

Fractional Ownership Gives You A Piece Of The Action

The number of fractional boat companies around the country is growing rapidly. How does it work and could it be right for you?

We've all been there. You duck out of work a few hours early with visions of playing hooky on the water while everyone else is toiling away. But when you get to your boat, you spend your afternoon cleaning and maintaining, getting fuel, and doing holding-tank duty. Imagine showing up at the dock to find your boat sparkling clean, fueled up, and ready to go. Picture an attendant handing you your gear, and casting off your dock lines as you pull out of the slip. The fantasy life of a rich skipper? Hardly. This scene is a reality for the growing number of new American boaters who've discovered the benefits of fractional boat ownership.

What Is Fractional Ownership?

In a nutshell, fractional boat companies split a boat into equal shares, then lease the shares to members. Members have guaranteed access to the boat a set number of times per month on a scheduled basis, and an unlimited number of times per month on an as-available basis. The fractional boating base handles all the logistics, including slip fees, boat maintenance and repairs, and insurance, and the member pays a fixed monthly membership fee for the use of the boat. The member uses the Internet to schedule the desired time slot to use the boat, or to check the immediate availability of the boat if the member has time to use the boat that day. By limiting the number of members, the base is able to both guarantee availability and to complete any and all necessary maintenance on the boat. That way, the boat is always ready when the member is.

Fractional ownership is available for sailors and powerboaters, and the number of fractional bases around the United States is growing each year. Fractional ownership is quickly overtaking boat rental as the preferred means of boating without owning. George Bonelli, president and CEO of

SailTime, explains, "We have seen a definite shift in interest in this type of program as consumers move to the experience-based lifestyle from the ownership lifestyle. People want to gather experiences and not own stuff. The 'simplifier' is and will be a growing segment of the market."

How Popular Is Fractional Ownership Becoming?

The largest fractional boating company in the United States is the Freedom Boat Club. Specializing in powerboats, the club boasts a fleet of 400-plus boats, 5,000 members, and over 50 bases nationwide. Their fleet ranges in size from 16-foot skiffs to 40-foot motoryachts. Founded in 1989 in Sarasota, Florida, the FBC is also the oldest fractional yachting company in the U.S. SailTime, considered the gold standard in fractional ownership for sailors, has gone global. In addition to their 30 bases in the U.S., they have 15 bases in the U.K., three in Holland, and one in Australia. The company has more than 1,100 members and 160 boats in the water worldwide.

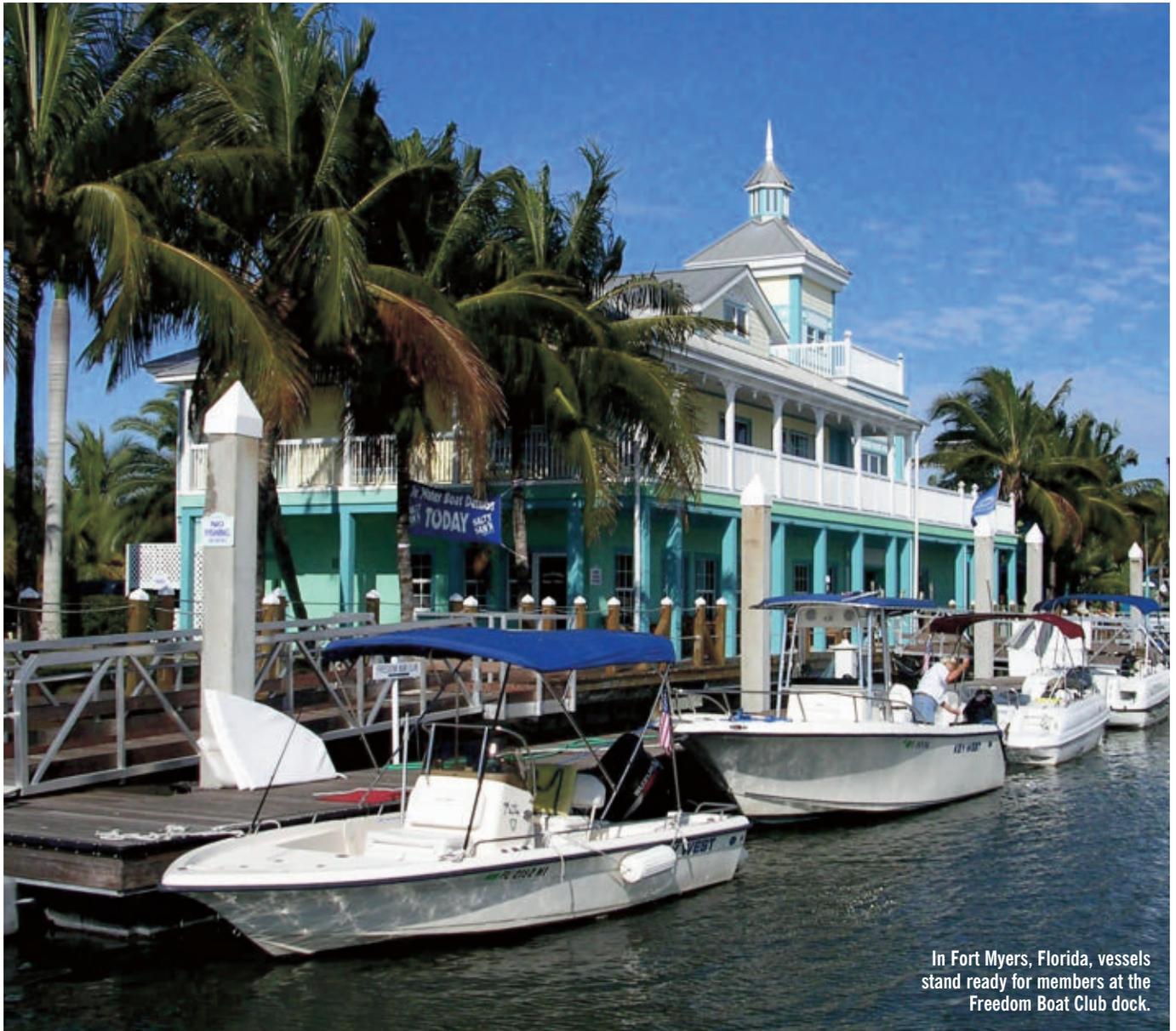
In addition to these market leaders, there are dozens of smaller fractional companies around the country. Signaling the permanence of this sector of the market, major boat manufacturers such as Hunter, Back Cove, Catalina, and Beneteau have signed agreements with fractional yachting companies to represent their models exclusively.

