

7. Yachts and Motorboats

1. Definition of Category

Only yachts and motorboats of under 12 meters in length (not total length, but registered length), of the type defined as small craft.

HS Numbers	Commodity
8903.91-000	Yachts (sailboats)
8903.92-000	Motorboats
8903.99-000	Other small crafts for pleasure or sport (not inflatable)

Note: The category of "other small crafts for pleasure or sport" includes dinghies, kayaks, paddle-boats and sports fishing boats. Hereafter these will be referred to as pleasure boats.

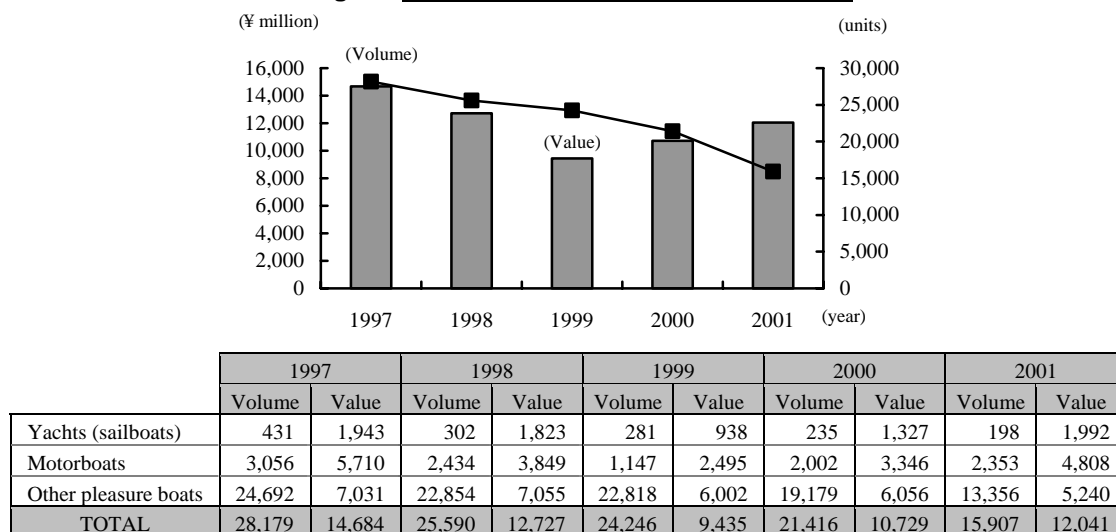
2. Import Trends

(1) Recent Trends in Yacht and Motorboat Imports

Since around 1990, marine sports had grown rapidly in popularity in Japan as more and more people work a five day work week and take extended vacations, and as more marinas and marine resorts are developed. Imports of yachts and motorboats have grown as well. Since that time, however, due to mainly the economic recession and an insufficient number of harbor facilities, imports could not sustain this level and fell on both volume and value basis.

Yacht and motorboat imports turned upward in 2000, and imports on a value basis posted the best results in the last five years during 2001. Total imports have risen for two straight years, reaching ¥12.04 billion (up 12.2% from the year before). On a volume basis, however, imports totaled 15,907 vessels (down 25.7% from the year before), with a continued decline in imports of pleasure boats, which make up the bulk of motorboat imports.

Fig. 1 Japan's yacht and motorboat imports



Units: units, ¥ million

Source: Japan Exports and Imports

(2) Imports by Place of Origin

Yacht imports from the United States have fallen catastrophically from their 1996 peak (215 vessels), as only 38 vessels were imported during 2001. The slump in American exports of yachts means that import shares are closely divided among several nations, although France holds the lead on both a volume (29.8%) and value basis (36.1%). Second place on a volume basis goes to the United States (19.2%), and on a value basis to Finland (15.1%) and Sweden (9.5%).

Australia (35.2%), Canada (34.4%), and the United States (26.3%) together enjoy a virtual monopoly on the imported motorboat market, with a collective 96% import share on a volume basis. The United States leads on a value basis with 55.5% due its large-size vessels, whereas Australia has just 7.9% on a value basis since most of its exports are small-size vessels.

