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September 24, 2009

To: ABBRA Board of Directors
Fr: Larry Innis
Re: Washington Report

I hope your fall meeting goes well and want to thank you and the Lighthouse staff for the invitation to attend and the great working relationship we have.

This report will discuss current issues in Congress and with the Administration of interest.

The fall Congressional agenda is crowded, but time will fly when Congress gets back to work after getting slammed by constituents and organized protestors during the August recess. Still, Members of Congress have returned to Washington to start a long legislative slog through health care and appropriations bills until a likely December adjournment date. According to Senator Harry Reid (D-Nevada), Majority Leader in the Senate, "key items on the list are health insurance reform, clean energy, providing jobs by improving infrastructure, and reining in the behavior on Wall Street that contributed to the economic downturn."

Health Care Reform

As you probably know, health care will be the hotly debated issue this fall. According to Washington insiders, the House will consider a health bill in late September and the Senate in mid-October with a final bill expected to be sent to the White House before Christmas. But a lot of water has to go under the bridge before any of this happens. There are strong opinions on both sides of the health care issue and Members of Congress will ask themselves how many votes will I gain or lose if I vote for or against health care. Republicans and many "Blue Dog"

Democrats appear to be opposed to many aspects of the current legislation, so it is early to do a vote count to see just what the outcome will be. But, all efforts in Congress appear focused on finding 60 in the Senate votes needed to beat back a near-certain GOP filibuster and coming up with the language in the House that will ensure 218 votes. Democrats cannot count on many of their own Members to vote for a health care package and most Republicans appear to oppose the language being discussed.

But the basic question to ABBRA members is what will happen to small businesses if the current health care reform language passes. Members of Congress believe small businesses now have a difficult time buying coverage for employees. With a smaller pool of people to cover than large companies, costs can soar if the workers tend to be older or if even one person happens to get very ill. The Senate and House versions attempt to solve this problem by letting small business buy coverage on a new exchange where their workers would be pooled together with all the other people of the exchange, spreading the risks more broadly to reduce the cost.

The proposals also include various tax credits to help small businesses obtain coverage and require businesses of a certain size to provide coverage or pay a penalty. The House bill originally mandated that companies with a payroll of at least \$250,000 offer insurance or pay a fine ranging from 2 to 8 per cent of payroll. Blue Dog Democrats want to raise the payroll limitation for small businesses to \$500,000 or less to be exempt from the fine. The Senate bill contains a penalty of \$750.00 per full-time worker and exempts firms with fewer than 25 employees. I would like to see both the House and Senate language exempt small businesses with fewer than 50 employees.

House Passes Climate Bill

In late June the House of Representatives narrowly passed, along strict party lines (only eight Republicans voted for the bill and 44 Democrats voted against it), H.R. 2454, the American Clean Energy and Security Act known more commonly as the Waxman-Markey bill or ACES. Despite the tough path to passage (215 to 212) with modification after modification to get skeptical Members from the Rust Belt, oil producing states, and the rural Mid-west to back the bill, the 946-page beast was sent to the Senate where action remains cloudy and uncertain given the opposition of key moderates and the already heated battle over health care. It is expected Senator Barbara Boxer (D-California) will introduce a companion bill in the Senate.

Some Washington insiders believe action on the Senate side will be pushed back and action may be unlikely this year.

The complex bill will financially impact all sectors of the economy, especially marinas and boat yards, and mandates a 17% cut in greenhouse gas emissions by 2020 and an 83% cut by 2050. These emission cuts would begin in 2012 and be on top of already passed tough standards. The reductions would be accomplished by putting a tax on carbon dioxide.

The bill also mandates that 205 (6% by 2012) of electricity come from renewable sources and increased energy efficiency (5% by 2012). The bill would raise the cost of electricity to consumers by at least \$175.00 per year per household by 2020, but Republican opposition estimate the cost increase to be closer to \$3,000.00 per year.

The bill actually splits both the environmental and business communities. Some environmental groups support it and others oppose it. Some electric utilities, auto manufacturers, and Fortune 500 companies support it, and several business trade associations like the Chamber of Commerce have argued against it saying the bill would impose a crippling regulatory burden on the economy and would push American jobs abroad.

If the bill passes, boating can look to continued downsizing of cars and trucks with more electric and hybrid models with limited towing capabilities that would not be able to tow popular-sized recreational boats. The boating retail industry has had a 20 plus year history of continually fighting strongly against all attempts to increase fuel economy standards of cars and light trucks used to pull recreational boats, but there is no coordinated lobby coalition working this issue today with most of the original coalition members now favoring strong environmental regulations over cars and trucks.

