

MBA 503 Economics Component Case 1

Due: Thursday 10/25/01

Boating Business Booms Despite Slowing Economy
Northern Virginia Marinas Can't Build Slips Fast Enough

By Michael Amon
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Jeff Myers smiled as one of the nine \$50,000 Bayliner power boats he sold last week was lowered into the water at Hampton's Landing marina on Neabsco Creek.

"We're making a killing," said Myers, a salesman for Virginia Boating in Dumfries. "No signs of the ailing economy here."

And then two more potential buyers stopped by for a 3 p.m. appointment, and Myers launched into a sales pitch that, these days, he carries out with great frequency.

The scores of customers who come to Myers every week are walking away with boats more often than not. Affluent professionals streaming into Prince William have made the county the epicenter of a boating boom in the Washington region, filling the once-tranquil Potomac with thousands of pleasure cruisers on the weekends and making it more difficult to find long-term docking space along the waterfront.

"You could correlate the number of boats to the growth in population," said Jim Klakowicz, manager of Leesylvania State Park, which juts into the Potomac on the south side of Neabsco Creek. "There are all kinds of homes going up. These folks can obviously afford boats, and when they find that there are marinas and access nearby on the Potomac, they come."

This year, Prince William surpassed Fairfax County for the highest number of registered boats in Northern Virginia, according to the Virginia Department of Game and Inland Fisheries.

Prince William marinas increasingly have had to put people on waiting lists for slips as they carry out plans for expansion.

"There is the largest demand for boats in recent years," said Gordon Hill, a sales associate at Prince William Marina in Occoquan, which is at capacity with about 300 boats. "There aren't enough places for people to berth their boats."

Occoquan Harbor Marina last year added a dock with room for 20 boats; Hoffmaster's marina in Occoquan built a dock; and Hampton's Landing is planning a bath house and office building and recently built a row of 44 covered slips, an amenity which brings in affluent boaters.

A dry storage dock -- parking on land for smaller boats -- that Klakowicz added to Leesylvania State Park two years ago is now more than half full, which is good considering how long it's been open, he said.

Longtime boater Tony Martins says he feels lucky he has a place to dock his 60-foot motor yacht, where he lives much of the year. In his 12 years at Occoquan Harbour Marina, Martins has seen space disappear as more people moved into Prince William.

"Slips are getting harder and harder to come by. When you go around the marinas, there aren't any empty slips," Martins said. "They can't make enough marinas."

Across the river in Charles County, Southern Maryland marinas are also filling up. Goose Bay Marina on the Port Tobacco River was once a watery ghost town, with most of its 300 slips unfilled. That changed two years ago.

"We had at least 30 campsites available and at least 200 slips open. Now I'm lucky if I have 20 slips left. And I have no more campsites," Goose Bay manager Sharon Hile said.

The demand has driven slip prices up, said Dick North, 47, a boater from Fairfax Station. Some Prince William marinas charge as much as \$4,500 annually for a slip.

"I can go 75 miles south and pay one-third of the price," North said.

Some of the boating boom can be attributed to Prince William's repeal of the personal property tax on boats two years ago, marina and boat owners say.

"One customer told me the savings in property tax was like getting a slip for free," said George Smith, owner of Clean Marine Electronics, which installs and maintains refrigerators, air conditioners and other electronic equipment on boats.

Two years ago, Smith quit his job at a BMW dealership and focused full time on outfitting boats along the Potomac.

"My business is really taking off," Smith said. "There are just so many more boats out."

In October, the Washington region lost 80 slips when the National Park Service closed Anacostia Marina. And most of the marinas in and near the District are full, meaning boaters have no alternative but to head south.

"We have a waiting list that will last us 15 years," said Fay Heath, dockmaster at Alexandria City Marina.

And much of the waterfront in the District and its inner suburbs is owned by county, state or the federal governments, precluding expansion efforts or new marinas.

More boats in the marinas have translated into greater traffic on the Potomac River, which has always played second fiddle to the Chesapeake Bay when it comes to pleasure boating.

Potomac resident Andrew Kavounis said he doesn't take his 32-foot Wellcraft onto the Potomac much any more because there are too many people, many of whom are new to boating and don't know water etiquette.

"So many of them do not know what they're doing. They're not good watermen," Kavounis said.

The Maryland Natural Resources police, which patrols the Potomac, does not keep statistics on the number of boating accidents on specific stretches of the river. But Sgt. Dave Larsen, who patrols every day from the Wilson Bridge to Cobb Island, Md., said he has seen boat traffic and accidents increase in the last year.

On a recent Monday morning, Tim Bauckman, owner of Tim's Rivershore Restaurant and Crabhouse in Prince William County, looked out his window on the Potomac and marveled at about 20 boats puttering around the Cherry Hill Peninsula.

"I never used to see that before," Bauckman said.

Most of Bauckman's patrons get to the crabhouse by boat. As the summer season approached, Bauckman thought the downturn in the national economy would hurt the boating business and slow the flow of his customers

Not so.

"We've actually increased," he said. "Now, on a weekend, it's not unusual to see \$10 million of boats sitting out there [docked at the restaurant]. I don't know where all the money comes from, but it's out there."

Boat dealers and marina owners said they don't expect their sales to slow anytime soon. They are watching closely the situation at Fairfax's Belle Haven Marina, a 65-slip public facility that the National Park Service wants to close for environmental reasons.

"They're not building any new marinas. They're not keeping up," said Sandie Glasgow, a manager at Fort Washington Marina in Maryland. "If you buy a boat, where are you going to keep it?"

Assignment

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1. Use supply and demand analysis (both using one or more graphs and words) to explain the changes in boat slip prices described in the article. Be sure to list all the factors that could be causing changes in supply or demand.
2. How would you describe the elasticity of supply for boat slips? Explain. What are the implications of this elasticity for pricing decisions made by marina owners?
3. Boats and boat slips are clearly complementary goods. How might the information you gave in parts 1 and 2 of this question affect the market for boats? Explain.
4. Other than supply and demand and elasticity, find and explain/discuss another economic concept (that we have discussed up to this point) in this article.