Fig. 2 Principal exporters of yachts (sailboats) to Japan

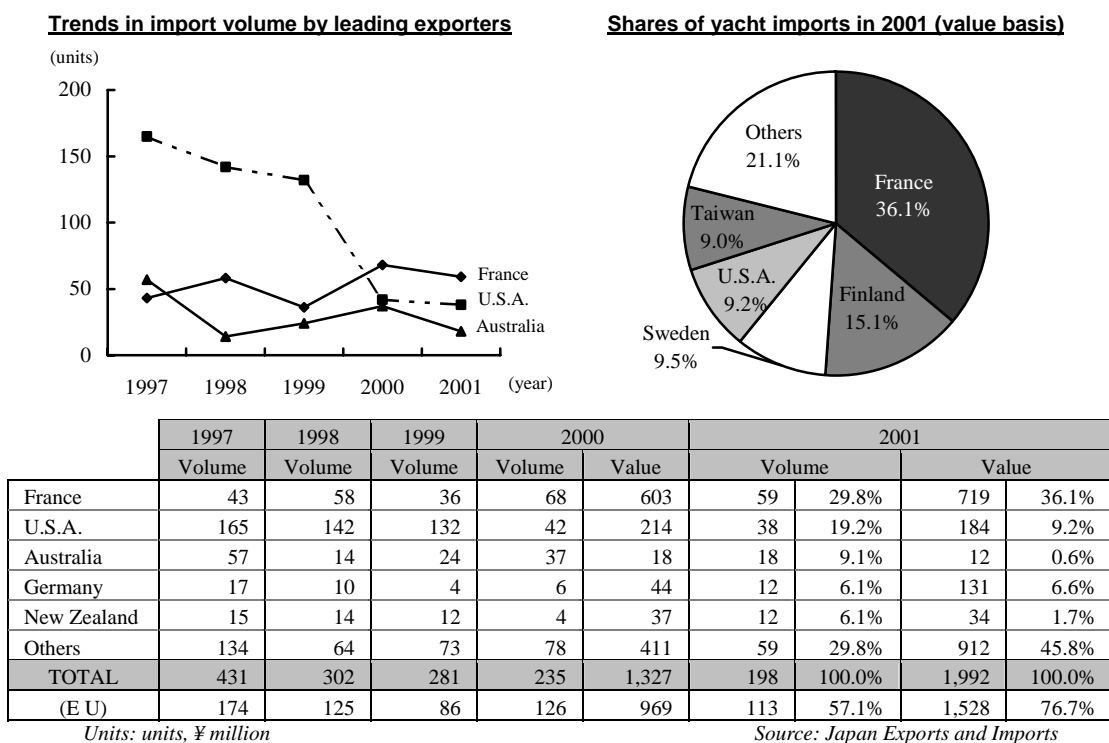
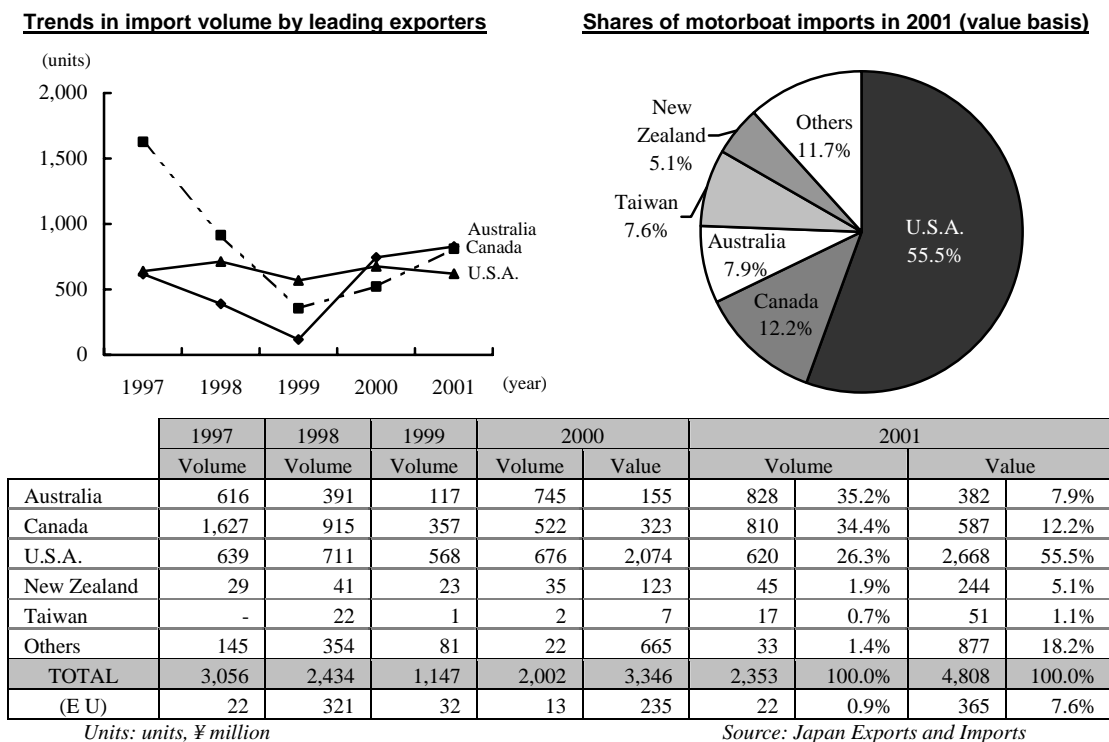


