

# Estonia – the ‘baltic tiger’

LOCATED AT THE TOP OF EUROPE AND BORDERING RUSSIA, ESTONIA IS A SMALL COUNTRY WITH BIG AMBITIONS. THE MARINE INDUSTRY IS CURRENTLY SHOWING THE LARGEST GROWTH WITHIN A HIGH-INCOME ECONOMY

WORDS: JAKE KAVANAGH



▲ Many former factories have been re-tasked for boatbuilding, with rental costs around one-third of those in Western cities

Estonia may only be a country of just 1.3 million people in a footprint slightly larger than Denmark, but the population is outward looking and technologically advanced. For example, free access to WiFi is a ‘human right’ written into the constitution, and in 2005 Estonia became the first nation to hold elections via the Internet. Much of the social structure is modelled on nearby Finland, with which it shares a similar language. As such, Estonia enjoys universal health care, free education, and one of the most generous packages for paid maternity leave in the EU.

For many years, Estonia was under Soviet administration, but became independent in 1991. During March of 2004, Estonia joined NATO, and two months later joined the EU, eventually adopting the euro in 2011. Since then, this small country has become one of the most successful economies in the eurozone, the rate of growth moving the World Bank to describe it as ‘The Baltic Tiger’.

## BUSINESS-FRIENDLY ENVIRONMENT

Part of the reason for Estonia’s business success is the way the government supports local enterprise, with a strong emphasis on training and the full exploitation of the Internet. Even the tourist brochures headline with ‘Estonia – a country on-line.’

In 2014, for example, Estonia was the first nation to introduce a system of e-residency. This is a

government-issued digital identity that allows entrepreneurs around the world to set up and run a location-independent business’. So far, 15,000 individuals have registered under this scheme.

Estonian citizens enjoy a high level of civil liberty and press freedom, with very few economic restraints. The marine industry has played a key role in the country’s success, with two-thirds of production in the workboat sector and the remaining third in leisure. Around 80% of all marine products are exported, and Estonia is also building its first custom superyacht at the inland yard of Ridas Yachts.

IBI was given an ‘overview’ tour of 11 leisure yards and businesses out of a total of around 200 marine enterprises during a visit in June 2017, and saw for ourselves just how advanced the marine industry has become. The quality of manufacturing easily equals rival EU countries, and is aided by the full use of computer-aided design and a high concentration of modern 5-axis CNC machines.

“We have a very high standard of education,” explains Anni Hartikainen of the Small Craft Competence Centre, a campus of Tallinn University. “Around 91% of our young people go on to higher education, and because we have such a small population, many are ‘talent spotted’ in their first year of a specialist course.”

When compared with neighbouring countries, particularly those in Scandinavia, Estonia’s labour and real-estate rates are significantly cheaper, making it cost effective for overseas companies to subcontract their manufacturing.

“To rent 1,000m<sup>2</sup> in Munich would cost us around €2m a year,” explains German-born Gerhard Eberle of lifejacket manufacturers Marinepool (Lade ou). “But here, the costs are about one-third of that, and with good access to the port of Tallinn.” His company is now the largest lifejacket manufacturer in Europe, operating out of five sites in Western Estonia and producing around half a million lifejackets a year.

The creation of plugs and moulds for other EU-based companies is also very cost effective, and two key players, Baltic Tooling (see IBI June/July issue) and Muvor take full advantage of Estonia’s empty roads and good port network to export widely. In addition to marine products, they have created items as diverse as moulding tools for bathtubs to major museum exhibits.

“Paperwork is minimised, and as much as



▲ Anni Hartikainen is the principal of the Small Craft Competence Centre



▲ Gerhard Eberle is CEO of the Marinepool brand



## ESTONIA

- Location: Northern Europe
- Landmass: 45,339km<sup>2</sup> (17,504m<sup>2</sup>)
- Coastline: 3,800km
- Islands: 2,222
- Temperature range: +/- 35°C
- Population: 1.3 million
- Main ethnicity: 68.7% Estonian 25.1% Russian e-residents: 15,000
- Government: Democracy of 101MPs, six parties, four-year term.
- GDP (2017): Total: US\$40.275 Per capita: US\$30,764

▼ Estonia has 3,800 miles of coastline, most of it unspoilt, and visitors have the right to roam freely on the foreshore



