



2016 Top Markets Report **Recreational Transportation** Sector Snapshot

Recreation Vehicles (RVs)

Most U.S. RV exports go to Canada, with only a small percentage going to other markets. Though Canada is expected to account for over 90 percent of all U.S. exports through 2018, emerging markets will offer the greatest opportunities for growth. ITA will continue to work closely with industry to reduce high duty/tax rates on RV imports, address regulatory and standards issues, educate consumers and government officials about RVs, promote U.S.-made products and connect buyers with U.S. manufacturers to leverage increased opportunities for U.S. exporters.

A recreation vehicle (RV) is designed as a temporary living quarters for travel, recreation, camping, and seasonal use. RVs may have their own motor power (motorhomes), be mounted (truck campers) or towed by another vehicle (travel trailers, fifth wheel trailers, folding camping trailers). Sports utility RVs, which contain a built-in garage for hauling cycles, ATVs or sports equipment, are available in both motorhomes and towable RVs.

Retail prices for RVs range from about \$5,000 for towable models (folding camping trailers) to \$500,000 or more for motorhomes (Type A motorhomes). The variety of models allows RVs to appeal to a wide range of consumer preferences and income levels. Motorhomes can be driven and travel trailers can be towed in the United States with a regular automobile driver's license.

In addition to their recreational use, RVs may also be outfitted for commercial and other specialized purposes, such as disaster assistance. RVs can be produced for use as mobile offices, medical clinics, isolation units, bathrooms and showers, laundries, bunkrooms, command centers and classrooms. They can also be used for temporary shelter for aid workers and contractors at disaster sites or for families that have lost their homes. Throughout its history, the U.S. RV industry has responded to natural disasters and emergency situations around the globe.

Figure 1: Top RV Export Markets through 2018

- 1. Canada**
Large market, additional opportunities available
- 2. Mexico**
Mid-sized market, unique security concerns
- 3. Australia**
Large market, opportunities for rugged products
- 4. United Kingdom**
Mid-sized market, second largest producer country in Europe
- 5. China**
RVs and RV camping growing in popularity, RV and campground development are national priorities
- 6. Korea**
Camping is highly popular, large number of campgrounds
- 7. United Arab Emirates**
Small market, strong demand for high-end products
- 8. Thailand**
Camping becoming increasingly popular
- 9. New Zealand**
Small market, camping and RVing are highly popular
- 10. Italy**
Mid-sized market, large number of campgrounds

The Nature of the U.S. RV Industry

There are over 60 RV manufacturers and 200 component parts suppliers in the United States. According to the Recreation Vehicle Industry Association (RVIA), the U.S. RV industry has a total economic impact of \$49.7 billion, supporting 289,852 jobs and generating \$5.7 billion in taxes. RV manufacturers and suppliers are predominately small and medium-sized enterprises (SMEs). The industry is also highly concentrated. Over 80 percent of U.S.-made RVs are produced in Indiana, with the majority in Elkhart County.¹

Large RV companies have economies of scale in production and distribution. Some large motorhome manufacturers produce their own chassis. A motorhome chassis typically includes the vehicle frame, engine, transmission, axles, wheels, brakes, cooling system electrical system, steering system, suspension and instrumentation. Most motorhome manufacturers purchase chassis from third party manufacturers. Small companies compete successfully by concentrating in specialty products or components.²

Other notable characteristics of the industry are that production is labor intensive and the workforce is highly skilled. It is also highly entrepreneurial and innovative as manufacturers increasingly produce lightweight towable RVs and smaller, fuel-efficient motorhomes. Green technologies, such as solar panels, are appearing on a growing number of RVs.³ The U.S. industry takes great pride in maintaining that it can build high quality, affordably priced RVs to almost any specification and need.

RV manufacturers are subject to a number of state and federal regulations and standards. RV standards include those for electrical and fuel systems, fire and safety, plumbing systems and Federal Motor Vehicle Safety Standards (National Highway Traffic Safety Administration, U.S. Department of Transportation). RVIA's members are required to build to the NFPA 1192 Standard on Recreation Vehicles and self-certify compliance to the standard. RVIA has inspectors that periodically audit manufacturer compliance to the standard.