Fig. 3 Principal exporters of motorboats to Japan



(3) Imports' Market Share in Japan

An annual survey of its member companies by the Japan Boating Industry Association shows a downward trend of yacht production in Japan in recent years. The slump in domestic yacht production contrasts with rising imports on a value basis. As a result, imports' market share climbed to 78.5% in 2001. The field of motorboats shows an even more pronounced domestic production slump, and the market share of imports is 37.7% in 2001.

Fig. 4 Imports' share of the Japanese market (reference)

		1997	1998	1999	2000	2001
Yachts	Domestic shipments	958	502	553	422	545
	Imports	1,943	1,823	938	1,327	1,992
	Total market	2,901	2,325	1,491	1,749	2,537
	Imports' share	67.0%	78.4%	62.9%	75.9%	78.5%
Motorboats	Domestic shipments	18,167	14,131	10,951	9,366	7,955
	Imports	5,710	3,849	2,495	3,346	4,808
	Total market	23,877	17,980	13,446	12,712	12,763
	Imports' share	23.9%	21.4%	18.6%	26.3%	37.7%
Other pleasure boats	Domestic shipments	4,481	4,079	3,699	2,568	1,723
	Imports	7,031	7,055	6,002	6,056	5,240
	Total market	11,512	11,134	9,701	8,624	6,963
	Imports' share	61.1%	63.4%	61.9%	70.2%	75.3%
TOTAL	Domestic shipments	23,606	18,712	15,203	12,356	10,223
	Imports	14,684	12,727	9,435	10,729	12,041
	Total market	38,290	31,439	24,638	23,085	22,264
	Imports' share	38.3%	40.5%	38.7%	46.5%	54.1%

Unit: ¥ million

Source: Japan Boating Industry Association, Japan Exports and Imports

(Note) Domestic shipments include yachts and motorboats over 12 meters in length.

3. Key Considerations related to Importing

(1) Regulations and Procedural Requirements at the Time of Importation

Yacht and motorboat imports are unregulated. However, before a boat owner can operate a boat on the waters of Japan, the boat must pass inspection (including inspection for legally required fixtures) and be registered under provisions of the laws discussed below.

(2) Regulations and Procedural Requirements at the Time of Sale

Sale of yachts and motorboats is subject to provisions of the Ship Safety Law, the Craft Registration Law, and the Ship Law.

