



Government of Sri Lanka

NATIONAL EXPORT STRATEGY OF SRI LANKA BOAT BUILDING STRATEGY

2018-2022



The National Export Strategy (NES) of Sri Lanka is an official document of the Government of Sri Lanka

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This Boat Building Strategy was developed using the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

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Government of Sri Lanka

NATIONAL EXPORT STRATEGY OF **SRI LANKA** 2018-2022

BOAT BUILDING STRATEGY



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MESSAGE FROM THE BOAT BUILDING INDUSTRY

Boat and ship building, being a high value industry, requires advanced technical capacity & expertise to be able to compete at international levels. The demand for a vibrant boat and ship building industry and a regional hub is rapidly increasing. Expanded oceanic traffic in the Indian Ocean sees increased demand for boats and ships and service providers for repairs and other ancillary services. The potential for Sri Lanka's boat and ship building industry is particularly high in light of interest from the global marine industry for Sri Lanka to open itself to the Asian markets.

Sri Lankan products related to boat and ship building has been more competitive in pricing and quality in comparison to regional boat and ship building sectors. This is particularly relevant to the recreational boat building industry for which there is immense regional demand and potential growth in the years to come.

The National Export Strategy has identified boat building, a visionary sector, as a priority sector for growth and development over the next five years. The NES focus on boat and ship building will establish this sector to benefit well from the demand for a regional boat and ship building hub in Asia. This will lead Sri Lanka towards its aspirations to become a hub of growth & innovation in the Asian region, and thereby providing employment and prosperity to thousands of Sri Lankans.

The NES is looking to develop boat and ship building as an industry in Sri Lanka that will generate increased export revenue. This comes in the wake of consultations that took place to chart a course for developing the sector. Participants to these consultations included representatives of the public sector, leading boat manufacturing and ship building companies, representatives from prominent industry related institutions and the boat building technology improvement institute.

This strategy is a much-awaited document that will streamline the progress of this industry and optimize its strengths. The boat and ship building industry has reserves of potential that could have a tangible impact on the Sri Lankan economy and will contribute to a multiplier effect that could benefit other ancillary industries and contribute towards the government's mandate to making Sri Lanka a well performing regional economic hub.

The success of the boat and ship building sector strategy will depend heavily on the commitment of the stakeholders to implementing the strategy and the diligent monitoring of the progress made in implementation. As the key stakeholders of this industry, we are keen to ensure that the National Export Strategy at large and the boat and ship building sector strategy are provided with the support required for Sri Lanka to establish itself as a hub for boat building and a key destination for the maritime industry in the region. In this journey, we reiterate the importance of the commitment of the government in developing the necessary infrastructure, legal & regulatory framework required for the industry to attract the private sector investment towards the growth anticipated in the NES.

Let's set our sails beyond horizon!



Neil Fernando – Chairman
Boat Building Technology Improvement institute
The association of boat and ship builders
and allied trades

ACKNOWLEDGEMENTS

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The document benefited particularly from the inputs and guidance provided by the members of the boat building sector team that steered the formulation of the sector Strategy, namely:

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The full list of public and private stakeholders that contributed their precious time to the design of this Strategy are detailed in Appendix 1.



Photo: Sail Lonka Charter

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ACRONYMS

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

The following abbreviations are used:

B2B	Business to business	MoDSIT	Ministry of Development Strategies and International Trade
BOI	Board of Investment of Sri Lanka	MoFARD	Ministry of Fisheries and Aquatic Resources Development
BTI	Boat building Technology Improvement Institute	MoPS	Ministry of Ports and Shipping
EDB	Sri Lankan Export Development Board	NBT	Nation building tax
EPZ	Export processing zone	NM	Nautical miles
EU	European Union	PAL	Port and Airport Development Levy
FDI	Foreign direct investment	PoA	Plan of Action
FRP	Fibreglass reinforced plastic	R&D	Research and development
HS	Harmonized System	TISI	Trade and investment support institutions
ICOMIA	International Council of Marine Industry Associations	TVET	Technical and vocational education and training
IT	Information technology	UCINA	Confindustria Nautica Italiana
JV	Joint venture	VAT	Value added tax
MIC	Ministry of Industry and Commerce		
MoD	Ministry of Defence		



Photo: ©Neil Marine

EXECUTIVE SUMMARY

The development of the Boat Industry Strategy for Sri Lanka (Strategy) is a five-year endeavour that was defined through a consultative process between public and private sector stakeholders. The Strategy's goal is to turn Sri Lanka into a renowned manufacturer of boats and boat industry products, a popular recreational boating hub and a yacht and marine industry service centre. Achieving this ambitious objective will depend on the boat building's actions, monitoring progress and mobilizing resources. Fostering an adequate regulatory environment and creating an enabling framework also are necessary for successful implementation.

Sri Lanka intends to expand its boat industry – now focused almost solely on commercial vessels – and make the country a renowned recreational boating hub and yacht service centre for the Indian Ocean. A boat industry includes not only the boat building sector but also after-sales services (including refitting and repair), marina services, associated recreational services such as boat charters and all services connected with the efficient use of any vessel. As a key driver and beneficiary, the private sector is responsible for creating favourable conditions for expansion of the industry. By enabling and supporting private sector operators to develop the sector, the Government of Sri Lanka will support overall development.

Sri Lanka's strategic geographical location at the crossroads of the main maritime routes in South Asia, combined with the Sri Lankan long experience, can make the country an attractive maritime hub that provides a full range of services for a boat's entire life cycle, including assembly, refuelling, refit and repair for numerous types of boats and seagoing and inland water craft.

Currently, Sri Lankan boat manufacturers produce diversified products of differing quality levels to meet the requirements of various markets. Trade in products now made by the Sri Lankan boat building industry can still be expanded. Transportation vessels, for instance, are sold to the Sri Lankan, Indian and Singaporean markets but have potential customer bases in Maldives, the Seychelles, Bangladesh and East African countries.

Development of new products, complementary to the existing manufacturing base, could result in niche manufactured products and activities linked with the expansion of the local and regional boating business. For instance, production of new fishing industry models, namely mother vessels for fish collecting and processing, target regional markets (Sri Lanka, Maldives and the Seychelles). Supply boats for aquaculture target the local, regional and EU markets, and rowing sculls and kayak production is a global niche market in which manufacturers could compete on price and quality. Increased product diversification, however, may require technological adaptation. For instance, expanding production of recreational boats for export to the EU market and to countries with a growing interest in boating (such as Maldives, Singapore, Viet Nam or Kenya) will require updated fibreglass reinforced plastic (FRP) manufacturing techniques and increased promotion in target markets. Adopting updated FRP manufacturing techniques for expanded production of recreational boats in Sri Lanka may lead to larger recreational boating activity, increased delivery of post-sale services and development of associated marina-based businesses.

Prioritizing the creation of a new waterfront export processing zone (EPZ) and industry clusters for boat building, repairs and related services will support expanded production and will facilitate boat building, testing and launching. This will attract both new investment in boat facilities and international boat operators requiring services such as boat parking and maintenance.

Key opportunities for the boat building industry lie both in manufacturing and in creating links with other sectors so that the requirements of the entire boating value chain can be met. Hiring one direct employee in boat building generates seven additional indirect employment opportunities. For the Sri Lankan boat building industry, there are obvious connections to sectors such as electronics, information technology (IT) and logistics. Possibilities also exist for production of boating materials and equipment such as marine electronics and marine-related software, interior equipment, furnishing, materials and electrical fittings, machinery, propulsion units, mechanical systems, resins, paints and rubber accessories, which can be produced locally or even exported.

Boating tourism represents a major untapped opportunity for the national economy. Sri Lanka's coasts and sea/weather conditions make the island an excellent charter destination, with the possible expansion of boating and sailing tourism and marina services provision. Investment through public-private partnerships to install basic marina facilities will enable marina operators and charter companies to provide services around the island for visiting yachts and recreational craft. Boating tourism development will spur a variety of subsectors, namely water sport rental, inland boat hire, sailing schools and training and whale and dolphin watching.

However, the industry faces constraints that need to be addressed in the short-to-medium term in order to facilitate rapid industry growth. Updating regulatory frameworks, providing marketing and promotion support, expanding existing capacity of boatyards and dockyards and improving overall industry coordination will create an enabling environment for boat industry development.

The following key interventions are priorities to facilitate the implementation of the Strategy:

- Urgently develop the regulatory framework for navigation of recreational craft to attract boats traversing the Indian Ocean.
- Allocate land for boat building and repair clusters in existing and new waterfront Board of Investment of Sri Lanka (BOI) zones.
- Establish a national boat industry association to act on behalf of the industry and to represent all stakeholders.

The following delineates the proposed vision and strategic objectives of this Strategy. This vision statement was agreed upon by all stakeholders in the boat building value chain in Sri Lanka:

“ Sri Lanka: Boat building and Maritime Tourism Hub in the Indian Ocean ”

The Strategy's Plan of Action (PoA) responds to this vision by addressing the sector's constraints and leveraging opportunities in a comprehensive manner. To this end, specific efforts will be made in the following strategic directions:

Strategic objective 1: To create an enabling environment for industry development by updating regulations and infrastructure

- Regulatory frameworks for the boat industry should be adopted and implemented to ensure effective operations in the sector.

Strategic objective 2: To raise the industry's performance through partnerships and targeted innovation

- Improved supply chain performance and sector coordination will respond to urgent industry needs in terms of skills, R&D, technology transfer and overall strategic planning for sector development.

Strategic objective 3: To enhance national and international visibility of Sri Lanka's boatbuilding industry

- Strengthening industry marketing, promotion and branding will bring national and international recognition of the Sri Lankan boat industry.

Coordinating activities, monitoring progress and mobilizing resources for implementation will be critical to successful achievement of these targets. To that effect, a public-private 'advisory committee' for boat building was established, operationalized and empowered. The boat building 'advisory committee' is now responsible for overall coordination, provision of policy guidance and monitoring of industry developments in relation to the Strategy.

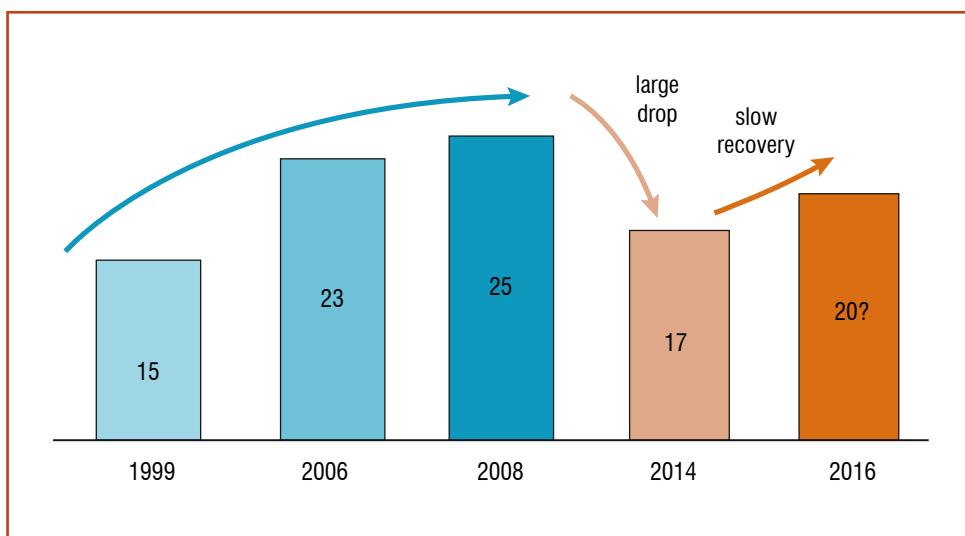
An effectively organized and supported industry committee will plan development strategically. High-level support from the Government, in collaboration with strong championship by the private sector, will be the real drivers to truly make Sri Lanka a renowned boating destination in Asia.

A GLOBAL INDUSTRY OPENING DOORS TO NEW BOAT MANUFACTURERS

The rich and complex boat building processes require a long value chain that involve numerous high-skilled actors. These actors include naval engineers, interior designers, material workers (for composites, aluminium, wood, steel, etc.), wood carpenters, painters, coating applicators, mechanics, sail makers, IT technicians and suppliers (such as for electronics, plumbing, engines and deck wares). In a highly competitive market, a workforce with strong technical skills is essential to a boat manufacturing company. Globally, the boat building is quite important: its two main manufacturing segments, boats and marine equipment, are comprised of 100,000 direct companies (primarily small and medium-sized enterprises), one million direct employees and more than US\$50 billion in manufacturing turnover. On average, one direct employee in the industry generates seven additional indirect employment opportunities.

In an age marked by instability in the global economy, the boat trade can be sensitive to fluctuations in the main socioeconomic indicators. After two decades of constant boat industry growth, the 2008 global crisis hit the boat building sector (see figure 1). Post-crisis recovery for the industry occurred faster in the United States of America than in the European market. While the American market began to grow again in 2011, reaching pre-crisis turnover levels in 2016, in Europe the recovery was slower and lower. Some countries suffered from a second drop in turnover in 2011/2012, and the main markets showed reliable signs of improvement only from 2014.

Figure 1: Global boat production turnover (EUR, billions)

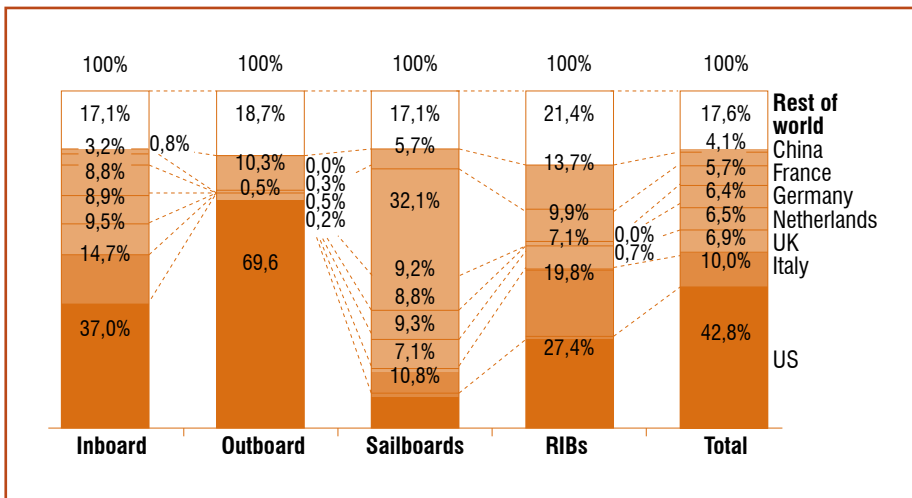


Source: Deloitte (2016).

The United States remains the leader in boat manufacturing, followed by five European countries. With almost 43% of global production, the United States' leadership in boat manufacturing is evident. Five European countries follow in the ranking: Italy, the United Kingdom of Great Britain and Northern Ireland, the Netherlands, Germany and France. The United States produces 70% of all outboard boats, with France the leader in sailboat production, representing 32% of the total. In the inboard and rigid inflatable boat segments,

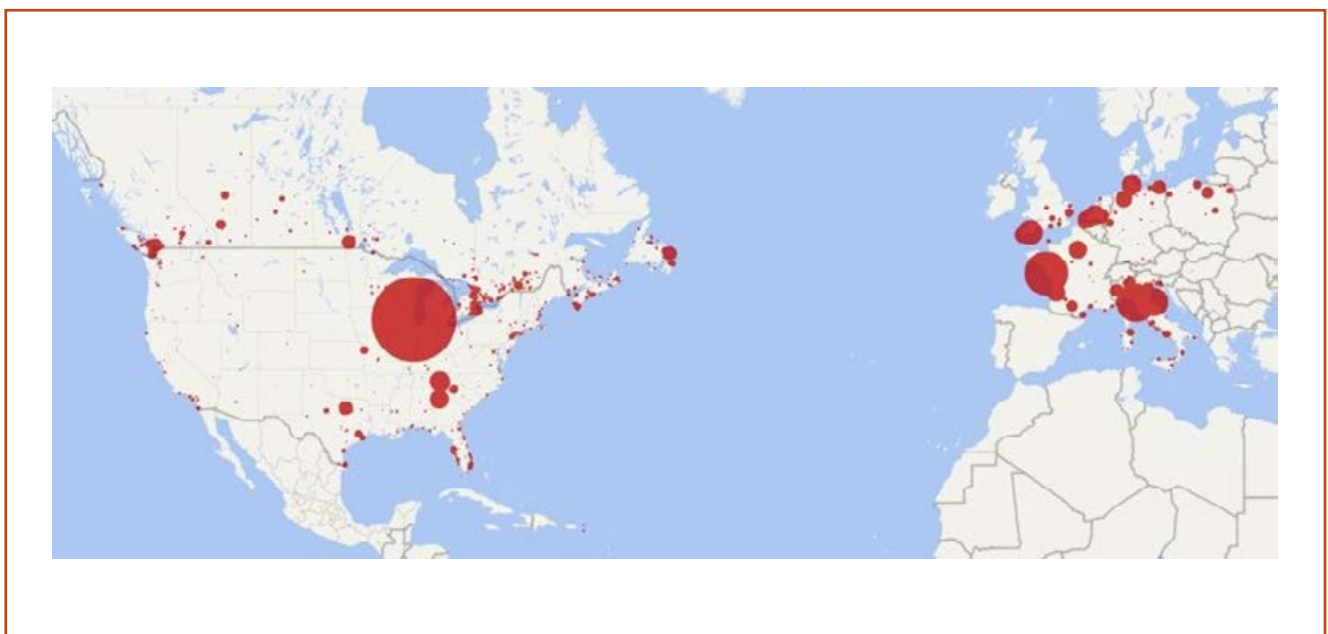
the United States and Italy are the strongest players. China is becoming an important boat manufacturer, with a specific specialisation in smaller craft, such as outboard and inflatables. The top manufacturing groups are Brunswick Cooperation in the United States; Azimut-Benetti, Sanlorenzo S.P.A and Ferretti Group in Italy; Bénéteau in France and Sunseeker International and Princess Yacht International in the United Kingdom.

Figure 2: Global boat production share (2014) (%)



Source: Deloitte (2016).

Figure 3: Geographical localization of the boat building companies by turnover



Source: UCINA and Fondazione Edison (2017).

Emerging economies with the most important boat manufacturing industries lack domestic demand and require export markets. Asia-Pacific, South America, Gulf and Middle East countries represent growing demand. Four major areas are considered developing markets (see figure 4):

- Brazil and the Russian Federation had good potential but are currently in decline;
- South Africa is a good but small market; and
- Gulf and Middle East countries are considered the most promising markets, although the consumers targeted are mainly in the luxury segment.