Some Miscellaneous Bills

In these difficult and critical times where work has been concentrated on recovery from the recession, restoration of financial markets, and a thawing of the credit freeze on boating consumers and dealer floor plan financing, Congress has found time to work on a couple of other issues of interest to marine retailers that don't get coverage in the press.

H.R. 571—This bill was introduced on January 15 by Rep. William Delahunt (D-MA), has 42 co-sponsors, and has been referred to the House Ways and Means Committee for action. It would amend the Internal Revenue Code to clarify charitable tax deductions for contributions of boats to establish revised tiered acknowledgement requirements for contributions valued at \$2,500.00 or less and \$2,500.00 or more. It would also revise the penalty for submitting fraudulent acknowledgements. The bill was written to promote and improve charitable donations of qualified vehicles and boats to non-profit organizations. The key of the allowable deduction will be a written statement by the donor organization that would be included with the taxpayer's return that states the deductible amount may not exceed the fair market value or in some cases the appraised value of the boat. The bill is looking for a tax bill that would serve as a vehicle for ultimate passage.

H. Res. 410 and S. Res. 199—These two resolutions were passed by the respective chambers of Congress in late June to recognize the contributions of the recreational boating community and the boating industry to the continuing prosperity and affluence of our country. The resolutions recognized recreational boating is a central part of the tourism and recreation industry, but because of the rising unemployment rates concomitant with the decline in the U.S.

economy, the industry is experiencing significant declines in new boat sales and boating-related services.

According to the resolutions, total manufacturing levels in the recreational marine sector have declined by at least 40% and at the end of the first quarter, boat sales had declined by nearly 30% per year resulting in about a 30% cut in employment. The purposes of the resolutions were to bring attention to the challenges the industry is facing in the current economic climate and to ask the president to declare July 1 as National Boating Day.

H. R. 2548—This bill called the Keep America’s Waterfronts Working Act was introduced by Rep. Chellie Pingree (D-Maine) on May 23 to amend the Coastal Zone Management Act to require the establishment of a Working Waterfront Grant Program. The bill has 16 co-sponsors and has been referred to the House Subcommittee on Insular Affairs, Oceans, and Wildlife. The program would make grants available to states to implement a plan to preserve and expand access to coastal waters for persons engaged in commercial fishing, recreational fishing, aquaculture, boat building, or other water-dependent coastal-related business. The bill provides authorization for \$25 million in 2010, \$50 million in 2011, and \$75 million in 2012 and 2013.

EPA Increases Enforcement of Clean Water

In addition to working with the Congress in its normal legislative activity of funding the federal government next year, developing economic stimulus plans, working on climate change, and reforming the nation’s health care, the administration is moving more aggressively to enforce existing environmental laws. For example, the U.S. Environmental Protection Agency recently announced the release of its comprehensive reports and data on clean water enforcement in all 50-states, as part of its larger effort to enhance transparency, promote the public’s right to know about water quality, and provide information on EPA’s actions to protect water under the Clean Water Act.

The EPA enforcement area will be working to take action against violations that threaten clean water and will consider input from civilians in this regard. The EPA is to develop within 90-days an action plan for stronger enforcement performances at federal and state levels and will launch a new web-based tool to help the public search, access, and analyze data. The EPA will take aim at potential violators, especially small businesses operating near the water front. Many in our industry already know about the impact of increased clean water enforcement of their operations in the Northeast with very high fines.

Interim Report of Interagency Ocean Policy Task Force Released

On June 12, the President established an Interagency Ocean Policy Task Force to develop recommendations that include a national policy and a framework for policy coordination of efforts to improve stewardship of the oceans, our coasts, and the Great Lakes, and an

implementation strategy that identifies and prioritizes objectives. The task force released its interim report on September 10. It can be read by going to www.whitehouse.gov/oceans.

The task force is asking for public comments of the report of work done so far, which are due by October 17, 2009 before the President makes any final decisions on the recommendations of the task force. The interim report addresses the recommendations on a national policy. Over 500 people and organizations have submitted comments on the interim report so far. Comments can be submitted on-line, but are limited to a maximum of 5,000 words by going to the same web-site as the report.

The main focus of the task force now turns to developing a recommended framework for effective coastal and marine planning due to the President by December 9, 2009.

The just released report suggests development of a national ocean policy would provide a comprehensive national approach to uphold our stewardship responsibilities, ensure accountability of our actions, and serve as a model of balanced use management and conservation. The task force recommends creation of a single National Ocean Council and a Government Advisory Committee.

The task force heard from a broad range of stakeholders, including representatives from energy, fishing, transportation, state and local governments, recreational boating, business, and homeland security.