### BOATBUILDING YARDS

**ALUNAUT | Poide**  
 CEO: Mr Mark Muru  
 Builders of production and custom aluminium sailing yachts and performance motorboats, including rescue and patrol craft.  
[www.alunaut.ee](http://www.alunaut.ee)

**ALUVENTURE | Kuressaare**  
 EU manager: Jako Kaups  
 Norwegian builder of custom aluminium performance motorboats in Estonia.  
[www.eysysla-yard.ee](http://www.eysysla-yard.ee)

**RIDAS YACHTS | Harjumaa**  
 CEO: Mr Ridas Kaleininkas  
 Builders of performance RIBs and sailing yachts, and Estonia's first superyacht  
[www.ridasyacht.com](http://www.ridasyacht.com)

**ALPHAYACHT PRODUCTION | Harku Vald**  
 CEO: Mr Kalev Kaal  
 Builders of the Diva 34 sports cruiser, Diva 40 and Campus range of sailing boats. Also yacht refits.  
[www.divayachts.se](http://www.divayachts.se)

**SWISS PERFORMANCE YACHTS | Tallinn**  
 CEO: Mr Mairold Metsavir  
 Custom wooden boat specialists, building a new Dutch-designed 10m sailboat and restoring a Riva Aquarama.  
[www.swissperformanceyachts.ch](http://www.swissperformanceyachts.ch)

**SAARE YACHTS | Nasva**  
 MD: Peeter Säask  
 Builders of the Saare 38, Saare 41 and Saare 46 sailing yachts, and the Saare 38

motorboat. Also full refit service.  
[www.saareyachts.com](http://www.saareyachts.com)

**EQUIPMENT MANUFACTURERS/SUPPLIERS**  
**LADE OU (Marinepool) | Haapsalu**  
 Mr Gerhard Eberle  
 Manufacturers of sailing clothing and lifejackets in the Marinepool range, creating 500,000 lifejackets a year.

**ROPEYE | Tallinn**  
 CEO: Mr Jaanus Tamme  
 Manufacturers of carbon fibre deck hardware, distributed through the Harken network.  
[www.ropeye.com](http://www.ropeye.com)

**VIKING**  
 Harjumaa  
 MD: Jaanus Zovo

Liferaft servicing, and suppliers of Arctic survival equipment, including immersion suits.  
[www.viking-life.com](http://www.viking-life.com)

**MOULDING SPECIALISTS**  
**MUVOR | Mullutu**  
 CEO: Kaarel Trei  
 Creators of moulds, plugs and tools, and also offers CNC milling. Was creating a one-off 11m composite hull in June 2017.  
[www.muvor.ee](http://www.muvor.ee)

**BALTIC TOOLING | Lahekula**  
 Sales manager: Indrek Tarto  
 Offers large-scale mould production with a five axis milling machine of 15.8m x 6.2m. Was finalising moulds for 38ft (11.7m) sailing yacht in June 2017.  
[www.baltictooling.com](http://www.baltictooling.com)

► Mairold Metsavir poses with Swiss Performance Yachts' 10m new-build, one of two wooden boat projects being completed in his yard near Tallinn



PEETER SÄÄSK MANAGING DIRECTOR  
SAARE YACHTS

*Owners are so impressed with the work and the price, that the refit often gets extended, but within the same seasonal timeframe*

possible is done online,” Hartikainen says. “As such, entrepreneurs find Estonia a very business-friendly environment.”