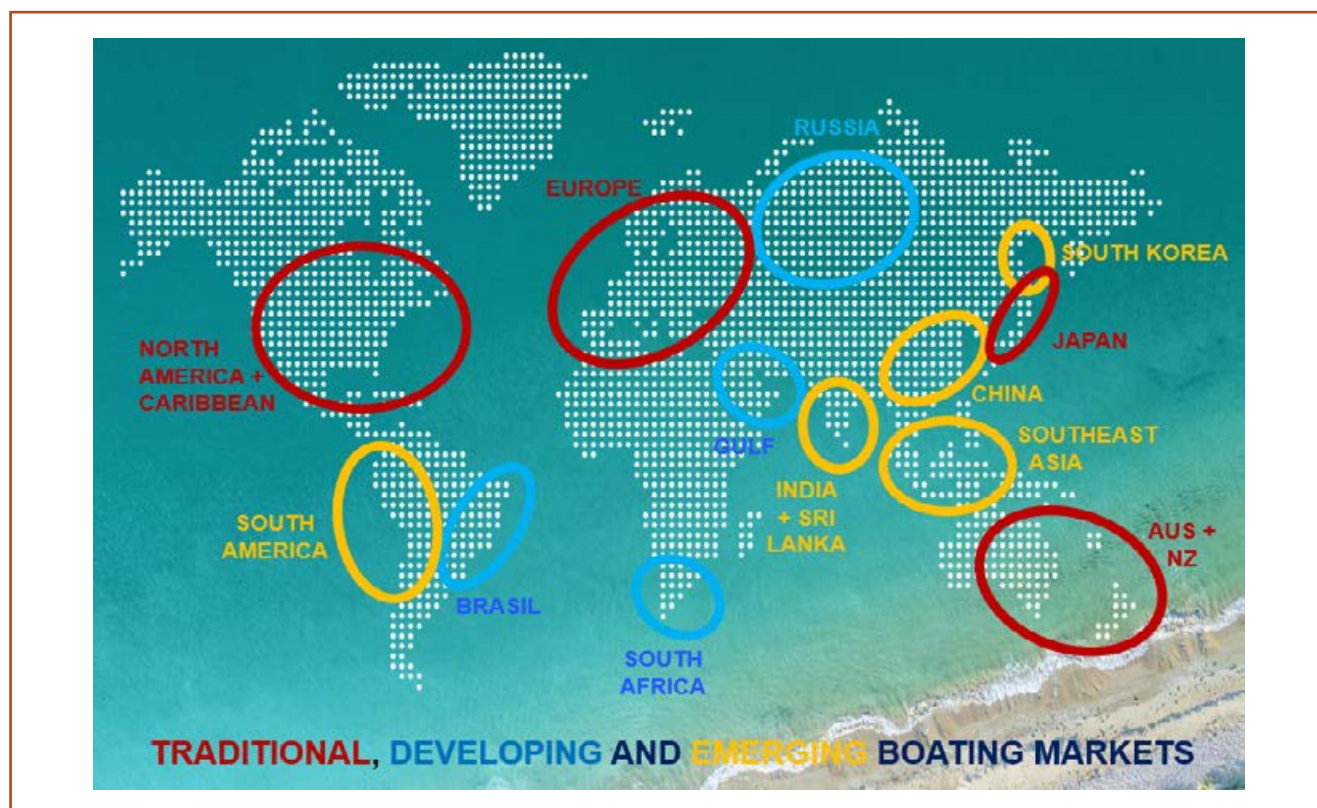
Emerging markets with growing manufacturing capacities and certain demand, apart from a few countries in South America, such as Argentina and Colombia, are all located in Asia:

- China is already one of the most important manufacturing countries but lacks wide consumer interest in boating in the domestic market;
- The Republic of Korea may become a strong consumer market in the next few years; and
- Development in South-East Asia, India and Sri Lanka could take a little longer, due to the absence of marina infrastructure and the lack of a boating culture among consumers.



Photo: ©Neil Marine

Figure 4: Classification of worldwide boating markets



Source: ICOMIA.

Global exports of recreational crafts are dominated by European countries. Italy, with US\$ 1.9 billion in exports, provides 14.5% of global boat building exports (figure 5). The Netherlands takes second place with a share of 13.9%

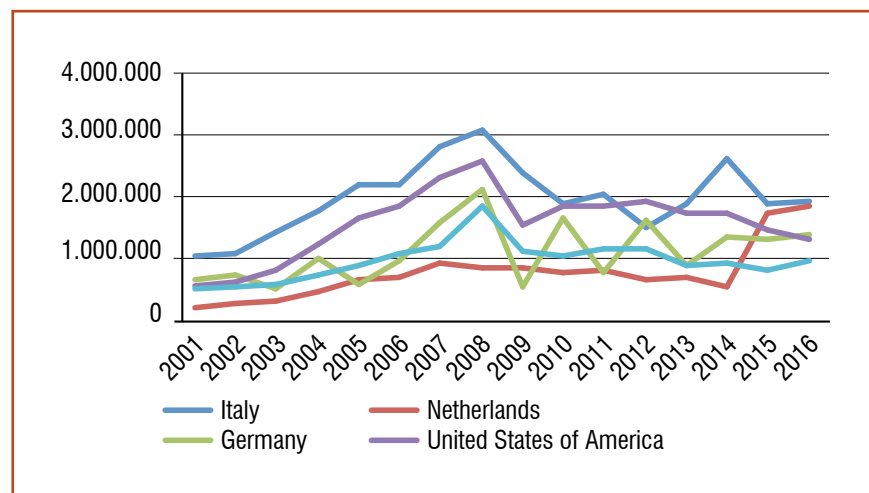
of world exports, followed by Germany, the United States, France and the United Kingdom (see table 1). These five countries are responsible for about 60% of global production and export of recreational craft.

Table 1: Global exports in boat production, 2016 (US\$ millions)

Rank	Country	Inflatables	Sailboats	Inboard	Outboard	Total
1	Italy	54.8	41.7	1 793.7	35.9	1 926.1
2	Netherlands	5.0	252.7	1 571.4	15.2	1 844.2
3	Germany	5.0	154.4	1 234.4	16.0	1 409.8
4	United States	13.2	41.6	610.4	656.0	1 321.3
5	France	25.6	594.5	488.1	27.4	1 135.7
6	United Kingdom	19.0	90.0	871.5	12.1	992.7
7	Mexico	3.8	0.0	509.3	31.0	544.1
8	Poland	4.7	14.0	53.0	301.1	372.9
9	China	123.3	10.8	31.0	136.0	301.1
10	Finland	0.01	88.4	103.7	71.8	263.9

Source: Processed data for the UCINA yearly statistics book, based on ITC and United Nations Comtrade – Harmonized System (HS) 2012 classification, 8903 codes.

Figure 5: Global export trends in boat production, 2001–2016 (US\$, millions)



Source: ITC and United Nations Comtrade, HS 2012 classification, 8903 code.

With global demand growing and economic recovery expected to continue, the international boat trade offers many opportunities to manufacturing companies, especially in the face of shrinking or absent domestic demand. The main opportunities lie in finding new markets and customers for existing products and showing new products in traditional markets, where customers' willingness to upgrade their boat or change product could present new export

possibilities. The last available survey among members of the International Council of Marine Industry Associations (ICOMIA), on turnover trends in the first six months of 2017 showed significant growth in traditional markets in Europe and North America, a decrease in South America and in Turkey and general stability in the rest of the world (see figure 6).

Figure 6: Market trends for first six months of 2017



Source: ICOMIA.

Immensely popular in many developed countries, boating is affordable for most middle-income earners. Over the past ten years, trends have emerged that should be considered in strategic planning:

- Boaters' demography: traditional markets like Europe have an ageing customer base, which confirms the need to attract newcomers to boating.
- Boat owner patterns: newcomers to boating are interested in sailing but prefer to rent rather than own, which opens opportunities for charter services, boat sharing and peer-to-peer boat rental.

- Design trends demand: Boat shape, design and size vary depending on the individual customer, as seen in the rise in the super-and mega-yacht segment in high income countries.

For a boat manufacturer, understanding demand in a target market is essential to supplying the right product, as different boat usage habits and traditions require new boat designs and uses. The interdependent businesses in the boat building industry, including in the marine industry and in boating tourism, offer opportunities in the full range of marina equipment businesses and services.

Summary

- The global boat building is recovering after the post-crisis drop, with increasing demand for recreational boating in the United States and in EU markets. Asia-Pacific, South American, Gulf and Middle East countries represent growing demand for different types of boats.
- Southeast Asia – which is the fastest growing region in the world and is close to emerging markets in Asia, Africa, and South America – offers many opportunities for boat manufacturers and charter companies.
- Top global manufacturers have lengthy experience and established market entry channels.
- Emerging economies with important boat manufacturing industries lack domestic demand and need export markets.
- Immensely popular in many developed countries, boating is affordable for most middle-income earners.
- Understanding demand in a target market is essential if a boat manufacturer is to supply the right products and to perform successfully in diverse markets.



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Photo: ©Ranil Marine

A SRI LANKAN INDUSTRY DRIVEN BY A FAVOURABLE STRATEGIC POSITION AND DEVELOPING TOURISM SECTOR

A long boat experience and a strategic geographical location give Sri Lanka advantages that can help the country become an important maritime hub in the Indian Ocean.

The boat industry in Sri Lanka has a long and continually evolving history. Boat building currently accounts for about 1% of the total value of Sri Lanka's exports. Some of the best natural harbours in Asia, a strategic location on the maritime crossroads of the Indian Ocean and experienced manufacturers give Sri Lanka advantages for further industry development. Currently, only 22 of the 47 registered boat yards export. The industry currently provides full-time direct employment to over 2,000 individuals and the sector generates 10,000 indirect jobs.

Enterprises operating in the boat building industry in Sri Lanka produce various types of vessels, with different codes within the Harmonized Commodity Description and Coding System (HS), for different markets:

- Recreational boats (HS 8901, HS 8903) are the most exported products in the boat building sector, with a combined exported value in 2016 of more than US\$65 million. Annual growth rate for motor boats and yachts between 2012 and 2016 was 155%.
- Fishing boats (HS 8902) are the third most exported products in the boat building sector. The export value of fishing boats in 2016 was US\$2 million, with an annual growth rate of 66%.
- The exported value of merchant boats (HS 8904, HS 8905, HS 8906), including tugs and pusher crafts, dredgers, floating platforms, lifeboats, light vessels coastguard boats, etc., was around US\$5 million in 2016.



Photo: © Boat Building Technology Improvement Institute

Boat parts and other maritime industry equipment, namely sails for boats (HS 6306), are produced in Sri Lanka and are the most exported segments of the boat building sector. In 2016, the export value for these products reached US\$29 million with an annual growth of 9% in 2012-2016. Since 2015, Sri Lanka has been the number one global exporter of boat sails. Other maritime industry equipment produced and exported are water-skis, surfboards and sailboards (HS 9506).

Services related to recreational boating (such as repair, refit, scrapping and other maintenance or marina related services) also contribute to the industry. However, these services are not regularly provided in Sri Lanka and there is no data available on their impact on the boat building.

Table 2: List of exported products in boat building industry and export value, 2016

Name	Name	Value exported in 2016 (US\$, thousands)
Cruise ships, excursion boats, ferryboats, cargo ships, barges and similar vessels for the transport of persons or goods (HS8901)	890110 Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferryboats of all kinds	321
	890190 Vessels for the transport of goods and vessels for the transport of both persons and goods (excluding refrigerated vessels, tankers, ferryboats and vessels principally designed for the transport of persons)	53 253
Fishing vessels; factory ships and other vessels for processing or preserving fishery products (excluding fishing boats for sport) (HS8902)	890200 Fishing vessels; factory ships and other vessels for processing or preserving fishery products (excluding fishing boats for sport)	2,012
Yachts and other vessels for pleasure or sports; rowing boats and canoes (HS8903)	890310 Inflatable vessels for pleasure or sports	34
	890391 Sailboats and yachts, with or without auxiliary motor, for pleasure or sports	235
	890392 Motor boats and motor yachts, for pleasure or sports (other than outboard motor boats)	10 210
	890399 Vessels for pleasure or sports; rowing boats (excluding motor boats and motor yachts powered other than by outboard motors, sailboats and yachts with or without auxiliary motor and inflatable boats)	55
Tugs and pusher craft (HS8904)	890400 Tugs and pusher craft	6
Light vessels, fire-floats, dredgers, floating cranes, and other vessels the navigability of which is subsidiary to their main function; floating docks, floating or submersible drilling or production platforms (excluding fishing vessels and warships) (HS8905)	890510 Dredgers	1 110
	890520 Floating or submersible drilling or production platforms	1 525
	890590 Light vessels, fire-floats, floating cranes and other vessels, the navigability of which is subsidiary to their main function (excluding dredgers, floating or submersible drilling or production platforms; fishing vessels and warships)	63
Vessels, incl. warships and lifeboats (excluding rowing boats and other vessels of heading 8901 to 8905 and vessels for breaking up) (HS8906)	890610 Warships of all kinds	
	890690 Vessels, incl. lifeboats (excluding warships, rowing boats and other vessels of heading 8901 to 8905 and vessels for breaking up)	1 559
Rafts, tanks, coffer-dams, landing stages, buoys, beacons and other floating structures (excluding vessels of heading 8901 to 8906 and floating structures for breaking up) (HS8907)	890710 Inflatable rafts	4
	890790 Rafts, tanks, coffer-dams, landing stages, buoys, beacons and other floating structures (excluding inflatable rafts, vessels of heading 8901 to 8906 and floating structures for breaking up)	207
Vessels and other floating structures for breaking up (HS8908)	890800 Vessels and other floating structures for breaking up	1
Tarpaulins, awnings and sun blinds; tents; sails for boats, sailboards or land craft; camping (HS6306)	630630 Sails for boats, sailboards or land craft, of textile materials	29 995
Articles and equipment for general physical exercise, gymnastics, athletics, other sports (HS9506)	950629 Water-skis, surfboards and other water sport equipment (other than sailboards)	19 118
	950621 Sailboards	2 700

Source: ITC calculations based on United Nations Comtrade statistics.

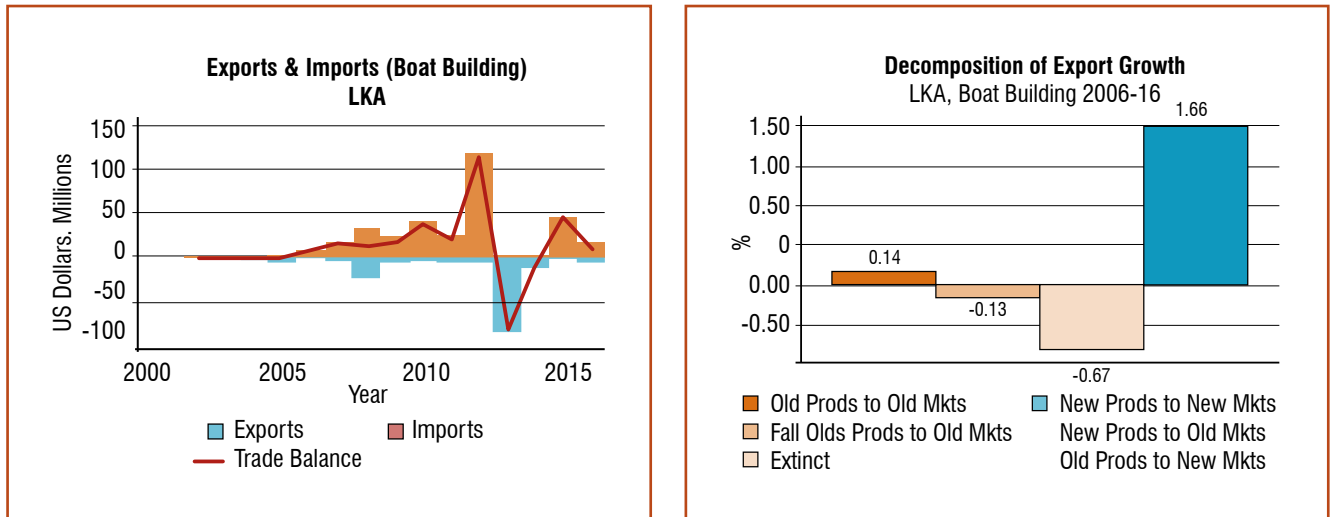
As the boat building sector includes sales of unique and expensive boats, trade of boat building products has been characterized by large fluctuations. The highest value exports occurred in 2011-2012. This was followed by an abrupt fall in 2012-2013 but exports increased the following year. The change in export growth indicates that exporters diversified with new products in new markets while continuing to export traditional products to existing markets (see figure 7). While 166% of the growth in exports is linked to selling new products to new markets, 14% of growth arises from supplying existing products to traditional markets.

Sri Lankan boat exports lag behind those of its regional competitors but it remains a leader in the export of motor boats and motor yachts, for pleasure or sport. Compared to Southeast Asian peers (see figure 8), the industry faces

competition primarily in vessels for transportation (India, the Philippines, Viet Nam) and fishing vessels (Viet Nam). However, the Sri Lankan export basket differs from its regional peers in Southeast Asia. It is a leader in motor boat and yacht exports among its regional peers and remains the primary exporter of boat sails in the world.

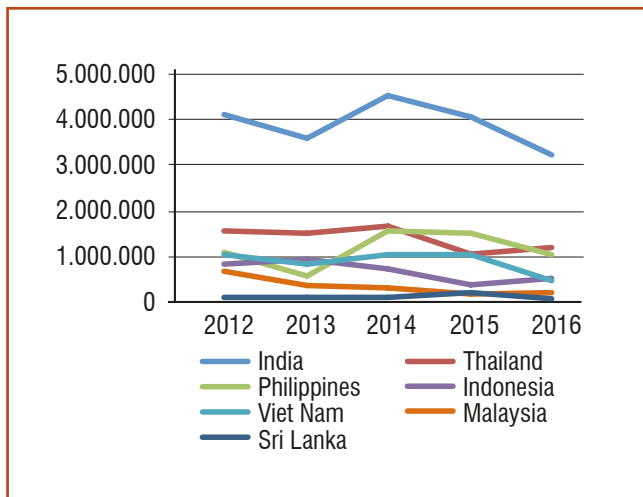
The low rate of Sri Lanka export survival in the boat sector indicates fluctuating export relationships and several supply capacity challenges. Export survival for Sri Lanka is low compared to its regional peers (see figure 9). Compared to regional peers for boat manufacturing, Malaysia, Thailand and China have higher export survival rates. Sri Lanka manufactures high quality products and the industry can easily meet buyers' requirements and preferences but low technology use and high manual labour inputs limit boat production.

Figure 7: Trade flows and balance and analysis of export growth



Source: ITC calculations based on United Nations Comtrade.

