

Sector Report

Marine Industry New Zealand

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OVERVIEW

New Zealand is an island nation of recreational sailors and boaters which has developed a world class marine industry. In addition to a strong domestic market, the export success of the industry has made it one of New Zealand's largest non-primary based manufacturing sectors.

In spite of New Zealand's geographic isolation, clients continue to use New Zealand boat building yards and supporting industries due to their proven ability and strong reputation as boat builders of distinction. Flexible production processes and highly skilled labour are the key strengths of New Zealand marine businesses. These strengths have ensured that the New Zealand marine sector has remained at the leading edge of design and construction technology and processes. New Zealand's success in high profile sailing activities around the world, including the America's Cup, has also played a significant part in industry growth.

The marine industry in New Zealand encompasses a broad range of sectors. These cover; design, refit and servicing of super yachts, racing yachts, launches and yachts, power trailer boats, rigid hull inflatables and small recreational craft together with associated manufacture of components and supplies, marine apparel and berthage. Supporting the production and import activities are comprehensive marine retail and service sectors.

New Zealand's marine industry's total annual turnover is in excess of NZ\$1.5 billion, with the growing export market contributing over \$525 million. Boat production accounts for \$502m (32%), boat imports \$180m (12%), refits and maintenance \$135m (9%) and supplies, components and servicing \$457m (30%). Among the boat producing sectors, launches and yachts generate the most sales by value followed by super yachts and power trailer boats.

By 2020 it is forecast that the marine industry turnover will have grown over 100% to \$3.2 billion, with export sales of \$1.8 billion. As a result there should be good opportunities to increase UK exports in the marine sector.

Note: All figures are quoted in NZ dollars. The rate of exchange is 1 NZD = 0.336806 GBP at the time of writing.

CHARACTERISTICS OF MARKET

Background

In the 1880s New Zealand's first manufactured export was a keel boat, marking the beginnings of this country's international trade in marine products. Since then the domestic marine industry has remained strong, sustained by good access to safe coastal areas and freshwater lakes and rivers, linked with a strong tradition that sees New Zealanders closely involved in water-based business and leisure activity. This marine tradition means that New Zealand has one of the highest boat ownership rates in the world (one boat for approximately every 8 persons) and a substantial domestic sector to supply and service the spectrum of recreational sail, motor and person-powered craft.

Since the early 1980s increasing international marketing success, in the form of export growth, has combined with stronger domestic demand to sustain significant

industry growth. New Zealand's boatbuilding reputation received a huge boost following sporting success at international sailing events such as the Volvo Ocean Race and the America's Cup. New Zealand hosted two defences of the America's Cup in 2000 and then again in 2003. Both events generated significant economic and employment benefits and helped to strengthen the standing of New Zealand's marine sector in the international community. As a result New Zealand now plays a significant role in supplying some key sectors of the much larger European and American markets – particularly customised superyachts and specialist marine equipment.

Flexible production processes and highly skilled labour have also made New Zealand a desirable location for international boat manufacturers to set up or have their boats built under contract. This includes several UK companies who have had yachts built to contract in New Zealand, with a strong input for UK equipment.

Britain is also renowned for excellence in the marine industry and there are close relationships between British and New Zealand yards. During the America's Cup British products were supplied to many of the America's Cup boats and tank testing for several syndicates was carried out in Southampton. New Zealand boat builders generally regard UK marine products very highly and British companies are encouraged to seek opportunities to collaborate with NZ companies on marine projects. There are numerous examples of this already taking place including a NZ spar supplier working with a UK supplier of hydraulic equipment on a super yacht project in the Netherlands.

Industry Structure

The marine industry is strongly associated with popular coastal and lake regions. However, as all regions of New Zealand have a coast, the marine industry is present in every region.

A third of the country's population reside in Auckland, which generates 35% of total economic activity. Its twin harbours and easy access to the cruising grounds of the Hauraki Gulf, Coromandel and Northland means Aucklanders probably have the highest recreational boat usage of any large city in the world. Thus unsurprisingly Auckland accounts for the lion share of marine industry activity in New Zealand, 58% in 2005. Canterbury is the second largest marine centre with 9% of national activity followed by the Bay of Plenty, Waikato, Wellington and Northland. In total 82% of activity occurs in the North Island and 18% in the South Island.

About 9,000-10,000 people are employed full-time by nearly 1300 companies engaged in boat-building and supplying marine goods and services. Many of the firms have fewer than 100 employees.

Industry Associations

The industry has a number of professional trade organisations and professional bodies. Listed below are the national industry associations:

Marine Industry Association of New Zealand (MIA)

The Marine Industry Association of New Zealand is the main trade organisation for the marine sector and acts as the organising body and advocate to government. The MIA represents New Zealand's leading designers, builders, importers and marine sales and service companies. Through the BITO (The New Zealand Boating Industry Training Organisation - a division of the MIA), it is also responsible for the training of boatbuilders and related marine trades and professional people. The

470-plus MIA Members operate under a broad-based code of ethics to protect the interests of the boating public of New Zealand. Their website address is www.nzmarine.com.

