



Industry information sourced from: **IBISWorld – C2392 Boatbuilding and Repair Services in Australia – April 2016**

Variables	Key data
Industry definition	Companies in the industry primarily build or repair small- to medium-size boats and vessels with a displacement of under 50 tonnes.
Industry trends	<p>Over the past five years, the Boatbuilding and Repair Services industry has struggled. Weak consumer sentiment and sluggish discretionary income growth have limited consumers' expenditure on boats and other luxury vessels. Even after the global financial crisis, domestic demand for new boats continued to fall as customers looked to delay expenditure or cancel non-essential purchases altogether. These trends contributed to consecutive revenue declines over the three years through 2012-13. Overall, industry revenue is estimated to decline at a compound annual rate of 0.2% over the five years through 2015-16, to reach \$1.22 billion. Weaker discretionary income growth and negative consumer sentiment are also expected to result in a 2.4% dip in industry revenue in 2015-16.</p> <p>An appreciating Australian dollar over the three years through 2012-13 placed further pressure on the industry's volatile export markets. With demand for luxury items already limited, a strong Australian dollar sapped any remaining demand from major export markets such as the United States. Australian-built boats became far more expensive in export markets, while imports became cheaper in the domestic market, driving any remaining domestic demand away from locally manufactured products. Although industry revenue rebounded in 2013-14 and 2014-15, these pressures have forced many smaller and less viable operators out of the industry over the past five years.</p> <p>The industry is set to continue struggling over the next five years. Revenue is forecast to fall at an annualised 1.0% over the five years through 2020-21, to reach \$1.16 billion. Negative consumer sentiment over the three years through 2018-19 is likely to force consumers to delay luxury purchases until their household finances and economic outlooks improve, or cancel expenditure on non-essential products altogether. Growing leisure time, particularly among Australia's ageing population, may provide an opportunity for boatbuilders, as these consumers typically have more time to spend on recreational boating activities. Nevertheless, weaker local demand for expensive boats and other luxury vessels is likely to force many smaller companies out of the industry over the next five years.</p>

5 year trend	<p>The industry's performance is expected to remain subdued over the next five years and its long-term future is far from assured. Consumer sentiment and discretionary income will continue to affect demand for new recreational and luxury vessels, particularly through marine equipment retailers. Although some end markets deal directly with boatbuilders, most customers purchase products through wholesalers and retailers.</p> <p>Competition from import markets is likely to rise marginally over the next five years, as the Australian dollar is projected to appreciate slightly over this period, making overseas products comparatively more affordable in the domestic market. As a result, imports are set to rise as a proportion of domestic demand over the next five years. However, the Australian dollar is still likely to remain much lower than in the previous five-year period, which may provide local players with some protection from import competition.</p>
Major players (domestic and international)	<p>Major Players</p> <p>Riviera Australia Pty Ltd - 6.6% market share</p> <p>Other Companies</p> <p>Telwater Pty Ltd - Estimated market share: 4.5%</p> <p>Haines Marine Industries Pty Ltd - Estimated market share: 3.5%</p>
Key drivers for growth	<p>Consumer sentiment index</p> <p>Consumer sentiment generally affects demand for new boats. Consumers are less likely purchase new boats when sentiment is low and instead may postpone purchases, buy second-hand vessels or forego purchases altogether. Consumer sentiment is expected to be negative in 2015-16, potentially threatening boatbuilders in the industry.</p> <p>Real household discretionary income</p> <p>A large share of industry revenue is derived from households. A rise in real household discretionary income therefore typically increases expenditure on non-essential items such as boats, particularly expensive luxury vessels. Real household discretionary income is projected to increase in 2015-16, assisting boatbuilders in the industry.</p> <p>World price of aluminum</p> <p>Aluminium is a major input in the production of boats. An increase in the world price of aluminium typically increases boatbuilders' purchase costs and can subsequently reduce profitability. However, if these cost increases are passed on to customers as higher prices, profit margins are protected and revenue is affected. Although higher prices can reduce demand, the net effect of rising aluminium prices tends to positively influence revenue. In 2015-16, the world price of aluminium is set to decline.</p> <p>Demand from marine equipment retailing</p> <p>Marine equipment retailers typically act as intermediaries between boatbuilders and consumers. Greater activity in the downstream retailing industry therefore tends to boost demand for a range of boats. In 2015-16, demand for boats from marine equipment retailers is expected to rise, providing an opportunity for industry operators.</p>