Figure 8: Regional exports of ships, boats and floating structures (HS-89), 2012–2016 (US\$, millions)

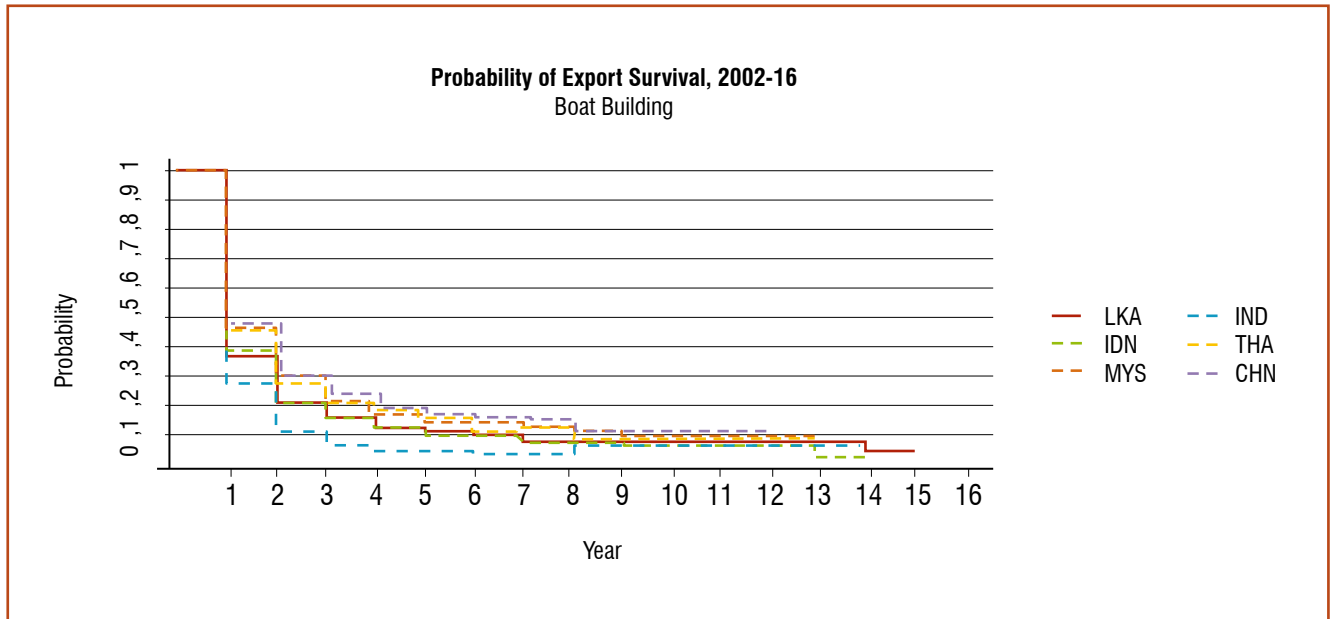


Source: ITC calculations based on United Nations Comtrade.



Photo: © Boat Building Technology Improvement Institute

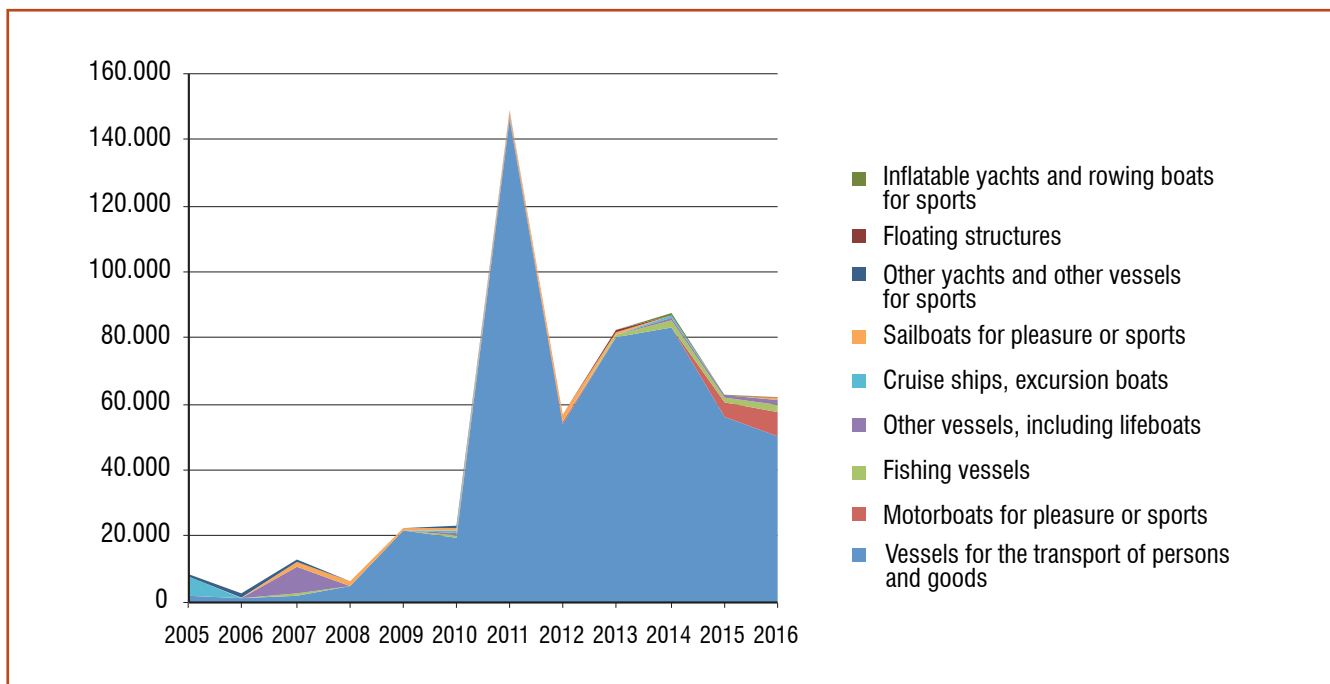
Figure 9: Probability of survival of boat building export relationships compared to regional peers, 2002–2016



Source: ITC calculations based on United Nations Comtrade and ITC statistics.

Sri Lanka's boat exports increased rapidly in the last decade, growing at an average annual rate of 17.94% (see figure 10). In the last five years, exports have grown by 44.64% annually, with transportation vessels for both people and goods representing most of this growth (78%). In recent years, exports of pleasure and sport motorboats have grown fastest and now represent 15% of total exports.

Figure 10: Sri Lanka total exports of boats and ships, 2005–2016 (US\$, millions)



Source: Information Technology Division/EDB.



Photo: ©Neil Marine

Most boat industry export growth was achieved by increasing exports to traditional markets. Table 3 confirms that Sri Lanka's boat exports remain concentrated in the Indian and Singaporean markets. Exports of boats to India grew in the last five years at an average annual growth rate of 7%, while export to Singapore declined by 1%. New markets such as the EU, Maldives, Nigeria, the United Arab Emirates, the Seychelles and the Comoros show impressive growth rates. There are relatively few exports to Africa and the Middle East.

Both boat manufacturing and creating links with other sectors in the value chain are key opportunities for the boat industry. Related segments include:

- Marine materials and equipment: marine electronics and marine-related software, interior equipment, furnishing, electrical materials and fittings, machinery, propulsion units, mechanical systems, resins, paints and rubber accessories;
- Servicing: refuelling, refit, maintenance, after-sales;
- Tourism: maritime tourism, charter and marina services;
- Regional water transportation services: coastal ferry services (regional: Bangladesh, India; national: Jaffna peninsula, Trincomalee); and
- Domestic water transportation services: canal transportation (improve for passengers).

Table 3: The Sri Lanka's export destinations and main exported items

Importers	Value exported in 2016 (US\$, thousands)	Share in Sri Lanka's exports (%)	Annual growth in value between 2012-2016 (% p.a)	Main exported items
India	33 870	48.0	7	<ul style="list-style-type: none"> Vessels for the transport of goods and both persons and goods Motorboats for pleasure or sport, other than outboard motorboats
Singapore	25 326	35.9	-1	<ul style="list-style-type: none"> Vessels for the transport of goods and both persons and goods
Nigeria	1 175	1.7	70	<ul style="list-style-type: none"> Other vessels, including warships and lifeboats other than rowing boats
United Arab Emirates	1 117	1.6	-	<ul style="list-style-type: none"> Motorboats for pleasure or sport, other than outboard motorboats
Seychelles	1 073	1.5	21	<ul style="list-style-type: none"> Fishing vessels; factory ships, etc., for processing/preserving fish
Comoros	744	1.1	-	<ul style="list-style-type: none"> Fishing vessels; factory ships, etc., for processing/preserving fish Floating structure
Netherlands	554	0.8	-16	<ul style="list-style-type: none"> Vessels for the transport of goods and both persons and goods Motorboats for pleasure or sport, other than outboard motorboats Other vessels, including warships and lifeboats other than rowing boats
Maldives	422	0.6	105	<ul style="list-style-type: none"> Vessels for the transport of goods and both persons and goods Fishing vessels; factory ships, etc., for processing/preserving fish Yachts and other vessels for pleasure or sport Inflatable yachts for pleasure

Source: Information Technology Division/Sri Lanka EDB.

Summary

- Sri Lanka's location on South Asia's main maritime routes and the country's boat building experience make Sri Lanka an attractive maritime hub that can provide a full range of services for a boat's entire life-cycle.
- Existing boat manufacturers produce diversified products with different levels of quality to meet the needs of various markets.
- Sri Lanka remains an export leader among Southeast Asian countries for motor boats and motor yachts, both for pleasure and sport, and globally is the number one exporter of boat sails.
- Most export growth has been achieved by increasing exports to traditional markets.
- Key opportunities exist not only in boat manufacturing but also in creating links with other sectors to service the complete boat building value chain.

VALUE CHAIN DIAGNOSTICS

Value chain analysis enables a better understanding of the dynamics and issues affecting industry performance.

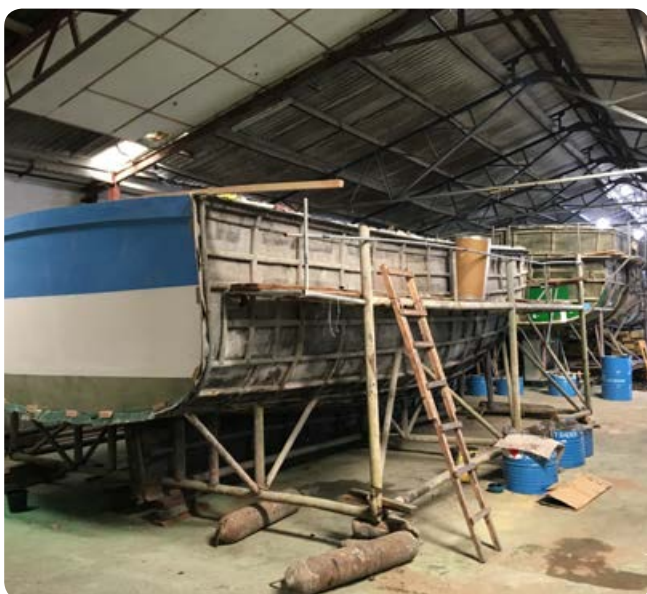
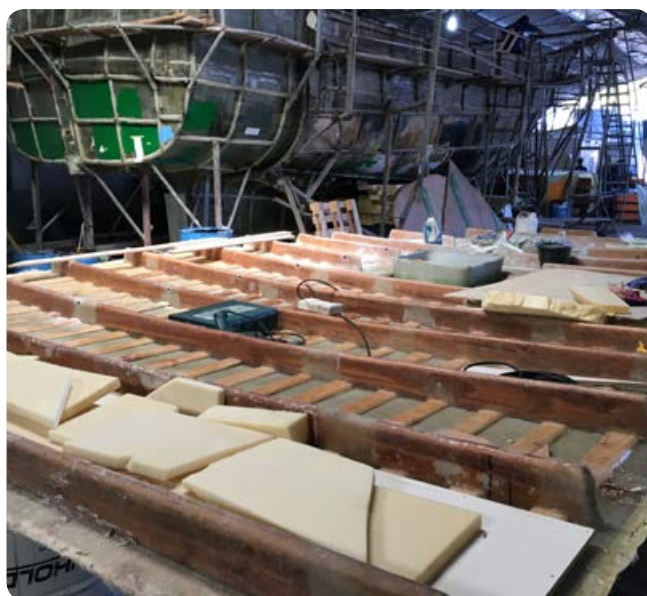


Photo: (ITC) – Neil Marine

Figure 11: Boat building industry value chain

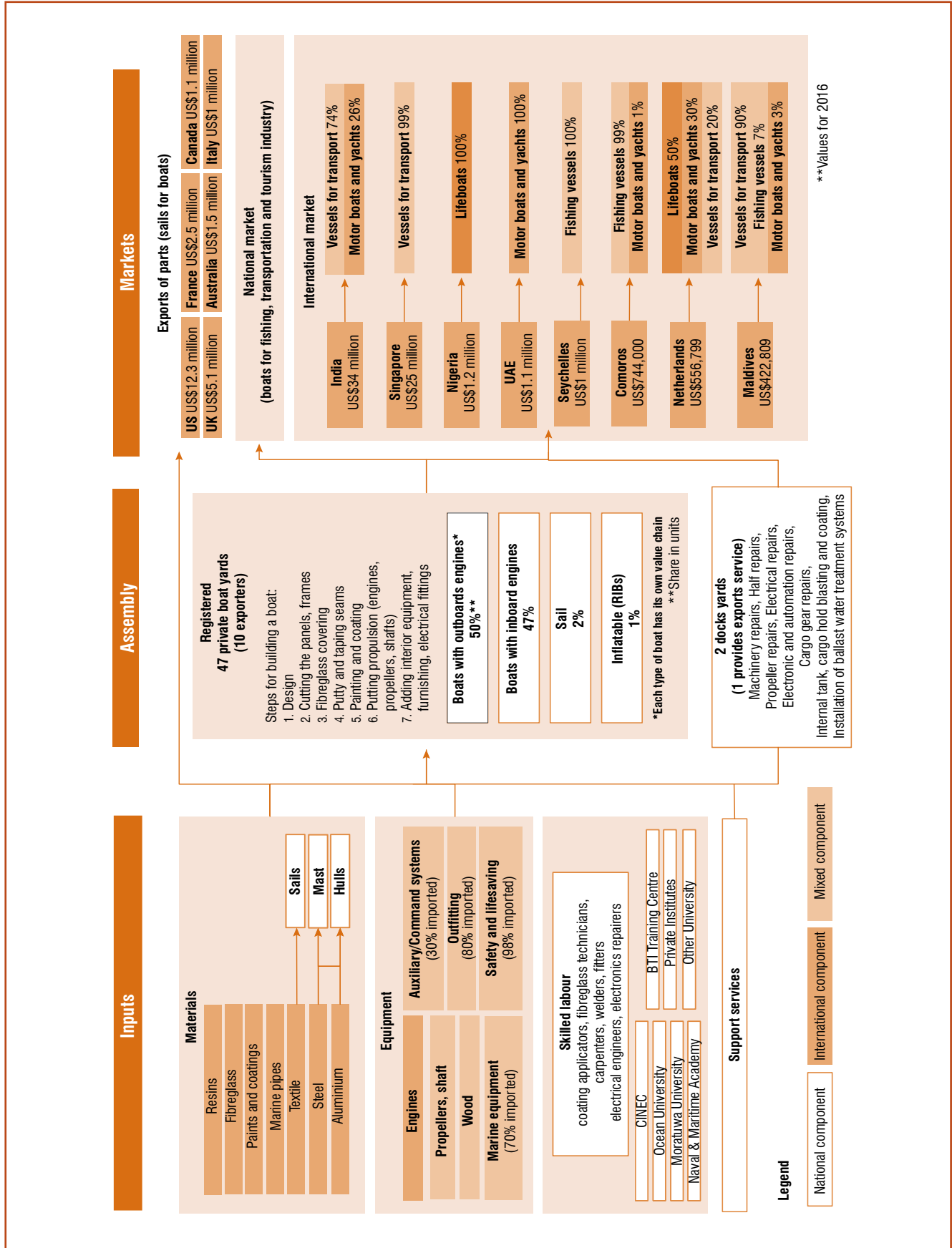


Table 4: Long list of constraints faced by the boat industry value chain

Inputs	Assembly	Market entry
<p>Insufficient infrastructure and facilities limit production expansion:</p> <ul style="list-style-type: none"> Limited access to land to expand production and launch larger boats (over 20 metres in length) for export access: land in coastal areas owned by three organizations (Ports Authority, Fisheries Harbours Cooperation and the Navy), which are not releasing the land Absence of testing facilities for new products development for boat building No dedicated BOI zone with water access for boat industry 	<p>Low technological and mechanization adoption results in limited production:</p> <ul style="list-style-type: none"> High cost of machinery Low awareness and lack of cost-efficient analysis Limited technological skills Lack of joint ventures to combine efforts Lack of R&D and knowledge sharing <p>Lengthy process for boat registration:</p> <ul style="list-style-type: none"> Lack of single Government agency or department responsible for both boat registration and implementation of the regulatory framework 	<p>Limited branding and marketing promotion:</p> <ul style="list-style-type: none"> Absence of a branding strategy for the boat industry Limited advertising and showcasing of success stories Absence of a single website providing information about Sri Lankan products, marine services, boat shows and festivals Insufficient participation in regional and international boat shows and events <p>Limited market information on price, quality and competitors hinders strategic planning for industry development</p>
<p>Inconsistent supply chain challenges access to quality inputs:</p> <ul style="list-style-type: none"> Absence of maritime suppliers bonded warehouses Few local supplier Difficulties to find reliable overseas providers Import time is on average 1 month 	<p>High charges for importing materials:</p> <ul style="list-style-type: none"> High Customs duties on import products if produced in Sri Lanka (FRP is duty free, other inputs 15% duty) Multitude of levies: Ports and Airport Development cess, VAT and NBT for imported materials and mandatory royalty applicable for computer-aided design outside Sri Lanka 	<p>Insufficient regulatory framework for boat building industry:</p> <ul style="list-style-type: none"> National recreational boat building regulations are not available Lack of regulatory framework for the navigation of recreational craft Lack of established registration procedures for recreational boats Lack of standardization and quality assurance systems
<p>Limited dialogue between academia and boat building companies:</p> <ul style="list-style-type: none"> Limited R&D product development and innovation Limited number of training programmes for and shortage of technicians, coating applicators, fibreglass technicians, carpenters, welders and fitters Low awareness by university students and graduates about career opportunities in the boat building industry 	<p>Limited linkages with tourism industry:</p> <ul style="list-style-type: none"> No fully operational marinas for yachts and pleasure craft available across the island Limited boating tourism promotion 	<p>Weak coordination among stakeholders:</p> <ul style="list-style-type: none"> Limited awareness by public authorities about the economic importance of the boat building industry Inefficient strategic planning for sector development and implementation of policies

Legend:

	Industry performance issues
	Regulatory and policy issues
	Institutional and coordination issues

FOCUSING ON THE MOST PRESSING ISSUES

Extensive stakeholders' consultations, field visits and literature reviews revealed numerous constraints in the boat building sector that challenge its short and medium-term growth. To ensure the Strategy is efficient and precise, only the most critical bottlenecks are detailed below.

INPUTS ISSUES

Production of and access to affordable inputs has a major impact on the industry's production capacity, cost and quality. Principal inputs for boat building are construction materials such as steel, aluminium, resins, fibreglass, paints, coatings, marine pipes, wood and textiles for sails; operational equipment such as engines, propellers, and command systems and other equipment needed for outfitting, safety, lifesaving and marine operations. Currently, most inputs are imported. A few resin, paint and coating factories produce materials locally but the quality does not meet global maritime industry standards. Local production of sails, masts, and hulls use imported inputs. Propulsion systems are made with imported engines such as Daewoo, Yamaha, Volvo, Suzuki or Caterpillar.