RV demand is highly dependent on demographics and consumer income. Consumers, in increasing numbers, are reaching the ages when they want to travel and camp in RVs. While middle-income consumers between

the ages of 55 and 64 have had high RV ownership rates historically, customers between 35 and 54 are now the largest group of buyers. Over 9 million households in the United States own an RV.⁴

Because purchases of RVs are discretionary, demand is strongly dependent on consumer confidence. As the U.S. economy has recovered over the past several years, purchases of financed non-essential items, such as RVs, have performed better than other categories of retail spending.⁵

RV manufacturers have experienced six years of sustained growth since 2009, when shipments dropped to a recession low of 165,700 units. During the economic downturn, a number of manufacturers were forced to close or consolidate, and many that survived did so by cutting their workforce. Since then, pent-up consumer demand, an improved economy, low interest rates, available credit, declining fuel prices and favorable demographics have contributed to continued growth in the industry.⁶

In 2015, RV shipments totaled 374,246 units, representing almost 5 percent growth from the previous year. Towable RVs made up 87 percent of total shipments and motorhomes the remaining 13 percent. In 2016, the industry predicts that total shipments will again more than double the industry's 2009 recession low and that this trend will continue for the foreseeable future.⁷

The RV Industry Export Base

The United States is the world's largest producer of RVs, producing more than twice as many RVs as the rest of world combined.⁸ Because domestic demand has been so strong in recent years (temporarily exceeding supply at times), many manufacturers have not sought opportunities in other markets, with the exception of Canada.

Although some companies, particularly large manufacturers, have been actively involved in exporting their products, many small and medium-sized companies have focused their attention almost exclusively on the domestic market. Other SMEs are unaware of overseas opportunities. A current U.S. exports-to-shipments ratio of less than 10 percent further illustrates that exports do not yet play a significant role.

While the RV industry anticipates strong growth to continue in the near-term, market conditions could change with an economic downturn - similar to what happened in 1980, 1990, 2001 and 2009, when wholesale shipments declined substantially.⁹ Increased industry involvement in exporting could help offset possible future slowdowns and declines in domestic demand.

Growing numbers of middle-class consumers with increasing discretionary income in a number of countries, particularly emerging markets, provide tremendous opportunities for U.S. exports of RVs. Also, rising numbers of consumers in these countries are becoming interested in RVs, camping and the “RV lifestyle.” For a number of U.S. manufacturers that have been involved in exporting, much of their attention to date has focused on emerging RV markets in Asia – particularly China, Korea and Japan.

While U.S. RV manufacturers face competition in emerging markets from European manufacturers (particularly German and Slovenian), many consumers prefer U.S.-made RVs because they can be outfitted with features that European models cannot provide at a comparable price. European-built RVs do not have slide-outs and tend to be smaller and more expensive than U.S. models.

Today, over 90 percent of U.S. RV exports are to Canada. Exports to the other nine largest markets are small. While Mexico is the second largest market, it represents just over 2 percent of U.S. exports. Five markets - Australia, United Kingdom (U.K.), China, Korea and United Arab Emirates (UAE) - each account for about 1 percent of exports. The remaining markets - Thailand, New Zealand and Italy - account for smaller amounts.

Although current RV exports to most countries (except Canada) are small, export values can change substantially from year-to-year, depending on the types of RVs exported. For example, a large order of motorhomes exported to a country one year could result in higher export values for the period compared to the same number of towables the next year.

In 2015, U.S. exports of RVs totaled \$1.2 billion. The majority of exports (74 percent) were towable RVs (travel trailers), campers and other models. Twenty-six percent of exports were motorhomes. ITA expects U.S. RV exports to increase to \$1.4 billion in 2018, with a

compound annual growth rate (CAGR) of 5 percent. Canada will continue to be a key destination for U.S. RVs through 2018, capturing over 90 percent of all U.S. exports.

Optimizing U.S. Leverage

ITA anticipates the greatest growth for U.S. exports to be in emerging markets, particularly China and Korea. In addition to increasingly favorable demographics and market conditions, growing consumer interest in RVs and camping, large numbers of existing campgrounds (Korea) and government efforts to promote tourism and develop RV and campground dedicated regulations (China) should enable opportunities for U.S. exports to grow in these countries.

In 2015, RVIA received a second, consecutive three-year Market Development Cooperator Program (MDCP) award from ITA to grow exports in China, Korea and Japan. RVIA’s objectives under the award include programs and initiatives to:

- pursue adoption of RV and campground industry-developed standards compatible with U.S.-made RVs to ensure market access for U.S. exports;
- pursue the inclusion of RV definitions in the China Motor Vehicle Code;
- pursue the development of reasonable RV road use regulations, address licensing and registration issues and remove regulatory obstacles;
- pursue the reduction of import duties and tariffs on RVs;
- increase demand for U.S. RVs and post-disaster relief and recovery products;
- educate the Chinese and the Koreans on RVing and camping and RVIA members on exporting; and
- ensure the U.N. Economic Commission for Europe (UNECE) World Forum for Harmonization of Vehicle Regulations will not effectively lock U.S. RVs out of countries adopting the UNECE standard.

Under RVIA’s 2012-2015 MDCP award, RV exports to China, Korea and Japan exceeded \$143 million. Continued U.S. government support of RVIA’s 2015-2018 MDCP award and programs and initiatives in these countries will help increase opportunities for U.S. exporters in both the near and long-terms.