How Does It Work?

When a prospective member joins a fractional boating base, the first step is to pay the initiation fee. This varies from company to company, and from boat model to boat model, but is generally anywhere from \$2,500 to \$6,000. Next, new members are trained by the base. The base provides a thorough combination of classwork and practice on the water, over a period ranging from one day to two weeks. Members

are checked out on each boat model their membership entitles them to use, and are also trained how to use the company's Internet scheduling interface. The only commitment from that point forward is the monthly membership fee, which varies by company and boat model but averages \$300 to \$500 per month. All expenses except fuel are included in the monthly membership fee. While it's not unheard of for a fractional yachting base to require a long-term commitment, the industry norm is to keep things on a month-to-month basis. If a member is dissatisfied or has a change in plans, companies usually only require 30 days notice to terminate a membership. Some fractional boating companies offer a guaranteed minimum number of time slots per month per member; others offer a rolling minimum. Mike Reynolds, president of the franchising arm of the Freedom Boat Club, says rolling time slots work best for their members. "You get four revolving reservations that you can put on the books at any time. For example, you can have four reservations — Monday, Tuesday, Wednesday, Thursday — and as soon as you use Monday, you're free to put that reservation back in the system."

In addition to scheduled time, members are allowed to use the boats "on the fly," any time the boats are available and not reserved by another member. So, if that afternoon meeting gets canceled and a member suddenly has the rest of the day off, he can actually spend the time on the water. Most companies also offer reciprocal membership benefits at their other company bases. So a Freedom Boat Club member from Texas can use a Freedom Boat Club boat while on vacation in Florida, as long as the boat is available. In the case of SailTime, it opens a world of sailing opportunities and options when it comes to planning vacation or business travel; the company just opened bases in La Spezia, Italy, and Nice, France.



In Fort Myers, Florida, vessels stand ready for members at the Freedom Boat Club dock.

The current economy has been rough on boat manufacturers and dealers. U.S. powerboat sales for 2009 are projected to be more than 20 percent lower than 2008, which was already the worst year on record since the industry began tracking sales data in 1995. According to Brunswick CEO Dustan McCoy (the largest boat manufacturer in the U.S. and maker of Sea Ray, among others), boat sales will likely never return to the high point set in 2005.

Recent economic data suggests that the American consumer is shying away from big-ticket purchases, and the personal savings rate has risen to its highest level in 15 years. While these factors make things difficult for boat manufacturers and dealers, the downturn has been a boon to

fractional companies. Consumers who just three years ago might have pulled equity out of their home to finance the purchase of their first boat are now taking advantage of the lower cost of entry and the freedom from unplanned expenses that a fractional arrangement offers.

"Despite the significant drop in boat sales occurring across the industry, SailTime has seen steady increases in membership and boats being brought into the program as boating enthusiasts seek innovative and affordable ways to keep their boating dreams alive during uncertain economic times," said Wayne Diviney, CFO of SailTime. The tightening of the credit market is having a similar effect on fractional yachting. The days of no-money-

down boat financing are over, and the credit standards to qualify for financing a boat purchase today are much stricter than even 24 months ago. Some major marine lenders such as Key Bank have pulled out of the market entirely.

"We've seen a higher demand for memberships and a lot of it has to do with the collapse in the credit markets," explained Mike Reynolds. "We're a good option for people who may not have stellar credit and no longer have the option to buy a boat. Also, in times of economic uncertainty, people don't like to make long-term financial commitments. We offer a month-to-month alternative."

Fractional boating is particularly appealing to entry-level boaters. By sim-