

Feasibility study

Leisure boat sector in Croatia

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CRONoMAR 

SEA OF OPPORTUNITIES

LEISURE BOAT SECTOR IN CROATIA

Feasibility Study

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Abstract:

CroNoMar's mission is to participate in commercial development of new modern, innovative and sustainable products, processes, and services in marine sectors in Croatia. Intention of this feasibility study was to take a "bird's eye view" in the leisure boat sector in Croatia. The aim of this study was to identify possibilities and challenges in order to improve efficiency and competitiveness of the sector. CroNoMar has opportunity to do networking and further actions in order to raise competitiveness in international market perspective. Based on collected data the following areas have been analyzed:

- The situation in leisure boat sector in Croatia
- The overview of Croatian leisure boat production, marinas, sub suppliers
- Distribution channels, condition, promotion
- Swot analysis
- Cluster of small shipbuilding in Croatia, etc.

Recommendations of this feasibility study can assist this sector in order to improve sustainability and commercial potentials, to develop more international cooperation, knowledge transfer, and experience exchange.

That can be achieved by the:

- o Better organization of cluster for production(committed cluster with a limited number of producers in order to achieve efficient series production and professional approach) and marketing(international branding)
- o Development of competence and organization for sub suppliers both locally and globally, etc.

LEISURE BOAT SECTOR IN CROATIA

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1. INTRODUCTION

The main objective for CroNoMar is to identify interesting business opportunities, and to try and implement them in business-relations together with interested cooperating partners in both Croatia and Norway.

CroNoMar's goal is to identify potentials for business improvements, and markets for new products and services in marine and maritime sector, and to participate in processes to commercialize these new business propositions. The end-result shall be prosperous new jobs and activities in Croatia.

CroNoMar is spending considerable resources on stimulation activities and studies in order to identify and generate deal-flow of new commercial ideas and business opportunities in Croatia.

The types of stimulation activity will be:

- PR and publicity activities to market our services and contribute to an improved business oriented culture and attitudes in the region. Establish good relations to relevant public and private development agencies where potential idea-holders seek assistance and contribution
- Proactively towards national R&D-institutes, educational institution and students from the region to be trained in entrepreneurship and look for maritime relate business opportunities during their studies
- Establish proactive cooperation's with existing business communities, national and regional public authorities, with financial and knowledge development organizations, branches, clusters, unions, associations, etc, in order to highlight non-released potentials and opportunities for new businesses and new business models, and jointly take new ideas into:
 - Feasibility studies
 - Pre projects
 - Development project

for further development and evaluation as new business opportunities

The prime objective from CroNoMar with feasibility studies is two-sided:

- Identify new marine and maritime business concepts that are relevant as new competitive products and services to be produced and marketed from Croatia.
- Identify cooperative partners in both Croatia and Norway that have interest and capabilities to be our partners in such commercialization.

A secondary result is that these studies very likely will identify considerable improvement potentials by upgrading the existing structure and operational focus of integrated business -branches and –sectors.

Such business opportunities have the greatest potential but are very demanding and can only be achieved by long term close cooperation with all parties from individual private companies and local and national agencies and policy makers.

This feasibility study highlights the **leisure boat sector/industry** in the whole of Croatia and includes short view on the following areas:

- Situation in the sector until 2009
- Overview of Croatian leisure boat industry
- Situation in 2009
- Croatian leisure boat models
- Evaluation of the sector and recommendations, etc.

At the end there is a discussion of actions where CroNoMar could contribute, given what potential partners and business environment need and want such assistance.

2. THE SITUATION IN LEISUREBOAT SECTOR UNTIL 2009

This sector includes sailing boats, and boats with engine- both displacement, semi displacement boats, powerboats, yachts and inflatable boats.

Croatia main advantage is that it s very well positioned as a country close to a large Mediterranean market of leisure boats with tradition, quality of production and in servicing the leisure boat fleet.

There is no existing framework or national strategy for this branch/industry from governmental side.