**DOMESTIC MANUFACTURING**

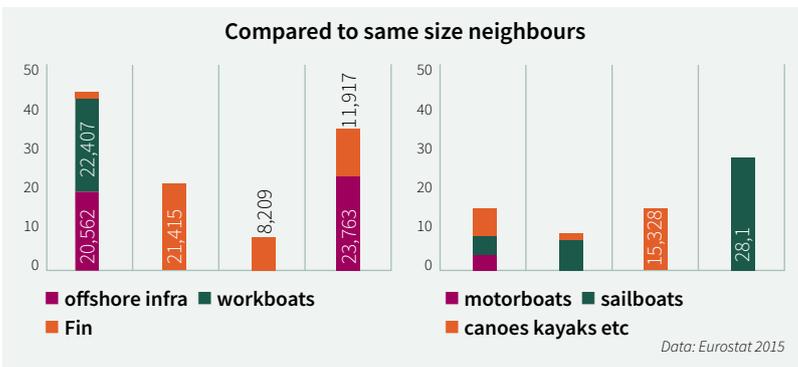
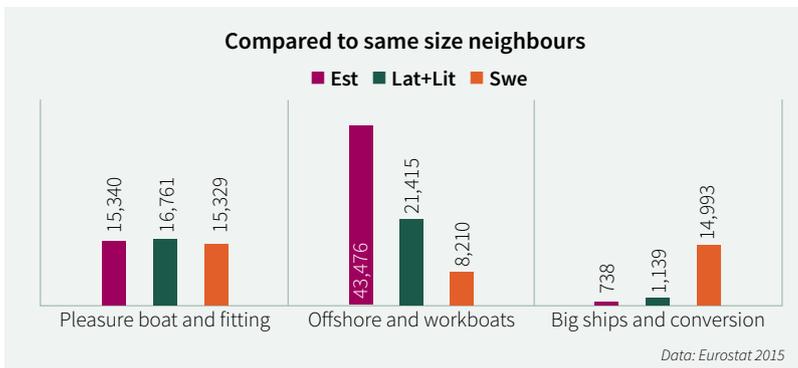
Many of the yacht-building yards are inland, aided by using re-tasked factories, and all connected by a well-maintained and lightly used road network. In fact, none of the yards we visited actually had direct access to the sea. Even the superyacht was being built some 20 miles inland, and when being transported, has to wait until the temperature is below 8°C so the sag on road-straddling power lines is minimised.

Much of Estonia’s leisure marine manufacturing also takes place on the island of Saaremaa, which lies off the western coastline and is the largest of the

country’s 17 inhabited islands. The biggest and most successful commercial yard, Baltic Workboats, is based here, and has been steadily reclaiming land from the sea. Due to the size of the boats it creates, it is the only yard we saw to have its own slips and quays.

The premises we visited during our tour all had a generous footprint, with room to expand. Many of the factories were heated by quite sophisticated wood-burning furnaces. Estonia is comprised of nearly 50% forest, so wood pellets form a major fuel supply for industrial heating. With such a large, renewable supply on the doorstep, this also helps to reduce energy bills.

As with the rest of the European boatbuilding industry, customisation is playing a key role. Nearly all of the yards we toured were able to offer custom or semi-custom builds, even in so-called ‘production’ boats. This is aided by CAD designs, allowing customers to ping-pong ideas and drawings backwards and forwards until the design looks right. The lower labour and production costs then makes prototyping more economic, and there is a high level of skill in the production teams. We saw several one-off aluminium boats taking shape, one of them for the Swedish coastguard, and another for transporting vehicles to a private island. The yards remain flexible and open to ideas, with specialist moulders and CNC millers only a short drive away for one-off items.

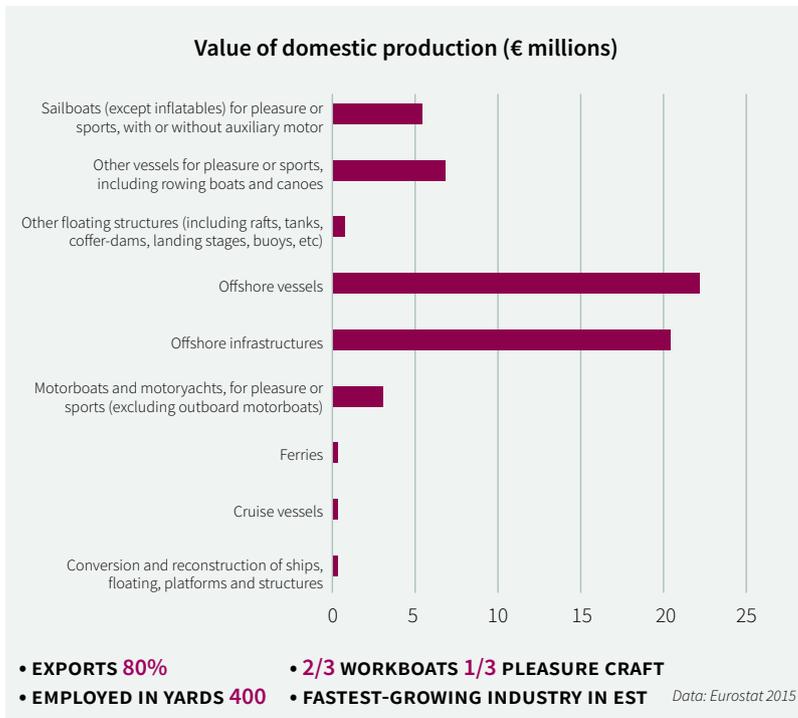


**REFIT MARKET**

For boat owners in Scandinavia, especially in Finland and the east coast of Sweden, having their yachts refurbished in Estonia during the long, cold winter is proving very popular.