	<p>Average weekly hours worked</p> <p>Boating and yachting activities typically occur during leisure and recreation time. Consumers that spend less time at work, represented by the average weekly hours that people work, therefore tend to have more time to use industry products. However, fewer working hours can reduce consumers' income, which can stifle industry growth. The average weekly hours worked is expected to fall in 2015-16, positively influencing firms in the industry.</p> <p>Trade-weighted index</p> <p>The trade-weighted index measures the strength of the Australian dollar against a basket of other currencies. An appreciating Australian dollar generally increases import penetration, while also making Australian products less competitive in export markets. In 2015-16, the Australian dollar is set to depreciate, easing import competition and benefiting firms that target export markets.</p>
Barriers to entry	<p>Barriers to Entry in this industry are medium and steady.</p> <p>The industry has medium barriers to entry and this level has remained steady over the past five years. Barriers to entry are generally higher if prospective entrants seek to target the mass-produced segments. High start-up costs, capital expenditure on machinery and equipment, and the acquisition of other technology can restrict new companies from manufacturing boats on a large scale.</p> <p>Customised builders typically cater for the high-end market and generally require highly skilled staff. Entry into the built-to-order boat segment tends to be far less difficult, as the flexibility of labour and material requirements is greater, and manufacturers can vary their stock and labour supply to suit demand. Nevertheless, accessing these highly skilled employees that have necessary experience can pose as a challenge for new companies.</p> <p>Potential entrants must also compete with imports from established boatbuilders in overseas countries such as the United States, China, France and the United Kingdom. Boatbuilders in China typically offer low-cost vessels, as they are able to operate with far lower labour and overhead costs, and pass these savings on to customers in the form of lower product prices. Entrants with unique patented innovations and strong R&D programs may be able to compete with these well-established large-scale operators.</p>
Basis of competition	<p>Competition in this industry is medium and trend is steady.</p> <p>A medium level of competition characterises the industry and this trend has remained steady over the past five years. Boatbuilders typically compete on price, product range, marketing and reputation. Industry players also face external competition second-hand boats and imported products.</p> <p>Internal competition</p> <p>The industry is highly price competitive, particularly among smaller manufacturers that often undercut each other to attract business and gain market share. Manufacturers also provide discounts or additional accessories at little or no extra cost to attract customers. In product segments where boats are mass-produced, competition is usually based on the delivery of the best package, which may include an outboard motor or a</p>

	<p>trailer, again at very competitive prices.</p> <p>Competition for smaller non-motorised boats such as canoes and kayaks also tends to be based on price, as product differentiation is limited. However, technological innovations can still be used to gain competitive advantages in lower value segments. Consumers that demand high-end boats tend to demonstrate strong brand loyalty. Manufacturers that can cement a reputation for having quality brands and services are therefore more likely to generate repeat business.</p> <p>External competition</p> <p>Second-hand boats are not part of the industry and therefore compete externally with industry products. During periods of weaker consumer sentiment and lower discretionary income, second-hand boats are likely to be more appealing to consumers. Australian boatbuilders also face moderate competition from companies based in the United States, China, France and the United Kingdom. Many companies from these countries have achieved strong brand recognition within the Australian market. Imports are estimated to account for 20.4% of domestic demand in 2015-16 and although imports have decreased slightly, import penetration has remained steady at a medium level over the past five years.</p>
Regulatory and compliance issues	<p>The level of regulation is medium and the trend is steady.</p> <p>A medium level of regulation affects industry operators and this trend has remained steady over the past five years. The National Marine Safety Committee (NMSC) was established in 1997 by the Council of Australian Governments (COAG) to streamline marine safety legislation throughout Australia. The functions of the NMSC were transferred to the Australian Maritime Safety Authority (AMSA) after the NMSC ceased operating in June 2013.</p> <p>The NMSC also helped to implement the Australian Builders Plate (ABP) for recreational boats in 2005-06. The ABP is an information plate that must be affixed to recreational boats, stating the key vessel operational capabilities in a visible location on the boat. The AMSA oversees the National Standard for Commercial Vessels (NSCV), which is progressively replacing the Uniform Shipping Laws Code. The NSCV involves stringent requirements regarding boat stability, fire safety, and watertight and weather tight integrity.</p>
Key success factors	<p>Access to the latest available and most efficient technology and techniques</p> <p>Access to the latest technology and techniques can improve production efficiency and supply chain processes.</p> <p>Production of goods currently favoured by the market</p> <p>Boatbuilders that can accurately gauge customer preferences can increase demand and outperform their competitors.</p> <p>Proximity to key markets</p> <p>Companies should be located close to key downstream markets to reduce transportation costs.</p>

	<p>Having an extensive distribution/collection network</p> <p>Firms that develop distribution channels through dealership networks can increase their sales opportunities.</p> <p>Effective quality control</p> <p>Good quality control systems will ensure that high-quality products are built, which can help to increase revenue through word-of-mouth sales.</p> <p>Establishment of export markets</p> <p>Local companies that target export markets can protect themselves from any downturns in the domestic market.</p>
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Benchmarking

The comparisons shown below represent a large industry sector benchmarked against Yamba Welding & Engineering Pty Ltd. The measures are a guide only, intended as a reflection of the broad results of the industry sector and comparisons should not be taken literally. The reader can draw their own conclusions from the results displayed.

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Item	Boatbuilding and Repair Services in Australia 2015/16	Yamba Welding & Engineering Pty Ltd
Sector revenue	\$1.2bn	N/A
Annual revenue per business (1508 businesses in sector; 5544 employees respectively)	\$0.8M	\$5.1M
Average No. employees / business	3.7	24
Annual growth rate for five years 11 - 16	-0.2%	9.2% <i>Growth for the 206 FY</i>
Sales/employee/year	\$220,887	\$214,154
Average Wage	\$42,857	N/A
Operating profit (EBIT)	13.4%	6.6%
Rent	2.8%	0.0%
Utilities	1.5%	1.3%
Depreciation	3.1%	0.0%
Other expenses	6.1%	15.0%
Wages to revenue	19.4%	29.2%
Purchases	53.7%	49.5%