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NEW COURSE FOR BOAT INDUSTRY?

As preparations begin for two Annapolis shows, experts are cautiously optimistic that change may be just over the horizon

BY CANDY THOMSON
The Baltimore Sun

The maritime economy hasn't been shipshape in the city that calls itself "America's Sailing Capital."

The doldrums the national powerboat and sailboat industry hit four years ago did not spare Annapolis — or the two boat shows that have tied up in the harbor every October since the 1970s.

But this year feels different, local boating experts say. Consumer confidence is returning, and more boaters want to buy a new vessel or trade up to a bigger one.

"The challenges have been severe," said Paul Jacobs, general manager of the U.S. Sailboat Show and U.S. Powerboat Show. "We've been just talking the talk for the last few years, but we're ready to walk the walk. The industry is coming back. People are responding."

Gary Reich, editor of Annapolis-based Prop Talk magazine, agreed — up to a point.

"It's so much better than it was two years ago. There are many signs that things are getting better, but I don't think we're there yet," he said. "There's a lot of optimism, but it's cautious optimism."

There's reason to be cautious: While the national industry enjoyed an increase last year in sales of powerboats and accessories — the first since 2006 —



At Trawler Fest, boating enthusiasts get a chance to check out recreational versions of commercial fishing boats that are prized for their stability and spaciousness.

Maryland experienced a double-digit drop, according to the Chicago-based National Marine Manufacturers Association.

Maryland was one of just six states to see a decline in retail powerboat and accessory sales in 2011, according to the association. Total expenditures fell 11.6

percent, to \$162 million from \$183 million in 2010. About 4,600 fewer boats were registered in the state in 2011 than in 2010, the eighth consecutive annual decline.

Some blame Maryland's excise tax on boats, which is higher than surrounding states. See **BOATS**, page 8

Current of optimism for boat industry

BOATS, From page 1

states. Others say the drop could reflect poor environmental conditions in the Chesapeake Bay or the decline in recent years of fishing license sales.

Maritime business people hope the two Annapolis boat shows, coupled with this weekend's Trawler Fest in Baltimore's Inner Harbor, get things moving again. Sailboat aficionados will fill City Dock from Oct. 4 to 8, while the powerboat crowd will take over from Oct. 11 to 14.

The two events, billed as the oldest and largest in-water boat shows in the country, will begin taking shape Monday. Workers will install a mini-city consisting of 1.5 miles of floating docks, 250 tents, six miles of electrical wiring and 15 miles of hoses.

"Traditionally, consumer confidence is very closely tied to boat sales."

Ellen Hopkins,
National Marine
Manufacturers
Association

with an economic impact of well over \$50 million. That's music to the ears of the city's \$155 million-a-year maritime industry, which does everything from designing and building pleasure boats and elite racing craft to repairing and housing them.

The bad economy forced boating businesses to diversify and offer other marine-

"We're like high-tech carnival workers," Jacobs said.

Annapolis officials estimate the boat shows will attract as many as 100,000 visitors,



GENE SWEENEY JR./BALTIMORE SUN PHOTO

The Trawler Fest is being held this weekend in the Inner Harbor. Boating experts are cautiously optimistic about a rise in sales, and hope that the festival and two annual shows in Annapolis will help spur an industry that has been in the doldrums since the recession.

based services, local business operators said.

"The [companies] that survived were the ones that concentrated on giving good service," said Geoff McCord, general man-

