

APRIL 2011

# Boating INDUSTRY CANADA

## Mustang Survival

Succession Planning Success

Plant "Re-powering"  
Seeds this Spring

Business Management  
The Balance Sheet

Lithium-Ion Batteries  
Ready for Prime Time?

**PLUS**

Canada's Marine Trades  
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BY ANDY ADAMS

# Maximize Sales

**OUR ADVERTISING** and marketing specialist, John Morris extols the virtues of high season client contact to boost sales in Ad Nauseam. (See page 11.) We realize that spending more time with customers seems just about impossible when you are frantically trying to launch all the boats, fix the ones that won't start or run, set up your showroom, deliver the new boats you sold during the winter boat shows and clean up all the trade-ins too.

But, you are in a seasonal business.

For better or worse, a seasonal business has crunch times. Early spring is probably the worst crunch of the year, but think of yourself as a boat sales farmer. You have to plant the seeds in the spring if you want to harvest a big crop in the fall – a crop of profitable winter work projects that will keep the dollars flowing and your staff working until the following spring.

In the Propulsion article on Re-Powering, we suggest planting the “new engine” seed in the spring, hoping that a summer of problems will close the sale for you to re-build or re-power over the coming winter.

Re-powering can be the easy and fast solution sometimes too. Why re-build a clunker of an old outboard for a customer when you can mount a smooth-running new four-stroke or direct injection engine in a few hours.

We talk about the great new catalyst-equipped sterndrives that are hitting the market. They can be great re-powering choices, especially for the owner who decided to perform his own DIY winterizing and cracked the block on his 5-year-old bowrider. Rescue his pride with the benefit of clean-air catalysts and the convenience of electronic fuel injection.

People do dumb things. Let's just hope you don't get dragged into their mistakes. That includes the risks you run if you are kind enough to transport a customer's boat on their trailer with faulty lights, the

wrong license plate, insufficient tie-downs or other issues. See Jennifer Harker's article on page 17 covering some of the little issues that will get you ticketed. The season is short enough for earning money; don't give it away.

That reminds us of the December issue of *Boating Industry Canada* when we borrowed some wisdom from Frank Farnsworth at Skyline Marina in Ontario, a Sea Ray Ambassador Dealer. Frank said, “Margin Is Free”. We followed that issue up by saying “Money Is The Answer” in the February issue.

Our point there: when you are earning a good return on all the areas of your business and your services, you can afford the well-trained technicians and other staff that you need to deliver the level of service and customer satisfaction that your customers are used to at their car dealerships, favourite restaurants and clubs.

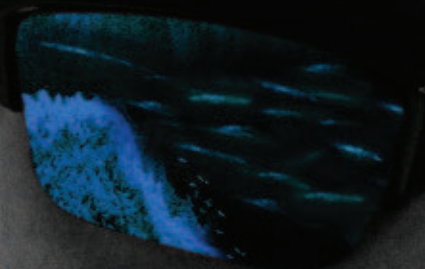
The suggestion we are making is that you need to charge prices that are appropriate to the situation. Margin is free – earn a reasonable bit on every sale and walk away from the cheapskates. Really – go up market.

Remember the media reports and social commentators who have been saying that the rich will get richer? Well, that has happened. The middle class in the US is drowning in debt, partly due to (in some cases) severely depressed real estate values. Their reduced consumer purchasing power is slowing the entire global economy and Canada is not immune. Our blue-collar boaters are not a force in the market now. Young families – who can form a legion of future boating and cruising enthusiasts – are not ordering new 30-foot express cruisers.

The people with the money are still your best bet for future sales and the high season client contact is absolutely the best and most favourable time to be talking to them about boats and boating.

Go get 'em tiger! ●

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On the Cover: Jim Hartt became Mustang's CEO this past January in the carefully planned 15-month succession plan that is a key component to the company's long term business strategy. Read about how Mustang Survival, originally a Vancouver, BC small business, has grown into an international market leader while still manufacturing their products in Canada.

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INNOVATION  
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# Plant the “Re-Powering” Seeds Now In High-Season

By ANDY ADAMS



There are basically two ways to sell re-powering to your customers: 1) when an old engine experiences catastrophic failure; and 2) by gradually planting the seed that a new engine is money well spent.

We don't control the death of an old engine, but we can manage the sale of re-powering and by being proactive, we can manage it to our best interests, too.

We realize that things are hectic when the season is just starting. Asking you to take the time to talk to your customers and sell them on re-powering may seem like it is just out of the question time-wise, but we think that the best time to sell a major project like re-powering is at the start of the season.

To check on this idea, we contacted some of the top engine guys and asked

A big outboard like this new Yamaha VMAX is a very versatile choice for re-powering. One of these can drive a big pontoon, a performance boat, family runabout and using an aftermarket bracket, you can quickly replace worn out inboards or I/Os. Actually, we have seen a twin four stroke outboard re-powering installation on a cruiser that resulted in far higher performance and greatly reduced fuel consumption too.



questions. Are the dealers doing a good job of selling re-powering? Is there a good profit in re-powering? Is financing available for re-powering? Is re-powering a gentle way to move a person into a new boat and motor package? And, the key question: how long does it take to close a (non-catastrophic) re-powering sale?

First, we called Yamaha and fired our questions at Rick Layzell, National Manager Marine and OPE.

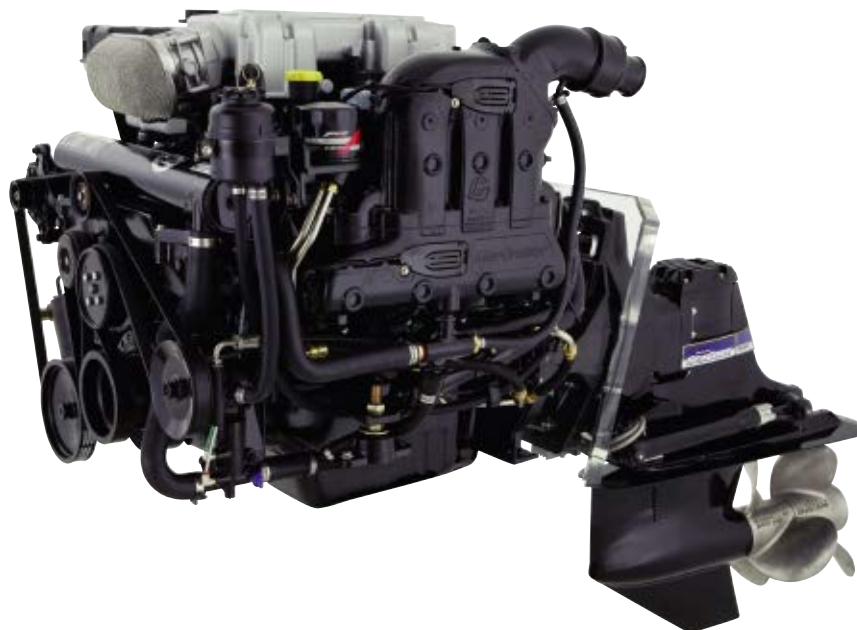
"Getting a dealer to talk to his customers about re-powering at this time of year does a great job of feeding the consumer's excitement about going boating again in the summer. You see your neighbor with a great running, clean and smoke-free new engine. You'd like one too," Layzell told us. "It's human nature."

