

# THE BUSINESS OF PLEASURE BOATS

## A MESSAGE FROM THE PRESIDENT



*Jim Coburn, NMBA President*

Planners have finalized the program for the National Marine Bankers Association's 28th Marine Lending Conference being held at Florida's Sawgrass Marriott Resort & Spa near Jacksonville, September 30 to October 2. The event features business sessions focused on lending and boating industry issues and presents net-

working opportunities during a golf tourney and other planned events. The NMBA Conference Committee, led by co-chairs Peggy Bodenreider of GE Money and Director Emeritus Don Mattocks, recently finalized business sessions to include:

**Industry Outlook** ... Scott Porter, President of Thunderbird products and makers of Formula Boats, will offer an overview of the current challenging boat market and his firm's experience and outlook serving the sport boat, performance and yacht sector. Porter has been asked to share ideas about Formula's finance plans to support dealer and customer purchases, and his advocacy of improved dealer/manufacturer relations through involvement in industry organizations.

**Economic Update**... Mark Vitner, Senior Economist for Wachovia Bank, is responsible for tracking U.S. and regional economic trends. As Senior Economist he writes Wachovia's economic newsletter, *Regional Economic Review*, and also contributes to their Weekly Economic & Financial Commentary. Prior to joining Wachovia, Vitner was economist for Barnett Banks in Jacksonville, FL for approximately nine years. His work has been featured in *The New York Times*, *The Wall Street Journal*, *BusinessWeek*, *USA Today* and many other publications. He is also a frequent guest on CNBC, CNN, National Public Radio and the NewsHour with Jim Lehrer, is responsible for tracking U.S.

and regional economic trends and will bring his review and forecast, with special emphasis on the recreation sector, to the Conference.

**Changing Face of Retailing** ... *Boating Industry Magazine* Editor Matt Gruhn, who also heads the publication's "Top 100 Dealer Program," will offer perspective on the way leading retailers are changing the way they do business with suppliers, including lenders. He'll also present views on what he sees in the next generation of retail management and ideas for the industry to create a better boating experience for consumers.



**Homeland Security & Lending**... A trio of Admiralty attorneys moderated by Jim Stewart, NMBA's General Counsel, will investigate the "what ifs" when boat owners run into provisions of Homeland Security laws. Representing owners, recovering collateral, and dealing with offshore authorities are growing factors for lenders as security issues grow.

**Weather's Effect on Boating** ... Meteorologist Steve Letro returns for a repeat performance to educate attendees of big storms, drought, late snows, floods, etc. on what they need to know and what the Weather Service is projecting for coming seasons.

*(Continued on page 2)*



## A MESSAGE FROM THE PRESIDENT

(Continued from page 1)

**Legislative Update** ... NMMA's Regulatory Counsel Cindy Squires provides a review of a busy federal and state legislative year where regulations in progress will impact lenders and the boating industry in general, including ballast water permitting, nexus (taxation of out-of-state transactions), water access and more.

**Industry Issues & Updates** ... the smorgasbord of topics include:

- The Grow Boating Initiative is growing and NMMA President, Thom Dammrich will give an update on the success of the first two years of the industry's major initiative to grow boating.
- Impact of ethanol on marine engines and challenges posed by engine makers interested in dropping "model year" identification of products.
- Status of marine insurance availability and forecast for regions exposed to "named storms" and other calamities.

Sawgrass is the second largest golf resort in the U.S. with five courses and 99 holes. NMBA's Eleventh Golf Tournament, which has been attracting a field of 60+ participants in recent years, will utilize one of the

courses which play host the The PGA Tour and Senior PGA Tour and is Home to the Players' Championship. For non-golfers there are numerous area attractions, and the resort features private beaches, several pools, sailing rentals, fishing, tennis, biking and more. The resort is all but sold out. Room rates have been secured for \$164 (plus taxes and fees) per night. Visit the website at ([www.sawgrassmarriott.com](http://www.sawgrassmarriott.com)) for details of its many amenities. For reservations, call 1-800-457-4653 or the hotel directly at 904-285-7777 and mention the NMBA conference to receive the preferred lodging rate. Registration forms can be downloaded at [www.marinebankers.org](http://www.marinebankers.org). ■