Boating Industry Training Organisation (BITO)

Since 1998 the old apprentice system of training has been superseded by unit standards registered on the National Qualification Framework. The Boating Industry Training Organisation (BITO) has National Certificates registered covering a range of subjects, including: composite boat-building, aluminium & steel boat-building, wooden boat-building, rigging, sparmaking, electronics, cabinet-making, systems engineering, painting, brokerage marine sales and project management. The system provides a mix of on-the-job and off-site training. They are also on the www.nzmarine.com website.

New Zealand Marine Export Group Inc.

Formerly known as MAREX, the New Zealand Marine Export Group was formed in 1992 for selected industries to focus on export growth and develop a collective strategy for marketing New Zealand. It has about 170 members, representing the majority of exporters in the New Zealand marine industry, and hosts the New Zealand Marine website www.nzmarine.com.

Royal Institution of Naval Architects (RINA)

The Royal Institution of Naval Architects is an internationally renowned professional institution whose members are involved at all levels in the design, construction, maintenance and operation of marine vessels and structures. Members of the RINA are widely represented in industry, universities and colleges, and maritime organisations in over 90 countries.

RINA was established in New Zealand in 2001 and is represented by the New Zealand Division Council. The organisation currently has over 100 members and for the last two years has been responsible for organising the International Conference on High Performance Yacht Design held in Auckland. Their website is www.rina.org.nz.

Marina Operators Association of New Zealand (MOA)

Established in 1991, the Marina Operators Association currently has 33 members. Their website is www.nzmarinas.com/moa.

OPPORTUNITIES

The Marine Industry covers a wide range of sub-sectors. Opportunities for UK companies exist across all of these sectors, with an increasing trend for New Zealand and UK companies to work collaboratively on larger marine construction projects.

Provided below is a brief overview of popular sub-sectors in New Zealand. For further information please contact New Zealand's UK Trade & Investment team located at the British Consulate General in Auckland (see contact list below).

Superyachts

The New Zealand superyacht sector began to take off around 1994 following exposure from hosting the America's Cup and Louis Vuitton Challenges . With 16 projects under construction, New Zealand now ranks 6th in the world with 4.6%

market share by length and within the global market New Zealand is the second or third largest sailing superyacht producer (depending on definitions). Growth within this sector is expected to continue, with annual production forecast to more than quadruple by 2020.

Yachts and Launches

New Zealand has a long yacht and launch building history stretching back to the 1880s. Within the domestic market of this sector there is a lot of competition from lower cost overseas imports so New Zealand boat builders tend to focus on producing high quality vessels with unique New Zealand designs. There are approximately 20,000 yachts and launches in New Zealand, around half of these boats are in Auckland. Currently the sector generates sales of approximately \$241m annually with growth of \$100m in annual sales expected between 2005 and 2020.

Racing Yachts

New Zealand is extremely strong in international yacht racing and racing success has continued to be the driver behind the sector's success. The sector is currently focused around several key companies whose yards have diversified so they are capable of building both grand prix race boats and high tech luxury cruise boats. Slow but steady growth is expected to 2020.

Trailer Power Boats

New Zealand trailer power boat production began in the 1950s following the development of "V" bottom hull configuration and by the 1980s up to 800 different models were available from over 100 New Zealand boat builders. However, since the abolition of import barriers in 1984, there has been a strong presence of imported boats in the local market. This sector is heavily focused on the domestic sales, which are expected grow considerably in the coming years.

Services, Supplies and Component Manufacturing

While this sector combines a wide range of different industries, much of the sector's success has been based around supplying marine hardware (including electrical components), sailing and rigging and high quality componentry. Government funding made available through NZ Trade & Enterprise and Technology New Zealand have enabled research and development resulting in new advances in marine electronics and hardware such as 3-D sonar and portable GPS navigation devices. Market growth, driven by the domestic market, is expected in this sector.

Acknowledgements

Much of the data in this report has come from the "New Zealand Marine Industry Survey 2005: Current Situation & Future Prospects" published by the Marine Industry Association of New Zealand, New Zealand Marine Export Group Inc. and Boating Industry Training Organisation New Zealand. Other sources include "New Zealand Boat Manufacturing and Marine Industry Profile" by Market New Zealand and "New Zealand's Marine Economy 1997-2002" by Statistics New Zealand.

KEY METHODS OF DOING BUSINESS

Population

New Zealand enjoys a long history of association with the UK and is a major trading partner. A majority of the population is of British descent and the ties remain strong, providing a small but loyal market of approximately 4 million.