"Yes, dealers are flat out at this time of year," he continued. "Dealers do fairly well during the storage process in the fall, but then they often forget to sell the new motor idea again in the spring because they're so busy. Actually, I'd say selling the idea in the spring is much more important because there's the momentum of heading into a new season."

Rick had more Yamaha ammunition to fuel the importance of spring re-powering. "Selling now is important. The deals are now! Yamaha has a whole re-power program backed up by a whole lot of marketing dollars. In fact, there's as much marketing money behind re-powering as there is to support new sales."

He also told us that the re-power margins can be as good or better than on new boat sales. On the other hand, planting the re-powering seed now may lead the customer to the logical conclusion that it makes more sense to get a new boat.

One thing we must mention is that Yamaha also finances engines directly through the factory. The Yamaha Power Finance Program allows dealers to do a monthly payment calculation on just the engine. That monthly re-powering payment may seem fairly painless. Get them



This is MerCruiser's new 8.2 litre big block, equipped with electronic fuel injection and catalytic emissions control systems. Whether in a stern drive application, or inboard shaft system, this engine is a major step forward from the older 454 big blocks, yet it is still affordable considering the horsepower per dollar.

thinking about a payment now and by the fall, it may seem like another small step up to an entire boat/motor package.

But, maybe you are thinking: shouldn't a major project like re-powering be something done in the fall and winter?

Well, sometimes timing is everything. First, outboards make great re-powering sales because they are so self-contained; you can have the old smoker off in an hour and a new, smooth-running, quiet, smoke-free, four-stroke on the transom in the next. Two hours of labour and the margin on a new engine.

Isn't that better than a major repair job in high season when the customer's old smoker quits on his vacation?

Admit it, they never break in the driveway! Disaster strikes on the second day of a two-week holiday with the whole family and they won't be happy if the clunker is in the shop the whole time, not that it is your fault! Also, con-

sider your best tech getting tied up on a major engine repair in high season instead of being there for the dozens of small, but collectively more profitable little services that your best customers expect.

If you plant that re-powering seed early in the season and the customer's engine does break down, you are perfectly positioned to say: don't throw good money after bad fixing that old smoker, get a new engine now and have a great holiday!

"There will be product available in mid-season" said Rick Layzell. We can get you a motor and quickly. Yamaha has an online system that runs 24/7 allowing you to search all of the dealer inventories, helping Yamaha and their dealers to move product around to best advantage. A dealer may be able to get and install a motor in only a few days even as late as on the August 1st weekend."

We also spoke to Eric Nelson, Sr. Director of Sales at Mercury Canada. He added that, "Outboards are the most common of re-power projects because it's super easy for the dealer, and it has consumer advantages as well. The new engine has a warranty, as much as three years or more of factory coverage, giving the customer peace of mind and making the boat much easier to resell for top

dollar. Plus, new outboards compared to older units deliver dramatically better fuel economy and performance.

This is all true for Yamahas, Tohatsu, Suzuki and Honda, as well as Mercury. You get happy profitable dealers making the most of high season and satisfying their customers well too.

Eric was very positive about re-powering saying it can be very profitable. Where a brand new boat and motor package should be the most profitable to sell, competitive pressures can drive down margins. A re-power job is not as competitive and may encourage the owner to redo upholstery, electronics and more.

As sales techniques, Eric suggests that when commissioning customer's boats in the spring, pick a boat that's a likely candidate and do a compression test, check the engine status, perform a computer diagnostic, if possible, inspect the battery and don't forget to test the humidity and moisture levels in the transom.

If the transom integrity has been breached, you have to be prepared to redo the transom to wind up with a safe and seaworthy end result. If that kind of fibreglass repair is beyond the capability of the shop, don't encourage re-powers, or gear up to do them over the winter.

On the other hand, it's great to keep your technicians on full time through the winter. Smart business owners earn profits 12 months a year – not just six.

Eric also pointed out that MerCruiser has a great selection of stern drive power. With its new full line of EPA and CARB compliant catalyst-equipped inboard and stern drive engines (see page 9), you can sell clean-air technology and great running electronic fuel injection as an upgrade, not just a re-power.

If the newest equipment is beyond your customer's reach, or the realistic value of their boat, consider a re-manufactured engine. When you get a re-manufactured engine, really, it's only the block that is remanufactured. All the



Volvo Penta's D3 220 makes a great re-powering choice because it is lightweight and compact. This quiet and comfortable engine has been developed using the latest available engine technology including common rail fuel injection system and Volvo Penta EVC-EC for electronic shift and throttle.

operating systems for intake exhaust and so on are totally new. In many respects, these are almost as good as a brand new engine and they come with a full one-year warranty. MerCruiser's Plus Series engines and remanufactured drives even include a warranty at 30% less than the new parts cost.

Choose customers with better quality older boats though. There's lots to sell! Customers with a good, older twin-engine express cruiser can upgrade to either new MerCruiser stern drives with the Axis System or Volvo Penta's Aquamatic drives with joystick docking – that's a hot option. Adding new power and joystick docking could really take the value of their used boats way back up!

And, if you have customers who are seniors, adding joystick docking could actually keep them boating for many more seasons without the big investment of a new boat with Cummins MerCruiser Zeus drives or Volvo Penta IPS.

Volvo Penta was first out with joystick docking and it revolutionized big boat operation. We called Chris Goulder, President of Volvo Penta Canada, an engine guy who is always on the road and in touch with his dealers.

Chris said, "In terms of bright spots, diesel is a good news story. With today's fuel prices, an owner of a big express cruiser with old 454 gas inboards can replace them with new high-tech electronic Volvo Penta diesels for both more performance and more economy."

Chris added, "You get a full new warranty, all the latest technology and the best available functionality. It's great value."

He continued, "Also, don't forget it's sometimes about the boat more than the value. Out on the west coast, owners of older style 30-36 foot flying bridge cruisers who love those designs have very few new boat choices. Most boats that size range are express cruisers. For those customers, it makes more sense to re-power".

As we launch the summer of 2011, there is a universe of re-powering options you can sell to your customers to keep them happy and keep your business profitable in what may be a year when few new boats are available anyway. It makes sense to get started selling now. ●



# De-Mystifying Catalysts

## MerCruiser Offers a Full Line of Catalyst Equipped Engines

BY ANDY ADAMS

Compared to many of the Mercury press events that I've attended over the years, its session on De-Mystifying Catalysts held during the Miami International Boat Show last February was surprisingly toned down. There was a good turnout from the media, strong representation from the top guys at Mercury and MerCruiser, but it was a plain presentation room with no product on display, or any of the trimmings that usually accompany Mercury's press events.