## DROPPING MODEL YEAR WILL COMPLICATE LENDING

Plans by marine engine manufacturers to discontinue identifying the model year of manufacture will create challenges for retailers, lenders and insurance providers warns Jim Coburn and Don Parkhurst, NMBA President and Past President, respectively. "The change has been put in effect by several motor makers for 2007 model year engines, and the real impact will be felt in 2008 and beyond when 'new' engines will not be able to be identified," says Coburn. Adds Parkhurst, "We are planning to explain the difficulties to the manufacturers and have scheduled an information session at the upcoming NMBA Annual Conference." Ultimately, both feel the practice could disrupt the free flow of credit to those who wish to finance boats and related purchases.

The problem arises in establishing collateral values. If there is no easily found model year for the engines,

establishing a fair market value by way of pricing guides or Internet searches is complicated. For pre-owned deals, questions arise about whether an engine on a particular boat is original equipment or a repower (or even property of the owner). When lenders are doubtful, they might impose a lower loan-to-value ratio, perhaps 80% or lower, making downpayments higher and jeopardizing the deal. If the pricing can't be verified, loans will be rejected.

On the insurance side, establishing dollar amount coverage for no-model-year products will also be difficult. In those cases where agents can't write a policy and the boat can't be insured, lenders will not loan on it.

Coburn is asking lenders and others that expect to be impacted by the change to contact him at [James.A.Coburn@flagstar.com](mailto:James.A.Coburn@flagstar.com), 248/312-5201. ■



## NEW NATIONAL ARBITRATION GROUP TO SERVE MARINE FIELD

A consortium of the nation's leading maritime attorneys has established the Maritime Arbitration Association of the United States (MAA). The new nonprofit entity covers all major active ports and boating centers from coast to coast, offering 25 locations for the resolution of maritime disputes. Most of the members are also active in NMBA's Recreational Boating and Marine Lending Network. MAA arbitrators and mediators serve clients in both commercial and recreational sectors and have significant training and experience in maritime law.

According to MAA National Advisory Board member and NMBA Counsel C. Peter Theut, "Maritime arbitration is simpler, faster and less expensive than litigation. It has been successfully used by consumers, businesses, governmental agencies - even the courts - and is recommended where confidentiality must be preserved, where the parties wish to avoid the time, expense and publicity of a court trial. Arbitration can resolve disputes locally (not abroad or in distant cities) by arbitrators who understand their industry."

The MAA claims to be the only national group special-

izing in arbitration and mediation in the maritime field. There are other groups offering these services in the U.S., but they are regional or have not been particularly interested in the marine industry. A significant difference in the MAA is that all of its arbitrators and mediators are peer-reviewed maritime lawyers.

Engaging the MAA, members point out, will assure maritime knowledge and experience is reflected in the process of resolving disputes. And since arbitration and mediation bring differing parties together as opposed to keeping them at a distance, which is common in litigation, business relationships can often be saved or maintained. The cost to arbitrate is dependent upon a number of factors. Commercial cases will typically involve more detail, time, and thus expense, than recreational (consumer) ones. Larger claims will increase costs and administrative and other expenses may be charged.

For more information, visit  
[www.maritimearbitration.com](http://www.maritimearbitration.com) or email  
[@maritimearbitration.com](mailto:@maritimearbitration.com). ■

## STUDY: GREAT LAKES BOATING IS \$16 BILLION BIZ

The 4.3 million recreational boats registered in the eight Great Lakes states generate nearly \$16 billion in spending on boats and boating activities annually, according to a study released in July by the Great Lakes Commission (GLC). That spending directly supports 107,000 jobs, a figure that grows to nearly a quarter million jobs when secondary impacts are taken into consideration. The report is available online at [www.glc.org/recboat](http://www.glc.org/recboat).