Inconsistent supply chain challenges the access to quality inputs

An efficient supply chain is needed for successful development of the boat industry. There is no input suppliers' ecosystem in Sri Lanka; this challenges efficient industry growth. Leading manufacturers rely on imports, since many local input producers struggle with quality. Finding reliable overseas providers and long import timelines also are problematic. There are challenges with duty rebates for non-BOI companies, since marine industry inputs are categorized as construction materials, and there are no appropriate codes at the HS eight-digit level. Additionally, there are no bonded warehouses where boat industry materials can be stored in appropriate conditions; each company must have its own refrigerated facilities to store resins, paints, coatings, etc. Growth is limited by insufficient promotion of foreign direct investment (FDI) and joint venture (JV) opportunities to attract companies interested in producing better quality – and sufficient quantities of – inputs. This also constrains links to other industries that could provide electrical and electronic machinery and fully or partially manufactured boat engines and accessories.

The following constraints are addressed in PoA: 2.1.1, 2.1.3.

Insufficient infrastructure facilities limit production expansion

Several yards do not have direct access to water for launchings, while roads to existing launch areas are inadequate. Three organizations own the land in coastal areas: Ports Authority [Ministry of Ports and Shipping (MoPS)], Ceylon Fishery Harbours Corporation and the Sri Lanka Navy [Ministry of Defence (MoD)]. The Board of Investment of Sri Lanka (BOI) has few EPZs with access to sea and available space. The change of Government stopped initiatives to release land for marina creation and currently there is no directive on releasing land to expand the boat industry. BOI has not yet requested the release of EPZ land to the private sector and the procedure to make this request is unknown.

The following constraints are addressed in PoA: 1.3.1, 1.3.2, 1.3.3, 2.1.2.

Insufficient dialogue between academia and boat building companies results in a shortage of trained labour and limited awareness about career opportunities in the industry

Due to limited industry-academia coordination, there is a limited number of training programmes and technical and vocational education and training (TVET) institutions and universities oriented to the sector. The industry is short on technicians, namely coating applicators, fibreglass technicians, carpenters, welders, and fitters. There is limited awareness about job opportunities in the industry and technicians choose other sectors. Overall, there is low interest and no willingness to spend time to train or to undertake physical labour.

The following constraints are addressed in PoA: 2.2.1, 2.2.2., 2.2.3.



Photo: ©Neil Marine

MANUFACTURING AND ASSEMBLY ISSUES

Low technological and mechanization adoption result in limited production volume

Slow technological transfer and limited use of innovative manufacturing technologies strain production capacities and investment in new products. The low usage of modern technologies in the boat industry is caused by a variety of factors, including limited access to the capital, insufficient technology skills and a lack of analysis on return-on-investment. A key constraint is the fragmented industry structure, with numerous small players that do not combine efforts, share knowledge and invest together in research and development (R&D). For instance, recreational boating manufacture was never considered a potential market due to ignorance of business opportunities in leisure boat manufacturing.

The following constraints are addressed in PoA: 2.1.1, 2.1.3, 2.3.1, 2.3.2.

Lack of standardization and quality assurance systems jeopardise the safety and quality of boats produced and operated in the country

Standardization mechanisms for the entire value chain of the boat industry in the country is lacking. Small boat builders do not adhere to industry standards and supply inferior quality products to foreign buyers at low prices. Most Sri Lankan passenger boats do not fulfil basic safety requirements. Obtaining certification from an international private conformity assessment body is costly for small producers. At national level, there is no specific standard for boat manufacturing. National regulation aligned to internationally recognized technical standards (American, Australian or EU) would ensure boat safety, prevent inferior quality boats from entering the country and allow manufacturers to export high quality boats to any market.

The following constraints are addressed in PoA: 1.1.2.

MARKET ENTRY ISSUES

Limited marketing and promotion activities hinders international recognition of the boat building industry

The low level of advertising, marketing and promotion activities for the boat building is caused by various factors. An important reason is the lack of a single website providing information about Sri Lanka's manufacturers, products and available marine services. Even at national level, there is no showcase for success stories of industry development. The Sri Lanka Boat Show started recently and is planned to be held every two years.

An important aspect of industry promotion is participation in regional and international boat shows. Companies have limited resources to participate regularly in these shows. Through EDB, the Government provides LKR 500,000 for a single boat show each year for one company. However, there is no technical support with logistics and preparation of marketing materials or stands and transporting boats is costly. Preliminary arrangement to sell a boat after a show would facilitate participation abroad. Since there is no boat consortium through which companies can join efforts, there is no group participation in international boat shows and events.

In addition, no branding strategy, marketing materials, collective industry logo, communication channels or promotional campaign, including assistance from foreign trade missions and consulates, exists for the boat industry. A common industry image/logo known globally would increase the sector's visibility and facilitate investor targeting. A strong promotional campaign should include marketing materials, communication channels and promotional activities through foreign trade missions and consulates.

The following constraints are addressed in PoA: 1.2.2, 3.1.1, 3.1.2, 3.1.3, 3.2.1, 3.1.2, 3.2.2.

Weak links with the tourism industry results in no marina and few chartering services

Sri Lanka's topography is conducive to developing boat facilities around the island. Combined with inland tourist attractions, Sri Lanka can attract visitors navigating the Indian Ocean. However, currently there is only one charter service offered in the country. In addition to the lack of a regulatory framework for the navigation of recreational craft (see regulatory issues), there is no fully operational marina infrastructure. Development of potential sites is slowed by administrative delays in releasing land in coastal areas. Three mini-marinas are already in operation: Mirissa, Beruwela and Hikkaduwa. The Hikkaduwa mini-marina is still under construction and has an unsafe, exposed harbour entrance that must be dredged continuously. Three more marinas are to be built in the next five years and feasibility studies are required for another seven locations around the island:

The following constraints are addressed in PoA: 1.3.3, 2.1.2, 2.1.3, 2.2.3.

Table 5: Planned marinas

Priority	Location	2018	2019	2020	2021	2022
Investment through a call for expression of interest to build marinas required:						
1	Galle					
2	Dickowita					
3	Trincomalee					
Feasibility study for building marinas required:						
1	Hambantota fisheries harbour					
2	Kirinda					
3	Tangalle					
4	Nilwela					
5	Ambalangoda					
6	Pnadura					
7	Chilaw					

Private conformity assessment bodies cannot inspect and test the seaworthiness of vessels on behalf of the Government agency, which delays the sales process

Only the appointed Government agency can issue a certificate of seaworthiness for a boat but Government agencies often lack qualified personnel with the experience and knowledge to certify boats. Inspection and testing of fishing boats and pleasure craft by private conformity assessment bodies on behalf of the Government is not allowed. This delays sales and limits industry growth and market diversification.

The following constraints are addressed in PoA: 1.1.4.

ISSUES AFFECTING THE ENTIRE VALUE CHAIN

Absence of adequate regulatory frameworks hinders boat building and marine industry development

Creating an enabling environment by updating regulations is a first step for industry development. Some regulatory constraints identified were:

- Absence of a regulatory framework for the recreational craft navigation: a framework including criteria for boat use, safety rules and a navigation code is lacking. Recreational craft and yachts navigating the Indian Ocean cannot moor on the island to find repair or refuelling services.
- Lack of established registration procedures for recreational boats: a registration procedure for fishing boats exists at the Ministry of Fisheries but there is no proper registration system for other boat categories. Receiving approval

for an exported recreational boat to leave the harbour on its own power involves unnecessary delays and additional costs. Clearance for a boat to be delivered to the buyer's destination by sail requires multiple authorizations from different institutions successively: MoD, Sri Lanka Navy Rangala Base, the Headquarters of the Sri Lanka Navy and Sri Lanka Customs. In addition, an obligatory registration when a boat leaves the harbour must be received from a registered harbour, such as Colombo Harbour, Galle Harbour or Trincomalee Harbour.

- Lack of a single Government agency or department responsible for boat registration and implementation of the regulatory framework: a common complaint among stakeholders is the lack of a single appointed agency/department responsible for consolidated boat registration procedures. A special individual approval from the Sri Lanka Navy is required for each boat taken to sea for trials. The lengthy permission process to test boats delays showing boats to customers, impedes overall boat production and creates a negative perception with potential customers.

Design of a comprehensive regulatory framework for recreational boat registration and navigation based on global best practice is a major priority to increase industry growth. This can should be developed in collaboration with international partners such as Confindustria Nautica Italiana (UCINA). While the legislation is being drafted, interim action should be taken, such as issuing a temporary one-year licence to recreational craft operators of locally built and operated yachts pending the completion of the registration and certification process. Establishing a regulatory framework for recreational craft will attract passing recreational craft to use refuelling, refit and maintenance services; will draw visitors navigating the Indian Ocean to visit Sri Lanka and will open more opportunities for charter and rental marine services.

The following constraints are addressed in PoA: 1.1.1, 1.1.3, 1.1.5, 1.1.6, 1.1.7, 1.1.8, 1.1.9, 1.2.1.

Weak coordination among stakeholders and no overall governing body leads to inefficient sector development and implementation of policies

As highlighted earlier, stakeholders noted the lack of coordination with relevant Government agencies leads to gaps and duplication of responsibilities. Limited private-public dialogue leads to low awareness by public authorities about the economic importance of Boat building. Part of the difficulty

in coordinating is the lack of a coordination mechanism for the boat building value chain. Currently, the boat building Technology Improvement Institute (BTI) represents industry interests and provides private sector-driven training and services for boat building companies. However, BTI is not recognized as a fully-fledged sector association representing the interest of the industry. Improvement of sector coordination would be possible by establishing a steering technical committee that would include relevant ministry and public institutions working directly with the private sector.

The following constraints are addressed in PoA: 1.2.1, 2.4.1, 2.4.2, 2.4.3, 3.1.1.

Summary

Most of the issues reported by boat building companies are related to institutional and regulatory frameworks. An enabling environment created by updating regulations and infrastructure is needed by firms to develop the boat building industry.

The sector is strategic, since it has links other sectors such as electronics, tourism and logistics and offers opportunities to develop value chains inside the boat building sector. It should not be underestimated and should receive full support.



Photo: ITC



Photo: ©Neil Marine

ON THE WAY TO SUCCESSFUL INDUSTRY GROWTH

Industry stakeholders looking to bring a higher level of performance and sophistication to the Sri Lankan boat building industry developed the following vision:

“ Sri Lanka: boat building and Maritime Tourism Hub in the Indian Ocean ”

THE FUTURE OF THE SECTOR

Unlocking the potential of Sri Lanka's boat building industry requires key transformations in the value chain. The targeted efforts detailed in this Strategy's PoA will address the constraints identified earlier. A transformed value chain will be

characterized by improved input production, better overall coordination and governance, enhanced forward planning, an enabling regulatory framework and increased product and market development.

Strategic objective 1: To create an enabling environment for industry development by updating regulations and infrastructure

- Regulatory frameworks for the boat industry should be adopted and implemented to ensure effective operations in the sector.

Strategic objective 2: To raise the industry's performance through partnerships and targeted innovation

- Improved supply chain performance and sector coordination will respond to urgent industry needs in terms of skills, R&D, technology transfer and overall strategic planning for sector development.

Strategic objective 3: To enhance national and international visibility of Sri Lanka's boatbuilding industry

- Strengthening industry marketing, promotion and branding will bring national and international recognition of the Sri Lankan boat industry.

Figure 12: Future boat building value chain

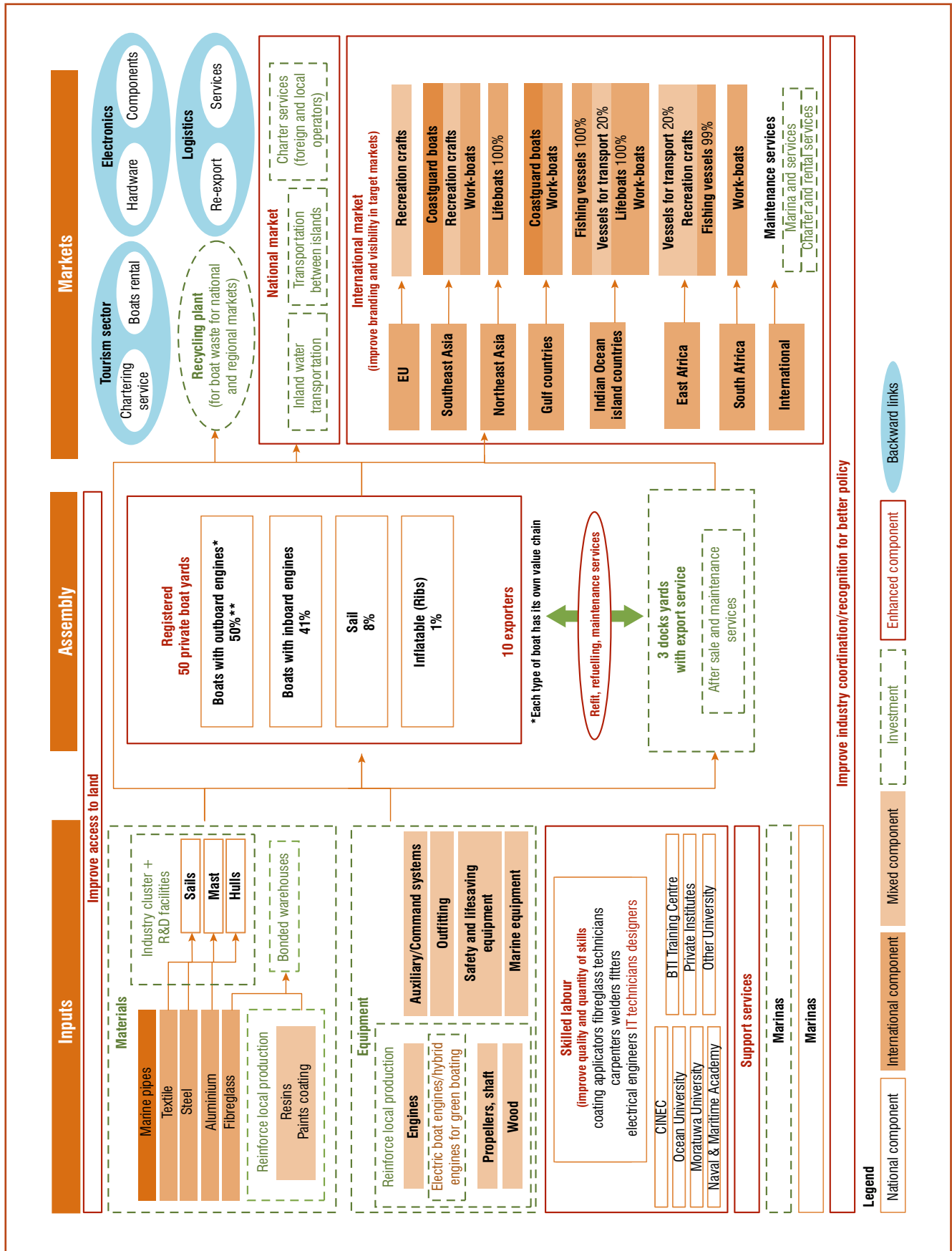


Table 6: Main areas of improvements for the value chain

Inputs	Assembly	Market entry
<p>Bring new investment to reinforce local production of quality materials for boatbuilding, including resins, paints and coatings</p>	<p>Attract investors to build marina facilities in Galle, Dickowita and Trincomalee and to complete the development of three existing mini marinas: Mirissa, Beruwela and Hikkaduwa.</p>	<p>Strengthened branding and promotion of the boat industry:</p> <ul style="list-style-type: none"> Develop a branding strategy that includes a common industry logo, marketing materials and communication and promotional campaign Organize an annual boat show Provide boating firms with assistance to participate in international boating shows
<p>Attract JV to establish local marine equipment production (propulsion systems, engines, propellers, and shafts and hybrid engines for green boating)</p>	<p>Attract FDI to establish recycling plants for national and regional markets</p>	<p>Attract FDI and JV to build additional dockyards that will provide after-sale, maintenance, refit and refuelling services</p>
<p>Attract FDI and JV for bonded warehouses to store materials that require specific conditions (resins, paints and coatings)</p>	<p>Increase links with other industries (such as tourism, logistics or electronics) by connecting leading companies through B2B meetings to:</p> <ul style="list-style-type: none"> Provide charter and rental services Establish facilities to provide repair and refit services for visiting yachts and boats 	<p>Strengthen links between industry and academia by holding an annual dialogue to:</p> <ul style="list-style-type: none"> Identify skills gap to address industry needs Increase awareness about career opportunities in the industry
<p>Establish a fund for specialized R&D, product development, innovation and testing in the boat industry</p>	<p>Establish a National Boat Industry Association to act on behalf of the industry and to represent all stakeholders</p>	<p>Implement a regulatory framework that includes:</p> <ul style="list-style-type: none"> Registration/regulations for all boat categories manufactured in Sri Lanka Registration/regulations for leisure craft operators in the country and for yachts/crafts visiting Sri Lanka A nominated Government agency or department responsible for boat registration and for implementing the regulatory framework
<p>Improved access to land sea frontage to:</p> <ul style="list-style-type: none"> Expand and transfer production to different locations Establish waterfront EPZs and industry clusters to provide boat industry related export services to manufacturers, new investors and international boat operators 	<p>Develop services for the domestic market:</p> <ul style="list-style-type: none"> Inland water transportation Transportation between islands 	<p>Legend:</p> <ul style="list-style-type: none"> Market perspective Institutional adjustments Regulatory amendments Investment opportunities

OPPORTUNITIES TO DEVELOP NUMEROUS BOAT BUILDING PRODUCTS AND MARITIME SERVICES

The Sri Lankan boat industry has tremendous potential to develop new products and services and to reach new markets. Future value chain enhancement and areas for focused investment will be driven by the boat sector's market development objectives.

MARKET ORIENTATION AND IMPLICATIONS FOR THE VALUE CHAIN

The current boat industry in Sri Lanka is diversified in products, markets and quality levels. Priorities for boat sector growth are presented in short, medium and long-term goals.



Photo: ©Neil Marine

Short-term goals

Product/service	Market orientation	Description
Fishing boats	Existing markets: local, Indian Ocean New markets: Maldives, Mauritius, East Africa	<ul style="list-style-type: none"> Currently targeting the local and regional Indian Ocean market due to similar fishing operations. Limits to current production, which is focused on basic fishing vessels, are determined by the limited capacity of small and unstructured yards. New market targets could be developed primarily by increased inter-governmental dialogue focused on the boat industry.
Recreational craft	Existing markets: local, India, Pakistan, North Europe New markets: Southeast Asia, Indonesia, Singapore, Viet Nam, Maldives, East Africa (Kenya), EU	<ul style="list-style-type: none"> Aimed at quality customers, since yards generally work as third parties in-board/outboard producers for companies in northern Europe and Scandinavia. Complementary to leisure and sport boat manufacture, rowing scull and kayak production is a niche market in which manufacturers could compete on price and quality. Further steps needed to expand into markets with a growing interest in recreational boating include an update of FRP manufacturing techniques and increased targeted promotion. For sailboats, new market scenarios are possible in countries with government plans to develop marina and charter activities.
Vessels for the transport of people and goods	Existing markets: local, India, Singapore New markets: Indian Ocean (Maldives, the Seychelles), Bangladesh, East Africa	<ul style="list-style-type: none"> The transportation vessels market has a good growth outlook in Indian Ocean and East African countries, as well as in countries with emerging economies. Government negotiations with Maldives are in progress for a duty reduction.
Refit, repair and refuelling services	Existing markets: Indian Ocean, Southeast Asia New markets: Northeast Asia, visiting yachts	<ul style="list-style-type: none"> Sri Lanka's strategic geographical position gives important advantages and offers many opportunities to provide these types of services to boats navigating the Indian Ocean.