I guess I was mostly surprised because Mercury really has something interesting to say; they have gone ahead and equipped their full range of stern

drive and inboard engines with catalytic converters and other emissions control equipment to meet the California Air Resources Bureau [CARB] and the Environmental Protection Agency [EPA] future requirements.

In other words, it's business as usual. Perhaps that's why there wasn't more 'hoopla', but we think that continuing to offer the 3.0 L engine with 135 hp, the smooth and versatile 4.3 L V6 and all of the V8s right up to Mercury's own 8.2 L big block, opens up the full realm of possibilities, both for OEM boat builders and for the re-power market.

Mercury claims the catalytic converters and other emissions control devices

will have no effect on performance compared to previous units. Actually, we anticipate some engines will perform better. To meet the requirements, even the little four-cylinder 3.0 L engine now gets electronic fuel injection in the catalyzed version.

Emissions requirements are designed to deal with three key pollutants: hydrocarbons; nitrogen oxides; and carbon monoxide.

Hydrocarbons are the result of burned or partially burned fuel and they contain toxins. The hydrocarbons are a major contributor to smog and the catalyst system oxidizes the unburned hydrocarbons turning them into carbon

The advertisement features a blue background with a stylized wave pattern. At the top left is the Mermaid Marine Products logo, which includes a mermaid silhouette and the text "MERMAID MARINE Products". To the right of the logo, the text "MARINE PARTS SPECIALIST" is displayed in a bold, italicized font. Below the logo, the phrase "Get off to a Clean Start this Year" is written in a red, cursive font. On the right side, a large yellow banner with black text reads "Perfect Epoxy for an imperfect world". The bottom half of the ad shows a collection of products: on the left, several spray bottles of Captain PHAB cleaning products (Aluminum Magic, Wax, Deck Wash, Bilge Cleaner); in the center, a West System 105 epoxy resin kit with a mixing gun; and on the right, a large white jug of West System 105 epoxy resin. At the bottom, the text "PH: 1-800-565-0231" and "www.mermaidmarine.com" are displayed. The West System logo is also present in the bottom right corner.

dioxide and water.

The nitrogen oxides are controlled in the system as well. Nitrogen reacts with oxygen at high temperature and pressure. The catalyst system reduces the nitrogen oxides into their component parts of nitrogen and oxygen.

Carbon monoxide is a colourless, odourless, deadly gas that results from combustion with insufficient oxygen supply. The catalyst system oxidizes the carbon monoxide changing it into benign carbon dioxide.

The CARB and EPA requirements are similar, but implementation, timing and compliance are different. The key variables in meeting the emission requirements are a Family Emission Limit, which is measured in grams per kilowatt hour. This will impact the number of engines to be sold within each platform during a given calendar year and possibly the maximum engine horsepower for a family.

Mercury continues to be committed to meeting all of the regulatory requirements while providing its dealers with a full portfolio of propulsion solutions –



This is the MerCruiser 3.0 MPI with electronic fuel injection and catalytic emissions controls. Wouldn't this be a great replacement for a customer with a late model I/O bowrider who did a DIY winterizing job and cracked the block?

EPA and California registration ranging from 135 to 430 hp.

Mercury assured the media that they will continue to work collaboratively with the EPA, CARB and other government agencies on these important environmental issues and that their emissions control technologies systems have been extensively tested to deliver a durable and reliable line of engines that will perform on par with the previous non-catalyzed motors.

They are ready to assist any of the OEMs in their understanding of the regulations and the installation of these new catalyzed engines. If I were a MerCruiser dealer, I would see the addition of electronic fuel injection and the much lower emissions levels achieved through the catalyzed systems as a terrific opportunity to upgrade a re-powering client too. ●

something they have been doing now for many years.

The Mercury and MerCruiser presenters spent more time on the technical aspects of it, but the important thing for us in Canada is that MerCruiser is determined to meet the demands of their global customers and Environment Canada will be aligning with the EPA regulations on January 1, 2012. NMMA Canada and their engine working group have been in close contact with Environment Canada. (More detail is available in this issue of *Boating Industry Canada* on page 26.)

To summarize, MerCruiser will continue to offer a full line of catalyzed stern drive and inboard gasoline engines for

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- \* Be Prepared – You and your vessel
- \* Be Aware of Cold Water Risks

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# High Season Opportunities and the Lifetime Value of a Customer

BY JOHN MORRIS

**OK, KIDS.** Today's question is: "How do we find time during our busiest period to maximize our customer relations?"

Omigawd! Not this again, I can hear you say. There are boats to be commissioned, drives to be mounted and especially sales, sales, sales! I'll worry about marketing and feel-good customer relations when I get things under control. And, wasn't that the point of the boat show just a couple of months ago?

OK, let's try the question re-phrased: "Is the spring launch and service season a good time to renew customer relations, maximize your reputation and build your operations' future?" To this, you can only say, "I can't afford not to."

Here's a list of ideas – some coined, some that I have blatantly 'borrowed from some other peoples' ideas. (Please Note: When this 'borrowing' process is formalized by business schools, it is called 'Best Practices' and they get to charge \$15K.)

Social Media Old School – Schedule a Spring Dock Party. Consider adding some music. Remember when people used to chat in person? Face-to-face can trump Facebook. Imagine talking instead of texting? The industry sells boating as a way to meet people and enjoy the lifestyle with friends – make it happen!

Charity Gear Flea Market - When your boaters clean up for the spring they inevitably find outsized lifejackets and undersized fenders that they'd love to get rid of. Pick a day, schedule a big fun event with free hot chocolate and give the proceeds to some worthy organization. An annual spring opportunity.

Look in the mirror. When you started your business, you likely wrote a vision and/or a mission statement. Here's some I picked off some random sites:

*"We are a dedicated to promoting the enjoyment of boating, fishing and water sports by*

*selling quality product lines and providing experienced, personal service at affordable prices."*

*"We will treat each customer with courtesy. Greet them with a smile and by name. We will make our customers' experiences easy and hassle free, treating them fairly, professionally and promptly."*  
*"We will let every customer know that he or she is our most important customer."*

Very sensible and noble statements, but are you following through on your own mission statement? If you do what you say you'll do, the rest will be easy. But do you? Refresh your team and remind them of their commitment.

Perhaps a spring launch roving ambassador can represent you, stopping to offer help, proactively saying hello and suggesting services with a friendly, rather than hard sell approach.

Build your lists. Spring is a good opportunity to insure that you have accurate contact information for your customers.

Obviously, if your e-mail info is out of date, you cannot maintain communication, but there are more significant impacts as well. Did you know that outdated, stale lists can contribute to your site being blacklisted by some of the major Internet service providers (ISPs) or possibly even being shut down by your own e-mail service provider!

