

LETTERS

A partnership for the future

It was with great pleasure that I read in the August issue [page 13] about Catalina's venture with Sun Yacht Charters.

The need to establish a closer, if not intimate, relationship between a manufacturer and a sound charter entity became very apparent to me over the years I have been involved in the industry. This need became even more obvious with the 1986 changes in the U.S. tax laws.

As a consultant, I worked for over 10 months to develop the concept and detailed outline that eventually brought Catalina and Sun Yachts to the altar. American manufacturers have been faced with stiff competition from abroad but none so complete as the French government's introduction of "defiscalization" (relief from taxation), which saw major charter companies build new fleets and replace older ones with, in the main, French products to the exclusion of American built yachts.

Defiscalization or the "loi Pons" (the Pons law, named for the individual who designed the tax benefits for yachts) was conceived to spur development in the French overseas departments and territories and provides extremely valuable tax considerations to the boat buyer with a French tax liability. It is a complex scheme but the net result is a massive infusion of French built yachts, subsidized by the French government, into the prime Caribbean chartering areas previously served by mostly American manufacturers.

I cannot advocate such an enormous benefit

to be borne by the U.S. taxpayer, but our taxing authorities have moved in quite the opposite direction by adding taxes that have stifled production and caused enormous harm. The charter industry still needs yachts to replace older yachts and to expand. New and innovative thinking is required to find a way to fill this need with our own yachts, particularly now that indications point to a possible expiration of the loi Pons program in 1996. The benefits are already being cut back and new stringent regulations being imposed. This creates a potential opportunity on this side of the world.

Historically the manufacturer-charter company relationship has been informal at best. I strongly believe there is a viable method of merging the needs of the builder and the charter company into a mutually beneficial partnership. Each has expertise, organization and unique relationships that the other needs to achieve quite separate, but interdependent, goals and that is why I spent so much time working with a strong company such as Catalina to convince them to grab the brass ring.

The manufacturer needs the life blood of increased production and the charter company needs to continually supply newer yachts to its fleet. The boatbuilder has a dealer organization and the charter company has customers to use the boats. Within that framework, Catalina and Sun Yachts will be probing to find the most efficient way to achieve their goals of increased production and sales and increased charter utilization. The charter com-

pany will, hopefully, increase utilization from a loyal manufacturer's owner base and the manufacturer will, hopefully, increase sales through customer use of his product.

A dealer has often lost a potential sale when he could not offer, or was not versed in, yacht leasing and management. Such a purchaser was not easily convertible to a retail sale and the charter company would not accept a yacht it had not sold. These interests need not be competitive and a re-evaluation will show that they can be, in fact, strong, mutually supporting sales forces.

It will take a commitment to change and a willingness to consider new and innovative strategies for our industry to re-establish itself and meet the competition from abroad. I do not believe it is judicious for us to rely on any significant subsidies in the form of tax incentives from the U.S. government for the foreseeable future, and that means we really have to massage our gray matter.

As an architect of the Catalina/Sun Yachts joint venture I have great expectations. There is, however, as in any new proposition, a learning curve that will create stumbling blocks. I am confident that the principals of Catalina and Sun Yachts will conquer these.

I am, as an individual, committed to further promoting and building relationships that will encourage such ventures.

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