luxurious cruise it would be difficult to commence production and supply the amount of expertise innovative high-tech and luxurious yachts, super yachts which would be compatible to withstand and cope up with the leading local (Emirati) and global companies which produce spare parts and other relevant electronic and sonar devices etc.

2. MARKET DESCRIPTION

The Demand for the yachts and super yachts in the UAE Market is expected to grow despite the expected downfall of the global and local market conditions. While a number of worldwide markets seem to have valid concerns around on going fluctuations in oil prices and international currencies, in the UAE at least recent reports have stated that investment in the maritime industry are expected to reach AED 224bn (USD 61bn) in 2016.

The recent International Boat Show 2017 has shown that there was an amazing growth in the consumer demand for the latest small to medium sized luxury boats, pleasure crafts, high speed power boats and the most luxurious super yachts.

Also there is an increasing demand for the cruises due to the rapid growth that has been observed in the area cruise tourism in Dubai. The actions and plans implemented in connection with the Expo 2020 in the areas of development of green infrastructure and sustainable transport and tourism are also expected to increase the demand for luxurious, innovative and sustainable yachts.

Further the UAE's total trade by sea accounts for more than 80% of the country's foreign trade by sea accounts for more than 80% of the country's foreign trade volume. The Jebel Ali Port –one of the country's key ports-provides the best connectivity and infrastructure across transport modes. Award –winning Dry-docks World is a renowned world leader in ship repairing and service. Initially going into building of floating docks, tugs and workboats, it's Dubai shipyard has gone on to build the world's largest offshore HVDC platform and modern X-Bow design seismic vessels. Mina Rashid is the only port in the Middle East to receive the prestigious ISO-9002 accreditation and the Security Certificate of Excellence by International Maritime Security (IMS).It is also home to the Dubai Cruise Terminal, the largest cruise centre in the Middle East. Therefore, it is expected that the demand for the cargo ships and passenger ships will also increase with the expansion of the port operations.

There are a number of UAE based yacht building companies which are contributing to fulfill 50% of the local demand for yachts and super yachts. Local Manufacturers are also expanding activities in line with the growth of Dubai's National innovation strategy aiming to make the UAE one of the world's innovative nations within the next seven (07) years.

The UAE's Gulf Craft is investing USD 100 million since 2015 for 5 years to develop a state of the art facility to build a shipyard for the manufacture of mega and super yacht within the marine district of Dubai Maritime city, a world class maritime cluster in the heart of Dubai.

Named one of the top ten super yacht shipyards in the world Gulf Craft has played a significant role in cementing the position of the United Arab Emirates as a yacht production hub continues to support developments that country's credibility on the marine scene. Also Gulf Craft has taken the initiatives to establish the country brand or the label "made in UAE" for the yachts and super yachts made in UAE together with the other UAE based companies and to specialize the UAE products in technological advancement and innovation thus creating the opportunity to establish a strong country brand in the international arena.

Another UAE based luxury yacht manufacturer Al Shaali Marine unveiled its USD 5.45 million As 100 model super yacht at the Dubai International Boat show in 2015 marking the first of it's kind designed in Middle East thus enabling to attract the attention of yacht admirers and buyers from all over the world further strengthening the position of the UAE as a super yacht builder with innovation and technology.

Apart from the UAE based companies the world's best yacht and super yacht builders also have strong presence in the UAE.

Al Azzam the world's largest super yacht which belongs to the President of the UAE (worth USD 400 million) was built by a highly specialized team of the German Yacht building company Lurssen which is among the top ten yacht builders of the world.

Also the world's third largest super yacht belongs to the Ruler of Dubai His Highness Sheikh Al Maktoum was built by a several largest yacht building companies of the world namely Blohm + Voss, Lurssen (German Yacht building companies) and Platinum yachts.(a UAE based yacht building companies) and Platinum yachts.(a UAE based yacht building company).

In a recent report from the Boston Consultant Group (BCG) predicted that the personal wealth in the UAE is set to grow by a compound annual growth rate (CAGR) of 14.1 per cent to USD 1 trillion by 2020.

Apart from the luxury factor the yacht buyers in UAE at present focus on the advanced and innovative technologically high features so that they can surpass the yachts of same class.

Green Energy usage has become another compelling factor for yacht buyers in UAE. As Dubai is surging ahead to become a competitive sustainable city on the back, growing demand for efficient global transport and climate friendly air, sea and land transport can be observed. Green Shipping is rapidly becoming popular among the ship and yacht buyers in UAE.

Tourism which is another major income source of UAE, particularly the state of Dubai has also contributed to the growing demand for yachts, super yachts and cruises, as cruise tourism is becoming a popular sub sector of tourism in Dubai and already showing a remarkable growth.

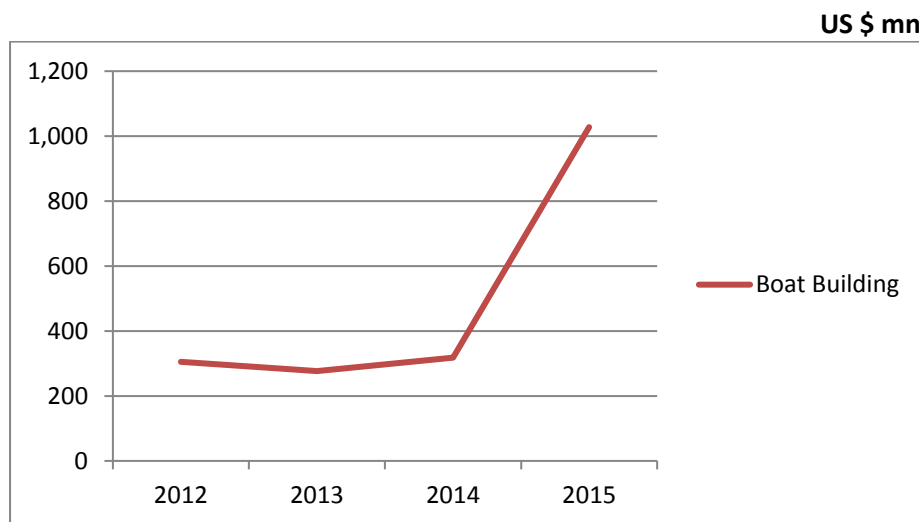
Dubai Cruise tourism is rapidly growing with 135 cruises and 375,000 tourists visiting Dubai in 2011. By the end of 2012, Dubai was expected to host 150 cruises with 475,000 passengers. By 2015, these numbers were projected to grow by 30% and 35% respectively.