Thinking ahead, this year is the time to make sure your e-mails to your customers are meaningful. Everyone is suffering huge input overload and they're always ready to click the 'junk' button. Keep them onside with a solid spring start and useful follow-up. Be sure to get their tick on the communications box (and be sure to stop when requested to do so).

Using iContact or a similar system is a

fine way to maintain professional communication. The only other task is being sure to have something great to say.

All this leads to a spring outlook reality check. Boating has its addicts and they'll never leave, but increasing life demands, other interests and economic issues are all barbarians at the gate. To maintain your business for service, sales and growth you need to make sure your customers are feeling the love. To overwork that metaphor, don't forget that spring is when romance blooms. Dust off the candy and flowers.

People purchasing upscale automobiles start doing so at age 40 and purchase a new car every three years until somewhere around age 60. Does the salesperson see a luxury car sale or the lifetime value of that customer? Let's see.

If every car salesperson in America looked at every prospect that walked into their showroom as a \$290,000 sale, I bet their actions would put the 'car salesman'

#### Simple Approach

One Car = \$45,000

#### Lifetime Value Approach

One Car = \$45,000 x 6 purchase cycles = \$270,000

Service = \$1,000/year x 20 years = \$20,000

Total Customer Worth = \$290,000 +

stereotype in an entirely different league!

Every prospect and every customer you serve should have a total lifetime value attached to them. This way, you'll be able to adjust your efforts, resources, time and energy accordingly. The underlying theme is that not all customers will bring the same value to you and your organization, and the opposite is also true. ●

# Understanding the Balance Sheet

**IN ITS EXPERIENCE,** GE Capital Commercial Distribution Finance (CDF) has found the dealers who spend more time understanding and managing their business financials tend to have a better financial performance particularly in difficult economic times.

Key metrics derived from the businesses Balance Sheet are great indications of the level of financial health or stress:

- Current Ratio - Most CDF dealers operate at 1.25:1 or better
- Tangible Net Worth – Measures the business' intrinsic value
- Leverage [i.e., debt to tangible net worth] – The average range is from 5:1 to 8:1

In the wake of the economic downturn, as the business environment stabilizes, many CDF dealers are managing their businesses much more rigorously than they have in the past. As this occurs, there appear to be even more priorities competing for the dealer's attention...and while many are spending more time on the floor, or in the various departments, more and more are also spending time pouring over the books.

We certainly believe the time spent managing the business' financials is time well spent...be it managing budgets, completing a cash flow analysis or forecasting margins, these are all valuable exercises. Additionally, we believe that it is important to understand and actively manage the business' financial affairs.

The purpose of this article is to provide you with some context on what your financial statements say about your business, what key ratios CDF is looking at along with some additional key considerations.

## Your Balance Sheet

The Balance Sheet breaks out into three sections: your business' assets, liabilities and equity. It is a financial snapshot at a point in time that is an important tool used to assess the business' ability to meet its obligations in the short-term and over time.

- Current Ratio = 1.24:1
- Tangible Net Worth = \$1,300,000
- Leverage = 4:1

## Current Ratio

The Current Ratio measures the business' ability to pay its current obligations, as its name implies. The current ratio is simply the total current assets over the total current liabilities.

In Chart A, Current Ratio = A/D = \$6,000,000 / \$4,850,000 = 1.24:1

The more current assets exceed current liabilities, the more short-term assets the business has to meet its short-term obligations. Most CDF dealers operate at 1.25:1 or better.

**Chart A**

**GENERIC DEALERSHIP LTD.  
BALANCE SHEET AS AT JANUARY 1, 2010  
(UNAUDITED)**

	2010
<b>Assets</b>	
Current	\$ 300,000
Cash	300,000
Income Taxes Recoverable	5,000
Inventory [Notes 2&3]	5,395,000
Deposits	<u>6,000,000</u>
Long-term Assets	
Land & Building	250,000
Computer Software	31,000
Leasehold Improvements	<u>22,000</u>
	\$ 303,000
Total Assets	\$ 6,303,000
<b>Liabilities</b>	
Current	
Notes Payable [See Note 5]	\$ 3,667,735
Accounts Payable	882,265
Corporate Income Taxes	-
Customer Deposits	250,000
Current Portion of Mortgage Payable	<u>50,000</u>
	4,850,000
Long-term Liabilities	
Due to Shareholders	489,000
Mortgage Payable	<u>100,000</u>
	\$ 589,000
Total Liabilities	\$ 5,439,000
<b>Shareholders' Equity</b>	
Share Capital [Note 4]	100
Retained Earnings	<u>753,900</u>
	\$6,303,000

Factors that positively influence the current ratio are:

- Maintaining cash available
- Collecting receivables sooner
- Closely managing inventory levels

## Tangible Net Worth

A business' Tangible Net Worth defines the physical worth of a business by totaling all of the business' assets and subtracting all



**Chart B**

**Assets**

Current Assets	\$6 million	A
Long-Term Assets		
Land & Building	\$250,000	
Computer Software [Intangible]	\$31,000	
Leasehold Improvements [Intangible]	\$22,000	
Total Long-term Assets	\$303,000	B
Total Assets	\$6,303,000	C=A+B
Adjusted for Intangible Assets	\$6,250,000	H

**Liabilities**

Current Liabilities	\$4,850,000	D
Long-Term Liabilities	\$589,000	E
Shareholder Loans [Subordinated]	\$489,000	I
Total Liabilities	\$5,439,000	F
Total Liabilities		
[CDF Adds Subordinated Loans Back]	\$4,950,000	J=F-I

<b>Tangible Net Worth</b>	\$811,000	K=H-F
<b>Tangible Net Worth</b>		
[Subordinated Shareholder Loans]	\$1,300,000	L=H-J

of the liabilities. A couple of caveats: [1] Assets are adjusted by excluding the value of intangible assets, i.e. assets that cannot be easily liquidated. [2] CDF distinguishes between subordinated and unsubordinated shareholder loans and does not include shareholder loans that have been contractually subordinated to CDF in the business as liabilities, thus increasing the tangible net worth CDF attributes to any business.

Assets are considered intangible if they cannot easily be converted into cash. As an example, while the dealership building is a tangible asset, since the building can be sold to pay out obligations, software is intangible as it cannot easily be sold for cash

**Debt To Tangible Net Worth**

This ratio is perhaps more commonly known as Leverage. Leverage is the business' total debt over the tangible net worth we just calculated.

In Chart B, leverage equals  $J/L = \$4,950,000/\$1,300,000$  equals 3.8:1.

Leverage illustrates the relationship between capital contributed by creditors and that contributed by owners. Among CDF dealers, leverage anywhere between 1:1 to 5:1 is considered low, from 5:1 to 8:1 is considered average and anything over 8:1 is considered high.