“It forms a key part of our business,” says Kalev Kaal of Alfa Yacht Production. His yard is located about 20km from Tallinn in a former furniture factory, and builds the popular Diva range of family sailing boats. The yard also takes in refit projects, most notably from Sweden. “Tasks like replacing the teak decks are very cost-effective here in Estonia,” Kaal explains.

Saare Yachts also has a thriving refit service, and one elderly 36ft (11m) yacht from Germany was in mid-refit during our tour. “We have the space indoors, along with climate control and all the necessary



machinery and skills to do a complete refit,” says Peeter Sääsk. “Owners are so impressed with the work, and the price, that the refit often gets extended, but within the same seasonal time frame.”

A company that is both restoring classic boats, and making new ones, is Swiss Performance Yachts (SPY) based in a modern joinery shop near Tallinn. Here craftsmen are restoring a 1964 Riva Aquarama motorboat, hull number 50. At the same time they are also completing a new build – a beautiful 10m (33ft) cold-moulded Herte-designed sailing yacht.

“Estonia had a long tradition of making wooden boats, and we still have craftsmen who have retained those skills,” says CEO Mairold Metsavir.

▼ A local Estonian marina showing a fairly typical mix of boats found cruising the shallow coastal waters



### DOMESTIC MARKET

When it comes to leisure boating, Estonia has a lot to offer, with a long, unspoilt coastline, hundreds of small harbours and thousands of islands. Several of the 1,400 lakes are also used for boating, the largest, Lake Peipus (which shares a border with Russia) measuring approximately 3,555km<sup>2</sup>.

In complete contrast to the restrictions of the Soviet era, Estonians have the right to wander at will through the vast natural environment. All publically-owned bodies of water have shore paths of up to 4m wide, which can be landed and camped on. Landowners cannot restrict access even if the rest of the property is fenced off, so boating, especially day boating and weekendng, is proving increasingly popular. Rod fishing and collecting of wild mushrooms and berries, and open fires from fallen wood are all permitted. For Estonians who prefer their creature comforts, a string of modern marinas are all within a gentle day’s sail of each other.

However, with such a small population and a strong domestic industry, Estonia ranks very low as an importer of boats. Even so, the production facilities buy in a lot of materials and hardware from overseas, notably from suppliers outside the eurozone. Items such as Volvo and Yanmar engines, Harken deck gear and Seldén masts, Scott Bader resins and pre-cut aluminium kits from the Dutch suppliers Snijtech, are all regular imports.

“There is virtually no domestic market for sailing boats,” explains Peeter Sääsk, managing director of Saare Yachts. “Instead, a main market for us now is Germany, which has superseded Finland. We’re also hoping to sell more to the UK, despite its withdrawal from the EU.”

The motorboat market in Estonia, however, is stronger for home produced models, particularly in aluminium, and is well served by companies such as Alunaut and Aluventure providing a mix of mass produced day boats and customised RIBs. With so much safe coastal, river and lake boating available, the sale of canoes and dinghies is also very robust.

### EXPORT MARKET

Estonia’s total marine industry, including commercial, is valued at around €60m, of which 80% is exported. Around 400 people are employed in the various yards, of which one-third work in the leisure sector.

As the graphic shows, new-builds and repairs to sailing boats amounts to just over €6m, small craft such as rowing boats and canoes around €7m, and cruising motorboats around €4m. This data from Eurostat is now two years’ old, but IBI has been told that the figures remain relatively stable.

Estonia also manufactures marine equipment, with companies such as Marinepool creating lifejackets and foul weather gear, and Ropeye creating deck hardware from carbonfibre and West System epoxy (see IBI June/ July 2017).

