



THAILAND BOARD OF INVESTMENT

Thailand Marine Destination of Asia

“ Thai labor is quite skillful in shipbuilding and the workers are eager to learn any new technologies. Even overseas shipyards such as in Singapore utilize a lot of Thai labor, ”

-Mr. Tanapat Hemangkoon, managing director of Seacrest-

Industry Overview

Thailand, the third-largest country in ASEAN with a total area of approximately 513,115 sq. km., is located in Mainland Southeast Asia, with coasts on the Andaman Sea and the Gulf of Thailand. The country possesses over a thousand miles of beaches, hundreds of islands, crystal waters and superb coral reefs.

The combination of its location and tropical climate makes Thailand ideal for pleasure boating. Whether you are a sailing or power boat enthusiast, Thailand has something to offer.

Recently, worldwide yacht sales entrepreneurs and travel buyers voted Phuket as the **"Best Asian Maritime Capital"** at the Asia Boating Award 2010 held in Hong Kong. Phuket was deemed Asia's best centre for ocean travel, surpassing rivals Hong Kong, Singapore, and Italy.



With tourism being one of the driving sectors of the Thai economy, the industry has rebounded from the recent financial crisis with nearly 16 million tourists visiting Thailand in 2010 alone. Additionally, Bangkok has been awarded the World's Best City 2010 award from Travel and Leisure Magazine and was followed by Chiang Mai as the second best. This rise in tourism in general, and to marine destinations in particular, will help sustain the demand for yachts and smaller pleasure boats in Thailand in the coming years.

Thailand has not only natural attributes and modern facilities, but also skilled craftsmen and a strong tourism sector. Together, these help position Thailand as a future manufacturing center for pleasure boats in Southeast Asia.

Swelling Growth

Demand for marine products continues to increase as a result of the government's duty free policy on leisure vessels, first launched in February 2004 which reduced the import duty from 245% to 0%. As a direct result of that policy, the number of newly registered yachts rose over 350% from 2003 to 2004. Over 154 new yachts were registered in Thailand in 2009, a more than twelve-fold increase since the policy was enacted. The value of imported pleasure boats has increased by more than 28 times.

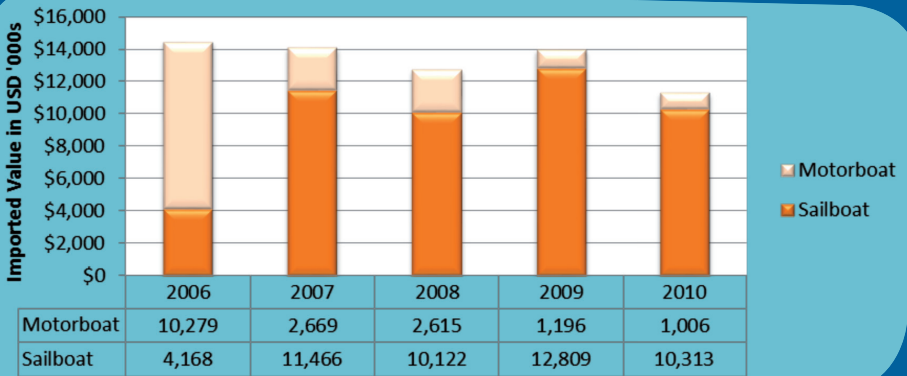
Thailand has a developed yachting industry including four major marinas, more than 20 yacht charter operators, 30,000 licensed captains and crew members and more than 800 permanently berthed yachts. These facilities are concentrated along the coast in the south of Thailand. Important areas on Thailand's Andaman coast include Phuket, Phang-Nga and Krabi. The Gulf of Thailand offers the popular islands of Koh Samui, Koh Pha-ngan, as well as coastal destinations such as Pattaya.

Thailand is also home to eight large shipyards with a production capacity of 5,000-180,000 DWT and 14 medium shipyards with a production capacity of up to 3,500 GRT. Over 300 firms are involved in the shipbuilding industry, 30 of which have registered capital exceeding US\$6.5 million.

The yacht market in Thailand, supported mostly by expatriates and international tourists, relies heavily on imported yachts. At least 70% of all larger yachts - sailing and power - sold in Thailand are foreign-made. In contrast, 60% of smaller speed boats sold in Thailand are locally produced. As of 2010, yachts and sports vessels comprised 8% of all registered seaborne vessels in Thailand. Fishing vessels comprised the majority with 58%, followed by passenger ships with 20%. Thailand already has much of the infrastructure needed to support its own yacht manufacturing industry; this field has grown enormously in the past three years, and promises even greater future growth.