Factors that positively influence Leverage are:

- Paying down debt
- Forecasting how you plan to pay down any new debt prior to incurring it

- Maintaining tangible assets
- Retaining income generated by the business in the business

While most CDF dealers agree that today's business environment demands that they are managing their business more rigorously in every department and function, CDF is finding that more and more are not only spending more time on the floor and in the service department, but also spending more time with the bookkeeper. They are spending time to understand what their financial statements are saying about their business and to determine what actions they can take to improve on their performance metrics with the ultimate goal of becoming a financially healthier business.

We would encourage you to invest in this area of your business management, including engaging in discussions with your CDF account management team and seeking third-party expertise from industry consultants.

*Note: This editorial has been provided to Boating Industry Canada and our readers GE Capital Commercial Distribution Finance (CDF) as a service and to better support the business needs of marine dealers.*



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# The Case for Lithium Ion Batteries

By PAT NELDER

**RECREATIONAL BOATS** with auxiliary engines and boats with main engines require batteries for starting and for running systems. The larger the engine, the larger the starting battery, the more complex the systems, the larger the battery bank, the more complex the charging system.

The norm has been to use what are known as lead acid batteries. These have become more efficient with time and lead acid batteries have been designed to better suit marine applications. Lead acid batteries have to be replaced on a regular basis; each time a battery is charged and discharged, the battery degrades and loses power until it is no longer capable of holding a charge. Then, it has to be replaced. Batteries require care and attention and a well-maintained boat requires well-maintained batteries. Lead acid batteries are heavy and boat builders have to make sure that properly ventilated space is provided for the batteries, enough time is given to charge the battery, and it is being charged with a proper charging system; provision to easily maintain and replace batteries is important. All marine technicians have stories about the fun of replacing batteries in awkward installations and the necessity of convincing boat owners that the problem with their onboard systems is the need to replace the batteries.

Lithium is the lightest metal known, represented on the periodic table of the elements as Li with the atomic number 3 (Hydrogen (H) is 1 and Lead (Pb) is 82) and an atomic weight of 6.941 (H is 1.00794 and Pb is 207.2). Lithium does not occur free in nature. It is found in brines and clays and in spodumene, a pyroxene mineral occurring in large



Mastervolt was perhaps the first to develop and market a high-capacity Li-Ion battery which can easily and safely be deployed in such demanding environments as those in marine applications. Note the complex internal components for the battery management systems.



crystals. Lithium has many uses.

Discovered in 1817 by Swedish chemist Johan August Arfwedson, Lithium salts were used to treat gout in the 19th century. Lithium citrate was marketed as a hangover cure and sources say it was an original ingredient in the soda 7UP. Lithium was used in high temperature aeroplane grease during WWII, as a component in nuclear fusion weapons during the Cold War, as a component to decrease the melting temperature of glass, and in disposable lithium batteries starting in the mid 1990s. Now, the largest use of Lithium is for Lithium Ion rechargeable batteries. Lithium Ion and Lithium Polymer are the batteries in cell phones, cameras, laptop computers, tablets and just about

any rechargeable device used today. Hybrid cars such as GM's Volt have a Lithium Ion battery. Currently, Lithium salts are also used as mood altering drugs.

Going back to grade 10 Chemistry, I recall that an atom or a molecule that has lost, or gained one or more electrons becomes an ion. An ion with more electrons than protons has an overall negative charge and an ion with more protons than electrons has a positive charge. The positive Lithium Ion is written Li<sup>+</sup>. In my very simplistic mind, a Lithium Ion battery works by lithium ions moving from the negative electrode in the



Brent Perry was a featured presenter at the Nova Scotia Boatbuilders Association Innovation Conference held this past March, covering innovation in marine batteries focusing on Lithium Ion batteries which are smaller and lighter and create higher energy density.



PHOTO CREDIT: Ian Smith, Vancouver Sun

battery to the positive electrode during discharge and back when the battery is being charged.

But Lithium Ion batteries are not that simple. The material that the cathode is made of affects the performance of the battery, the size of individual cells, the safety of the battery and its price. The size of the cells in the initial chemistry of Lithium Ion batteries was small; they were and continue to be hand manufactured in China. A large storage battery module may contain hundreds of cells, similar to the size of flashlight batteries, all connected together to make up the large battery.

Many connections raise concerns about quality control and resistance and manufacturers of storage modules for marine applications continue to work on the chemistry and the safety of these large batteries.

When the Nova Scotia Boatbuilders Association was considering topics for an Innovation Conference held this past March, innovation in marine batteries was on the agenda. Enter Brent Perry, CEO of Corvus Energy as a conference presenter. Despite the large commercial capability of Corvus Energy and a focus on hybrid marine power, Perry actually does know about recreational boats having worked in senior management positions at Luhrs, Grand Banks and Hanse. Headquartered in Vancouver, BC, Corvus Energy manufactures both in Canada and in the Netherlands. Corvus

Energy's large format Lithium Ion batteries use patented lithium polymer cells manufactured by Dow Kokam. Kokam's large format prismatic lithium polymer cells are built with abusive overcharge and explosion controls into each individual cell, which are smaller and lighter and create higher energy density.

Corvus Energy exclusively uses marine grade products manufactured in Canada and the USA in state-of-the-art robotic facilities. Their most important feature is the internal battery management system (BMS), the key to long battery life, balanced operation flexibility and the volume of power all designed to operate from 2.7 VDC-1000 VDC and manage power to unlimited MW/hr. The Corvus Energy Lithium Ion batteries are 99% recyclable and weigh four times less than lead acid batteries, have up to ten times more capacity, take up four times less volume and are maintenance free. Corvus Energy Lithium polymer batteries contain 22% more power than lithium phosphate varieties, last up to 25 years, have a limited lifetime warranty and have provided up to 5000 cycles at 80% depth of discharge (DOD). The batteries were designed for marine use and a fully engineered package for each individual application is included in their quote. Their waterproof Corvus Energy Storage module starts at 6.2Kw and has the ability to be combined to form a custom-sized pack to meet power needs.

Brent Perry provides a persuasive argument for the use of Lithium Ion batteries and listening to him talk with passion about the future of energy, the potential of these batteries and his determination for Corvus Energy 'to be the best Lithium Ion battery company in the world' is compelling.