"One of the basic tenants of economics is that you take advantage of the unique opportunities your region has to offer, and recreational boating is something the Great Lakes has in spades," said Van Snider, president of the Michigan Boating Industries Association. "This kind of information not only confirms what we've always known about our industry, but will also help us make our businesses more successful and assist state and local officials in planning how to realize the benefits boating can offer to a community."

The report describes a network of manufacturers, retailers, restaurants, marinas, charter operators, repair facilities, lodgings and other businesses that depend upon or get a significant chunk of their business from recreational boating. Charts provide a breakdown of annual and per-trip spending by boat size, as well as the location and names of all active recreational harbors on the Great Lakes.

It is estimated that 911,000 of the region's registered boats operate upon the Great Lakes themselves, mostly out of recreational harbors along the lakes. However, many of these harbors face an uncertain future due to channel entrances and harbor waters that are becoming clogged with sediment, a problem compounded by the persistent low lake levels of recent years. "The cost of adequately maintaining these harbors compared to the economic impact of recreational boating would be quite small, an estimated \$5 million

*(Continued on page 4)*



## STUDY: GREAT LAKES BOATING...

(Continued from page 3)

annually for the entire Great Lakes,” said Tim Eder, executive director of the GLC.

In a related development, an Online Boating Economic Impact Tool has been created for estimating the economic impact of marinas across the country. An interactive system, it’s designed to profile boater

spending and provide estimates of the overall economic impact existing and planned marinas can have on a local, regional and national level. The Recreational Marine Research Center (RMRC) developed and maintains the Tool on behalf of the Association of Marina Industries (AMI), GLC, NMMA and the United States Coast Guard (USCG). It can be accessed at no charge at [www.MarinaEconomics.com](http://www.MarinaEconomics.com). ■

## BOATING PARTICIPATION & SPENDING INCREASED IN ‘06

One-third (73 million) of U.S adults went boating in 2006, a participation increase of approximately 1.3 million Americans from the 2005 total (71.3 million), according to findings from the National Marine Manufacturers Association’s (NMMA) *2006 Recreational Boating Statistical Abstract*, released in mid-May. The Abstract highlights boating sales and participation numbers compiled on behalf of the recreational boating industry throughout calendar year 2006.

Coinciding with the increase in boater participation, the Abstract also reveals the number of boats in use increased to nearly 18 million, and boat registrations surpassed 13 million for the first time since 2001. What’s more, the industry grew to an all-time high of \$39.5 billion in U.S. sales and services in 2006, a six percent increase from the previous year.

“We are excited to see boater participation increase to 73 million because it reinforces our belief that more and more people are discovering that getting out on the water is one of the best ways to relax, have fun and enjoy time with friends and family,” says Thom Dammrich, NMMA president. While total boat unit and dollar sales were up more than five percent—

buoyed by growth in ski/wakeboard boats, personal watercraft, canoes and kayaks—the traditional powerboat segment saw a decrease in unit sales of nearly five percent to 291,900 total units in 2006.

“Though new powerboat sales were down slightly, the increase in boating participation bodes well for better sales in the years ahead,” says Dammrich. “We anticipated flat to slightly down powerboat sales as higher interest rates and the malaise in the housing market impacted consumer confidence throughout the year.”

Total new boat dollar sales edged upward two percent to \$11.5 billion, reflective of an overall increase in the price of traditional powerboats, which also increased two percent to \$9.6 billion. NMMA attributes these increases to a rise in production costs for manufacturers, including the escalating price of petroleum-based inputs and efforts to develop cleaner, more fuel-efficient engine technology.