ESTONIA | OVERVIEW

ANNI HARTIKAINEN | PRINCIPAL  
SMALL CRAFT COMPETENCE CENTRE

*We were quoted €1.5m to have the test tank built... we designed and built our own for €500k. It went live in 2016*

The OEMs we spoke to make full use of the web as a marketing tool, but also attend several of the major European shows, although the cost tends to limit them to just the Scandinavian or German markets. “Aluminium is growing more popular in ‘old’ Europe,” says Mark Maru of Alunaut. “We only exhibit at four shows, two in Finland and two in Germany. We sell about 50 boats a year, including custom one-offs, and are always looking to expand our dealerships.”

Estonia’s aluminium boat builders report that Düsseldorf is always a good show for them, with ‘plenty of commercial interest’. Meanwhile, in the sailboat market, Alfa Yachts aims mostly at the Swedish and Finnish shows, where its Diva 34 sells well as an ‘ideal-sized family boat’. Saare Yachts, which its MD describes as having ‘Finn Gulf DNA’ pushes further into Europe, exhibiting at three German shows, as well as Barcelona, HISWA and Southampton, with possibly London too in 2018.

**MARINA NETWORK**

During the Soviet era there was almost nothing to cater for leisure sailing. The ports were used for fishing and other commercial activities, and only yacht racing in state-owned boats was allowed. However, with independence came a rolling

programme of privatisation, and Estonia now has an enviable chain of marinas and small harbours, each less than 30 miles from its neighbour. These include 18 in the Gulf of Finland, seven in western Estonia, six in Hiiumaa, 14 in Saaremaa, and seven in the Gulf of Riga. Several more are under construction.

“Soviet meant ‘state owned,’ explains Villu Vatsfeld, MD of AS Saarte Liinid, the owner and operator of a number of Estonian harbours. “With independence, the biggest process was the privatisation of the ports. To gain control of income, the major port of Tallinn remained state-owned, with all five locations proving very profitable. Ferry traffic to Finland, for example, carries 10 million passengers a year, and is increasing. Many of the smaller fishing ports were sold into private ownership, and – in a slightly confused picture – former military ports and those that could not generate any interest were returned to communal use. Regional ports that were unprofitable also came under Tallinn Port control.

Much of Estonia’s coastline is very shallow, so unsuitable for very large or deep-keeled yachts. Most marinas therefore cater for small to mid-range cruising yachts and powerboats, and usually have ample hard standing and wide slipways for trailer boats. In every marina we saw, there were plenty of free berths, even in mid summer, and the standard of shoreside amenities was very high. “A sauna is a pre-requisite if you want the Finns to visit,” Alunaut’s Mark Maru told us.

The most impressive marina was the new €20m new-build at Haven Kakumae, which was nearing the first phase of completion. Located just 10 miles from the centre of Tallinn, the marina offers 300 fully-serviced pontoon berths from 5m-35m, fully protected within a man-made breakwater. Because of low salinity, the Gulf can freeze at just -0.4°C, so the floating berths are only available from May to October. For over-wintering, there will be 4,300m<sup>2</sup> of hard standing, both outside on blocks, and in a series of heated buildings. Monthly prices start at around €3.50m<sup>2</sup>, including free lift-out, wrap and relaunch.

Phase two of the development is to build a series of high-class ‘smart’ apartments, overlooking a long seaside promenade lined with shops, cafés and restaurants. The marina is already a cruising destination, with a strong appeal to the owners of large, luxury yachts due to the large berths and deep water around the port.

“The development has been designed to be as eco-friendly as possible,” the duty dockmaster explains. “We have also added a great infrastructure for sports and other recreational activities to draw in day visitors by land and sea.”

Visiting boats can moor for three hours free of charge, which will help the local bars and cafés. ➔

▼ Saare Yachts has found a strong market in Germany, which has superseded Finland recently, despite the yachts’ Scandinavian DNA



ESTONIA | OVERVIEW

**TRAINING FOR THE INDUSTRY**

A challenge for Estonia’s marine industry is the training and retaining of talent, especially with higher wages available abroad. There was never a language barrier in any of the companies we visited – all the management and technical staff were very competent in English, and can switch effortlessly to Finnish, which is very similar to Estonian. Many also speak Russian, which helps with communication with the Ukrainian welders that are brought in for major jobs.

Spearheading the training of marine professionals is the Tallinn University of Technology, which has developed the remarkable Small Craft Competence Centre (SCC) in Kuressaare. The project began in 1999, turning a former police headquarters into a university campus.

“We have the highest concentration of boatbuilding yards in Saaremaa, and we wanted to be able to supply them with trained workers, along with advanced research facilities,” explains the centre’s principal, Anni Hartikainen.