Medium-term goals

The recent development of many yachting hubs (such as those in the Gulf, Singapore or Hong Kong (China)) and boating destinations in the Indian Ocean area offer opportunities to create new products and to invest in marina development and boating tourism infrastructure. Activities to expand local and regional boating business can be undertaken and new product development, complementary to existing manufacturing, is possible for niche production.

Product/service	Market orientation	Description
Mother fishing and aquaculture vessels	Existing markets: local, Maldives and the Seychelles, Indian Ocean, Europe	<ul style="list-style-type: none"> • Policies for fish collecting and processing mother vessels are now under development by the Ministry of Fisheries. Landing craft supply boats for aquaculture have potential markets regionally and in areas such as the EU.
Military (coastguards' boats)	Existing markets: local, Indian Ocean, Gulf, Nigeria New markets: Kuwait, Saudi Arabia, Oman, Barbados, Philippines, and Nigeria	<ul style="list-style-type: none"> • Export expansion for this sensitive type of manufacturing depends on government-to-government negotiations and on companies' lobbying abilities.
Maintenance and FRP scrapping	New markets: local, international	<ul style="list-style-type: none"> • Sri Lanka's advantageous geographical position in the Indian Ocean offers the opportunity to become a regional hub for repair and refit services, as well as a hub for FRP scrapping. • Sri Lanka's current boating trade with neighbouring markets could be upgraded by supplying services for a vessel's complete life cycle. Adaptation of existing manufacturing technologies and infrastructure to maintenance and repair work is a secure way to upgrade the capacity, skills and international awareness of Sri Lankan yards, if workforce know-how and service reliability are assured.
Boat parts and marine equipment	New markets: international	<ul style="list-style-type: none"> • Boating parts, an essential pillar of the boating supply chain, offer a high-potential expansion opportunity for Sri Lankan entrepreneurs wishing to service the international boat community. With many market segments and demand driven by product innovation, opportunities in this sector are numerous. • Marine part manufacturers need to meet legislative and certification requirements for products and local companies need to have experience dealing with international markets. This could be achieved through joint ventures with existing players.

Further growth will be enhanced through increased tourism, which creates a demand for recreational craft for both sea-going and inland boating activities.

Long-term goals

Sri Lanka should take advantage of its strategic position at the crossroad of main yachting routes (400 nautical miles (NM) from Maldives, 1000 NM from Phuket) to become a major yachting hub. The country's favourable coastal environment and sea/weather conditions make

Sri Lanka a suitable charter destination as boating and sailing tourism expands. Looking at the issues in upgrading Sri Lanka's recreational boating sector, the most significant relate to Boat building, equipment manufacture and boating tourism infrastructure and charter services, as they are mostly market driven and therefore have high growth potential in the medium-term. Market and product development and a more advanced and mature boat industry, already featuring a traditionally high-skilled workforce, should attract international players to create local partnerships that target regional markets.

Long-term goals

Product/service	Market orientation	Description
Boating tourism	New markets: EU, Gulf states	<ul style="list-style-type: none"> Market entry requires a wide and strategic national framework for boating tourism, with investment incentives and simple regulations to attract investors. To entice real estate investors, redesign and adaptation of available areas can be combined with waterfront renewal and integrated with hospitality and commercial activities. Skilled marina operators and managers and availability of basic boating supplies and services (including boat assistance/ maintenance/repair activities that could be carried out by new branches of existing boat building companies) will provide the basic functions needed to develop successful boating tourism destinations in the country. Once the basic boating infrastructure is designed and built, increased interest in the Sri Lankan market by global charter companies, supported by local partners, is likely.
Charter services	New markets: EU, Gulf states	<ul style="list-style-type: none"> Sri Lanka is at the crossroad of the main Indian Ocean yachting routes (400 NM from Maldives, 1000 NM from Phuket) and has a favourable coastal environment and good sea and weather conditions. Linked to good transport infrastructure, these are strong assets in making Sri Lanka a high-value international destination for charter services through the expansion of boating and sailing tourism and the construction of basic boating infrastructure (marinas and sheltered buoying areas).
Marinas and services	New markets: local, international, visiting yachts from Gulf states, Singapore, Hong Kong (China)	<ul style="list-style-type: none"> The recent development of numerous yachting hubs and boating destinations in the Indian Ocean gives Sri Lanka the opportunity to develop marina and boating infrastructure and related supply services, including boat assistance/ maintenance/repair activities.

In a highly competitive market, R&D and a workforce with strong technical skills is essential to deliver boat assembly and after-sale boat services. As boating sector competition is driven mainly by customer requirements, R&D is essential to anticipate customer requests and to deliver a better

product that is price competitive. Equal importance should be given to developing the technical skills needed to manage a boat's entire life cycle, which requires specific competencies and resources for each stage of a product's life.

Table 7: Sri Lanka boat building market orientations by geographical area

MARKET PENETRATION		PRODUCT DEVELOPMENT	
LOCAL + INDIAN OCEAN	Fishing, Coast Guard, recreational, transportation, workboats	LOCAL	Scrapping, mother fishing vessels, rowing, kayaks, aquaculture vessels
GULF	Coastguard, workboats	INDIAN OCEAN	Refit, mother fishing vessels
SINGAPORE	Transportation, workboats	SOUTHEAST ASIA	Refit
NIGERIA	Coastguard	EUROPE	Aquaculture vessels
NORTH EUROPE	Recreational, lifeboats	INTERNATIONAL	Scrapping, parts, rowing, kayaks
MARKET DEVELOPMENT		DIVERSIFICATION	
LOCAL	Sailboats, workboats and Coast Guard	LOCAL	Charter, marinas and services
INDIAN OCEAN	Fishing, recreational, transportation, lifeboats, workboats	NORTHEAST ASIA	Refit
EAST AFRICA	Fishing, recreational, transportation	INTERNATIONAL	Charter, maintenance
NIGERIA	Coastguard	VISITING YACHTS	Refit, marinas and services
SOUTH AFRICA	Workboats		
GULF	Coastguard, workboats		
NORTHEAST ASIA	Lifeboats		
SOUTHEAST ASIA	Workboats, recreational		
EUROPE	Recreational		

LEGEND

SHORT-TERM GOALS

MEDIUM-TERM GOALS

LONG-TERM GOALS

To remain competitive in the global market, companies must be aware of and ready to face barriers. Barriers to trade are many, including well-settled competitors with loyal customers and strong knowledge of their export markets, especially specific boater habits and sea and weather conditions. This knowledge is essential to supplying the right product. Moreover, each nation has specific technical standards, regulations and certification processes, which can

differ substantially between countries. Tariffs, import taxes and trade red tape are common and can be a major reason not to invest in a market. Distribution channels are another strategic element in reaching interested customers and reducing trade difficulties. Finally, marketing costs such as boat show participation and related transport costs, including arranging post-show sales of model products, must also be taken into account.

Summary

- Many important product and market development opportunities lie ahead for Sri Lanka.
- There is growing opportunity to serve Asia and to become a significant Indian Ocean maritime hub.
- Institutional streamlining and strengthened coordination are required to grow the industry efficiently.
- Seizing key opportunities to boost the industry is possible if efficient investor targeting is achieved.
- Strategic implementation is required.



Photo: ©Neil Marine

STRATEGIC VALUE CHAIN OPTIONS

Unlocking the potential for boat industry growth in Sri Lanka will require a value chain transformation that improves connections with local producers and increase sector coordination. These adjustments will allow the sector to compete both on product quality and on production quantities. To this end, the following value chain adjustments have been identified:

Value acquisition: acquire greater value by improving efficiency		
Value option	How to implement	Time frame
Increase quality and quantity of skills	Collaborate closely with universities and educational institutions to develop more training programmes and apprenticeships that promote opportunities for technicians to work in boat building industry.	Short-term
Enhance industry coordination	Organize regular meetings to plan the development of the boat building industry and establish adequate support mechanisms that provide specific training to members on business management skills.	Short-term
Improve storage facilities for materials	Use entrepot trade and bonded warehouses to offer favourable storage conditions for higher quality and larger quantities of boat building materials.	Medium-term
Reduce the waste of boat manufacturing	Install recycling plants around the country to reduce boat waste. In the long-term, this services can be offered to regional markets as well.	Medium-term
Value retention: Retain greater value through reinforcement of inputs production locally		
Value option	How to implement	Time frame
Reinforce local production of material supplies (resins, paints and coating)	Introduce local producers of boat building materials to global standards.	Medium-term
Establish production of marine equipment locally to replace imports	Through investment targeting, attract FDI and JV to establish marine equipment production.	Medium-term
Link with the electronics and electrical machinery sectors	Supply local auxiliary and command systems for boats.	Long-term
Value addition: Add perceived value in the eyes of the buyers		
Value option	How to implement	Time frame
Improve promotion and visibility in target markets	A branding and promotion plan should be developed jointly with industry players, including public and private representatives. This plan should address development of marketing materials, communication channels, a common industry logo and an overall a promotional campaign.	Medium-term
Value creation: Expand production by creating value within the industry		
Value option	How to implement	Time frame
Increase systemised links with the tourism industry	Develop additional maritime services, including charter and rental boat services, and provide marina services to visiting boats and yachts.	Medium-term
Link with the IT-Business Process Management sector	Develop maritime software, including optimisation and analysis of hull, machinery and propulsion systems.	Long-term
Produce boat building materials and equipment for export	Develop production of materials and equipment necessary for boat building for export: marine electronics, interior equipment, furnishing, materials, electrical fittings, machinery, propulsion, mechanical systems, resins, paints and rubber accessories.	Long-term
Value distribution: Maximise the economic and social development impact		
Value option	How to implement	Time frame
Regional development opportunities	Provide more opportunities to maximize Boat building's contribution to regional development by increasing the number of boat building productions sites and relevant maritime services around the island.	Medium-term

INSTITUTIONAL ADJUSTMENTS

Boat industry development also depends on trade and investment support institutions (TISIs) and overall inter-institutional coordination. These institutions are divided into four main categories: policy support, trade services, business services and academia and civil society (see table 8). Certain capacity and resource issues must be addressed if TISIs are to effectively support the sector.

Table 8: TISIs supporting the boat building industry

Policy support	<ul style="list-style-type: none"> • Ministry of Fisheries and Aquatic Resources Development (MoFARD) • MoPS • MIC • Ministry of Finance • Ministry of Strategic Planning, National Development and Statistics • MoD • Ministry of National Policy and Economic Affairs • Ministry of Tourism Development and Christian Religious Affairs
Trade support	<ul style="list-style-type: none"> • Sri Lanka Ports Authority • Sri Lanka Coast Guard (MoD) • Sri Lanka Navy Director General (MoD) • Ceylon Fishery Harbours Corporation • Boat building Technology Improvement Institute • Sri Lanka EDB • Board of Investment of Sri Lanka • Sri Lanka Customs
Business support	<ul style="list-style-type: none"> • Boat building Technology Improvement Institute • Ceylon Chamber of Commerce • National Chamber of Exporters of Sri Lanka
Academia and civil society	<ul style="list-style-type: none"> • Colombo International Nautical and Engineering College • Naval and Maritime Academy • National Aquatic Resources Research and Development Agency • National Institute of Fisheries and Nautical Engineering • Ocean University of Sri Lanka • National Science Foundation

Improved synchronization and collaboration between Government entities

Institutional coordination of the key TISIs that support the boat industry needs to be improved. With no Government agency or department responsible for boat industry development, support is fragmented and the sector does not receive the needed backing. The public sector often lacks human or financial capacity and has limited awareness about the boat industry's economic importance. In relevant ministries, there is no qualified, appointed person with experience and knowledge of the industry to work directly with private sector representatives. To acquire information and to obtain a clearance for temporary registration of a boat, stakeholders must follow time-consuming procedures that must be

completed in strict order, often requiring physical submission of documents to each institution. Digitalizing the permission/approval process will facilitate boat industry trade.

Strengthened links between industry and academia

Links between industry and academia are weak and there is an urgent need to identify skill gaps and to address the industry's R&D. Technically skilled labour is limited and there is little awareness among students about jobs in the boat industry. Technical skills training for the boat industry could be developed by universities and TVET programmes, based on regular consultation with the private sector, to supply workers with specific skills.

Currently, capacity for innovation in the sector is quite limited. R&D and product development funding schemes and research centre collaboration could be implemented. Key universities and private institutions such as Colombo International Nautical and Engineering College, University of Moratuwa, Kotelawala Defence University and Lanka Hydraulic Institute Ltd could provide testing facilities for new product development.

Enhanced industry coordination and representation of the sector

Strengthening boat building industry governance is crucial for the sector's successful development. A sector advisory committee could be established under the MIC that would include private sector and relevant ministries. This committee would hold a quarterly meeting to discuss priorities for sector development. BTI could be empowered to collect,

analyse and disseminate data related to market demands and trends. Establishing a national boat building industry association to represent all stakeholders could result in representative body that would act for the boat building industry at the highest levels. Partnership with international boat associations and institutes such as ICOMIA, National Marine Manufacturers Association, UCINA and International Boat building industry will improve Sri Lanka's representation in the global boating arena.

REGULATORY AMENDMENTS

Creating an enabling environment by updating regulations and infrastructure is necessary for boat building industry development. The key adjustments to be carried out are summarized below.

Regulation adjustment	Purpose
Navigation of the boats	
Abolish passenger and crew levy for yachts and leisure boats owned, built and operated by Sri Lankan companies	<ul style="list-style-type: none"> To create a level playing field, apply the MoPS charge of US\$8 per passenger/day and LKR 20 for crew member/day only to foreign owned and foreign operated yachts in Sri Lankan waters that do not pay any taxes. Exempt any yacht carrying passengers if the yacht is owned, built and operated by a Sri Lankan company, registered with BOI or not, and paying all taxes in Sri Lanka (such as value added tax (VAT), nation building tax (NBT), tax on profit, etc.). Merchant Shipping Act, No. 52 of 1971, republished in Gazette 2017/31 of 4 May 2017. Boat ordinance 1900 to consolidate the law regulating the carriages of passengers and goods by boats: an ordinance to register boats at the local authority No. 4 of 1900, No. 14 of 1907 Amended, No. 32 of 1916 Amended, No. 61 of 1939 Amended, No. 03 of 1946 Amended.
Adopt a regulatory framework for the navigation of recreational crafts	<ul style="list-style-type: none"> To entice visitors navigating the Indian Ocean to visit Sri Lanka or to use repairing/refuelling services, develop the regulatory framework (registration, use of a boat, safety rules, navigation code, Customs and port entry/leaving procedures, etc.) for the navigation of recreational craft, yachts and charters for locally owned boats, whether registered with the BOI or not, and for international boats sailing around the island. For registered recreational craft with permits, introduce clear and simple procedures to obtain authorization from MoD, Navy, Coast Guard, Department of Wildlife Conservation, Tourist Board, Customs and Department of Immigration and Emigrations through a one-stop shop. Merchant Shipping Act, No. 52 of 1971, republished in Gazette 2017/31 of 4 May 2017.
Building of boats (including import of inputs)	
Exempt the selling and sailing yachts under HS code 8903.91 (Sailboats, with or without auxiliary motor) from upfront VAT, Port and Airport Development Levy (PAL) and NBT and impose custom duties on second-hand yachts and boats imported to Sri Lanka	<ul style="list-style-type: none"> So the local boat building can better compete in the regional Asian market through economy of scale, and to discourage boat imports and boost local production, exempt local yacht manufacturers from upfront taxation (VAT: 15%, PAL: 7.5% and NBT: 2%). Value Added Tax Act No. 14 Of 2002 (Deferment in terms of Section 2 (3) of the VAT Act) Application for Registration with Director General of Customs; Ports And Airports Development Levy (Amendment) Act, No. 21 of 2016; Nation Building Tax Act, No. 09 of 2009, Amended Act, No.13 of 2017; Customs National Imports Tariff Guide (Section XVII Chapter 89). Possibly extend these tax concessions to other boats used for tourism, such as: <ul style="list-style-type: none"> » 8903.10.90 inflatable: other (rigid inflatable 'ribs') » 8903.92 motor boats, other than outboard motors » 8903.99.90 other boats.

Regulation adjustment	Purpose
Adopt national boat building (both recreational and commercial) standards, based on internationally recognized technical standards, to expand exports	<ul style="list-style-type: none"> Adopting internationally recognized standards and certifications is critical to expanding exports. Requirements for yachts of less than 24 metres are different from those for merchant shipping boats. Standards and certification for various boat design categories to assess a boat's degree of seaworthiness, conforming to international requirements such as Conformité Européene (CE) certification for EU markets, should be introduced. Gazette to be published by MoPS.
To accelerate the sales process, allow the inspection and testing of fishing boat and pleasure craft seaworthiness by private conformity assessment bodies on behalf of the Government agency	<ul style="list-style-type: none"> To accelerate and facilitate the export process, allow inspection and testing of seaworthiness for fishing boats and pleasure craft by private conformity assessment bodies. Classification societies can be approved and registered with the Director of Merchant Shipping under the Merchant Shipping Act. Merchant Shipping Act No. 52 of 1971, MoPS.
Registration of boats (both manufactured in-country and visiting boats/craft)	
<p>Establish a one-stop shop for registration of boats (digital procedure):</p> <ul style="list-style-type: none"> Registration/regulations for all categories of boats manufactured in Sri Lanka (other than fishing boats) Registration/regulations for leisure craft operation in the country and for yachts/crafts visiting Sri Lanka Regulations/standardizations for imports of boats to Sri Lanka 	<ul style="list-style-type: none"> Introduce a clear digital procedure for any boat entering or leaving Sri Lankan waters 1) to ensure visiting yachts can clear immigration and Customs in any official entry harbour and move freely in Sri Lankan waters; 2) to facilitate issuing temporary licences for sea trials and boat demonstrations on the open sea for customers and 3) to speed-up export process for boats leaving harbours under their own power. Government aims to establish a national regulatory framework and registration process for recreational boats (small commercial vessels under 24 metres) that encompasses all segments of the value chain and to appoint and establish a single Government agency responsible for vessel registration and implementation of the regulatory framework. Merchant Shipping Act, No. 52 of 1971 should be amended to include new guidelines by the Director General of Merchant Shipping after industry consultation and adaptation of international best practice.
Other activities connected to the boat building	
Allow longer concessions in mini-marinas	<ul style="list-style-type: none"> To offer more flexibility in using mini-marinas, allow 20-year concessions from the Ceylon Fishery Harbours Corporation. Present concessions are only for four years.
Receive approval for whales and dolphins watching during cruises	<ul style="list-style-type: none"> Obtain a blanket approval from the Department of Wildlife Conservation for all locally built and locally operated multi-day residential charters and mini-cruise boats to observe whales and dolphins during cruises. Differentiate this approval from the whale watching permits currently issued for bus type operations. Require new guidelines from the Department of Wild Life Conservation, with concurrent agreement from the Ministry of Tourism and Christian Religious Affairs, on the number of vessels that can be deployed at one time. Fauna and Flora Protection (Amendment) Act, No. 22 of 2009.
Allow subleasing of industry space to partners by setting up a JV	<ul style="list-style-type: none"> Promote and enable local BOI companies to attract foreign boatbuilders. BOI legislation (section 16 of the Board of Investment Law No. 4 of 1978 (BOI Law)).
Allow foreign insurance companies to cover liability risk for yachts operating charter and tourism services	<ul style="list-style-type: none"> Provide coverage of large and specific risks by foreign insurance companies due to the absence of similar services in the domestic market. Insurance Industry Act No. 43 of 2000 (RII Act).
Implement regulations and rules for boat ownership that offer favourable conditions for buying and locating boats in Sri Lanka	<ul style="list-style-type: none"> Encourage boat owners to locate their boats in Sri Lankan waters by developing a financial schemes for boat purchases so that an owner can pay less than half of a boat's value and a financial company (for example, a charter company) finances the rest of the purchase price in exchange for using the boat several months per year. Merchant Shipping Act, No. 52 of 1971.