The *2006 Recreational Boating Statistical Abstract* is available for purchase to non-NMMA members at a cost of \$750 each. For more information contact Lindsey Johnson, 312/946-6204; [ljohnson@nmma.org](mailto:ljohnson@nmma.org). ■

## TIPS FROM HURRICANE PREPARATION SYMPOSIUM

More than 150 marina, boatyard, and yacht club managers gathered in March this year in Orlando, FL, for the first Marina Hurricane Preparation Symposium. Organized by BoatU.S. in conjunction with the Marine Industries Association of South Florida and Marine Industries Association of Florida, the group shared tactics, tips and experiences with the goal of successfully managing another year of potentially increased

storm activity. Discussions included storm preparation tips that may help boaters reduce the chances of damage to their own vessels as well as improve the odds that their boating facility will quickly recover. The most important task is to make a hurricane plan and put it in writing; speakers at the symposium continually stressed the need for facilities and individuals to have

(Continued on page 5)



## TIPS FROM HURRICANE...

(Continued from page 4)

well thought out, written plans. A plan should include where a boat will best survive a storm, what supplies you'll need, and who will be doing that work if you are

out of town when the storm approaches. For more on hurricane prep tips or to download a free copy of *The Boater's Guide to Preparing Boats and Marinas for Hurricanes*, visit [www.BoatUS.com/hurricanes](http://www.BoatUS.com/hurricanes). ■

## DISCOVER BOATING INCREASES BRAND AWARENESS TO NEARLY 40 PERCENT IN 2007

More than one-third of Americans now recognize the Discover Boating brand

Since its debut in April 2006, the Discover Boating consumer marketing campaign has increased awareness of the Discover Boating brand to 36 percent, with more than one-third of all people claiming to be aware of the ongoing effort.

These findings stem from a recent online survey conducted by New York-based Russell Research Inc. A similar study was conducted following completion of the marketing campaign's first year, which showed an increase of 25 percent in Discover Boating brand awareness. These new results exceed the 2006 findings by 11 percent and this year's aggressive goal of 30 percent.

"In comparison to other major U.S. brands, Discover Boating's overall budget is much leaner, which is why it's even more remarkable that we've increased awareness to such an impressive level after just two years," says Carl Blackwell, vice president of Marketing & Communications for Grow Boating Inc. and the National Marine Manufacturers Association (NMMA). "Our scores result from a combination of marketing initiatives, including advertising, public relations and event and interactive marketing—all of which play an integral role in spreading positive boating messages to Americans."

Specific to the advertising campaign, the research showed a high score of 79 percent "likeability" for the "Dogs" television commercial. Scores above 60 percent indicate the likelihood that a commercial will influence consumer perception and behavior. What's more, the research also reveals that one-third of non boat-owning Americans who viewed the Discover Boating television commercials said the ads would have a positive effect on their likelihood to go boating in the future, with 48 percent of viewers saying they are "extremely likely" or "very likely" to go boating

sometime in the next 12 months.

Demonstrating the campaign's impact, *DiscoverBoating.com* is already seeing web traffic approach the industry's goal of 3 million visitors. In addition, orders for the "Get Started in Boating" DVD have topped 50,000 and the number of potential boat-buyers requesting direct contact from manufacturers and dealers is just shy of 20,000—an increase of 7,000 over 2006 totals.

Another factor contributing to this year's increased brand awareness is the 2007 Discover Boating public relations effort, which is expected to exceed 200 million media impressions by the end of September. These results will surpass the industry's 2006 goal by more than 50 million media impressions. Local initiatives in key markets across the country are driving a strong surge in media attention related to boating and the boating lifestyle. National initiatives are also impacting media coverage with major media placements in 2007 including: *Wall Street Journal*; *New York Times*; *Reuters*; *Chicago Tribune*; *Los Angeles Times*; CBS Early Show; *ESPN the Magazine*; CNBC; *Fox & Friends*; *FHM Magazine*; and many more.

Event marketing opportunities have also helped spark a growing consumer interest in Discover Boating. Most recently, in support of the 2007 National Marina Day (NMD) on Saturday, August 11, marinas across the country hosted a series of events previously registered on *DiscoverBoating.com*'s Test Drive Calendar. This unique website feature, unveiled in June, gives visitors a dedicated resource to seek out local boating outlets. Manufacturers and dealers simply log on to *DiscoverBoating.com* and post their scheduled boating demos/test drives on the calendar for consumers to view. More than 80 events have been listed to date, with new

(Continued on page 6)



## GROW BOATING WEBSITE

(Continued from page 5)

events added weekly. The Test Drive Calendar is just one of several benefits in the works as part of a Test Drive/Demo Days pilot program being tested this year, with a more aggressive launch slated for 2008.