I wondered if I wanted to install an auxiliary electric motor in a sailing boat,

## SUPPLIERS

- [corvus-energy.com](http://corvus-energy.com)
- [genasun.com](http://genasun.com)
- [mastervolt.com](http://mastervolt.com)
- [torqeedo-belux.com](http://torqeedo-belux.com)
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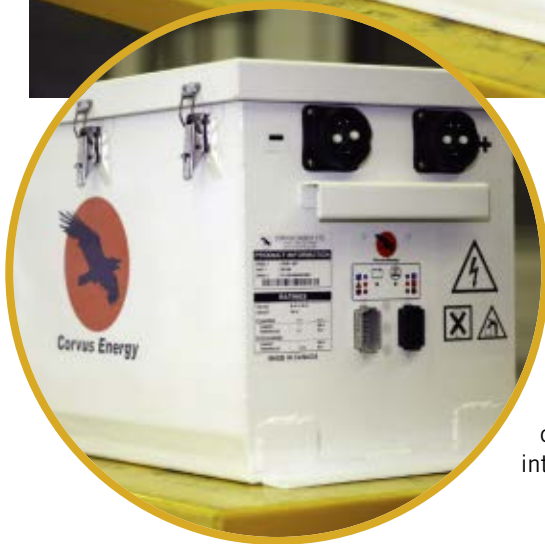
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Headquartered in Vancouver BC, Corvus Energy manufactures in Canada and in the Netherlands. Their large format Lithium Ion batteries like these Corvus Storage Modules, use patented lithium polymer cells manufactured by Dow Kokam. These are built with abusive over-charge and explosion controls into each individual cell.

would Lithium Ion batteries be the way to go? I spoke to Jim Newell of Electric Yacht in Halifax, Nova Scotia who provides electric auxiliary propulsion for sailboats. Jim suggested I speak to Scott McMillan, at Electric Yacht in Minnesota, founder and chief engineer of the company. I asked him to supply information about Lithium Ion batteries when installing an electric auxiliary in a 35' sailboat.

Scott suggests using their 360ibl 360 Amp motor which can be powered by their Electric Yacht Lithium-Ion (LiFePO<sub>4</sub> chemistry LFP) 48V DC x 360AMPhr batteries. These LFP batteries come with Electric Yacht's Battery Management System (BMS), which is designed to monitor each individual cell for charge rate and balance. Thick-

walled anodized, aluminum cases compress the cells and serve as rigid mounting containers. Mounting brackets at both ends serve as hold-downs. Also included are anodized lids and non-conductive lid liners that protect the installed and tested BMS.

These LFP batteries are rated at 2000 cycles to 80% (DOD) depth of discharge whereas the Lead Acid (AGM) batteries that they sell will typically be used up after 400-600 cycles at 80% DOD. The upfront cost of the LFP batteries in this installation including the cases and the BMS is \$11,800 US, plus battery charger especially for the batteries versus approx \$4,000 US for 400Ah Lead Acid AGM batteries, however the weight of the LFP is 460 lbs., versus 1000 lbs. for the Lead Acid batteries and the LFP batteries

occupy half the space.

Scott says, "We have sold a few, but are really just getting started. Most customers can't justify the added up-front cost, even though they can be expected to cost less than AGM batteries in the long run. That said, prices need to come down before there will be broad acceptance."

Ed Sherman, American Boat & Yacht Council's (ABYC) Director of Curriculum Development and Delivery has been looking at the development of Lithium Ion batteries for the marine market. He says the potential is great, but the danger is high and it is very early in the development of this technology for marine use. He cautions that 'anyone thinking of installing Lithium Ion batteries in a boat must be made aware that they have to be used with a Battery Management System (BMS) and that they must work with the battery and system provider. ABYC is currently developing over-current protection rating standards for not just Lithium Ion battery banks, but for any high current density battery bank usage. The expectation is that this standard will be ready for the next issue of the ABYC Standards. ●

*Pat Nelder is not an expert in battery technology nor in electricity. She is a boat builder and works as the Executive Director of the Atlantic Marine Trades Association. She is interested in new technology and whether it can be incorporated into vessel systems, thereby saving weight and increasing performance.*

*Boating Industry Canada welcomes reader input on this topic. Please contact Andy Adams at [aadams@kerrwil.com](mailto:aadams@kerrwil.com) to e-mail your comments or to reach Pat Nelder.*

## WEB SITES

- [corvus-energy.com](http://corvus-energy.com)
- [electricyacht.com](http://electricyacht.com)
- [electricyacht.ca](http://electricyacht.ca)
- [abycinc.org](http://abycinc.org)

# Trailer Tales

BY JENNIFER HARKER

**MARINA OPERATORS** were treated to an eye opening presentation on trailering at the annual Hutchings Marine Products presentations in Gravenhurst at the Muskoka Boat & Heritage Centre – Grace & Speed.

It's not the first time Ontario Provincial Police Constable Brian McLaughlin has offered valuable information on the topic as he was invited back following a 2006 reality check that sparked a lot of conversation and controversy.

A collision reconstructionist, forensic mechanic and commercial motor vehicle and dangerous goods inspector, McLaughlin works with the Highway Safety Division, Central Region Traffic Unit.

Although he says he doesn't lie awake at night, some of his scary stories serve to remind marina operators of the vital importance of taking trailer safety seriously. "The scariest was actually five years ago when we stopped a trailer after following his marks for 5 kilometres on Highway 400 because he'd lost both wheels and kept dragging it down the road." Const. McLaughlin said the driver was heading back to Brampton and 'didn't think it was a problem'.

He's also seen quite a few instances where a vehicle slams on the brakes in a panic stop and the boat keeps going, or the tow vehicle turns and the boat doesn't. "Luckily they haven't killed anyone."

Prevention is key and Const. McLaughlin reminds marina operators of their responsibility regarding trailers. He points out when marinas are asked to pick up a client's trailer and boat, "The minute you hook the truck up, you are responsible for that trailer."

He noted that often the trailer hasn't been safety checked – and that's a problem. "Have you ever thought that if it falls apart, if there are defects or prob-



lems with the lights, you are the one responsible?"

While the trailer itself may not necessarily require a safety inspection depending on its size, since the marina's truck does require a safety inspection certificate, all trailers being towed by that vehicle also require a current safety check. "The trucks they're using to haul trailers are normally a dual-wheel pickup truck that requires an annual safety," Const. McLaughlin said. In that case, "Whatever trailer you hook on to also requires an annual safety." That's any trailer, any size including personal watercraft or small fishing boat.

Police look for the bright yellow safety certificate stickers affixed to the vehicle and the trailer. "That's what we look for when we pull up beside it. When it's white that's usually a clue." Since the inspection must be done annually, when the sticker is dull or white it's a clear indication to the police that it's not a current safety sticker. "It should be clear for the person picking up the trailer to see."

Regardless of the safety certificate requirement, the hauler is still responsible for the condition of the trailer being

At the Hutchings Marine Products presentations in Gravenhurst at the Muskoka Boat & Heritage Centre – Grace & Speed this past March, Ontario Provincial Police Constable Brian McLaughlin delivered important reminders about how to avoid painful fines this spring when trailering.

towed. Const. McLaughlin said it must be checked to ensure it's roadworthy. Since the trailer is in and out of the water, proper greasing and maintenance is vital. "When wheel bearings seize up, that's when a wheel comes off. The minimum fine is \$2,000 and the maximum is \$20,000 if it hits something," Const. McLaughlin said.

Other potential problem areas include ensuring the axle and suspension are properly attached to the trailer, the brakes are fully functional and the lights are working. "Many operators didn't realize they needed brake lights and signal lights at all times." The number of lights required and their placement is regulated by the Highway Traffic Act and Transport Canada ([www.tc.gc.ca](http://www.tc.gc.ca)).

