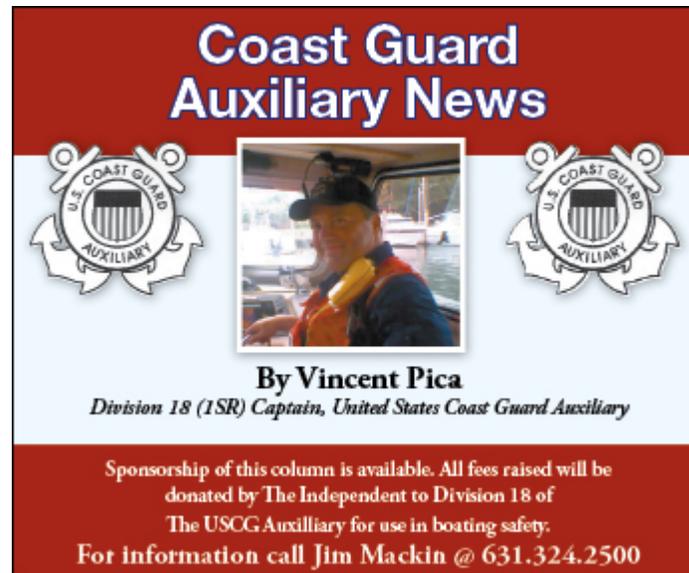


THE *East Hampton • Southampton • Riverhead • Southold • Shelter Island*
INDEPENDENT

Coast Guard Aux NEWS ▶

September 30, 2009



The graphic features a red header with the text "Coast Guard Auxiliary News" in white. Below the header is a white section containing two U.S. Coast Guard Auxiliary logos on either side of a central photograph of a man in a blue shirt and orange life vest. Below the photo, the text reads "By Vincent Pica" and "Division 18 (ISR) Captain, United States Coast Guard Auxiliary". A red footer contains the text: "Sponsorship of this column is available. All fees raised will be donated by The Independent to Division 18 of The USCG Auxiliary for use in boating safety. For information call Jim Mackin @ 631.324.2500".

Some Days Chicken, Some Days Feathers

It is an old Wall Street saw that some days go well – chicken – and some don't go so well – feathers... With the economy doing what it is doing and fuel prices at the dock at \$4/gallon or higher, it sure seems like "feathers" now... So, let's buy a boat! This is an update on that thinking...

Forces At Play

The present economic environment has slowed down new boat sales tremendously and used boat sales even more... and when that happens, the buyer is the one setting the price, not the seller.

Industry analysts say that new boat sales are down 20%. Brunswick, who owns Bayliner, and Sea Ray have both announced that unit sales (# of boats, not boat prices) are down to 1965 levels. Many other manufacturers have noted substantially the same trend. I wouldn't be surprised if you could even negotiate a bank loan rate. Certainly, the Federal Reserve has been lowering interest rates to historic lows again to help the economy get up off its back and at least up on one elbow. So, low prices and low interest rates – could that be "chicken?"

Also, it is boat show season again – which conventional wisdom says is the place to buy a boat.

I'd tend to agree – as long as you are talking about the last day of the show and the dealer is looking at a lot of boats that have to be shipped back to the showroom. Otherwise, I'd bet that your local dealer, who hasn't had to rent space at the boat show and transport boats there, would cut you a pretty good deal in here.

And don't forget the used boat market – if the boat dealer is motivated to sell his inventory, imagine the forces at play on the private boat owner. A winter's storage cost is ahead, as is the lay-up costs.

The Boat Market

While prices on used boats have stalled even more than new boats, would you be surprised to know that statistics show that used boat sales accounted for 72% of all boat sales in 2006 were used boats? Most industry analyst believes that this trend has continued in 2007 and 2008. While the experts can't decide whether the nation is in a recession or not, any seller of boats will tell you that the boat sale industry has been in one since \$4/gallon. A Bank of America report noted, "Factors such as the housing slowdown, mortgage defaults, growth in the used boat market and low consumer sentiment are affecting the overall marine industry. The current expectation in 2007 for industry boat retail sales is roughly 260,000 units, which is below the lowest level of 270,000 units in the early 1990s."

Many industry experts talk about the boat market, using the statistics published by the National Marine Manufacturers Association (NMMA), having a 5-year cycle to it with 3 "up" years and 2 "down" years. The data says now that that has flipped to 3 "down" and 2 "up" years.

The last time there was an extended "recession" in the boating industry was the late 1980's into the early 1990's. By the time it came out of that recession, there were a lot fewer boat manufacturers for two reasons – the weak ones went "belly up" and the big got bigger. They didn't buy boats; they bought boat companies! Rather than addressing a niche, they looked to serve the broad boating market, up and down the economic strata. If boating companies are buying boat companies, should we be buying boats?

Where Are We Now?

Certainly, the industry itself has gotten smarter. They built product lines, not just served niches that might shrink or even disappear in tough economic conditions. They are also more cost-conscious and run like modern corporations, not a club. The weak dollar has added to the attractiveness of American boats overseas and more American boats are sold overseas than ever before. The industry has also become more customer focused and created brand loyalty based on service, not just features.

With that said, these tough times hit the consumer as hard as ever. And there is no comfort in thinking about selling a house you can't carry so you can buy a boat you might live in. But, there is a new segment to the market out there and it is going to get larger before it gets smaller – the baby boomers who are not retiring or, if not retiring, certainly "empty nest'er's" with grown kids and a small, if any, mortgage. So, think about it. If it is "feathers" for some if not many, can it be

"chicken" for you and your new boat in this environment? So, you aren't thinking about buying a boat? Can there ever be more advantages in the hands of the buyer? Some people are hesitant to "counter-bid", fearing it is "insulting." It is not. Let the "market" know where you stand. What are they going to do – wash your mouth out with soap? And maybe they say "yes!"

BTW, if you are interested in being part of USCG Forces, email me at JoinUSCGAux2009@aol.com or go direct to Lisa Etter, who is in charge of new members matters, at FSO-PS@emcg.us and we will help you "get in this thing..."

If you'd like a copy of any of the columns cited, email me and I send it to you.