“One of the primary reasons we’ve been so effective at increasing consumer awareness of the Discover Boating brand is that we have worked diligently to integrate all our various marketing efforts and create a strong tie-in to the overall campaign,” says Blackwell.

“All of our outreach—whether through television and print advertising, PR efforts or event marketing—collectively drives consumers back to *DiscoverBoating.com*, where they can go to learn more about the boating lifestyle. Keeping our messaging

clear, consistent and connected is ultimately fueling our success.”

For additional information about the Discover Boating national marketing campaign, contact Ellen Hopkins, director of marketing communications at (312) 946-6249; ehopkins@nmma.org.

The Grow Boating Initiative is an integrated effort among organizations with an interest in the recreational marine industry to promote the boating lifestyle and improve the boating experience. Comprised of a strategic set of programs focusing on all areas of boating including the national Discover Boating marketing campaign, water access, dealer and product certification and research, the Grow Boating Initiative is designed to increase participation in boating and improve sales of marine products and services. ■

## COMPARISON OF MANUFACTURER WHOLESALE SHIPMENTS TO DEALER RETAIL SALES

As of March 31, 2007

Source: NMMA Insights Newsletter

	Wholesale Estimates (a)		Retail Estimates (b)		Percent Change 2007 Retail vs. 2006 Retail	Calendar Year 2006 Retail Estimates	Calendar Year 2005 Retail Estimates	Percent Change 2006 vs. 2005
	Jan to Dec 2006	Rolling 12-Month Comparison	Jan to March 2007	Rolling 12-Month Comparison				
<b>Outboard Boats</b>								
Fiberglass	77,111	77,111	18,140	85,372	4.9%	81,400	88,200	-8%
Aluminum	126,379	126,379	24,316	125,506	2.2%	122,800	125,100	-2%
<b>Total</b>	<b>203,490</b>	<b>203,490</b>	<b>42,456</b>	<b>210,879</b>	<b>3.3%</b>	<b>204,200</b>	<b>213,300</b>	<b>-4%</b>
<b>Stern Drive Boats</b>								
Fiberglass	73,741	73,741	10,273	67,873	3.9%	65,300	69,900	-7%
Aluminum	2,134	2,134	350	2,566	6.9%	2,400	2,400	0%
<b>Total</b>	<b>75,876</b>	<b>75,876</b>	<b>10,623</b>	<b>70,440</b>	<b>4.0%</b>	<b>67,700</b>	<b>72,300</b>	<b>-6%</b>
<b>Inboard Ski Boats</b>	14,643	14,643	1,558	12,495	-4.6%	13,100	12,600	4%
<b>Inboard Cruisers</b>	7,788	7,788	1,572	7,535	9.2%	6,900	7,800	-12%
<b>Total Traditional Power Boats</b>	<b>301,797</b>	<b>301,797</b>	<b>56,210</b>	<b>301,348</b>	<b>3.2%</b>	<b>291,900</b>	<b>306,000</b>	<b>-5%</b>
<b>Jet Drive Boats</b>	7,435	7,435	716	6,793	9.6%	6,200	6,700	-7%
<b>Personal Watercraft</b>	91,733	91,733	7,120	81,134	-1.3%	82,200	80,200	2%
<b>Total Power Boats</b>	<b>400,965</b>	<b>400,965</b>	<b>64,047</b>	<b>389,274</b>	<b>2.4%</b>	<b>380,300</b>	<b>392,900</b>	<b>-3%</b>

(a) Wholesale shipment estimates are derived from NMMA's December 2006 MSR and upwardly adjusted to reflect shipment volumes for the entire U.S.

(b) Retail estimates are based on NMMA's Q1 2007 NewPowerboat Registrations Report and upwardly adjusted to reflect shipment volumes for the entire U.S.