INVESTMENT OPPORTUNITIES

The development of more production capacity in boat building will require investment in key strategic areas of the value chain. With strong middle-class expansion, especially in Asia-Pacific, consumer wealth will lead to a growth in demand for the boating sector.

The following segments are seen as key areas for focused investment to upgrade the value chain.

Investment opportunities	Rationale
Local production of inputs: <ul style="list-style-type: none"> Resins Paints 	<ul style="list-style-type: none"> Why? To ensure a steady and timely supply of inputs to the boat building industry, local production of resins, paints and coatings that meet global boat building industry standards should be encouraged. How? Attract investors and JVs to increase and improve local production of materials for the boat building industry. Source of funding: FDI, JV
Bonded warehouses	<ul style="list-style-type: none"> Why? To ensure there is adequate storage to keep materials under special conditions in bonded warehouses. Sri Lanka has significant potential to become an Asia hub for commercial bonded warehouse facilities and services. How? This can be done by attracting suppliers in entrepot activities Source of funding: FDI, JV
Building additional boat and dock yards with export services	<ul style="list-style-type: none"> Why? To become a regional repair and refit service hub for boats navigating the Indian Ocean How? Attract joint ventures partners Source of funding: FDI, JV
Attracting equipment and accessories manufacturers: <ul style="list-style-type: none"> Engines Hardware Components 	<ul style="list-style-type: none"> Why? To have a consistent supply of marine equipment How? Attract FDI to install the production of equipment Source of funding: FDI, JV
Building recycling plant	<ul style="list-style-type: none"> Why? To protect the environment and develop a new industry How? Attract investment Source of funding: FDI, JV
Installing marina facilities	<ul style="list-style-type: none"> Why? To attract passing recreational boats and yachts How? Prioritize 3-4 locations to develop marina services. Government to provide basic infrastructure such as breakwaters, a water system and recycling. Announce tender expressions of interest. Private companies to build docking area and infrastructure facilities Source of funding: Public-private partnership
Attracting marina operators	<ul style="list-style-type: none"> Why? To provide services for yachts and boats navigating the Indian Ocean How? While building marina facilities, attract marina operators Source of funding: FDI
Attracting charter companies	<ul style="list-style-type: none"> Why? To build links with tourism sectors and to attract more visitors to Sri Lanka. How? Target and promotion Source of funding: FDI
Developing water transportation facilities and services for the national market (longer term)	<ul style="list-style-type: none"> Why? To improve inland transportation How? Develop a blue print for a national water system including areas, location and road connectivity Source of funding: National public-private partnership

MOVING TO ACTION

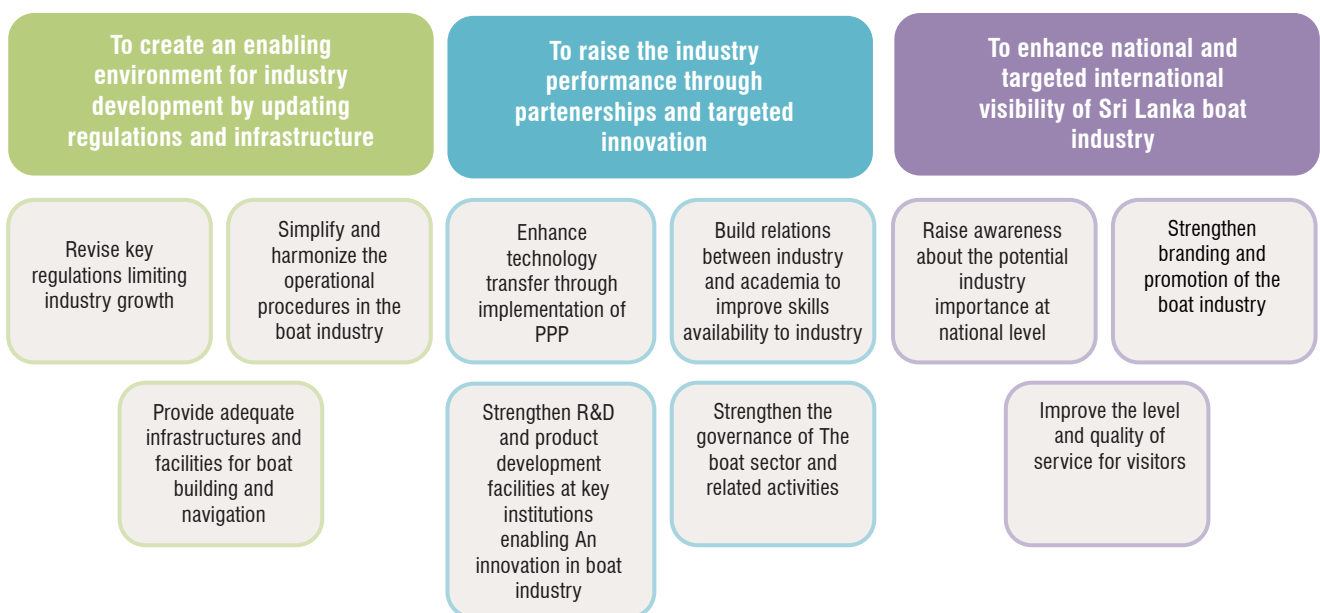
THE STRATEGIC FRAMEWORK

Strategic objectives will guide the Strategy’s implementation in order to achieve the industry’s vision. The PoA responds to this vision by addressing the sector’s constraints and by leveraging opportunities in a comprehensive manner. To this end, efforts will be made to meet the following strategic objectives:



Photo: © Northsails

Table 9: Strategic objectives of the Strategy



STRATEGIC OBJECTIVE 1: TO CREATE AN ENABLING ENVIRONMENT FOR INDUSTRY DEVELOPMENT BY UPDATING REGULATIONS AND INFRASTRUCTURE

An analysis the boat building industry highlighted some critical bottlenecks. These included the need to develop a regulatory framework for the navigation of recreational craft in order to attract boats navigating the Indian Ocean and the need to establish adequate facilities and clear procedures for registration of all categories of boats manufactured and operated in Sri Lanka. Allocating land and giving priority to a new waterfront EPZ and industry clusters will allow expansion of production sites and attract new investors and international boat operators to use marine services. This strategic objective will be achievable through three operational objectives, which are:

- Revise key regulations currently limiting industry growth.
- Simplify and harmonize operational procedures in the boat building industry.
- Provide adequate infrastructure and facilities for boat building and navigation.

STRATEGIC OBJECTIVE 2: TO RAISE THE INDUSTRY'S PERFORMANCE THROUGH PARTNERSHIPS AND TARGETED INNOVATION

This strategic objective tackles weaknesses in input production and in overall supply chain performance. It encourages improvement of production capacities through skill development, R&D, better sector coordination and building strong dialogue between academia and industry. Effective targeting of foreign investors for the Strategy's priorities, such as for construction and operation of marinas and reinforcement of local production of boat building inputs, will encourage technology transfer by attracting FDI and JV. This strategic objective is composed of four operational objectives, namely:

- Enhance technology transfer through the implementation of public-private partnerships.
- Build relationships between industry and academia to improve skills and capacities.
- Strengthen R&D and product development facilities at key institutions to enable boat building industry innovation.
- Strengthen the governance of the boat building industry and related activities.

STRATEGIC OBJECTIVE 3: TO ENHANCE NATIONAL AND INTERNATIONAL VISIBILITY OF SRI LANKA'S BOAT BUILDING INDUSTRY

National and international recognition of the Sri Lankan boat building industry is important for growth. Currently, the industry's products are little known in the global market, despite Sri Lanka's long history of boat building. Industry branding is not developed and most sales are made through established relationships with existing partners. Marketing and promotion capacities must be strengthened and carried out by trade support institutions and business associations. Development of a branding strategy for the boat building industry, through joint efforts by a boat building industry consortium to elaborate marketing materials and communication and promotional activities, will enhance the industry's image. To reach this strategic objective, there are two operational objectives:

- Raise awareness about the potential industry importance at national and international levels.
- Strengthen branding and promotion of the boat building industry.



Photo: © Northsails

IMPLEMENTATION FRAMEWORK

The Strategy aims to transform Sri Lanka into a renowned Southeast Asia boat building and recreational boating hub and yacht service centre. Achieving this ambitious objective will depend on industry's ability to implement the activities defined in the Strategy. To provide the needed structure for the sector's development, the following interventions should be prioritized:

- Urgently develop a regulatory framework for the navigation of recreational craft to attract boats navigating the Indian Ocean;
- Allocate land for boat building and repair clusters in existing and new waterfront BOI zones; and
- Establish a national boat building industry association to act on behalf of the industry and to represent all stakeholders.

These 'quick win' activities are necessary to initiate the strategy's implementation successfully and to create rapid industry growth.

MANAGING FOR RESULTS

Translating these priorities into implementable projects will contribute to the substantial increase in export competitiveness and earnings envisaged under the Strategy. These increases will be driven by reforming the regulatory framework, optimizing institutional support to exporters and strengthening private sector capacities to respond to market opportunities and challenges. Allocation of human, financial and technical resources is required to efficiently coordinate, implement and monitor overall implementation.

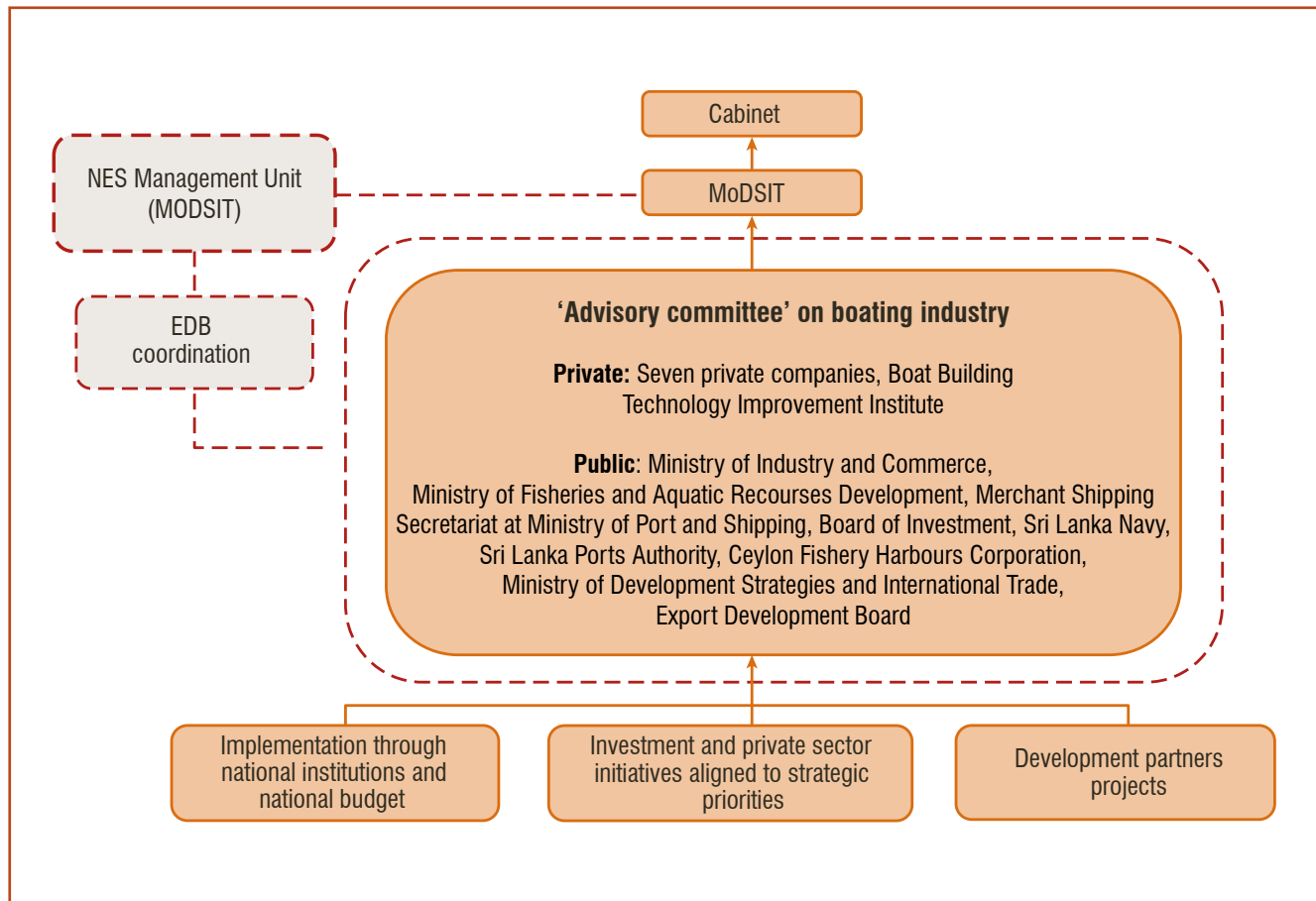
Successful execution of activities will depend on the ability of stakeholders to plan and coordinate actions in a tactical manner. Diverse activities must be synchronized across public and private sector institutions to create sustainable results. Hence, it is necessary to foster an enabling environment and to create an appropriate framework for implementation.



Photo: ©Sail Lanka Charter

The key activities needed to achieve targets will be coordination of activities, progress monitoring and mobilizing resources for implementation. Industry representatives recommended that a public-private 'advisory committee' for the boat building industry be rapidly established, operationalized and empowered. The boat building industry 'advisory committee' is to be responsible for overall coordination, provision of policy guidance and the monitoring of industry development in line with the Strategy.

Figure 13: Institutional framework for boat building industry development



Source: ITC.

BOAT BUILDING INDUSTRY 'ADVISORY COMMITTEE'

The Export Development Act (1979) empowers the EDB to 'On the advice from the Board, the Minister may by Order in the Gazette, establish advisory committees the development and promotion of certain products, product groups and commodities as well as functional aspects of trade.' Additionally, 'each such advisory committee shall have the power to fix and regulate its own procedure, including the power to determine the number of members necessary to form a quorum at its meeting.' The advisory committees have the function 'to advise the Board on any or all of the matters which the Minister considers necessary for the purposes of carrying out of giving effect to the principles and provisions of this act.'

A Boat Building advisory committee has been established by Minister MoDSIT to enable private sector and public institutions to strategically steer development of this focus industry. The boat building advisory committee is composed of the following members:

- Seven private companies
- Boat Building Technology Improvement Institute
- Ministry of Industry & Commerce
- Ministry of Fisheries & Aquatic Resources Development
- Merchant Shipping Secretariat, Ministry of Port and Shipping
- Board of Investment
- Sri Lanka Navy
- Sri Lanka Ports Authority
- Ceylon Fishery Harbours Corporation
- Ministry of Development Strategies and International Trade
- Export Development Board

The advisory committee will meet quarterly and implement the following functions

- i. Create a shared understanding of key market challenges and opportunities facing the sector;
- ii. Set goals and targets that, if achieved, will strengthen the sector's competitive position and enhance Sri Lanka's overall capacity to meet the changing demands of markets;
- iii. Propose key policy changes to be undertaken and promote these policy changes among national decision makers; and
- iv. Support the coordination, implementation and monitoring of activities in the sector by the Government, private sector, institutions or international organizations to ensure alignment to goals and targets and, as required, contribute to resource identification and alignment.

KEY SUCCESS FACTORS FOR EFFECTIVE IMPLEMENTATION

The presence of the 'advisory committee' to oversee the implementation of the Strategy is a key success factor but it is not sufficient to effectively meet its goals.

Private sector support and participation in implementation

The private sector clearly expressed its willingness to contribute, directly or in partnership with public institutions, to the Strategy's implementation. Their implementation efforts can range from providing business intelligence to institutions to contributing to project design, promotion and branding, policy advocacy, etc. In brief, the private sector's practical knowledge of business operations is essential to ensuring that the Strategy remains aligned with market trends and opportunities.

Proactive networking and communication

The key implementing institutions detailed in the PoA need to be informed of the Strategy's content and the implications for their 2018–2022 programming. This networking and communication is essential to build ownership and to provide institutions with the opportunity to confirm which activities they can implement in the short-to-long-term. It will be important for the EDB, MoDSIT and members of the advisory committee to reach out to relevant institutions nationally to create awareness and support for boat building industry development.



Photo: © Northsails

Resources for implementation

The advisory committee, in collaboration with the EDB and the NES Management Unit at MoDSIT, will need to leverage additional support for efficient implementation. Effective planning and resource mobilization is indispensable for the Strategy's implementation. Resource mobilization should be carefully planned and organized.

As the boat building industry is a priority of the NES, the Government of Sri Lanka should define annual budget allocations and other support to drive industry growth. This will demonstrate clear commitment to strengthening the sector and will encourage private partners to support development. In addition to national budget support, resource identification will require the BOI to target foreign investors in line with the Strategy's priorities, such as construction and operation of marinas. Investment flows to Sri Lanka also should be considered as a valuable driver of Strategy implementation and overall industry development.

The various implementation modalities detailed in the PoA will determine the success of the Strategy's implementation. However, high-level support from Government, in collaboration with strong championship by the private sector, will be the real driver of the Strategy's success.

Summary

To achieve the Strategy's vision and strategic objectives, a robust, actionable, realistic and strategic PoA is required. This is provided in the section below, and constitutes the core of this Strategy.

The PoA is structured along the strategic and operational objectives described above. For each of these objectives, the PoA outlines detailed activities and their implementation modalities, which include:

- **Priority level:** priority 1 being the highest and 3 the lowest.
- **Start/end dates:** the desired timeframe of the activity.
- **Targets:** quantifiable targets which allow monitoring of activity completion during the implementation stage.
- **Lead implementation partners:** one single accountable lead institution per activity. The institution can restrict its participation to oversight and coordination or it also can have a technical role.
- **Supporting implementation partners:** any institution that should be involved at any stage of the activity's implementation.
- **Existing programmes or potential support:** existing initiatives ongoing in the specified area of the activity.
- **Cost estimation (US\$):** an estimate of the activity's cost for the entire implementation period.