Main goal of this industry should be to concentrate whole industry for the market needs and achieve competitiveness of Croatian boat models outside of Croatia.

Some 120 companies in Croatia are producing leisure boats; most of them are oriented to the domestic market.

(Source: Jadranbrod.com Croatian Maritime Portal)

The total value of imported boats in 2007 was almost USD 85.5 mill. Most of them are motor yachts and sailing boats used for charter. That means there is a significant potential left for production of leisure boats from domestic production plants.

(Source: CCE 2007)

This sector has a limited export. Resources spent on promotion/sales are very limited with some positive exceptions. Present situation is production of 200 different models from 100 manufactures.

In the year 2006 the production of leisure boat in Croatia from registered companies was aprox. 1,100 boats and by type there were:

- 150 – rubber boats
- 480 – leisure boat under 7,5m
- 400 – leisure boat over 7,5m
- 50 – other
- 10 – working boats

In addition there is a considerable supply of homemade leisure boats on the domestic market.

In 2007 the estimation was that the whole production in Croatia will be some 1300 boats from 83 manufacturers.

(Source: Brodarski Institut, cluster of small shipbuilding)

In 2007 some 80 manufactures were present in this sector with 600 employees. Production was 1,100 leisure boats together with total revenues of 182 mill.KN . Many of these companies are located on Dalmatian coast.

(Source: CCE 2007)

Croatian leisure boat manufacturers have become recognized on the International market regarding their product quality. Most of the manufacturers in this sector are oriented towards domestic market with long tradition of work in wood, iron, fiberglass, etc. Due to present way of working, costs of production are very high. Now more than 50% of total price of one boat is supply expense. For manufacturers it` s important to reduce price of expensive equipment in order to become competitive on the global market.

Related to sales and promotion, the producers reached only to a limited extend in developing international market channels. So far producers have done all promotion activities separately.

In this sector there is a high possibility for presenting and implementing new ideas, products and models. The rapid development of nautical tourism and the availability of modern materials have prompted great interest in the building, repair and maintenance of sports and leisure boats. Some of the present companies are already working on innovations and development of new technology and models. Suppliers have a long tradition working with aluminum, wood, metals, fiberglass, etc.

One of the most prominent leisure boat building companies in Croatia is **AD BOATS d.o.o.** They were the winner of the „European Yacht of the year 2007, 10-12m“ on the boat exhibition in Düsseldorf for their boat Salona 37. They have produced 46 sailing boats in 2008 and had 108 employees. In addition they are producing the Maestral line of inflatable boats. 80% of the company's annual production was exported.

3. THE OVERVIEW OF CROATIAN LEISURE BOAT PRODUCTION with scope of products range: leisure boats production and repairing, marinas ,sub suppliers

In appendix there is much more complete overview of models available from the different manufacturers in Croatia. In this chapter we will keep focus on the companies and their present situation.

3.1.Manufactures producing and repairing leisure boats

01 sailing boat

- **AD BOATS** (see above)
- **SAS VEKTOR** - manufacturer of motor yachts and sailing boats, service for Yanmar marine engines, maintenance, repairs, they are building a new factory, they use innovative technology and ideas, develop a new type of boats called „lobster“ in cooperation with Brodarski institute; now almost only producing motor yachts
- **AAG - MURTIĆ YACHTS**, advanced sailboats
- **DELTA DATA** - a company primary specialized in IT and electronics. After years of growing and experience, the company invested its profits into research and development of special materials for shipbuilding. Production and manufacturers of Deltex Design laminates - specially designed high quality materials for boat interior and exterior equipping and paneling. DS CAT 525 - 18 ft catamaran designed for pleasure, sport and extreme sailing. Deltex Sailing Catamaran 525 is a result of **their design** and development. Mast and consoles are made of carbon-epoxy. Hulls are laminated with vinyl ester resin with quadriaial fiber
- **CODE-7-** marine composites is a young and innovative firm specialized in manufacturing of high performance racing boats and a range of custom composite products including one-off foils, car parts and composite tooling
- **ENAVIGO** - a company with a production of traditional wooden sailing boats
- **NAVIS AUREA** - design and build their own -a vessel that would be appreciated both by younger sailors who simply love to compete in boat races as well as older ones who prefer family cruises.