1) Ship Safety Law

The Law establishes safety standards for the structure and fixtures of ship. As is the case with automobiles, this Law provides that a ship shall be inspected by Ministry of Land, Infrastructure and Transport, or Japan Craft Inspection Institute (in the case of small craft less than 20 gross tonnage.) Therefore, prospective importers must sometimes decide whether to import craft that already meet those standards, or to make any modifications that may be required after reaching Japan. Fig. 5 on the following page illustrates the small craft inspection procedures. After passing inspection, a Ship Inspection Certificate, a Ship Inspection Memorandum and an Ship Inspection Completion Slip (the latter applies only to small craft less than 20 tons gross). These documents designate the navigation area and maximum number of persons allowed on board.

a) Safety Regulations for Small Craft

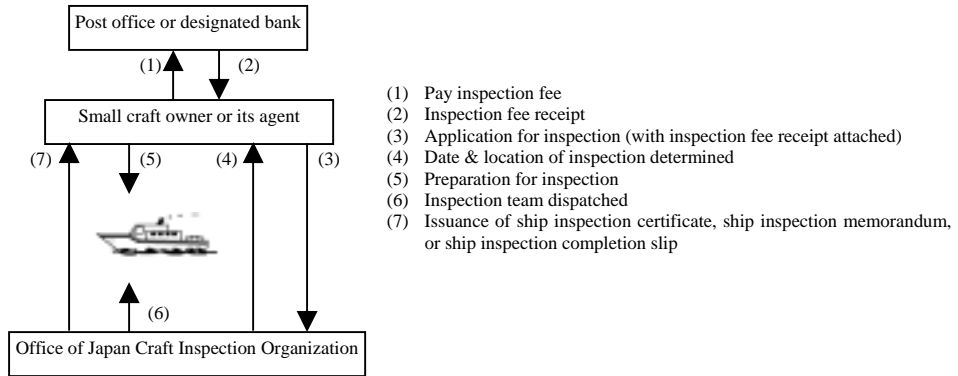
Under provisions of the Ship Safety Law, the Safety Regulations for Small Craft set technical standards for craft less than 20 tons gross. The Japan Craft Inspection Organization performs inspections on these craft on the government's behalf. The luxury-type yachts and motorboats greater than 20 tons gross are defined as large craft, and the District Transport Bureau or the District Maritime Branch Offices must inspect them.

b) Procedures for ship inspections

Ship inspections include a review of the manufacturing specifications and drawings, design inspections based on a test results, and tests of the material quality, integrity and durability of the structure and attached fixtures. Normally the inspectors will go to where the craft is located to perform the inspections. However, advance preparations must sometimes be made depending on the type of inspection being performed, so the owner should check with the office of the Japan Craft Inspection Organization. Since the inspections also involves testing of the craft in operation on the water, the owner or a representative (someone who can explain the location and operation of the steering mechanism) must be present.

In principle, every craft is checked one at a time, but if the current owner is an importer who regularly imports a number of the same type of craft and can present design documentation, the design inspection is simplified considerably. A craft of a type that has never been imported into Japan before must be accompanied by drawings and other documentation, and this requires advance preparation.

Fig. 5 Small craft inspection procedure sequence



c) Rationalization of inspection

In principle it is the owner of the ship who is supposed to apply for and receive the inspections described herein. However, manufacturers and importers can apply to have their products inspected ahead of time. These preliminary inspections cover the frame and structure of the ship as well as all legally required fixtures. The result of preliminary inspections may be substituted for the ship inspections, which simplify preparations for inspection and expedite the inspection process. There are also procedures for type approval of outboard engines and legally required fixtures (including life-saving, fire-fighting appliances and navigational appliances). These procedures can further simplify the inspection process.

d) Other procedures

Certain types of structural tests are difficult to perform on boats made outside Japan. However, if the manufacturer obtains an inspection certificate from a Classification Association (see *Note* below), or presents other test result documentation that indicates a particular test has already been performed successfully.