Photo: (ITC) –Danusha Marine

PLAN OF ACTION 2018-2022

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
1: To create an enabling environment for industry development by updating regulations and infrastructure.	1.1: Revise key regulations limiting industry growth.	<p>1.1.1 Urgently develop, adopt and implement the regulatory framework for the navigation of recreational craft based on international regulatory standards, namely:</p> <ul style="list-style-type: none"> • use of a boat; • safety rules; • navigation code; <p>Merchant Shipping Secretariat and Technical Committee to draft. While the legislation is being drafted, interim action (temporary one-year licence) to be provided to recreational craft operators for all locally built and operated yachts pending the completion of the registration and certification process.</p> <p>The regulatory framework should be developed based on global best practice in collaboration with international partners (UCINA).</p> <p>1.1.2 Adopt national boat building (recreational and commercial boats) standards based on internationally recognized technical standards to expand export capacities. A national technical committee should be established for this.</p> <p>CE standard to be considered as a standard certification.</p> <p>1.1.3 Establish clear procedures for:</p> <ul style="list-style-type: none"> • Registration/regulations for all boat categories manufactured in Sri Lanka (other than fishing boats) • Registration/regulations for leisure craft operations in the country and for visiting yachts/crafts to Sri Lanka, including: • Temporary licences for boats for sea trials and to demonstrate boats to customers in the open sea and leaving/entering a harbour; • Permit for boats and ships leaving a harbour on their own power; • Registration of visiting yachts and recreational craft; • Customs and port entry/leaving procedures; • Abolishment of passenger and crew levies for yachts and leisure boats owned, built and operated by Sri Lankan companies. <p>1.1.4 Allow the inspection and testing of seaworthiness for fishing boats and pleasure craft (once national boat building regulations are adopted) by private conformity assessment bodies on behalf of the Government agency to accelerate the process (the final certificates issued by the Government agency).</p>	1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> • Gazette Notification of adopted legislation in the Merchant Shipping Act No. 52 of 1971 amendments published within 1 year; • Before legislation adopted, temporary licenses issued under the existing regulations. 	Ministry of Ports and Shipping	Ministry of Fisheries and Aquatic Resources; Export Development Board; Boat Building Technology Improvement Institute (BTI)	-
			1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> • National standards framework for the industry adopted 	Ministry of Ports and Shipping	Board of Investment (BOI); Sri Lanka Customs; Export Development Board	
			1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> • Clear procedures for boats registration established 	Ministry of Ports and Shipping	Ministry of Foreign Affairs; Export Development Board; Department of Immigration and Emigration	
			2	01/01/2019	06/01/2022	<ul style="list-style-type: none"> • Classification societies approved and registered with the Director of Merchant Shipping under the Merchant Shipping Act No. 52 of 1971 	Ministry of Ports and Shipping	Ministry of Fisheries and Aquatic Resources; Export Development Board; Boat Building Technology Improvement Institute (BTI)	

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)	
1: To create an enabling environment for industry development by updating regulations and infrastructure.	1.1: Revise key regulations limiting industry growth.	1.1.5 Take a policy decision to allow subleasing of space to foreign partners by setting up a JV in order to promote and enable local BOI companies to attract foreign boat builders.	1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> Sub-leasing of space allowed for joint ventures. 	Board of Investment (BOI)	Ministry of Fisheries and Aquatic Resources; Ministry of Industry and Commerce; Export Development Board		
		1.1.6 Exempt from upfront VAT, PAL and NBT on the transaction of selling and sailing yachts under HS code 8903.91 (Sailboats, with or without auxiliary motor) and impose Customs duties on imports of second-hand yachts and boats to Sri Lanka.	1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> Value Added Tax Act No. 14 Of 2002 amended; Ports And Airports Development Levy (Amendment) Act, No. 21 of 2016 amended; Nation Building Tax Act, No. 09 of 2009, Amended Act, No.13 of 2017 amended; Customs National Imports Tariff Guide (Section XVII/Chapter 89) amended; Customs National Imports Tariff Guide (Section XVII/Chapter 89) updated and published 	Department of Fiscal Policy (Ministry of Finance)	Ministry of Fisheries and Aquatic Resources; Ministry of Industry and Commerce; Sri Lanka Customs; Export Development Board		
		1.1: Revise key regulations limiting industry growth.	1.1.7 Implement regulation and rules for boat ownership offering favourable conditions to buy and locate the boats in Sri Lanka through amending the Merchant Shipping act no. 52 of 1971	2	01/01/2019	31/12/2021	<ul style="list-style-type: none"> New guidelines introduced in Merchant shipping act no 52 of 1971; 	Ministry of Ports and Shipping	Board of Investment (BOI); Export Development Board; Boat Building Technology Improvement Institute (BTI)	20,000
			1.1.8 Develop a financial scheme to purchase a boat in which an owner pays less than half of the value of a boat and a financial company (such as a charter company) finances the rest of the purchase price in exchange for using a boat several months per year.	2	01/01/2020	31/12/2022	<ul style="list-style-type: none"> Financial scheme for financing of boats for time-sharing between boat owners and charter companies 	Department of Fiscal Policy MoF	Central Bank of Sri Lanka; Ministry of Industry and Commerce; Ministry of Development Strategies and International Trade; Board of Investment (BOI); Export Development Board; Boat Building Technology Improvement Institute (BTI)	50,000
		1.1: Revise key regulations limiting industry growth.	1.1.9 Allow foreign insurance companies to provide coverage for large and specific liability risks for yachts operating charter and tourism services by revising key regulations limiting industry growth.	1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> Regulation of Insurance Industry Act No 43 of 2000 (RII Act) amended 	Ministry of Development Strategies and International Trade	Ministry of Industry and Commerce; Ministry of Finance; Export Development Board	10,000
			1.1.10 Develop and implement adequate HS eight digit level codes for marine industry inputs to allow the national classification for imported products for boat building companies to be categorized under materials for boat building and not under construction materials.	1	01/04/2018	30/06/2019	<ul style="list-style-type: none"> Develop and implement adequate HS-8 digits level codes for marine industry inputs to allow the accurate national classification for imported products for boat building companies to be categorized under materials for boat building and not under construction materials. 	Department of Trade and Investment Policy (Ministry of Finance)	Board of Investment (BOI); Sri Lanka Customs; Boat Building Technology Improvement Institute (BTI)	40,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
1: To create an enabling environment for industry development by updating regulations and infrastructure.	1.2: Simplify and harmonize the operational procedures in boat building industry through the improved coordination between agencies and government institutions.	<p>1.2.1 Coordinate with an appropriate Government agencies or departments (MIC) to be responsible for the boat building industry to set up a one-stop shop to:</p> <ul style="list-style-type: none"> • Give technical support; • Resolve issues; • Provide permit within a limited time frame; • Promote boat building, yacht chartering and marina operations. <p>The one-stop shop will coordinate activities among:</p> <ul style="list-style-type: none"> • Ministry of Ports and Shipping • Sri Lanka Port Authority • MoD • Navy • Tourism Development Authority • Customs • Department of Immigration and Emigration • Department of Wildlife Conservation (for whale watching) • Coast Guard. 	1	01/04/2018	30/03/2019	<ul style="list-style-type: none"> • Setting up of a One-stop-shop at the appropriate Government institution completed • One-stop-shop operational and resourced 	Ministry of Development Strategies and International Trade	Ministry of Fisheries and Aquatic Resources; Ministry of Industry and Commerce; Export Development Board; Prime Minister's Office	30,000
	1.3: Provide adequate infrastructure and facilities for boat building and navigation.	<p>1.2.2 Design and operationalize a digital information and registration directory for boat manufacturers (portal to provide information about company size, type of boats produced, contact details, etc.).</p> <p>1.3.1 Improve access to land and water with sea frontage to transfer and expand the production to different locations by making operational the proposed land bank by the Government of Sri Lanka. Policy direction is expected from the PMO to ensure boat industry is included as a priority focus in land bank guidelines.</p> <p>In the absence of an operational land bank, coordinate land allocation through one-stop shop (PMO land committee) among following public agencies:</p> <ul style="list-style-type: none"> • Department of Wildlife Conservation • Central Environmental Authority • Coast Conservation Department • Urban Development Authority • Ceylon Fishery Harbours Corporation • National Aquatic Resources Research and Development Agency • Ministry of Megapolis and Western Development • Divisional secretaries • Pradeshiya Sabhas. 	<p>1.2.2 Design and operationalize a digital information and registration directory for boat manufacturers (portal to provide information about company size, type of boats produced, contact details, etc.).</p> <p>1.3.1 Improve access to land and water with sea frontage to transfer and expand the production to different locations by making operational the proposed land bank by the Government of Sri Lanka. Policy direction is expected from the PMO to ensure boat industry is included as a priority focus in land bank guidelines.</p> <p>In the absence of an operational land bank, coordinate land allocation through one-stop shop (PMO land committee) among following public agencies:</p> <ul style="list-style-type: none"> • Department of Wildlife Conservation • Central Environmental Authority • Coast Conservation Department • Urban Development Authority • Ceylon Fishery Harbours Corporation • National Aquatic Resources Research and Development Agency • Ministry of Megapolis and Western Development • Divisional secretaries • Pradeshiya Sabhas. 	1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> • Digitized boat manufacturers directory established 	Ministry of Industry and Commerce	Information and Communication Technology Agency (ICTA); Boat Building Technology Improvement Institute (BTI)
		<p>1.3.1 Improve access to land and water with sea frontage to transfer and expand the production to different locations by making operational the proposed land bank by the Government of Sri Lanka. Policy direction is expected from the PMO to ensure boat industry is included as a priority focus in land bank guidelines.</p> <p>In the absence of an operational land bank, coordinate land allocation through one-stop shop (PMO land committee) among following public agencies:</p> <ul style="list-style-type: none"> • Department of Wildlife Conservation • Central Environmental Authority • Coast Conservation Department • Urban Development Authority • Ceylon Fishery Harbours Corporation • National Aquatic Resources Research and Development Agency • Ministry of Megapolis and Western Development • Divisional secretaries • Pradeshiya Sabhas. 	1	01/04/2018	31/12/2020	<ul style="list-style-type: none"> • Land bank policy operational; • Regulation on the coordination of relevant institutions on land allocation gazetted; • Land allocated to boat building industry; • State Land Ordinance No. 08 1947 and Land development Ordinance No. 19 of 1935 amended 	To be Finalised by Ministry of Lands and Parliamentary Reforms	Ministry of Fisheries and Aquatic Resources; Ministry of Ports and Shipping; Board of Investment (BOI); Export Development Board; Ministry of Megapolis and Western Development	

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
1: To create an enabling environment for industry development by updating regulations and infrastructure.	1.3: Provide adequate infrastructure and facilities for boat building and navigation.	<p>1.3.2 Allocate land for and prioritize a new waterfront EPZ and industry clusters with boat ramps for boat building, repairs and related services. This will include:</p> <ul style="list-style-type: none"> • Facilities to build, test and launch for export boats sailing on their own power; • New investors to invest in new boat industry facilities; • International boat operators to obtain services such as boat parking, maintenance, repairs, spare parts, etc. <p>The locations identified are Trincomalee, Chillaw, Beruwala, Negombo and Hambantota.</p> <p>Expand the existing Koggala Free Trade Zone to be converted immediately to a sea front.</p> <p>1.3.3 Release the land to create marinas, basic facilities (breakwaters, water system, recycling) and infrastructure to provide services for marinas, visiting yachts and boats.</p> <p>Following steps required:</p> <ul style="list-style-type: none"> • Complete the development of three existing mini-marinas: <ul style="list-style-type: none"> » Mirissa » Beruwela » Hikkaduwa • Develop, through call for expression of interest, fully fledged marina infrastructure including facilities for super-yachts (with adequate power supply, longer jetty, etc.) in following order: <ul style="list-style-type: none"> » Galle » Dickowita » Trincomalee • Conduct feasibility studies for: <ul style="list-style-type: none"> » Hambantota fisheries harbour » Kirinda » Tangalle » Nilwela » Ambalangoda » Pradura » Chillaw • Build a partnership with international marina organizations to provide counsel in developing marina related services. 	1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> • EPZ services for national and international boat operators provided; • Koggala Free Trade Zone expanded 	Ministry of National Policies and Economic Affairs; Ministry of Fisheries and Aquatic Resources; Ministry of Ports and Shipping; Board of Investment (BOI)	Ministry of National Policies and Economic Affairs; Ministry of Ports and Shipping; Ministry of Megapolis and Western Development	5,000,000
		<p>1.3.3 Release the land to create marinas, basic facilities (breakwaters, water system, recycling) and infrastructure to provide services for marinas, visiting yachts and boats.</p> <p>Following steps required:</p> <ul style="list-style-type: none"> • Complete the development of three existing mini-marinas: <ul style="list-style-type: none"> » Mirissa » Beruwela » Hikkaduwa • Develop, through call for expression of interest, fully fledged marina infrastructure including facilities for super-yachts (with adequate power supply, longer jetty, etc.) in following order: <ul style="list-style-type: none"> » Galle » Dickowita » Trincomalee • Conduct feasibility studies for: <ul style="list-style-type: none"> » Hambantota fisheries harbour » Kirinda » Tangalle » Nilwela » Ambalangoda » Pradura » Chillaw • Build a partnership with international marina organizations to provide counsel in developing marina related services. 	1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> • Land released for establishment of marinas; • Basic infrastructure by GoSL completed Call for tenders for 3 marinas completed by end of 2018; • Feasibility studies for 7 marinas completed; • 3 existing mini marinas fully operational by 2022; • Partnership with international experts established 	Board of Investment (BOI)	Ministry of National Policies and Economic Affairs; Ministry of Ports and Shipping; Ministry of Megapolis and Western Development	300,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
2: To raise the industry's performance through partnerships and targeted innovation.	2.1: Enhance technology transfer through the implementation of a public-private partnership.	2.1.1 Attract investors to reinforce local production of inputs for boat building and attract innovative manufacturing technologies. Main areas for investment include: <ul style="list-style-type: none"> Enhancing local production of materials (resins, paints, coatings); Installing bonded warehouses; Setting up the manufacturing of equipment and accessories (engines, hardware, components); Building recycling plant. BOI to target identified partnership/investors.	1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Investment targeting materials developed; Promotion campaigns ongoing; 5 investors reached per year; 1 investor attracted per year 	Board of Investment (BOI)	Ministry of Industry and Commerce; Ministry of Development Strategies and International Trade; Boat Building Technology Improvement Institute (BTI)	20,000
		2.1.2 Attract investors to develop marine industry related services. Main areas for investment include: <ul style="list-style-type: none"> Building of additional boat and dockyards with export services; Installing marina facilities; Attracting marina operators; Attracting charter companies; Developing water transportation facilities and services at national market (longer term). BOI to target identified partnership/investors.	1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> 5 investors targeted per year; 1 investor attracted per year 	Board of Investment (BOI)	Ministry of Industry and Commerce; Ministry of Development Strategies and International Trade; Boat Building Technology Improvement Institute (BTI)	
	2.2: Build relationships between industry and academia to improve skills and capacities.	2.1.3 Build links with other industries (tourism, logistics, electronics) by connecting leading companies through B2B meetings to incentivize sourcing from domestic suppliers and to promote local service opportunities.	2	01/04/2019	31/12/2022	<ul style="list-style-type: none"> Annual meeting for each industry held 	Ministry of Industry and Commerce	Board of Investment (BOI); Export Development Board; Boat Building Technology Improvement Institute (BTI)	20,000
		2.2.1 Hold an annual dialogue between the academia and boat industry companies to: <ul style="list-style-type: none"> Identify the skills gap and to address the R&D needs of the industry; Develop and implement university and TVET programmes for specific boat building technical skills (coating applicators, fibreglass technicians, carpenters, welders, fitters); Include marine ISSUES and boat building as optional subjects in the school curriculum. (BTI to convene the dialogue.) 	1	01/04/2018	31/03/2022	<ul style="list-style-type: none"> Annual meeting completed; Initial dialogue to be held in the first quarter in 2018 	Ministry of Skills Development and Vocational Training	Ministry of Education; Ministry of Higher Education and Highways; Boat Building Technology Improvement Institute (BTI)	
		2.2.2 Promote and encourage opportunities for technicians to work in the boat building industry through awareness raising campaign and job fairs among college and university students and graduates.	2	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Annual job fair organized; Initial job fair held in the first quarter in 2019 	Boat Building Technology Improvement Institute (BTI)	Ministry of Development Strategies and International Trade; Ministry of Higher Education and Highways; Ministry of Skills Development and Vocational Training	50,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
2: To raise the industry's performance through partnerships and targeted innovation.	2.2: Build relationships between industry and academia to improve skills and capacities.	2.2.3 Develop and implement a training program by authorized/ accredited institutions for boat and yacht crew members (including boat masters, boat engineers, skippers, stewards, engine operator/technicians, deckhands, chefs etc.).	1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Detailed syllabus by the institutions developed within 6 months; Approval to run the programme granted 	Ministry of Skills Development and Vocational Training	Ministry of Ports and Shipping; Boat Building Technology Improvement Institute (BTI) ; Colombo International Nautical and Engineering College (CINEC)	100,000
	2.3: Strengthen R&D and product development facilities at key institutions to develop capacity for innovation in the boat industry.	2.3.1 Establish a fund for specialized R&D, product development, innovation and testing in the boat building industry. Funding to be provided to following institutions based on submission of proposals to the Evaluation Committee: <ul style="list-style-type: none"> Colombo International Nautical and Engineering College; University of Moratuwa; Ocean University; University of Peradeniya; Kotewala Defence University; Lanka Hydraulic Institute Ltd. Colombo Dockyard and other private sector operators to be involved in implementation	2	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Research and technology improvement toward green manufacturing and using green energy in operation for boats completed 	Ministry of Industry and Commerce	Boat Building Technology Improvement Institute (BTI) ; University of Moratuwa	100,000
	2.4: Strengthen the organisation of the boat industry.	2.4.1 Hold a quarterly boat building industry advisory committee, led by the private sector, to: <ul style="list-style-type: none"> Confirm strategic market orientation of the industry; Plan annual implementation of the strategic orientations; Track implementation progress by lead implementing partners; Assess the need to establish adequate support mechanisms (policy, regulations, institutions, etc.). 2.4.2 Establish National Boat Building Association acting on behalf of the industry and represent all stakeholders: <ul style="list-style-type: none"> To be recognized as the national apex boat building representative body; To do strategic planning for industry development; To develop and implement an annual promotion plan. 	3	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Testing facility established 	Ministry of Industry and Commerce	Ministry of Skills Development and Vocational Training; Export Development Board; Boat Building Technology Improvement Institute (BTI)	50,000
				1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Committee members appointed; 4 meetings per year conducted 	Export Development Board	Ministry of Fisheries and Aquatic Resources; Ministry of Industry and Commerce; Ministry of Development Strategies and International Trade
			2	01/04/2019	27/09/2020	<ul style="list-style-type: none"> Industry association created; Association business plan defined 	Boat Building Technology Improvement Institute (BTI)	Ministry of Industry and Commerce; Ministry of Ports and Shipping; Export Development Board	50,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
2: To raise the industry's performance through partnerships and targeted innovation.	2.4: Strengthen the organisation of the boat industry.	2.4.3 Provide capacity-building to Boat Building Technology Institute (BTI) to collect, analyse and disseminate data and information on market demand and trends.	2	01/04/2019	31/03/2022	<ul style="list-style-type: none"> 2 training per year for capacity building of BTI to collect, analyse and disseminate data held 	Ministry of Development Strategies and International Trade	Ministry of National Policies and Economic Affairs; Ministry of Ports and Shipping; Boat Building Technology Improvement Institute (BTI)	20,000
	3: To enhance national and international visibility of Sri Lankan marine industry.	3.1: Raise awareness about the potential industry importance at national and international levels.	<p>3.1.1 Sensitize public authorities about the economic importance of boat building industry through awareness-raising and capacity building training (field visits, meetings with private sectors and promoting success stories in the media) including linking with international "Grow Boating Campaign".</p> <p>3.1.2 Provide assistance for boat building companies with participation in international boating and marine related shows and events.</p> <p>Following steps required:</p> <ul style="list-style-type: none"> Prioritize a number of events (Southampton Boat Show in UK, HISWA in-water Boat Show in Holland, Dusseldorf boat show in Germany, Singapore Boat Show, South Korea International Boat Show); Developing marketing strategies including a conception of the stand, promotional campaigns (media, digital marketing); Supporting logistical coordination. 	2	01/01/2019	31/12/2021	<ul style="list-style-type: none"> Awareness of public authorities raised through annual field visits or industry event 	Boat Building Technology Improvement Institute (BTI)	Ministry of Industry and Commerce; Ministry of Ports and Shipping; Export Development Board
		3.2: Strengthen branding and promotion of the boat industry.	<p>3.1.3 Organize a boat show in Sri Lanka annually instead of every two years. This can be done in partnership with ICOMIA.</p> <p>3.2.1 Assist with the development of a branding strategy for the boat building industry through joint efforts of boat industry consortium of companies by developing:</p> <ul style="list-style-type: none"> common industry logo; marketing materials; communication channels; promotional campaign; promotional activities through foreign trade missions and consulates. <p>3.2.2 Enhance BTI (or sector association) website providing information about Sri Lankan products, marine services, boat shows and festivals, boating tourism and charter (by combining efforts of BTI and EDB websites).</p>	1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Boat show held yearly (next show to be held in October 2018 at Galle) First strategy to be prepared by the Advisory Committee in the first quarter of 2018; All promotional materials to be ready for the Boat show in October 2018; Success stories of boat building industry published regularly 	Export Development Board	Ministry of Industry and Commerce; Ministry of Foreign Affairs; Boat Building Technology Improvement Institute (BTI)
			1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Boat show held yearly (next show to be held in October 2018 at Galle) 	Boat Building Technology Improvement Institute (BTI)	Ministry of Tourism Development and Christian Affairs; Export Development Board	50,000
			1	01/04/2018	31/12/2020	<ul style="list-style-type: none"> First strategy to be prepared by the Advisory Committee in the first quarter of 2018; All promotional materials to be ready for the Boat show in October 2018; Success stories of boat building industry published regularly 	Export Development Board	Boat Building Technology Improvement Institute (BTI)	50,000
			3	01/01/2020	31/12/2022	<ul style="list-style-type: none"> Website about maritime products and services developed 	Export Development Board	Ministry of Industry and Commerce; Boat Building Technology Improvement Institute (BTI)	20,000