02 motor yachts

- **NCP** - repair yard with all modern facilities necessary for the support and overhaul of military and naval ships, liners and tourist cruisers, and, in the past several years, even mega yachts
- **GRAŠO** - production of fiberglass boats and repair of fiberglass fishing boats (40-50boats/y)
- **PIČULJAN MARINA** - leisure boats, coast guard, fast semi displacement boats, they develop their own boats
- **DONAT BOATS** - FILO work boats (their own design and factory) made of polyethylene and fiberglass motor boats with Italian partners- licensed production of California, annual production of 18 boats, 24 young employees, good connections with the Ministry -they cover all coastal guard vessels production, they are producing the first firefighting vessel in Croatia
- **SAS-VEKTOR** (see above)
- **ELAN MOTORNI BRODOVI** - luxury yachts from 35 to 48feet, 90 employees, good equipped factory with respect to ISO standards
- **DAMOR** - 2 production lines: one is a boat industry with 6 models and the other is involved in manufacturing stainless steel products, they have 60 employees
- **ADEX NAUTICA** - producing two models of motor boats with Mr Michele Cadore (MC Design Studio)
- **DUNKIĆ ŠIBENIK** – Mr. Dunkić; unique product, semi displacement motor yacht Šibenik 800
- **PRINZ ADRIATIC** - building and repair, motor yachts, produced by using vacuum infusion using epoxy resin instead of regular polyester or vinyl-ester; 49 employees
- **ZBMARINE**; main business activities of the company is **design**, construction and repair of small crafts and boats, GROPO 25 multi-purpose fiberglass vessel
- **BRODOGRADNJA MONACHUS**- "Monachus 45"; retro style motor yachts from 10 to 16m
- **GRGINIĆ TRADE**- MIRAKUL 30; 9,20m long ship for sports and pleasure
- **TERRA NAUTA**- fiber-glass luxury boat; so far 90% was for domestic market
- **YACHT SERVIS MILENOVIĆ**- production and repair of fiberglass boats
- **SHIPYARD PUNAT**; wood, steel, aluminum, plastic constructions (Ferries, passenger ships, work boats and fast police launches, leisure vessels) services to all types of working vessels and mega yachts up to 50m length. Apart from their faithful customers, such as the shipping companies Rapska plovdba and Jadrolinija, the shipyard Punat is servicing the vessels of MUP (Ministry of the Interior) and MORH (Ministry of Defense).
The company launched "BSR 33", a fiberglass vessel for sport and leisure, designed as the Mediterranean boat ; 26 employees
- **KVARNER**-polyester resin boats

03 smaller motor boats

- **ARAUSA-FCI**
- **ORKA STUDIO** - multifunctional, strong, and fast boat with excellent maritime characteristics. ORKA 700 is produced entirely by the company - from making the mould and lamination of the hull to final assembly and equipping.
- **DAVIDMARINE** –trade; Čudak 19.9-S semi displacement plastic boat
- **KVARNER PLASTIKA** - building of fiberglass small boats, and supplementary activities (retail store for boat paint, varnish and tools as well as accounting services)
- **LUMBRICO** -production of "Adria 800, semi displacement boat and maintains of boats
- **GALEB I JA** - officially approved manufacturer of fiberglass boat
- **ZANZINI** - Mr. Josip Zanze; fiberglass boat; plan to redesign all boat models; in 2007 some 30 orders