Furthermore, a lot of chins hit the floor when Const. McLaughlin pointed





The yellow certification sticker on this vehicle is displayed where the authorities prefer to see it – on the driver's side fender in plain view. When a police officer pulls along side and does not see the yellow sticker on both the tow vehicle and the boat trailer, you are getting pulled over.

out if the registered gross weight of the truck is 4,500 kg, then the driver must do a daily trip inspection of the vehicle and trailer pulled – much like a tractor trailer driver is required to do. Proper paperwork must be completed – each and every day the truck leaves the marina property – showing all items have been inspected and are in working order.

In some cases, a Class A license may be required. “When towing something like an offshore boat or a three-axle trailer, when the boat and trailer are over 4,600 kg, you require a Class A license.” Don't forget to calculate the weight of a full fuel and water tank on the boat as well! Several years ago the Ministry introduced a Class A restricted license meaning drivers can tow a heavily weighted trailer such as a livestock or boat trailer but can't operate a tractor-trailer with air brakes.

Mirrors are a small but important issue that needs a second look. Const. McLaughlin pointed out many truck models have extendable mirrors that slide out for better visibility while towing. However he also noted, “If you don't have a trailer on, they need to be pushed back in. Most marinas put them on and leave them on all year.” That's also a no-no. Mirrors can only extend 30.5 cm from the side of the vehicle unless towing a trailer.

Const. McLaughlin said another huge issue is correctly strapping down the boat stressing that the winch and safety chain are not sufficient. “The boat has to be secured in the front and rear to prevent the boat from moving forward, backward, up or down.” The load rating must be stamped on the straps themselves and the total strap combination must match the breaking strength of the load. “If you have

a 2,000 pound boat then the straps have to hold up to 2,000 pounds before they break.” As he pointed out, “Bungee cords are not acceptable.”

Safety chains are also a requirement and must be fastened in a specific manner. “The safety chains for the trailer and towing vehicle are to be crossed in an X shape under the trailer tongue and the attaching hooks have to have something to prevent accidental release.” Snap hooks are the best bet, although other arrangements meet the requirement. New trailer manufacturers are including properly designed hooks and integrated fastening places for straps and safety chains.

Along with checking that lights are working, it's also the driver's responsibility to ensure any loose items in the boat are securely attached including coolers, lawn chairs and other boat related paraphernalia. The fine for an unsecure load on a commercial vehicle is \$395 plus surcharge.

Const. McLaughlin also recommends checking the license plate carefully. “One of the biggest charges for us is incorrect plates. The people I'm talking to have lots of different stories like I found it at the boat launch lying on the ground. It's for my other trailer. I have a box of license plates at home, I just put this one on the trailer.” Each road travelled trailer must be registered and have its own license plate.

He also asked, “Do you pick up the registration for the trailer too?” He said drivers must be able to produce the trailer registration when stopped by police.

Const. McLaughlin said his information was greeted by several surprised looks and a lot of blank faces. “They should actually check with their insur-

ance company to see if they are covered for towing someone else's trailer.” Following his first presentation in 2006 he noted, “Some people have learned and made inquiries and talked to their insurance companies.” But there is still much misinformation and a little mistrust. “In 2006 it opened their eyes but they thought we were picking on the marinas and that we had just made up these new laws but they are nothing new.” Most have been in effect since 1988 and the annual safety inspection requirement came into practise in 1994.

“The biggest problem with the industry (and I do understand it), is if they say ‘no’ to a customer, the customer will go somewhere else and somebody will do it,” Const. McLaughlin said. “We have to get involved because they have accidents with these things.” And ‘doing-it-yourself’ can be a costly mistake. He cited an example of someone who thought the price quoted by a marina was too expensive and proceeded to tow a large offshore boat himself. While he had oversized load signage, little else met the requirements. The truck was not ‘safetied’, the load was well over the weight requirement and the driver did not have a Class A license so faced significant fines. “It turned out to be an expensive day and in the end, the boat owner had to call the original company to come pick up the boat and trailer from the side of the road.” ●

*While his presentation focused on Ontario's requirements, Const. McLaughlin said regulations are consistent across North America (including Mexico) under the Commercial Vehicle Safety Alliance. The National Safety Code for Canada is identical to the United States version applicable to commercial vehicles.*

# Mustang Survival

## Saving Lives for a Living

BY ANDY ADAMS

**I BET YOU** wind up reading this story more than once. At least, I hope you do because the story of Mustang Survival is really one of the greatest success stories in the Canadian marine industry.

In addition, it's the story of a small family business that has grown into an international industry leader since its founding in 1967. That process of enduring success could never have happened if there had not been a succession plan in place – a successful succession plan!

The experience and learning offered by the story of Mustang Survival could probably be applied to the vast majority of marine industry businesses.

The reason is that the long-term success Mustang Survival has achieved has come from three important areas that all businesses should focus on: careful strategic planning; a commitment to relationship marketing; and, a dedication to human resources development and teambuilding.

The Mustang story could fill a book, but our article is primarily focused on the leadership and the succession of leadership. It should be emphasized that long-term success has only been achieved through the essential contributions of the many people at Mustang Survival that it has been the privilege of these few leaders to serve. Together, the team has an enviable track record of industry firsts and innovation. This is chronicled on the Mustang timeline (included here).

In 1967, Irv Davies was in the apparel business in Vancouver, British



Columbia. He was a man with an entrepreneurial spirit and looking for ways to make a warmer coat. He tried using foam as an insulating material and learned that it was the same foam used in the uncomfortable “Mae West” style life jackets of the day. Irv realized that his coat floated too! This was the moment of revelation that began the development of the original Mustang Floater™ Coat. Irv Davies' revelation was the answer to the question that nobody had yet asked. The need for a floater coat had not yet been ‘articulated’ and so of course, the need for a floater coat was not ‘served’. (Just keep that thought in the back of your

mind for now.)

Many marine business owners probably have a lot in common with Irv Davies. He had a good idea, energy and a dedication to moving his idea forward. Although frankly, he wasn't a young man when he got started. Irv Davies passed away last year, still energetic and dedicated to the business, but by January 2010, he was 97 years old. That means that when he founded the business in 1967 he was already 54. From the outset, however, Irv's son Dwight was involved in the business and was instrumental in its growth and development.

In 1980, Dwight assumed the role of President so Irv left the day-to-day activities. As Irv's son and a man who had been there since the start, that step in the succession process was smooth and seamless (although the business was a lot smaller then too).

Over the years, Mustang achieved many successes. The highlights are shown here on their historic timeline. Dwight Davies (with his father in the wings, when needed) guided the company with a steady hand and an obvious flair for identifying key people to help with the mission. Today, many of Mustang's employees have been with the company for more than 20 years; quite a number for over 30 years!