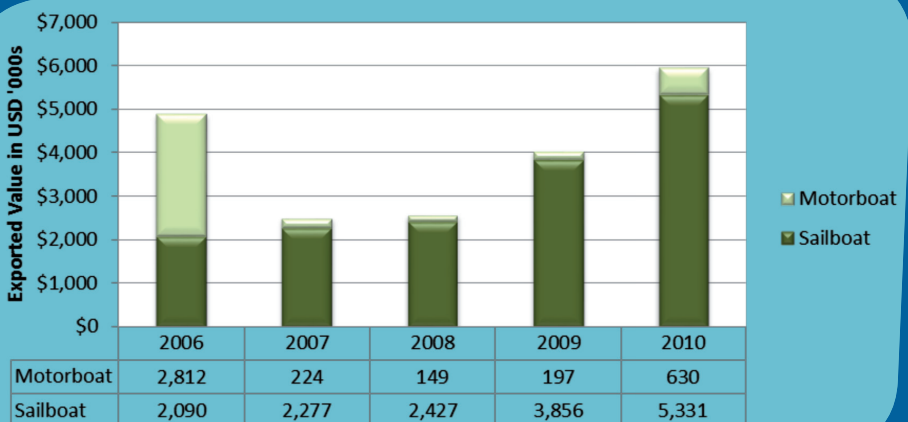
Import Value of Motorboats and Sailboats, 2006-2010



Source: Kingdom of Thailand Department of Customs

The aggregate import value of motorboats and sailboats has remained relatively steady in the past five years. The most prominent change has been the shift from high motorboat imports in 2006 to the sailboats. Sailboats now make up majority of the import value. Thailand tends to import most sailboats from France, China, Italy, the United Kingdom, and Turkey.

Export Value of Motorboats and Sailboats, 2006-2010

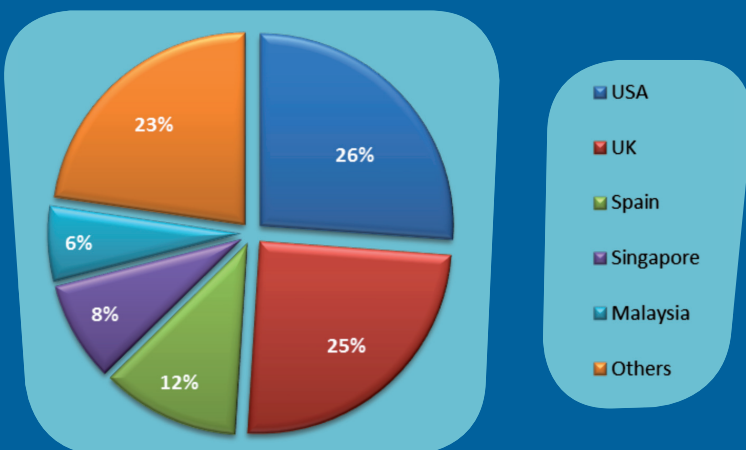


Source: Kingdom of Thailand Department of Customs



Motorboat exports to Thailand dropped off after 2006. However, the sailboat industry has seen steady export growth since 2007. In 2010, the US (26%), the UK (25%) and Spain (12%) were the top three destinations for Thai sailboat exports, accounting for 63% of the total, followed by Singapore (8%) and Malaysia (6%). The increased export value is attributed to several factors, such as high quality products, valuable and skilled labor, and the rising prominence of the yachting industry as a whole.

Thailand's Sailboat Exports by Market in 2010




Source: Kingdom of Thailand Department of Customs

Cost-Effective Investments

Thailand's cost-effective labor, as well as competitive materials costs makes it a prime destination for yacht construction. Material and labor costs for a 36ft yacht range from US\$240,000 to US\$484,000. A 46ft vessel ranges from US\$523,000 to US\$1 million. The markup for design, overhead, taxes and firm profit adds approximately 50% to these figures.

Laminating resin in Thailand is priced at half that of Australia. Teak for interior finishing is less than a third of the price at US\$2,500 per cubic meter. Marine engines are 15-20% less expensive in Thailand than in Australia or New Zealand, and Thailand's proximity to China and Taiwan reduces the cost of parts by as much as 40%.





Thai labor costs are particularly competitive. Skilled labor for yacht construction is widely available in Thailand; one of the key benefits of shipbuilding in the kingdom is the ready supply of skilled, qualified labor. Thailand boasts skilled technical labor and craftsmen, artisans and designers to furnish yacht interiors. Welders earn about US\$100 per day in Thailand, about half that of the Australian rate. Labor costs for skilled fiberglass workers, carpenters and foremen are similarly low.



Cost-Effective Workforce and Availability of Supporting Industries

Thailand's growing yacht construction business ensures it has a ready source of skilled shipwrights, engineers, and electronics specialists ... all at comparatively low cost.

Additionally, Thailand boasts the world's finest silk, teak wood, and rattan furniture, all of which are highly desirable for the interiors of a luxury yacht, and a pool of experienced, highly-skilled carpenters and interior design specialists. Thailand is also attracting an increasing number of international suppliers producing marine components such as sails and spars.