- **BRODOPLAST SPLIT** - production of row-boats and reconstruction of boats, leading company in modification and remodeling of used boats, either to give customers' boats a new appearance, improve durability or sailing
- **CALAFATUS** - semi-displacement vessel "Nika 17" has been designed for coastal navigation, short boat trips, diving and fishing
- **LEIDI** - small fiberglass boats
- **VEMAX NAUTICA** - fiber-glass vessel
- **MAKINELA** - boat building, servicing and repairs, all models have been **designed by Bogoslav Pavlović**, 10 employees
- **MARSERVIS** - provision of marina services, boat servicing and maintenance, production of polyester boats Picaro 20, contract with the Swiss company Mw-Line, as well as the production of two models of environmentally friendly water-taxis, 15 employees, 15 boats/y
- **MARUŠIĆ** – small fiberglass boats
- **METALPLAST** - production of boats for sport and leisure, also manufacture other equipment for boats from polyester (steering shelter)
- **MONTMONTAŽA-GREBEN** - employs 130 workers and boats production covers:
 - lifeboats and life saving equipment,
 - military and police vessels,
 - fishing boats and passenger ships,
 - motor yachts, sailing and leisure boats,
 - repair and reconstruction services for all types of smaller vessels.
- **REFUL** - production of polyester vessels for various purposes. Apart that the company is involved in the production of other polyester items (pools, tanks, slides, vessels...). They have dedicated more effort to the production of various vessels for sport and leisure. In the last five years they have designed and produced 20 different models
- **SYKORA NAUTIKA** - production of polyester components and fiberglass pasara boats with or without a cabin
- **ŠKVER KUŠTERA** - shipbuilding and service company of semi-displacement boat
- **VEN MARINA**- production of polyester boats and other polyester items, annual production-40 boats
- **BIMEX PROM** - until 2000 the company was engaged in repair and selling of boats. From the year 2000 it started to produce boats from its own moulds; in 2008 12 boats sold

04 inflatable boats

- **RIS MARINE** - inflatable boats
- **RAGUZ MARINE** - shipbuilding of bigger inflatable boats
- **ORADA** - ORADA small inflatable boats
- **KANULA** - open type dinghy with a central steering console and jockey seat with the possibility of installing two additional seats and a watertight tank on the stern-inflatable boats
- **BARACUDA BRODOVI** - production of inflatable boats Prince 500 open, which is manufactured in cooperation with the company Maestral navis
- **M.H.I.** - production of inflatable and plastic boats and equipment of reinforced polyester for large ships (sanitary blocks, boat benches, doors, fire cabinets, etc).

05 design

In Croatia lot of leisure boats models (some 200) are present on the market produced by Croatian manufactures. Many of the models are very similar. There is also lot of homemade boats. For example, boat made from the same hull and only a bit different one from another in final design. Some of design companies in this field are:

- **ADEX NAUTICA**, young, modern, ambitious boat building company, **designing** their boats with Mr. Michele Cadore(MC Design Studio)
- **BRODARSKI INSTITUT** (Nikola Orešković design for Ad boats, Elan boats, etc.)

Conclusion:

There is a significant number of models and producers compared to their low production capacity. Many of the present companies are producing only some 10 boats per year and on average only 6 boats are produced per year. The producers are very positive to tailoring their products to customer's wishes. Very few producers are devoted to increase marketing effort in order to sell more boats in order to obtain series production of standard models.

Possible important initiative from manufacturer's side can be to reduce investment in product development and invest more in marketing promotion and improvement of order list. With more orders company can manage to go into series production and achieve associated efficiency of production and sub suppliers. Usually companies are using external designers and some are in cooperation with R&D institutes. Most producers are only oriented towards the domestic market and thus very dependent on domestic market conditions. This is a growing concern in the sector and the most professional producers are already orienting themselves towards a global market and global market conditions. Some producers are on individual basic already oriented internationally and a clustered initiative is under development where Croatian producers make joint effort for international branding of a limited number of models.

In the future manufactures can with joint approach make Croatian products more competitive on the world market.

3.2. Marinas

The positive development of nautical tourism has resulted in a considerable increase in potential for service, repair and maintenance of leisure boats. In Croatia the income to marinas from this kind of tourism is today mainly related to berthing. In other countries the major business part for marinas is service operations, such as repair and maintenance of vessels and yachts.

At the moment there are 51 marinas in Croatia, 12 of them are in Šibenik County. That creates the largest number of marinas in one county.