*Note: Classification Associations perform craft inspections, register craft and issue inspection and registration certificates.
 Example: Lloyd Classification Association (Great Britain).
 In Japan the corresponding entity is the Nippon Kaiji Kyokai (TEL: 03-5226-2011)*

2) Craft Registration Law

Importers of small craft with a gross tonnage of under 20 tons (other than fishing craft) have 15 days from the date of importation to file a report with the Minister of Land, Infrastructure and Transport detailing the craft serial number and other registration information, along with other items of information as required by other government agencies. If the craft serial number is unregistered, then the designated importer or the owner can register it. The owner of a new craft must apply for registration to the Japan Craft Inspection Organization, which performs registration on the government’s behalf.

3) Ship Law

The Ship Law defines that a ship shall be deemed to be a Japanese ship if persons of Japanese citizenship own it wholly. Every Japanese ship with a gross tonnage of 20 tons or more shall have its port of registry in Japan; apply for tonnage measurements for gross tonnage to the competent maritime authority; register and possess the Registry Certificate, otherwise the ship is not allowed to fly the flag of Japan or to sail.

As stated previously, the District Maritime Transport Bureau must inspect a ship with a gross tonnage of 20 tons or over.

(3) Competent Agencies

- Ship Safety Law
General Administration Division, Maritime Bureau, Ministry of Land, Infrastructure and Transport
TEL: 03-5253-8111 <http://www.mlit.go.jp>
- Craft Registration Law / Ship Law
Inspection and Measurement Division, Maritime Bureau, Ministry of Land, Infrastructure and Transport
TEL: 03-5253-8111 <http://www.mlit.go.jp>
- Inspection and registration procedures for small craft
Japan Craft Inspection Organization
TEL: 03-3239-0821 <http://www.jci.go.jp>
- For registration ships with a gross tonnage of 20 tons or more (at Yokohama Port)
Ship Division, Tokyo Maritime Branch, Kanto District Transport Bureau, Japanese Government
TEL 045-211-7222

4. Labeling

(1) Legally Required Labeling

The Ship Inspection Completion Slip (commonly referred to as the Craft Inspection Number) lists the year when the craft passed periodical inspection, the code of the issuing agency and the approval code. Labels bearing this information must be placed on the outer hull of the ship in a plainly visible location.

Note that there are systems for preliminary inspection of the hull (FRP ships, rubber boats, etc.), engines, life preservers, lifesavers, and other legally required equipment in advance at the stage of manufacture. Equipment passing these and type approved equipment produced at approved factories may display the specified marks which will enable regular inspections of the ship to be carried out smoothly in a short time.

Ship Inspection Certificate



Preliminary Inspection Certificate



Type Approval



Manufacturing Authorization



(2) Voluntary Labeling Based on Provisions of Law

There is no voluntary labeling based on provisions of law for yachts and motorboats.

(3) Voluntary Industry Labeling

There is no voluntary industry labeling for yachts and motorboats.

5. Taxes

(1) Customs Duties

Custom duties on yachts and motorboats are free.

Fig. 5 Customs duties on yachts and motorboats

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
8903	Yachts and other vessels for pleasure or sports				
91	Sailboats, with or without auxiliary motor	Free	(Free)		
92	Motorboats, other than outboard motorboats	Free	(Free)		
99	Other	Free	(Free)		

: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

CIF x 5%

6. Product Characteristics

(1) Comparisons with Domestic Products

Japanese yachts and motorboats are multi-purpose products used for fishing and trolling as well as cruising. Consequently, they tend to have no truly outstanding performance features in any single area. There are certain design-based differences in frame performance, but in general Japanese-made craft are very resilient. Craft made in Europe and the United States, on the other hand, are rather heavy in the water, but their massiveness also gives a sense of confidence.

Almost all yachts and motorboats nowadays are made of a hardened plastic known as FRP. Very small numbers are made partly from wood, light composition metals or cement. Because Japanese manufacturers produce very few luxury class cruisers, European and American products are very popular in this area. European and American products tend to have the following characteristics in comparison to their Japanese counterparts:

- More complete product lines and more specialized types of functionality.
- Excellent design and styling.
- Cruisers and other luxury models have superior livability.
- Boats come fully equipped with many outstanding features.
- More specialized types of functionality.