ANNEXES

APPENDIX 1: LIST OF PARTICIPANTS IN THE PUBLIC-PRIVATE CONSULTATIONS

No.	Name	Designation	Name of Institution
1	Mr. Pierre Pringiers	Chief Executive Officer	BAFF Polymech (Pvt) Ltd
2	Mr. Kaushall Rajapaksa	Director	BAFF Polymech (Pvt) Ltd
3	Mr. W. U. K. M. A. Wijayakulathilaka	Director - Investment Appraisal	Board of Investment (BOI)
4	Major G. Dahanayaka	Director	Board of Investment -Koggala
5	Mr. P.W. Senevirathna	Asst.Director	Board of Investment -Koggala
6	Mr. Viran Fernando	Assistant Director	Board of Investment (BOI)
7	Ms. K. Ranatunga	Admin.Officer	Board of Investment -Koggala
8	Mr. Gamini Herath	Managing Director	Boat Building Technology Improvement Institute (BTI)
9	Mr. Priyantha Weeratunga	Course Director	Boat Building Technology Improvement Institute (BTI)
10	Mr. Lalantha Fernando	Group Director	Ceyline Eng. Services (Pvt) Ltd
11	Mr. S.P.A. Dahanayaka	Habour Manager	Ceylon Fishery Harbour Cooperation
12	Mr. P. Hettiarachchi	Habour Manager	Ceylon Fishery Harbour Cooperation
13	Mr. D.N. Dissanayaka	Habour Manager	Ceylon Fishery Harbour Cooperation
14	Mr. Nuwan Jayasinghe	Manager - Operations	Ceylon Fishery Harbours Corporation
15	Ms. Chitra Jayasinghe	Deputy General Manager	Ceylon Shipping Corporation Ltd
16	Mr. S.M. Jayaratne	Design Engineer	Cey-Nor Foundation Ltd.
17	Mr. Lal Hettiarachchi	General Manager(Ship Building)	Colombo Dockyard PLC (CDPLC)
18	Mr. D.L. Darshana Chandrasekara	Head of Marketing- Ship Repairs	Colombo Dockyard PLC (CDPLC)
19	Mr. W.M.M.A. Weerasinghe	Engineer-Estimating & Invoicing	Colombo Dockyard PLC (CDPLC)
20	Mr. M.C. L. Fernando	Director General	Department of Fisheries & Aquatic Resources
21	Mr. L.D.A. Udayakantha	Marine Engineer Assistant	Department of Fisheries and Aquatic Resources (DFAR)
22	Mr. M.K.W.S. Kumara	Assistant Director	Department of Fisheries & Aquatic Resources
23	Mr. G. S. Fernando	Managing Director	Dhanusha Marine Lanka Export
24	Mr. Sachitra Fernando	Manager/Business Development	Dhanusha Marine Lanka Export
25	Ms. Gayathri Amarasinghe	Manager Sales & Operation	Dhanusha Marine Lanka Export
26	Mr. K.W. Munasinarachchi	Assistant Director (Planning)	District Secretariat, Matara
27	Mr. Jagath Kumara	Senior Surveyor and In charge of Sri Lanka Operations	Lloyd's Register Marine
28	Ms. N. Jayasinghe	Legal Officer	Merchant Shipping Secretariat
29	Mr. P.V.T.P. Chandana	Gov. Ship Surveyor	Merchant Shipping Secretariat
30	Capt. Upul Peiris	Government Ship Surveyor	Merchant Shipping Secretariat
31	Eng. S. Prabhakar	Representative	Ministry of Development Strategies & International Trade
32	Mr. U G Ratnasiri	Additional Secretary - Economic Affairs	Ministry of National Policies & Economic Affairs
33	Mr. Kapila Sumanapala	Director Administration	Neil Fernando and Company (Pvt) Ltd

No.	Name	Designation	Name of Institution
34	Mr. Jagath Chammika	Managing Director	NorthWest Marine (PVT) LTD
35	Mr. I D D Wickramasinghe	Finance Manager	NorthWest Marine (PVT) LTD
36	Ms. Shanali Samarasekara	Assistant Director	Ocean University /Regional Centre, Galle
37	Mr. P.U.I. Perera	Director (Training)	Ocean University of Sri Lanka
38	Mr. A. Jesudas	S.D.A	Ocean University of Sri Lanka- Jaffna
39	Mr. Jeevantha Fernando	Director	Ranil Marine
40	Mr. Tyrone Mendis	-	Ranil Marine
41	Mr. S.D. Premathilake	General Manager	Solas Marine Lanka (Pvt) Ltd.
42	Commodore. D.S. Bogahawaththa	Commodore Manager IP CP	Sri Lanka Navy
43	Mr. A.L. Mohammed Nowfer	Dy. Chief Engineer	Sri Lanka Ports Authority
44	Mr. Nirmal Silva	-	Sri Lanka Ports Authority
45	Mr. D.H.S.Wimalasiri	DHM/Act.RM	Sri Lanka Ports Authority - Galle
46	Dr. Udayanga Galappaththi	Senior Lecturer	University of Ruhuna
47	Dr. D.H.N. Munasinghe	Professor	University of Ruhuna
48	Dr. Sarath Obeysekara	Executive Vice President/Chief Executive Officer	Walkers Colombo Shipyard (Pvt) Ltd
49	Mr. Nimal Gunawardane	General Manager	Walkers Colombo Shipyard (Pvt) Ltd
50	Dr. Lalith Samarakkody	-	Walkers Colombo Shipyard (Pvt) Ltd
51	Mr.Chamila Silva	Sales & Marketing Engineer	Walkers Colombo Shipyard (Pvt) Ltd
52	Ms. C. Dissanayake	Director – Industrial Product	Export Development Board
53	Ms. Mangala Maduwanthi	Development Officer	Export Development Board
54	Mr. Anura Wickramasekara	Deputy Director	Export Development Board

APPENDIX 2: DETAILED DESCRIPTION OF KEY MARKETS

Europe – Mediterranean Sea

Primary boating hub and charter destination due to the beauty of the coastline, good weather, sea conditions and infrastructure quality. High concentration of marinas and berthing along the entire EU coastline (Spain, France, Italy, Slovenia, Croatia, Greece, Malta). Market aimed at almost all FRP boat types (outboard, personal water craft, rigid inflatable boats, sailboats, motor yachts) and super-yachts, mainly based on EU production and focused on quality and design. Major boat manufacturing in Italy and France (the EU Recreational Craft Directive applies). Common trade rules for importing boats from outside the EU. Main domestic markets are growing again after a long post-recession stall. Lack of alignment in boat safety rules and boat use regulations (for example, licences). Free circulation of boats in EU waters for recreational purposes. National regulations for commercial use (such as Customs and taxation). Boat shows and nautical press are crucial in the sales process. Adequate distribution channels and assistance programmes are essential.

North Europe and Scandinavia

Important boating countries with centuries of tradition in navigation; sailing is a popular activity. Several small marinas and yacht clubs, internal navigation is common; many private docks in the inland waters. Market is mainly aimed at seaworthy boats (FRP or aluminium) as sea and weather conditions can be tough; smaller boats for specific use (lakes in Scandinavia and Finland; rivers and channels in the Netherlands, Belgium and Germany). Sales mainly based on EU production and focused on quality. Major boat manufacturing in the United Kingdom and Poland (EU Recreational Craft Directive rules apply). Common trade rules for importing boats from outside the EU. Main domestic markets are increasing again after a long post-recession stall. Free circulation of boats in EU waters for recreational purposes. National regulations occur for commercial use (such as Customs and taxation). Boat shows and nautical press are crucial in the sales process. Adequate distribution channels and assistance programmes are essential.

United States and Canada

Represent most of the global fleet and global marine production. Boating is a very popular activity: 100 million boaters, 20 million boats. Common boating destinations: lakes, Florida, California, northeast coast. US\$ 120 billion annual contribution by the industry, four times direct spending. Most American boat owners (70%) have a household income of less than US\$ 100,000. Boats that can be hauled

by trailer and are below 26 feet make up 95% of the fleet; 85% are outboard boats. Difficult market entry: 95% of boats in United States are built in the United States. 75% of imported boats from Italy, France, the United Kingdom and Germany. Top export destinations: Canada, Western Europe, Mexico. Manufacturing under United States Coast Guard/ Environmental Protection Agency rules, American Boat and Yacht Council standards, National Marine Manufacturers Association certification. Consumer focused on quality and assistance. Participation in the main boat shows and local fairs is essential.

Latin America

Huge decline of the main boating markets (Brazil and Argentina) in the last years: strong recession and currency depreciation, persistent political and social instability. Large investments by America and EU boatbuilders in manufacturing facilities in Brazil to avoid the high import tariffs. Mature boating culture gives optimism for the potential market in long-term. Emerging market of Colombia with noticeable investment in marinas. Recent American investments in a new international boat show in Cartagena. Mexico: small market in a booming economy, with few barriers within North American Free Trade Agreement. The United States is the largest supplier of the Mexican market but there's a lack of infrastructures and distribution channels. Panama: good potential to expand as new yachting destination; imports mainly are from the United States.

Australia and New Zealand

Water sports are a central part of the local culture (boating, fishing, etc.). Boating is a common activity: 1.5 million boats for 30 million inhabitants. Sailboats, sport, fishing and boats that can be hauled by a trailer are the most popular models. Key production in Australia (from small boats to super-yachts) but for local market. Strong marina community for bigger craft. Main boating destinations: Auckland, Sydney, Gold Coast, Great Barrier Reef. Currency depreciation decreased overseas imports (mainly coming from the United States). Free trade agreement between Australia and the United States. Difficult market entry due to own technical standards and rigid environmental rules. Local distribution channels are essential in the sales process.

Russia

After booming growth, economic sanctions, depreciation and fall in oil prices have stopped the internal market. High import tariffs and difficult access through local distributors. Lack of infrastructure. Adoption of a new Eurasian technical regulation



Photo: (ITC) –Neil Marine

impossible to comply with. Superyacht owners generally keep their boats abroad (Mediterranean or Caribbean).

Japan

Declining market for many years: affected by the lack of growth of general economy and suffering from the absence of interest in boating by the younger generation. The boat park has reduced considerably in the last years; a scrapping national scheme has been managed. Imports mainly from China, the United States and the EU but a small number of units. Top player in marine engine production, being a primary exporter of outboard engines.

Middle East and Gulf countries

Key boating markets are the United Arab Emirates, Kuwait and Qatar. Growing interest in boating but with important security issues. Target is luxury yachts segment. Infrastructures supply is expanding: luxury waterfronts and harbours (such as the Dubai marina). Local boatbuilders increase market share, improving quality and design.

South Africa

Very innovative boat production, with focus on the catamaran sector (power and sail) and on luxury sailboats. Exports to EU and production leans to charter companies. Issues for the local industry with the decline in the African market.

China

Celebrated for a long time as a certain developing market, it never kept its promises. Heavy decline since 2015 because of anti-corruption policies, the lack of water and boating traditions and the different use of yachts, which generally do not sail but stay moored in the marinas. There are 3,000 registered yachts but the regulations for boating are designed for merchant ships. Growing levels of boat and super-yacht manufacturing: production is focused on exports globally; quality and design is rapidly improving (20/25 boatbuilders can build to international standards); labour costs are increasing. The marine equipment industry is also expanding.

Hong Kong (China)

Good sales for yacht dealers despite the lack of berths. There are 10,000 registered pleasure craft (800 over 10 metres; 2700 over 20 metres), in addition to 7,000 transportation vessels, fishing boats and sampans, with only 3,200 marina moorings and 800 dry berths: waiting lists are common.

Taiwan, China

The island is the largest Asian boatbuilder, though leisure boating has been allowed on Taiwanese waters for only a few years. High output of medium and large high quality yachts from few yards. Historically strong trade relations with United States: importing engines and equipment and exporting yachts.

Republic of Korea

Government programme to promote leisure boating started ten years ago: 43 projects for new marinas before 2019, one main boat shows, in addition to some yachting festivals. Booming economy recently developed boating among a wealthy middle class, with an interest in small-medium size boats (below 12 metres) and a major focus in fishing activities. There are 190,000 boating licences and 25,000 craft (mainly powerboats, rigid inflatable boats and personal water craft). Commerce benefits from World Trade Organization rules and compliance with intellectual property rights. Free trade agreement with 54 countries.

India

1,200 to 1,400 privately owned boats. One existing marina (34 berths) and seven new projects (for about 1,800 berths). Import tax of 48% can be a big problem for exporters. In November 2016 the Government published new guidelines for pleasure craft construction, survey and operation, an essential step for the boating economy boost.

Singapore

High concentration of high net worth individuals. About 1,800 craft, mostly powerboats, are registered (750 8-12 metres; 200 12-24 metres; 12 super-yachts). The infrastructures includes 900 wet berths in marinas/yacht clubs, 1,200 dry berths and several mooring buoys.

Indonesia

The Indonesian archipelago is strategically located on the Singapore/Australia yachting route. There are plans for development of about ten marinas in different islands: Indonesia is an ideal yachting destination and will be used for charter purposes.



Photo: ©Neil Marine

Malaysia

Some marinas exist and are mainly used for sport and fishing purposes. Lack of internal market due to high import duties and taxes. Shipbuilding and repair sector had a strong downturn in the last few years but the sector is unable to convert to recreational boat manufacturing. Export incentives exist but currently there is only local limited production of small craft.

Thailand

Large numbers of expatriates led to a significant boating development. Phuket is the regional berthing hub, with four marinas and more than 1,500 berths and 45 charter companies with over 250 yachts. Eleven marinas in the country but the Government is planning new locations. Three new boat shows and festivals in 2017/2018. Thailand Tourism Authority is writing a marketing plan for yachting. Trade is simplified in the Association of South East Asian Nations (ASEAN) area.

Viet Nam

Prosperous economy and rising wealth. First marina (220 berths) opening in 2017 but three new projects are expected. Pleasure boat rules. Catamarans and trimaran manufacturing: skilled craftsmen. Attractive wage structure, with export incentives and ASEAN free trade. 35% special tax for private boats and 10% import duties.

APPENDIX 3: LIST OF EXPORTING BOAT BUILDING COMPANIES

(sorted by descending order of export value in 2016)

Company details	Products exported in 2016	Export markets in 2016
COLOMBO DOCKYARD PLC	890190	Singapore, India
SOLAS MARINE LANKA PVT LTD	890392, 89039210, 890710	India, United Arab Emirates
NEIL FERNANDO AND CO PVT LTD	890200, 890110, 890690, 890392, 890190	Netherlands, Seychelles, Maldives
Sri Lanka NAVY	890690	Nigeria
HAIRU NAVAL CRAFT ENGINEERING PVT LTD	890200	Comoros
NORTH WEST MARINE LANKA PVT LTD	890200	Seychelles
YACHTING ASSOCIATION OF Sri Lanka	890391, 89039990	China
JOSTEIN VIKSOND DESIGN AND MOD CENTRE PVT LTD	890391, 89039990	Norway, Maldives
DYNAMIC A V TECHNOLOGIES PVT LTD	890790	Comoros
B A F F POLYMECH PVT LTD	89031010	Bangladesh
NAWALOKA CONSTRUCTION CO LTD	89040090	Maldives
CONSOLIDATED MARINE ENGINEERS LTD	89031090	Maldives
DEVELOPMENT INTERPLAN CEYLON LTD	89039990	Maldives
SCHAUPUB TECHNIK PVT LTD	89031090	Maldives
DHANUSHA MARINE LANKA EXPORTS PVT LTD	89039990	Maldives
S/R EXPORT AND IMPORT	89031010	Maldives
ENGINEERING AND LABORATORY SERVICES PVT LTD	89031090	Maldives
OCEAN TRADE AND LOGISTICS PVT LTD	89039990	Maldives
TROPICAL FISH INTERNATIONAL PVT LTD	89031090	Maldives
ORIENTAL OCEAN EXPRESS PVT LTD	89039990	Maldives
SANKEN OVERSEAS PVT LTD	890790	Maldives
NALANI EXPORT	89039990	Maldives

Source: Sri Lanka Export Statistics, Information Technology Division/Sri Lanka Export Development Board

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Ministry of Development Strategies
and International Trade



Sri Lanka Export Development Board



International
Trade
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