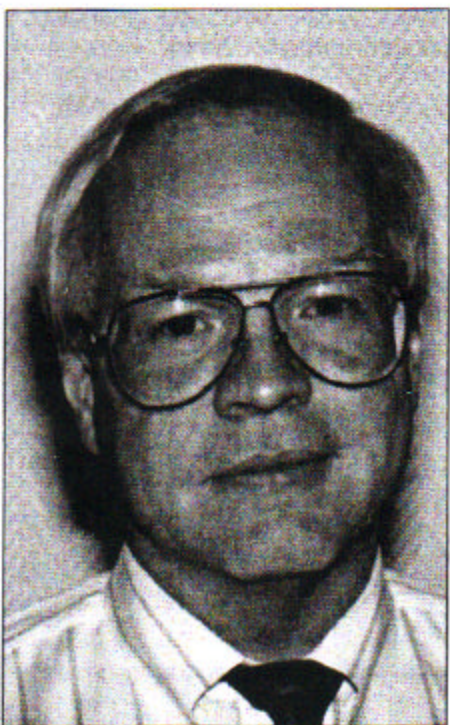


Marine, has been very active. In August 1996, we added our new D-Tronic range of four-, six- and eight-cylinder electronic-direct-injection diesels to our popular MerCruiser 3.6L and 4.2L indirect injection models.

To complement our diesel offering, we intend to extend MerCruiser sterndrive technology to other diesel manufacturers, specifically Yanmar of Japan and Cummins Marine, based in the US. We believe our alliance with these two leading diesel engine manufacturers will expand consumer choice and actually increase the overall size of the diesel marine market.

Boat and engine markets which have shown



strength in the past year certainly include European markets such as the UK, the Netherlands, Norway, Spain and Belgium. In Africa, South Africa has been particularly strong. In Latin America, Chile, Argentina and Brazil have shown the results of stronger economies. There is also renewed strength in Asia, with exporters to Japan benefiting from a stronger Yen plus increased activity in certain areas of China and Malaysia.

Areas which have shown weakness include Germany which is suffering from the highest level of unemployment since the war, Italy where consumer confidence is at a low ebb, and France which continues to be stagnant, reflecting general weakness in economic activity.

Finally, the marine industry is increasingly challenged with **restructuring and rationalisation** in both distribution and manufacturing as well as with a growing number of alliances between builders, engine manufacturers and even distributors and dealers. This is the result of pressures on manufacturers and dealers who face new threats from regulation and reduced demand for marine products. It is also a result of increased efforts on their part to meet customers' growing demands for ease of purchase and increased value.

The industry's greatest challenge, however, is to renew interest in boating and promote the virtues of boating as enjoyable family recreation. While the fun is still there, other leisure activities have taken an increased share of the limelight. ”

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Bud Ellis, international sales manager, Westerbeke Corporation, believes that the big players don't have it all their own way:

“**W**esterbeke has been exporting for 16 years and export sales comprise 16 per cent of total sales.

Our growth has followed the market for US boats and risen as the number of US boats exports has increased. The number of export destinations has risen as well.

In **North America**, there has been little growth in Mexico, due to lack of infrastructure and discretionary income. Those things may come in the next couple of years. Canada has been not that great.

In **Europe**, the United Kingdom is up, and British boatbuilders typically export to other countries in Europe. Exports to the Nordic countries are up too.

Pleasureboat building is growing in eastern Europe, for example in the Ukraine and Croatia. In Poland, they have the expertise, good craftsmanship and skills, and the prices are still competitive.

In the **Middle East and Africa**, Kuwait is slowly refurbishing after the Iraqis took out boats during the Gulf War. Distribution is also growing in Bahrain and Egypt.

Looking at **Asia**, Taiwanese boatbuilders have moved into India and Malaysia, where governments are supporting tourism. Boating is now being supported by the governments by rescinding import. Singapore is building its marinas and infrastructure. Indonesia, China and Taiwan are still mainly commercial markets. Hong Kong remains essentially the same (despite its impending return to the People's Republic. There is a bit of a scramble to handle the port, where there is concern that mainland China will build ports with containers.

The economies have picked up in **Australia and New Zealand** and these countries have always been strong technologically, especially for mega-yachts.

In **Latin America**, Brazil has seen inflation drop, and boats can now be imported. Argentina and Chile are also strong.”

(On product development:) “As far as powerboat builders are concerned, the Italians and British have added the most in terms of technology and styling from Europe. Their accents and shapes are often seen duplicated elsewhere. It could be said the Europeans and Americans are swapping styles. Competition from America has spurred European boatbuilders to take on some of the niceties of American boats, so that European boats are a bit less spartan.

Air conditioning is beginning to catch on. Previously, it was found only in megayachts.

Environmental concerns in the form of emissions restrictions are present in both the US and Europe. In the states, California sets the standards; in Europe, it's *Bodensee/Lake Constance*.

Acquiring the CE mark is a nuisance, but levels the playing field for all competitors.

Globally, Westerbeke sells in 35 countries through distributors who support dealers. We've

seen the greatest growth in the far east: China, Malaysia, Indonesia, and Thailand. While commercial boating has always been strong, pleasure boating is starting to pick up.

Things are also strengthening in Latin America. Boating is picking up in South Africa, where the locals build good boats and offer competitive prices.”

(Where does Westerbeke figure in all of this?) “Our relatively small size when compared to its competitors is actually a competitive advantage because it forces us to keep our designs basic and simple, which builds-in reliability. Our engines are easier to trouble-shoot and a boater can always find a mechanic able to service them.

But in order to succeed in the future, we will all have to comply with emissions standards, build larger engines for larger boats, and provide sound reduction. ”

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Tom Calhoun, vice president international sales, Crusader Engines considers the international market from an inboard petrol engine manufacturer's perspective:

“**W**e must speak from a gas-engine viewpoint because that's all we do, which restricts us to a small international market. We must tailor our gas engines to European gas emissions standards. We do what we must to comply with the CE mark.

Our **international business** has been sporadic and inconsistent. Niches come and go. We've sold to a jet boat builder in the UK and we've done some business in Europe through Boesch (a Swiss builder of mahogany sportsboats) and Riva (Italian luxury powercruisers), but it's a diesel market.

The European market lags behind the US (in the world economic cycle) and is almost counter cyclical. There has been little change the last few years. Elsewhere, the Pacific Rim is a big growth area

Our biggest challenge is to take the product to market and figure out how to do it profitably. ”

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Paul Rabe, vice president marine systems, Outboard Marine Corporation: sees innovation and a holistic approach to marine leisure becoming ever more important.

“**W**e see a continuing and increasing need in the global marine recreation market for true innovations and for environmentally- (and also consumer-) friendly products. This includes looking at the marine recreational market as a whole system and how it works and plays