(2) Characteristics of Products from Different Countries / Regions

It is difficult to characterize imported yachts and motorboats as a whole, since there is so much variation by manufacturer, model, grade and projected uses. Overall, though, American models tend to feature sophisticated styling and brightly colored interiors. Due perhaps to the vastness of the United States, many American boats are designed to be pulled by a trailer. European models generally have a traditional furniture-style look and feel.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

According to the Japan Boating Industry Association, in the first half of 1997, domestic shipments showed a remarkable rise in volume and value due to boosted demand prior to the consumption tax increase. In the second half, however, demand declined sharply. This decline was spurred on by social problems related to the mooring of pleasure boats. In Japan, motorboats are an important product category for the pleasure boat industry. In recent years, manufacturers have come up with low priced motorboats, resulting in a sharp decline in per unit prices every year.

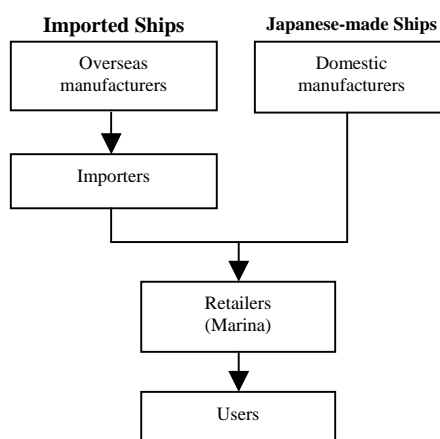
From a long-term viewpoint, demand for boats is expected to rise due to increased leisure time and policies by the Ministry of Land, Infrastructure and Transport to establish new marinas for pleasure boats. The entry by Japanese automakers such as Toyota Motor Corp. and Honda Motor Co. is expected to have a positive impact on the growth of the market for pleasure boats. Among the various categories of pleasure boats, fishing boats are expected to show particularly strong growth. According to the Leisure White Paper compiled by the Institute for Free Time Design, the population of yachts and motorboats as sports (population engaging in the activity at least once per year) may be estimated at about 1.1 million.

(2) Distribution Channels

Fig. 6 on the following page illustrates basic distribution channels for yachts and motorboats.

(3) Key Considerations for entering the Japanese Market

A storage site needs to be identified as part of service deployment. New entrants to the Japanese market must emphasize maintenance and other types of after-sales service.

Fig. 6 Distribution channels for yachts and motorboats

8. After-Sales Service

Usually the importer provides after-sales service through the retailer. After-sales service is especially important with yachts and motorboats, and customers need to make sure when they buy a boat whether or not after-sales service is available. Some overseas boat makers are relatively weak in their parts divisions. Any prospective importer should make certain they can provide repair parts on a timely basis. There are three main types of problems that occur after a sale takes place:

- Problems with the frame or hull.
- Problems with the engine or other mechanical parts.
- Problems with using the fixtures properly.

9. Related Product Categories

Related product categories include canoes and personnel watercraft. These products are not subject to import regulations, but the Japan Craft Inspection Organization must inspect personnel watercraft. Sometimes canoes are also subject to inspection if they have a motor attached and are big enough to carry a large number of people. Check with the proper authorities to determine how a particular item is treated.

10. Direct Imports by Individuals

Individuals seeking to import a boat for their own use must make sure the boat meets all applicable standards. They must also perform a comparative measurement of the gross tonnage and main dimensions of the boat, and if unclear, they should check with the aforementioned Japan Craft Inspection Organization. Because the certification process for a type of craft never before imported into Japan can be tedious and time-consuming, it is best to check with appropriate authorities before actually bringing the craft into Japan. Prospective individual importers should also find out if after-sales service for the engine and other mechanical parts is available from an authorized dealership in Japan. Also, since insurance policy provisions normally presume that the craft is housed in a marina facility, it is best to make sure that marina is available before bringing the boat to Japan.

11. Related Organizations

- Japan Boating Industry Association TEL: 03-3567-6707 <http://www.marine-jbia.or.jp>