“ Even though our overseas competitors might have the same quality level as us, our engineering and workmanship capability is higher. That is in addition to our prices being less expensive because Thai labor wages are lower. ”


- Mr. Patrawin Chongvisal, a director and marine engineer of Marsun-

Strategic Location for Regional Hub of Yachting Industry

Thailand's location at the heart of South East Asia allows tourists to use it as a base for their explorations of the region and places manufacturers close to all sources of regional demand. Given Thailand's participation in the Association of South East Asian Nations (ASEAN) trade agreement and Free Trade Agreements (FTAs) with Australia, New Zealand, and China, manufacturers who choose to base their operations here can take advantage of duty-free exports to a number of countries. With the advent of the ASEAN Economic Community (AEC) in 2015, there will be expanded opportunities to source components and export finished products duty-free within the region.

Phuket has a constellation of unique advantages which serve this industry quite well. The resort island is renowned for its excellent service, but it also has a comparative advantage in being a central point linking it to other regional destinations. Phuket is a center for yachting enthusiasts who wish to easily sail their vessels to other Asian cities. The marinas provide a wide array of conveniences for those who sail.





“Phuket has an international airport, adequate infrastructure and easily available skilled labor is an added bonus. As Phuket is the centre for the marine business in the country and the overwhelming majority of the international sailors call in to Phuket for rest, recreation and repairs it has witnessed the rapid growth of related businesses, from marinas to berth the yachts to a host of marine engineering, electrical, mast and rigging and hardware supply businesses. This has also helped with the development of our company because Phuket is now recognized worldwide for the services which are available to the yachtsmen and the fact that we are about the fifth largest sailmaker in the world helps in being here.”

-Michael Robert Tasker, General Manager,
Rolly Tasker Sails (Thailand) Co., Ltd.-




Strong Government Support

The Board of Investment (BOI) provides investment opportunities for those in the yachting industry to promote growth. The incentives offered by the Thailand Board of Investment - including tax breaks and exemptions on material and machinery duties - allow the yachting industry to grow and continue to let Thailand serve as a prime maritime location. The Board of Investment has classified ship and yacht building as a priority activity of special importance and benefits to the country and actively promotes the industry on outbound investment promotion missions, primarily to Australia, New Zealand and Scandinavia.

BOI Investment Incentives

As part of its standard package of investment promotion incentives, the Board of Investment offers a wide range of fiscal and non-tax incentives for investments based on location. Tax-based incentives include exemption or reduction of import duties on machinery and raw materials, and corporate income tax exemptions and reductions. Non-tax incentives include permission to bring in foreign workers, own land and take or remit foreign currency abroad. Additionally, foreign businesses are entitled to 100% ownership.

In addition its standard package of fiscal and non-tax incentives, the BOI has classified the **ship and yacht building industry** as a *priority activity of special importance and benefit to the country*.



Projects engaged in **building or repair of ships of not less than 500 tons gross or of ships of less than 500 tons gross (except wooden or steel ships)** are eligible for an eight-year corporate income tax holiday and are exempt from import duties on machinery, regardless of location, as well as other location-based incentives. Projects locating in Zone 1 (Bangkok and surrounding provinces) are required to obtain ISO14000 certification within 2 years from the start-up date.

The BOI also promotes companies engaged in **tour boat or yacht renting** under the condition that projects must be approved by relevant government agencies. Approved projects are exempt from import duty on machinery, regardless of zone and a five-year corporate income tax exemption, regardless of zone.

Other Supporting Measures

In addition to the activities of the Board of Investment, other Thai government agencies (e.g. the Marine Department of the Ministry of Transport (MOT), the Ministry of Interior, the Department of Fisheries, and the Ministry of Industry) have adopted measures to support the yachting industry.

Since February 2004, boats in the following categories imported into Thailand are not required to pay import or excise taxes:

- Inflatable boats
- Sailboats (with or without auxiliary motor)
- Motorboats (other than outboard motorboats)
- Others

In addition, there is no quota on the type or number of vessels imported to Thailand. Vessels are freely transportable provided duty and excise taxes have been paid. There is no need for an import license for the import of vessels.

Further, to ensure long-term growth of the industry, the Ministry of Industry has developed a 10-year plan as a framework for stable development of the industry. It emphasizes advancement of shipbuilding capability, R&D, human resources, and joint ventures between Thai entrepreneurs and foreign companies. Consideration is also given to business opportunities existing from Thailand's good access to maritime markets such as the Greater Mekong Subregion, China, East Asia, Australia and India.



Thai Marine Business Association

Thai Marine Business Association (TMBA), formerly known as Marine Alliance of Thailand, is a group of companies with both Thai and foreign management involved in all aspects of the marine industry, including tour operators, boat manufacturers, and marine and boating publications. It has played a crucial role in persuading the Thai government to reduce the tax rate on yachts and further clarify operating laws for the marine leisure industry.

For further information:

Thailand Board of Investment (BOI): www.boi.go.th

Thai Marine Business Association (TMBA):

<http://thai-marine-association.com>

Marine Department: www.md.go.th/index_eng.php

Yacht Racing Association of Thailand: www.yrat.or.th

King's Cup Regatta: www.kingscup.com

Samui Regatta: www.samuiregatta.com

Phuket Race Week: www.phuketraceweek.com

Phuket International Marine Expo: www.phuketboatshow.com

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