Now Dubai is a major destination of choice to many global cruise lines, such as Costa Cruises which made Dubai its regional cruise hub in 2007, which is the largest Italian travel group and Europe's No.1 cruise line. On 23rd February 2010, the latest jewel of the Costa Cruises fleet, Costa Deliziosa, has been inaugurated in Dubai, during her grand maiden cruise.

This was the first time an Arabian city has hosted a cruise ship's christening ceremony. Another major cruise liner, the US Royal Caribbean International (RCI) has become the Second major cruise liner to base a ship in Dubai.

There are no. of rules and regulations introduced by the Government of UAE and Tesneef upon yacht builders, buyers and importers. For example, UAE Yacht regulations (for yachts above 24 m) provides general provisions and regulations on buoyance and stability, structural integrity, machinery and electric installations, accommodation, safety security and comfort, navigation and control and fire safety etc.

Figure: World export trend of boat building (HS 89) to UAE



Source: Trade map

3. ACTIVITIES OF COMPETITION

There is a growing trend among the world’s leading yacht building companies to partner with the UAE based yacht building companies to secure the market as the high personal spending on luxurious yachts can be observed in UAE meanwhile enabling the UAE yacht building companies to benefit from the Company’s brand names and expertise.

For example, As Marine a leading Italian Yacht building company has partnered with a UAE Company to secure their market while making use of the country loyalty of the buyers. Comer yachts another Italian based yacht manufacturing company has relocated their production facilities to Dubai. The company is manufacturing around 100 catamarines and poer boats per annum in the 26-46 foot range.

Further the largest yacht building companies such as Amels (Netherlands), Blhpm +Voss (Germany), Christensen Shipyards (United States of America), Lurssen (Germany) also have strong presence in the Yacht and Super yacht market of UAE.

Table: Top 10 importing markets of boat building to UAE in 2015

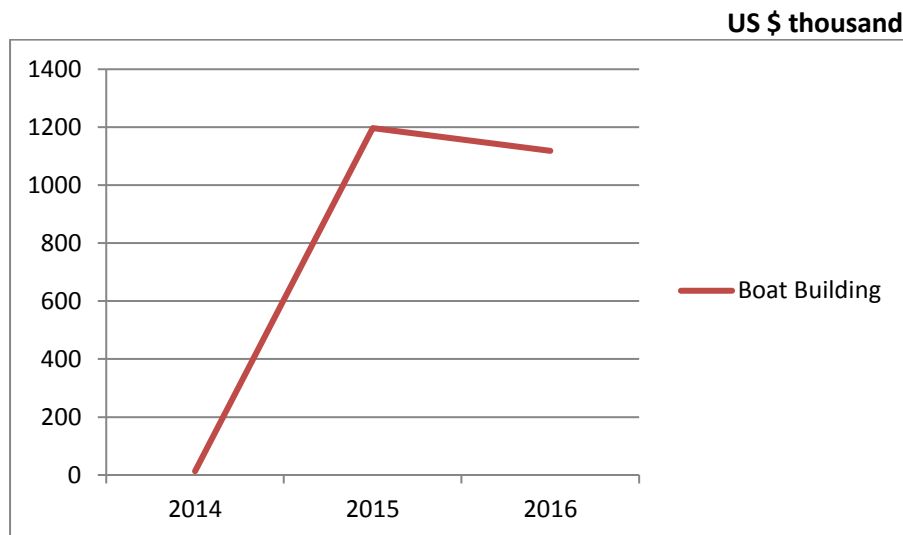
US \$ thousand	
Exporters	Value
Singapore	457,521.00
Free Zones	136,926.00
China	122,144.00
Korea, Republic of	67,607.00
Italy	61,385.00
Netherlands	42,365.00
United States of America	33,907.00
Philippines	31,974.00
Canada	25,072.00
United Kingdom	10,712.00

Source: Trade map

4. POSITION OF SRI LANKAN GOODS

It is observed that it is possible for Sri Lanka to export products in connection with the boat and yacht building to the market of UAE provided those products meet the highly advance technological and electronic equipment requires for yacht building industry in the UAE.

Figure: Export trend of boat building (HS 89) from Sri Lanka to UAE



Source: Sri Lanka Customs

5. CONCLUSIONS AND RECOMMENDATION

Based on this study, given that this industrial sector already has well-established local producers as well as world's largest international builders in the market it would be fair to conclude that entering to boat and yacht market as a startup production country would not be an easy task.

However, there might be an opportunity for producers of spare parts components to partner with the local companies as suppliers of raw materials for their products. It is therefore might be recommended to seek the possibility of providing raw materials in accordance with the quality and compliance standards required by the builders in the market in the initial stage in penetrating the market and it is possible subsequently to consolidate the market with enhanced exports of required raw materials as well as final products of boats and yachts.

Sources

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