Coalition of Big Ticket Dealers Writes to SBA on Internal Guidelines for Dealer Floor Plan Financing

On July 29, a coalition of RV dealers and RV manufacturers, appliance dealers, auto dealers, boat dealers, and boat manufacturers wrote to the federal Small Business Administration in response to the agency's request for comments on its new guaranty loan pilot program that makes SBA 7(a) loan guarantees for lines of credit that provide floor plan financing.

Health Care reform may be the big issue on Capitol Hill, but restoring confidence in financing in RV, auto, appliance, and boat dealerships in capital expansion or acquisition, consumer loans, and floor plan financing remains the number one priority for several retail organizations.

The coalition members have heard from hundreds of big ticket dealers of consumer goods expressing very serious concern about the recent financial difficulties of several banks and financial institutions, which are not able or willing to meet the financial demands of these industries and have significantly changed lending practices. Interest rates on floor plans have increased to unheard of levels, and many banks have not been accepting requests for new floor plan financing and are actively working to disassociate themselves from many dealerships. These new banking activities have had a serious affect on local communities where many boat

dealerships are critical contributors to the local tax basis, jobs, and contributions to needy non-profit institutions.

The comments to the SBA were consistent across the industries impacted by the current bank and financial institution floor plan policies including:

- **Eligibility—Limited to Retail Dealers of Title-able Inventory that Requires Licensing by State Authority After Acquisition**—The Marine Retailers Association of America asked for clarification of this requirement because in the case of recreational boats about 15 states do not require that a boat be licensed or titled. In those states, MRAA is concerned that dealers would not be able to participate in the SBA guaranteed floor plan financing program.
- **Loan Amount--\$500,000 minimum Loan Amount**—Coalition members, except auto dealers, expressed concern that the SBA should eliminate this minimum requirement and truly make the program apply to small businesses, which have a floor plan inventory of less than \$500,000.
- **Loan Amount--\$2,000,000 Maximum Loan Amount**—All coalition members suggested to the SBA that the maximum loan amount be increased to \$4,000,000, which would more closely fit the needs of many larger dealerships.
- **Use of Proceeds and Repayment**—All coalition members recommended the ability of using SBA-backed loan proceeds to refinance existing or new inventory at the existing lender or for the acquisition or refinance of inventory at a new lender. The first draft of the SBA language would not allow financing existing inventory.
- **Eligible Lenders**—The coalition expressed a great concern about the terms experienced v. inexperienced lenders and asks the SBA to amend its guidelines to allow for a case by case determination by the SBA to re-classify certain lenders to allow them to qualify as experienced. This change would make a big difference in the acceptance of many banks in the program.
- **Franchise Operations**—Even though MRAA and RV dealers could not find specific language requiring boat and RV dealers to be a franchise to qualify for the program, both organizations have heard from many dealers that banks are making this requirement. The coalition asked the SBA to amend its rule to clarify this issue to allow participation by all dealerships.

I understand the first SBA guaranteed floor plan loan has been given to a RV dealer and a couple more loans may be in the pipeline. Several community and regional banks have been contacting coalition members about the potential of entering the floor plan business.

Coast Guard Reports Rise in 2008 Boating Fatalities

In mid-August the U.S. Coast Guard announced the fatality rate, a measure of the number of deaths against the number of registered recreational boats, increased from 5.3 in 2007 to 5.6 deaths per 100,000 boats in 2008. During this time the Coast Guard recorded 709 deaths, 3,331 injuries and approximately \$54 million in damage to property coming from 4,789 boating accidents.

The chief problems identified with the cause of boating accidents are operator inattention, careless or reckless operation, no proper lookout, operator inexperience, and passenger or skier behavior. The chief problems associated with boating fatalities remain alcohol consumption and failure to wear a life jacket.

The Coast Guard urges all boaters to take a boating safety course and to wear a life jacket.

Post Script from Albany New York

All Boaters on Small Craft Must Wear Life Jackets from November 1 to May 1

Seizing on the chilling fact that drowning happens faster in cold water, New York has become the first state to require life jackets be worn on everyone in all small boats less than 21 feet during the coldest half of the year, November 1 to May 1. Starting on November 1, kayakers, canoeists, and those aboard all other boats under 21 feet must wear a Coast Guard approved life jacket while on New York's coastal waters, lakes, rivers, and other waterways. Violators face fines ranging from \$25 to \$100.

The New York law is broader than a similar one in Massachusetts, which requires seasonal wear of life jackets on canoes and kayaks, and in Connecticut where people specifically must wear a life jacket on all manually propelled vessels, including rowboats.