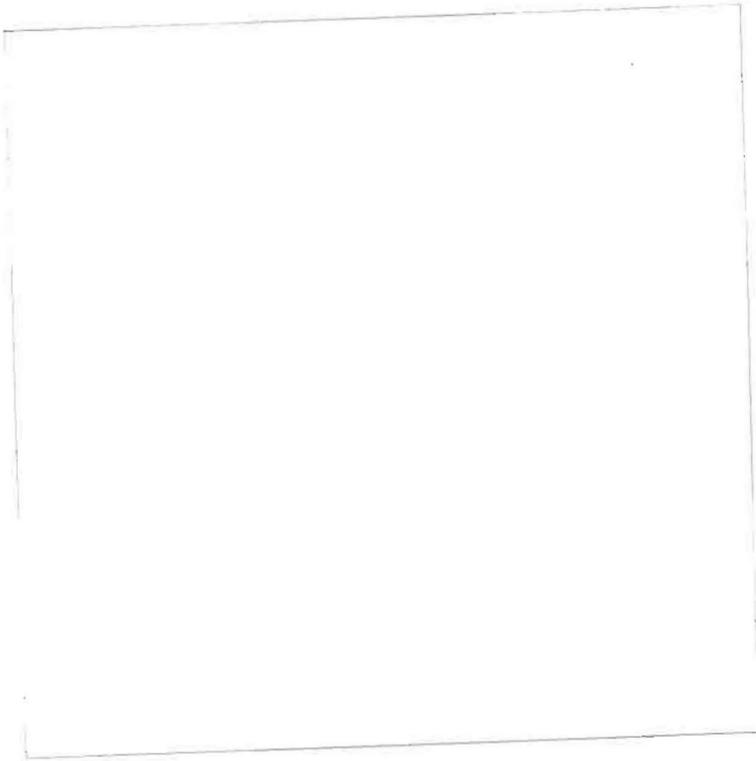
ager of Annapolis-based Bavaria Yachts USA.

The industry also did a lot of soul-searching.

"There's been a lot of shakeup. Compa-

nies were buying each other out and boat molds were changing hands," Jacobs said. "Now they're saying, 'Let's get back and build some boats.'"

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"Now they're saying, 'Let's get back and build some boats.'"

Last year, U.S. retail sales for recreational boats, accessories and marine services rose 6 percent to \$32.3 billion, according to the manufacturers association. New boat sales increased 0.8 percent to 214,405 vessels, and a survey indicated that participation was up.

"That was our first glimmer of a rebound," said Ellen Hopkins, the association's spokeswoman.

The Marine Trades Association of Maryland, which estimates the state's boating industry is worth \$2 billion and supports 35,000 jobs, hopes that tide lifts the local economy again.

But association officials fear boaters are taking their money to states with lower sales taxes. Maryland's one-time excise tax is 5 percent, with no cap. Delaware has no tax, and Virginia has a 2 percent tax that's capped at \$2,000, although state residents must pay additional personal property taxes on boats.

The Maryland tax, due when a boat is bought and titled, pays for the Waterway Improvement Fund, established in 1966 to pay for navigational equipment, dredging and upgrades for marinas and launching ramps. But with boat sales dropping, the fund has plummeted from \$30 million in 2005 to \$14.2 million in the last fiscal year, even as its costs continued to increase, according to the state Department of Natural Resources.

Marine Trade Association officials favor raising registration fees, which have been unchanged in nearly three decades, and capping the excise tax on boats.

Everyone hopes the boating market will improve as home prices rebound, the cost of crude oil eases and the stock market grows. The Conference Board's Consumer Confidence Index for September jumped to its highest level since February, to 70.3 from 61.3 in August.

"Traditionally, consumer confidence is very closely tied to boat sales," Hopkins said. "When you see consumer confidence rise, you see new-boat sales rise as well."

The Annapolis sailboat show will display more than 200 vessels, with 27 designs making their debuts, Jacobs said. The powerboat show will feature over 300 vessels, with new models from a number of manufacturers.

Beneteau America, a leader in the sailboat industry, is turning heads with its line of trawlers, a recreational version of commercial fishing boats designed for stability and spaciousness. The \$900,000 Swift Trawler 50 debuted at Baltimore's Trawler Fest this weekend and will make its second stop at the powerboat show in Annapolis, where Beneteau's business office is located.

Germany's Bavaria Yachts opened its U.S. operation in Annapolis in 2011 and lifted the curtain on its Cruiser line of sailboats at last fall's show. This year, it will feature its new \$31,000 Vision, a 46-footer designed to keep a couple "very comfortable, with occasional guests," McCord said.

The pattern of buying a 30-foot beginner boat and then upgrading through a series of "3-foot-itis" has been turned on its head as the economy strengthens, he said.

"The younger crowd starts at 37 feet and higher. They want to jump into the 40-foot club right away," McCord said. "People are starting to buy boats instead of a cabin or a beach house so they can change their neighborhood ... when they want."

But boat manufacturers and brokers are banking on pent-up demand to help get the good times rolling again.

"People hit the pause button on purchases. We're seeing more serious buyers coming out," Hopkins said. "Boating is a lifestyle. So if you've got that bug, you're going to figure out a way to make that lifestyle happen."

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More online

See a photo gallery from this weekend's Trawler Fest at baltdmoresun.com