21 of them are in ACI d.d. group with a capacity of 5100 berths and 833 boat places on land.

Capacity of others is some 7726 berths and 2300 boat places on land.

All the marinas have mainly their lift service. All other service operation is situated in area of marinas but provided in cooperation with authorized companies.

In 2008 a National strategy for development of marinas was issued.

There are many different services like:

1) Maintenance and repair of:

- Wood
- Fiberglass work
- Complete service of painting and antifouling – copper, etc.

2) Services for:

- All kinds of electronic and electro repairs
- Installation of GPS and radar equipment
- Stainless steel parts implementing
- Welding repairs, pipe repairs, hull repairs
- Volvo, Caterpillar, Yanmar and Mercruiser engine repairs
- Sails, etc.

3) Leisure boat conservation and preparing for new season:

- Ship wrapping in shrink foil (only NCP and Marina Hramina)
- Annual maintenance of ships
- Battery maintenance during winter
- Cleaning, etc.

making the leisure boat ready to be operative when owner comes.

Conclusion:

Above mentioned servicing has today a limited extend but a considerable potential for the future. Many services provided in marina areas can be important for further growth of the whole sector together with positive service mindedness (hospitality of all employees is relevant for satisfied customer-client).

3.3. Sub suppliers

In leisure boats production some 50% of boat sales value refers to supply expenses of raw material and equipment used in production. Rest is labor expenses and fixed costs for the producer. Out of supply expenses for raw material and equipment the most significant expenses refer to the supply of engines. There is considerable import of equipment and materials.

(Source: Industry analysis; project Cards 2002)

Through different contacts with various leisure boat manufacturers it is obvious that there is a lack of cooperation between sub suppliers and manufacturers in the sector. Most of the manufacturers are using domestic producers and services for some ship sections or subcontractors for hand work. On that way each company has to create its own channels for buying products and services. That model of work is very expensive one.

In Croatia there is a limited production of standard boat equipment and accessories. Purchasing is oriented towards local dealers. However there are high quality producers of tailored adapted equipment like products from stainless steel, windows, railing, furniture, etc.

There are many ways for possible improvements in this area, for example potential for:

- Engines production
- Deck equipment
- Steering gear
- Propellers, etc.

Joint approach of manufacturers towards sub suppliers can have for the result reducing the price of sub supply.

Some of sub supplier companies are:

- **Sibnaval; ex Brodoservis**; experience and tradition in the program of shipbuilding with metal and rope-making and carpentry, new manufacturing programs, in the first place for floating pontoons with Styrofoam-concrete lift elements and bearing steel galvanized or aluminum structures, developing a stainless steel (inox) manufacturing program including stainless steel nautical equipment, interiors, exteriors.
- **Adria winch** - deck equipment
- **Martin d.o.o.** - designing and production of sails
- **Pramac d.o.o.** - hull design software
- **Keltex d.o.o.** - fiberglass products
- **MAREX** – stainless steel, etc.

4. THE MARKET ; DISTRIBUTION CHANNELS , CONDITIONS, PROMOTION

Trends on domestic market of leisure boats are significantly influenced by the trends in tourism, especially in nautical tourism.

The Croatian producers have only to a limited extended developed international market channels and sales-support. Significant investment has been made in models-development and not enough in market promotion, distribution channels and other sales services. At present, except for the domestic market, sales channels for products are oriented towards Western Europe, Mediterranean and Slovenia. Mediterranean is a considerable market for leisure boat. Croatian manufacturers can use a potential of Croatian position on the Mediterranean.

Related to promotion so far all manufacturers have done it separately - web pages, brochures, etc. The further step would be to join large one together as CROATIAN BRAND in order to create a "family of quality products".

5. PURCHASE OF LEISURE BOATS

In terms of financing, all the manufacturers have their own way of financing building process either from loans, or from partners etc.

Related to the purchase of leisure boats, buyers are using different ways of payment after signing the contract and that includes loans, bank leasing, mortgage loan, part cash part loan, etc.