In addition to its partnership with ITA as an MDCP cooperator, RVIA is also a strategic partner with ITA. This important affiliation, which began in 2013, allows the association’s members enhanced access to ITA’s

global resources and increased opportunities in export markets. Continued U.S. government support of RVIA's partnership under this program will further enhance ongoing efforts to assist U.S. companies.

U.S. government services, such as the Gold Key and Platinum Services provided by CS, can also help leverage additional opportunities for U.S. companies. In the past, RVIA has utilized a Gold Key service in China and, more recently, a Platinum Service in Japan for its initiatives to provide Japan with post-disaster assistance and develop model campground sites in disaster areas.

The participation of foreign buyers in ITA's International Buyer Program (IBP) trade shows is highly effective in introducing the buyers to U.S. manufacturers and products. The U.S. RV industry's annual trade show, the National RV Trade Show (www.rvia.org), an industry-only trade show that will be held from November 29 to December 1, 2016 in Louisville, KY, is an IBP-Select event (as were the 2015 and 2014 shows). U.S. government efforts to bring foreign buyers to the show will provide increased export opportunities for U.S. RV manufacturers and suppliers.

Because relatively little is known about RVs in many emerging markets, opportunities to promote RVs and educate consumers and government officials about U.S. products and the RV lifestyle should play a crucial role in U.S. government and industry collaborative strategies. Trade promotion opportunities, such as outdoor lifestyle events, trade shows and other events that enable the showcasing of U.S. RVs, will enable public officials and consumers to learn more about U.S. RVs.

While there is strong potential for increased growth for U.S. exports, RV exporters face challenges in emerging markets. A number of countries have neither adequately developed campsites (electric hook-ups, water and sanitation infrastructure, etc.) nor highways to accommodate RVs. Further, because RVs are considered luxury items in some countries, they are subject to restrictive tariff and tax combinations, which limit U.S. exports to these markets. Concerns about crime also are a unique factor in some countries.

U.S. RV exports also often face a lack of regulation in overseas markets or inconsistencies between existing standards. These generate confusion among RV manufacturers and suppliers, consumers and government agencies and impede market access for U.S. manufacturers. Most emerging markets do not

have a designated industry category for RVs, adding to the challenge of separating them from the requirements imposed on other motor vehicles or recreational products.

China, and possibly other markets, has looked to adopt International Organization for Standardization (ISO) standards for RVs. ISO standards, however, have not been updated the way U.S. and European standards have to incorporate current safety and production needs for RVs. Adding to this challenge, ISO and European standards often are not compatible with U.S. RVs.

Standards developed by U.S. domiciled standards developing organizations (SDOs) provide for excellent safety as demonstrated by the industry's performance record. These standards allow for maximum design flexibility, which allow for an array of RV products to be built for consumers.

Despite the challenges, ITA encourages exporters to focus their efforts on emerging markets, as these have the greatest opportunities for growth in the long-term. Countries that have Free Trade Agreements (FTAs) with the United States provide particularly advantageous opportunities, as these have fewer restrictions, including reduced or no import duties for RVs.

ITA will continue working collaboratively with the U.S. industry to develop strategies that are specific for each market. As noted, coordinated U.S. government and industry efforts are already underway in several key emerging markets – China, Korea and Japan.

Country studies and snapshots of the RV markets in Australia, Canada, China, Europe (Czech Republic, France, Netherlands, Slovak Republic, Sweden and United Kingdom), Korea and Japan follow this section of the *Top Markets* report. Snapshots of the RV markets in Chile, Colombia, Kenya, Taiwan, Thailand and Turkey are below. Information from RVIA and ITA USFCS offices was used for these studies.

RV Market Snapshots

Chile

The current RV market in Chile is small. Though Chile has two major RV manufacturers, the domestic market is comprised primarily of imported or used RVs. In 2014, RV imports in Chile totaled \$4.5 million.

Despite its small size, the domestic RV market is growing little by little. Twenty years ago Chile did not have one suitable campground for RVs. Today, it has four campgrounds equipped for motorhomes—three in the North of the country and one in the South. Other campgrounds may allow motorhomes; these typically do not offer special connections for RVs.

Similar to other emerging markets, Chile does not have dedicated regulations for RVs. Under the Chile-U.S. FTA, there are no import duties on RVs—importers are only subject to a 19 percent value-added tax (VAT).

Though the RV market in Chile is small, ITA believes it could provide increased opportunities for U.S. exporters in the long-term. With demand for RVs and campground development growing and its status as an FTA partner with the United States, Chile is a potentially favorable market for U.S. companies. In 2015, U.S. RV exports to Chile totaled \$1.3 million. Towables were the largest category of exports (58 percent).