# NMBA MEMBER NEWS CORNER

*We are pleased to welcome our newest members (since May 2007) to the NMBA ranks*

## **REGULAR MEMBERS**

**Intercoastal Financial Group**  
Fort Pierce, FL  
*Contact: Chris Berkeley*

**BSC America**  
Bel Air, MD  
*Contact: R. Charles Nichols*

**Houck Anderson P.A.**  
Miami, FL  
*Contact: Matthew Valcourt*

## **ASSOCIATE MEMBERS**

**ADESA Inc.**  
Carmel, IN  
*Contact: Jeff Bescher*

**Carol Matthews Vessel Documentation, Inc.**  
Houston, TX  
*Contact: Glynda Allison*

**Marine Documentations, Inc.**  
Hampton, VA  
*Contact: Patricia Williams*

**American Modern Insurance Group**  
Cincinnati, OH  
*Contact: Mike Bowen*

**Dealer Track Specialty Solutions**  
Mississauga, Ontario, Canada  
*Contact: Debbie Oberender*

**Markel American Insurance Co.**  
Waukesha, WI  
*Contact: Nancy Kane*

**American Vessel Documentation Association (AVDA)**  
Newport Beach, CA  
*Contact: Kathi Krencik*

**Dominion Enterprises/Boattrader**  
Norfolk, VA  
*Contact: S. Cat McCarley*

**Northeast Marine Liquidation, Inc.**  
Stonington, CT  
*Contact: W. Bradford Ferguson*

**ASAP Marine Documentation & Registration**  
Ft. Lauderdale, FL  
*Contact: Lisa Borkowski*

**Global Recreational Financial Corp**  
Holiday, FL  
*Contact: Sandy Spieler*

**Society of Accredited Marine Surveyors, Inc. (SAMS)**  
Jacksonville, FL  
*Contact: Stuart McLea*

**Hailing Port Service, Inc.**  
Bronx, NY  
*Contact: Jane LaScala*

**The Mary Conlin Company, Inc.**  
Newport Beach, CA  
*Contact: Mary Bacon*

## NMBA AND NMMA CO-HOST INSURANCE ROUNDTABLE DISCUSSION IN FORT LAUDERDALE

Executives from all walks of the boating industry will gather in Fort Lauderdale on Tuesday October 23rd, to participate in an important roundtable discussion. The goal of this informal get-together is to identify ways the recreational boating industry and individual boaters can take action to improve the insurance climate, thus causing insurers and reinsurers to provide for a greater availability of insurance policies in states experiencing an increased risk of hurricane and wind-related claims. Invitees include marine manufacturing, marine trade and marina association executives, in addition to boat insurance executives, program managers and brokers. Discussion will include an overview of current insurance issues and availability for boaters and commercial

enterprises. The challenges of the marine and insurance industries, discussions of existing educational efforts, how the marine industry can adjust practices to minimize risks and mitigate damages, and steps the insurance industry can take to compliment the marine industry's efforts will also be covered. Dialogue will also include the development of a Hurricane Risk Management Educational Program, and the feasibility of establishing a Hurricane Insurance Pool that could respond to marinas in the event of a catastrophic loss will be examined. **Registration is required.** Please contact Bernice McArdle at [bmcardle@nmma.org](mailto:bmcardle@nmma.org) if you are interested in attending. ■

Check out our Website [WWW.MARINEBANKERS.ORG](http://WWW.MARINEBANKERS.ORG)





## ***MARINE LENDING WORKSHOP***

**December 2-4, 2007**

**Bahia Mar Beach Resort  
Ft. Lauderdale, Florida**

This workshop is a **must attend** event for marine finance professionals engaged in direct and indirect loan origination, retail lending, collections and remarketing. The comprehensive two-day program is specifically designed for those entering or specializing in this unique branch of consumer lending.

Registration is limited - reserve your space today

**Contact Sheila Ray for information: [sray@nmma.org](mailto:sray@nmma.org)**

THE BUSINESS OF

***PLEASURE BOATS***

*A service of the*



**national marine  
bankers association**

News items which are germane to the marine financing field will be considered for inclusion in the newsletter. Send information to the address below.

Address changes and subscription requests should also be directed to the address below.

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