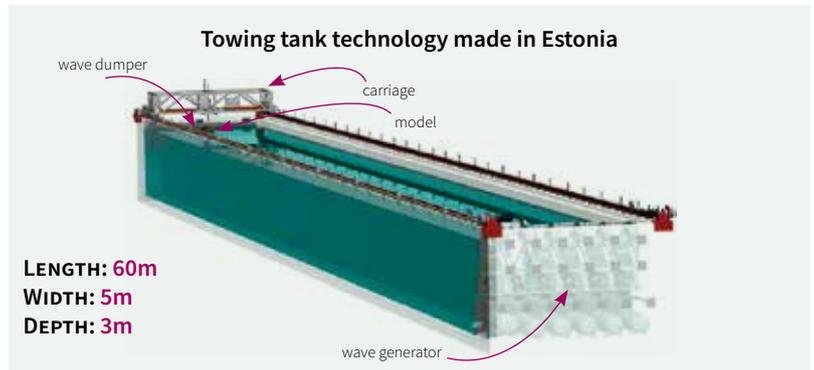
A centrepiece within the campus is the towing tank test facility, measuring 60m x 5m, and 3m deep. “We were quoted €1.5m to have it built, with ongoing fees for maintenance,” Hartikainen explains. “So we picked the brains of 30 test tank experts, and designed and built our own for around €500,000. It went live in 2016, and has proved so successful that we have plans to extend it by 20m.”

The test tank not only assists in training and science projects, but also generates income from R&D contracts with European companies. These include boat stability assessments, feasibility studies, and strength and fatigue tests. One of the first models tested was of a Viking longship (efficient at slow speeds, apparently, but not so good when driven hard) and more recent contracts have included a 22m wave piercer, a 45m work boat, and two patrol boat designs.

The rest of the Competence Centre supports classrooms, conference facilities, and materials ‘ageing’ laboratories to replicate the marine environment. The SCC is steadily growing, with the full time staff recently increased from 11 to 13, and around 100 students passing through the facility at any one time. The SCC is one of five regional competence centres, which shows just how seriously Estonia takes the training of its young people.

**LOOKING AHEAD**

Whilst Estonia remains a small market for overseas manufacturers, it imports a great deal of raw materials and components for its own domestic producers. Its competitive labour costs, stable and pro-business government, low-cost commercial rentals and high tech on-line approach make it an ideal manufacturing platform. Organisations like the Small Craft Competence Centre not only top up the supply of skilled labour with a programme of work placement and overseas student exchanges, but are also pushing at the cutting edge of vessel research. Meanwhile, prime



▲ A centrepiece of the Tallinn campus is a towing tank test facility, built for a modest €500k. It went live in 2016, and has proved so successful that there are plans to extend it by 20m

coastal locations are being turned into marina villages as domestic and overseas investors look to buy waterside property with summer moorings.

“So much has changed since independence,” says Saare Yachts Peeter Säask. “People who left in the early 1990s wouldn’t recognise the country now. Our government wants us to focus as much as possible on high-tech, but I still feel we need a multi-skilled workforce. Myself and others want to forget about the Soviet era, and look to the future. We are very proud of all we have achieved so far, but Estonia still has so much more to offer.” **IBI**

**TALLINN BOAT SHOW**



**HELD ANNUALLY IN** mid-March, the Tallinn Boat Show is promoted as the biggest boat show in the Baltic States. The indoor venue of the Estonian Fairs centre provides 7,500m<sup>2</sup> of exhibition space, with a wide selection of boating and leisure-related products on display. “Our show has around 100 exhibitors and close to 140

boats,” says the event’s organiser and project manager Kristo Herzmann. “Last year, the show had 10,800 visitors from all over Estonia, as well as from Finland, Latvia and Russia. In addition to boats, there is always a diverse array of services for boaters, such as the latest engines, ever more sophisticated navigation equipment and other electronics products. We also have stands selling routing software, clothing and other marine supplies. Free boating information is available from local communities, organizations, and government agencies that each provides must-hear tips for boat travel. The fair also provides the opportunity for visitors to check out a wide range of leisure activities, including fishing supplies, and even try out scuba diving in an indoor tank.”

**The 2018 Tallinn Boat Show will be held from March 16-18. For more information about exhibiting, contact Kristo Herzmann**

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