Colombia

In 2015, U.S. RV exports to Colombia totaled less than \$500,000. Motorized RVs were the largest category of exports (95 percent). At present, Colombia does not have any campgrounds for RVs. Local companies that sell RVs, however, have signed partnerships with some national parks so that their vehicles are allowed in the campgrounds. There are two major manufacturers and distributors of RVs in Colombia.

The current RV market in Colombia is somewhat limited. Security concerns in the country make RVs a target for criminals. For this reason, Colombians generally try to avoid driving vehicles that may appear to be luxury items.

While there is not a dedicated trade show for RVs, local distributors have exhibited in the Salon Internacional del Automovil Trade Show in Bogotá. Though the current market in Colombia may be limited for RVs, ITA believes that it could provide opportunities for U.S. exporters in the long-term. A growing middle class with increasing levels of discretionary income and its status as an FTA partner with the United States make Colombia a potentially favorable market for U.S. companies in the long-term.

Taiwan

RVs have experienced very limited market growth in Taiwan due to the country's limited space for parking and underdeveloped camping facilities. There are 38 campgrounds across the country, but most are underdeveloped. The total number of RVs in Taiwan is less than 200 units. The Formosa Camping & Caravanning Club represents the interest in camping and RVing in Taiwan.

Thailand

Thailand currently does not have an established RV market. While there are a small number of caravans, camper vans and motorhomes in Thailand, most RVs are privately imported for personal use by individuals, groups of users (mostly wealthy families) or assembled locally by foreign companies and local pick-up truck assembly companies.

There are approximately 20 campgrounds across the country. Most of these are owned and managed by private resorts, and some are operated by the Thailand government national parks. Additional information about RV parks in Thailand can be found at: <http://thairv.com/board/index.php?board=5.0>.

Five RV manufacturers in Thailand produce motorhomes, camping cars, caravans, and other products. Thailand does not have dedicated regulations for RVs.

Currently, Thailand does not have any official groups or associations that represent the RV industry. However, RV owners and consumers use the following website to communicate and share information about RVs, RV parks and buying/selling RVs: www.tairv.com.

Camping is becoming increasingly popular in Thailand, driven by expanded parking areas in national parks and resorts. The popularity of camping is expected to rise even more once the Association of Southeast Asian Nations Economic Community (ASEAN) is fully implemented.¹⁰ Though there are not any dedicated RV shows in Thailand, a few motor (automotive) shows feature a designated area for RVs. These include the Thailand International Expo and Bangkok International Motor Show.

While Thailand currently does not have an established RV market, camping is becoming increasingly popular.

This trend, combined with a growing middle class, make Thailand a potentially favorable market for U.S. companies in the long-term. In 2015, U.S. RV exports to Thailand totaled \$4.7 million. Motorhomes were the largest category of exports (95 percent).

Turkey

There are 109 campgrounds in Turkey. Fifty-six of these are registered with the Turkish Camps and Caravan Association, www.kamkaravan.org.tr//index.php. In 2010, according to the Turkish Statistical Institute (TUK), the number of nights spent in caravans and camps by foreigners was 467,978. Total production of caravans in Turkey is estimated to be a couple of thousand units per year by the country's 10 manufacturers.

Caravans in Turkey are subject to a Special Consumption Tax (OTV), which is very high (145 percent). Also, mandatory insurance on caravans is quite high, approximately 10 times more than for a regular automobile. Turkish Camps and Caravan Association officials are trying hard to solve some of the major challenges to increase interest and the market for caravans. Industry experts believe the market will grow if these can be resolved.

The ATRAX Expo (December) in Istanbul, an amusement parks and recreation show, includes partial coverage of RVs. Also, some caravan manufacturers exhibit at the Izmir Tourism Fair (December). In 2015, U.S. RV exports to Turkey were less than \$800,000.

¹RVIA represents over 98 percent of U.S. RV manufacturers and component parts suppliers. RVIA members also include manufacturers of park model RVs. For additional information about RVIA and RVs, see www.rvia.org and www.gorving.com.

²"Recreational Vehicle Manufacturing Industry Profile," First Research, Hoover's Inc., January 12, 2015.

³RVIA.

⁴Ibid.

⁵Anna-Louise Jackson and Anthony Field, "Rebound in Sales Portends, Rising U.S. Boats: EcoPulse," Bloomberg, July 14, 2014.

⁶Bruce Schreiner, "Rolling Along: RV Industry Maintains Momentum," Yahoo Finance, January 24, 2015.

⁷In 2016, RV shipments are expected to total 381,800, an increase of two percent from 2015. RV Roadsigns, Spring 2016; RVIA.

⁸Ibid. The United States is followed by Europe and Australia.

⁹Jeff Parrott, "Leaders in RV, Elkhart Country Industries Anticipate Next Economic Downturn," The Elkhart Truth, December 14, 2014.

¹⁰"More Camping Grounds Ignite Motorhome Popularity," Bangkok Post, April 15, 2013.