Manufacturers working in this sector are providing them all necessary financial services with the aim to sell their product.

Standard procedure in leisure boat market is that the boat is paid upon delivery. When adapting the boat to the customer wishes partly payment is when the order is placed as caution.

Basically, the manufacturer has to finance most of the building process taking a considerable risk related to customer credibility at the delivery.

The situation in turnover in 2006 and 2007 by some largest companies in this sector was:

Overview of turnover in 2006	KN	Overview by total income in 2007	
Elan motor boats d.o.o.	92.013.000	AD boats d.o.o.	39.074.000 KN
Ad boats d.o.o.	65.662.000	Pičuljan marine d.o.o.	23.482.000 KN
Damor d.o.o.	19.839.000	Prinz Adriatic d.d.	20.348.000 KN
Sas vektor d.d.	16.978.000	Shipyards Punat d.o.o.	18.867.000 KN
Prinz adriatic d.d.	15.962.000	Sas-vektor d.d.	18.592.000 KN
Pičuljan marine d.o.o.	14.680.000		
<i>Source: boatbuilding cluster-Brodarski institut 2007</i>		<i>(Source: CCE 2007)</i>	

6. CLUSTER OF SMALL SHIPBUILDING IN CROATIA

Although there is a long tradition of boat builders in Croatia, for competing more than cooperating, in autumn of 2007, 21 Croatian boatbuilding companies decided to join forces to establish the Croatian Boatbuilding Cluster. Today the Cluster has 28 members. Cluster members collaborate in terms of shared resources and look at ways of becoming more competitive and efficient in the increasing global market place.

A production program of the Cluster is quite diverse, like:

- sailing boats
- family motor yachts
- rubber boats
- canoes
- fifty meters yacht

The products of the companies within the Croatian Boatbuilding Cluster are among their clients primarily appreciated for their high quality.

The Cluster has the potential to create synergies among their members. The present members are Croatian boats producers and equipment manufacturers that are capable to make Croatian boat industry both recognizable and competitive at the demanding European market. The cluster can become an important instrument for the members if the cluster manages to verify strategies and future initiatives among the members.

(Source: Boatbuilding cluster 2007)

The vision of cluster is:

To create a synergy between domestic manufactures of small ships and equipment manufactures in order that Croatia in small shipbuilding becomes internationally recognizable and competitive.

Objectives of small shipbuilding clusters:

- to improve production
- to increase implementation of domestic products on the vessels
- joint procurement of raw materials and equipment
- needed reorientation toward bigger and more sophisticated ships

- to increase export
- joint marketing
- joint presentation
- to create a Croatian brand of small shipbuilding
- education, R&D, etc.

So far there is no structural cooperation between cluster and companies in this sector.

Croatian cluster of small shipbuilding is in process of creating overview brochure with all of the producers and their product included. Small and medium-sized leisure boat builders make regular presentations at specialized nautical fairs in Genoa, Düsseldorf, Split, Rijeka and Zagreb where they attract great interest from numerous customers.

For the first time in history of Croatia Cluster with governmental support has the money to bring few Croatian leisure boat producers together as Croatian brand to one international fair in year 2010.

7. SWOT - analysis

Strength	Weakness
<ul style="list-style-type: none"> • Marine lifestyle and shipbuilding tradition • Lower labor costs compared to other countries like Italy, Germany, France, Netherlands • Quality in labor force • Existence of R&D institution and universities as a good base for well educated labor force • Existence of a small shipbuilding cluster • Possible retraining of working personnel 	<ul style="list-style-type: none"> • Inherited image of “old models” in boats building • Weak economic power of the manufacturers • Non harmonized domestic regulations with the EU standards both technically and with respect to financial and taxation issues • No tradition for investment in distribution and after sale services in the market
<ul style="list-style-type: none"> • Creating a global Croatian leisure boat brand • Creating a joint approach for manufactures and bringing a limited number of models to the market (serial production) • Development of present sub suppliers/purchase net • Development of export 	<ul style="list-style-type: none"> • Non developed national strategy for leisure boat industry • Lack of intermediate institutions supporting technology transfer • Competitive countries regarding production also with lower labor costs (Turkey, China, etc.) • Significant costs related to adjustments to EU standards - danger for small companies • No changes related to the new tax
Opportunities	Treats

8. SITUATION IN LEISUREBOAT MARKET IN CROATIA IN 2009

Due to present situation on the Croatia market as well the situation on the whole world market related to leisure boat industry, the sector as such is under a lot of changes and difficulties.