Infrastructure

There is a well-established transport and communication infrastructure in NZ and most of the main importers have national distribution. There are air links between all major towns and cities and over 20 international airlines offer services to NZ. Four container and twelve conventional ports provide access to a comprehensive network of shipping services. Interisland shipping is still comparatively expensive and many importers operate distribution centres in both islands, sending shipments to Auckland and Christchurch (Lyttleton Port).

NZ Business Environment

As a result of a number of years of free market economic policies New Zealand has one of the most open competitive economies in the world. New Zealand importers, exposed to international competition and the proximity of the Asian market, have become experienced world traders, keenly aware of prices and margins. Many companies import direct, cutting out traditional middlemen.

Most New Zealand importers travel regularly to the major international trade fairs and are therefore well aware of new trends and opportunities.

Internet, email and increasingly e-commerce are the norm in NZ business.

Regulatory Requirements

There are no import licence requirements (removed in July 1992) or quotas in New Zealand. Advice should be sought from the British Consulate General in Auckland.

The import tariff on products and services from the UK varies depending on the product. Indicative rates and advice can be found on the NZ Customs website www.customs.govt.nz under the library category.

GST of 12.5% is levied on all domestically produced goods and is payable on all imported products on arrival in NZ (except bullion). It is assessed on the total of the customs value (normally invoice value), any duties, plus insurance and freight. It must be paid before goods can be cleared. A broker or importer can arrange to make these payments.

The Commerce Act 1986 and the Fair Trading Act 1986 are New Zealand's competition laws, aimed at protecting the competitive practice. Acts can be viewed at www.legislation.govt.nz.

PUBLICATIONS

Boating New Zealand

New Zealand's biggest selling boating magazine devoted to reviews of new boats, coverage of new products and boat maintenance advice. Published monthly.

Contact: Tim Porter

Tel: + 64 9 634 1800

Fax: + 64 9 634 2948

Email: tim.porter@boatingnz.co.nz

Sea Spray Magazine

An internationally acclaimed bimonthly publication featuring some of the world's finest motor and sail yachts.

Contact: Gary Dickson

Tel: + 64 9 528 5561

Fax: + 64 9 521 4887

Email: gary@seaspraymag.com

Website: www.sea-spray.com

Trade-A-Boat Magazine

Features information on boats and boating equipment for sale throughout the country, marine news and equipment and accessory reviews. Published monthly.

Tel: + 64 9 308 7429

Fax: + 64 9 358 4111

Website: www.tradeaboat.co.nz

Pacific Motoryacht

A quarterly publication devoted to launches and motor yachts over 10 metres.

Tel: + 64 9 309 5947

Fax: + 64 9 575 3950

Email: doug@prop.co.nz

NZ Propeller

A bimonthly publication dedicated to trailerable powerboats.

Tel: + 64 9 309 5947

Fax: + 64 9 575 3950

Email: doug@prop.co.nz

Dive New Zealand

Bimonthly magazine dedicated to diving.

Email: divenz@divenewzealand.co.nz

Website: www.divenewzealand.com

NZ Aquaculture

A bimonthly trade professional magazine for the NZ aquaculture industry.

Tel: + 64 9 533 4336

Fax: + 64 9 533 4337

Email: keith@skipper.co.nz

Website: www.nzaquaculture.co.nz

New Zealand Workboat Review

An annual publication reporting on commercial vessels in and around the NZ coast.

Tel: + 64 9 533 4336

Fax: + 64 9 533 4337

Email: keith@skipper.co.nz
Website: www.workboats.co.nz

EVENTS

Auckland International Boat Show

Held at Auckland's Viaduct Harbour every year in early March, this event provides a showcase for New Zealand's Marine Industry. The Auckland International Boatshow is a full member of the International Federation of Boat Show Organisers (IFBSO) and is recognised as one to the top 40 boat shows in the world. Last year it had over 200 exhibitors and attracted around 20,000 visitors. More details about this event can be found at www.aucklandinternationalboatshow.com.

New Zealand Marine Industry Conference

The New Zealand Marine Industry Conference is organised by the Marine Industry Association of New Zealand and gives members the opportunity to network and learn about the latest industry developments. It is normally held mid-July in Rotorua. For more information visit www.nzmarine.com/calendar.php.

International Conference on High Performance Yacht Design

Jointly hosted by Royal Institution of Naval Architects (RINA), the University of Auckland and Massey University, the International Conference on High Performance Yacht Design showcases the latest developments in yacht research from around the globe. Held in February, the conference enables naval architects, engineers, designers and researchers to present and hear papers on the current state of high performance yacht and power craft technology. www.hpyd.org.nz

CONTACT LISTS

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Boating Industry Training Organisation (BITO)

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