Already at the end of 2008 most of the manufacturers have experienced the economical crisis. In 2009 many of them are in lack of work so they are willing to do whatever it takes to keep the business running. Very limited resources are available for marketing initiatives, and practically all investments in new technology and innovation have stopped.

In addition to the crisis there is a new special domestic tax on luxury spending in Croatia operational from 1.08.2009.

- For boats that are in range of 400.000 KN the additional tax is 53% + VAT
- For boats in range of over 500.000kn the additional tax is 63% + VAT.

So for example, tax for motor yacht ADRIANA 44 was 15.000 KN until summer of 2009 and now is 1,5 mill KN. That means that price for Adriana 44 was 2,5 mill KN and now is 4 mill KN + VAT.

All of the present companies in this sector are making joint efforts in order to influence on possible change of this new tax.

Presently, many of the manufacturers in leisure boat industry are in process of reducing capacity of workers and production. The whole production is reduced to a minimum.

For example:

- **Elan motor boats** reduced employees from 90 to 31 workers (planning more) and are facing big difficulties
- **Sas vector** from 45 to 25 employees,
- **Tera nauta** already lost some 10 buyers related to new tax, in 2009 only 2 orders,
- **Zanzini** in 2009 only 2 sold one, expect in 2010 none. Now only 8 employees and after autumn even less, etc.

If the situation does not improve, many of the manufacturers will go bankrupt. An important issue for all the manufacturers in Croatia is to overcome present situation and „survive“ CRISIS.

In addition to the problems for the prime producers of leisure boats, the negative effects are similarly also affecting the sub suppliers industry of deck and interior components/furniture and service suppliers.

This special tax regime is expected to be changed back to somewhat more normal levels during 2010.

9. RECOMENDATIONS

Both the global market for leisure boats and a considerable market in Adriatic and Mediterranean region, gives opportunity for further development of this sector in Croatia. Croatia as a country is very well positioned nearby Mediterranean and can consider this as a domestic market. An important issue for Croatia will be to have a well developed market developed first domestically first, then to develop the Mediterranean market and then the outside world. Together with market development there is also a strong need for development of distribution, sales and services representation that goes along with it.

To achieve that, Croatian leisure boat industry should have priorities like:

- To have an ambition to "overtake" a half of the European market for leisure boats in Croatia
- To have an ambition to "overtake" a substantial part of the market in Mediterranean countries that so far have not developed their own leisure boat industry
- To expand to all part of the Mediterranean
- To expand outside of the Mediterranean

The cluster initiative in this process is important, but there is a need for selection among members with similar ambitions and similar mission area.

There is potential for many different ways of improving this sector, like:

- Potential for development of supporting services like repair and the production of non durable materials (ropes, motor, filters, sails...)
- Retraining of personnel/education – certified workmanship in all aspects

In a longer perspective Croatia has to adapt taxation system to international taxation level in order to be competitive. Otherwise the sector, tourism and marinas market will suffer under the present taxation regime.

CroNoMar is ready to be involved in leisure boat industry when the extraordinary taxation regime is more competitive in international market perspective.

- Cluster for production - investment in development of a committed cluster of a limited number of producers with a limited number of product models in order to achieve efficient series production, professional purchasing of sub supplies and equipment
- cluster for marketing - international branding of the products in a joint marketing /sales organization, etc.
- CroNoMar can contribute in development of competence and organization for sub suppliers both locally and globally

Involvement in this sector will depend of conditions and stability of the sector as such. It is important to keep track of all changes in this sector so that the right moment for involment can be estimated.