This stability means their people – bringing with them a deep well of knowledge and experience – have been a major part of the corporate and the product development processes. It's difficult to express the value this brings to Mustang as they pioneer new markets



and new products. But, it's huge. And, that value runs right from the shop floor to the executive offices.

Back in the early days, the company was trying to expand on the success of the early Mustang Floater™ Coats and its range of applications. Dwight Davies was in Ottawa seeking product specifications from the Department of National Defense when he met Bob Askew. Bob had come from the UK with an engineering technical background and knowledge and experience in life-saving equipment overseas.

Lesson one in teambuilding: when you find a great addition to the team, try to hire him or her. The Davies family got a great quarterback when they convinced Bob Askew to join their team. That's a key ingredient if you plan to win the Grey Cup!

Bob Askew's first role at Mustang Survival was production, research and development, and applying his knowledge of technical specifications and standards to the Mustang products. In our interview for this article, Bob said he was the Davies' family's first real investment in engineering.

During our interview, Jim Hartt, Mustang's current CEO told a great story. On his second week there, Bob Askew grabbed a group of then current products and headed to the local pool. The coats met all the government standards, but Bob knew the standards had not been developed around testing. When they took them to the pool, the performance disappointed.

Focussing on performance was what Bob wanted to do and although Dwight was depressed by the results, Bob showed that the products were good – just not good enough.

That started the move to greater technical sophistication and formal disciplines to take the company into value-laden markets like military and aviation, requiring them to evolve the way they did business. At that point, Bob took on the marketing role for Mustang in order to present their products more technically. Mustang communications became knowledge imparting exercises. That technical information was what held

value for their customers.

To serve the consumer market, they had to meet the government standards for floatation devices and additionally, there were big market opportunities in the government and military areas, but these required relationship marketing.

Mustang had to infiltrate those communities in order to know the guys who wrote the specifications and who purchased goods. Both Bob Askew and Jim Hartt laughed as they explained that these communication exercises evolved into "a complex multi-nodal network" because each person in the chain is like a switch. The government purchasing process requires all switches to be turned to 'yes' before the deal goes through. The biggest challenge is maintaining that network when a new person comes in.

A lot of other companies would have backed away from the challenge. Mustang, however, saw government and the defense industry as more complex markets and therefore, valuable proving grounds.

Since the company's start in Vancouver in 1967, Mustang had been Canadian and again, Jim and Bob laughed at their experience, remembering that back then, the Canadian government was biased against Canadian products, believing their homegrown products just couldn't be as good as the best from elsewhere in the world.

Changing that perception through patient relationship marketing was a key task. A factor that added to the challenge, but also opened new doors was a huge shift within government. Due to budgetary pressures, for many years, governments stopped development work. Therefore, there were no new products in development. (For example, Anti-G suits for pilots were developed during the Korean War. There had been nothing new for some time.)

Mustang and other private sector suppliers had to take on that specification-writing technical role and Mustang became very involved in collaborating with governments to develop those new technical standards. It was what they had to do to build the relationships and



to keep forging ahead.

In the early part of the 21st century Dwight decided to scale his involvement down and to make Bob Askew the new president.

The succession challenge was that Dwight was just loved by the staff – by then he was Mustang. Bob Askew was highly regarded, but he wasn't Dwight and the executives all recognized that it was essential to Mustang's continued success to have a smooth transition with no HR losses. So how did they do it?

First, it was planned and Dwight made it clear at every step that Bob had his full confidence and support. Then Dwight explained what Bob was going to do and that he was there to backstop Bob. The process took some time but there were no problems. Open communication and transparency helped greatly. Bob also benefited from knowing that the level of commitment was there so he could confidently take the controls and move forward.

Jim Hartt represented another new development level when he joined the company in February of 1989 starting as the information systems manager. Jim had come from Honeywell Systems and later Cooper Sporting Goods in Toronto – at the time the world's largest manufacturer of hockey equipment – bringing an in-depth knowledge of systems with him as he became the manufacturing specialist for Mustang's growing manufacturing needs.

Mustang had been manufacturing all of their products in Canada, at their facility in Richmond, BC. In 1984, they set up a sales office in nearby Bellingham, Washington as a fledgling but key part of future US growth, but the product was still Canadian-made.

Jim introduced inventory allocation, materials regulation, capacity planning and inventory controls as part of the evolving capabilities at Mustang. He added their MAP system – an internal program that reflected the priorities of the organization.

At that time, Jim discussed with Dwight the lack of an export sales manager. Jim saw that need as "jobs to be done" – an internal expression for essential goals – and he moved into that role.

Working with Ivon Paulin in Annapolis, who joined in the mid-90s during their growth on the US side, Bob and Jim employed Mustang's by then, well-documented Canadian relationship marketing model to break into the US industry.

As you can see from this brief top line of developments, whatever the Mustang team tackled, they documented and reviewed their activities, looking for knowledge to apply in future.

Fast forward to 1999, a time that became transformational. One hundred percent of Mustang's products were manufactured in Richmond, BC. The Canadian dollar was at \$0.60 exchange rate with the US dollar and the company made the decision that they required no outsourcing.

The biggest challenge suddenly became the devaluation of the US dollar. Mustang, like most businesses, could not accommodate the currency swing within their margins. They could not adjust pricing much, if at all, and they saw the loss of 35%



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to 40% over a short space of time.

Yet, again Mustang's disciplined approach saved them.

First, the strategic move to serve the US was well timed because US manufacturing is mandated by the US military in their contracts. So, Mustang established a US manufacturing facility in Elizabeth, West Virginia, meeting the military's requirements but also giving the company greater flexibility and a way to soften the currency blow.

Today, Mustang does a significant proportion of their manufacturing in Canada, and 51% of their employees are Canadian; 49% are American. While Mustang still has a Canadian headquarters, the vast majority of their business now comes out of the US.

It is a source of national pride that Mustang Survival has been able to remain very competitive internationally and all of Mustang's design, development and administration comes out of Canada. As Jim and Bob stressed, people and intelligence are the key.

Just as Dwight Davies made the transition to Bob Askew, Mustang recently announced the completion of the executive management succession plan. This most recent strategic initiative was first announced in October 2009, with the goal to successfully realign key executive roles and operation teams by January 2011.

As of January 1st, 2011, Bob Askew, former Mustang Survival President and Chief Executive Officer assumed the role of Mustang's Chairman to a newly-formed Advisory Board, and Jim Hartt, former Mustang Survival Chief Operating Officer, became Mustang's CEO.

The company has grown to be an international market leader and the carefully planned 15-month succession plan was a key component to the company's long term business strategy. Internally and externally, the change was planned, promoted and supported at all levels. The transition was smooth and Jim is securely in the driver's seat, yet Bob remains as close as the phone, if he is needed.

For our readers considering a succession plan for their own businesses, the

key learning points are: 1) recruit the type and quality of people who can some day assume greater responsibility and treat them as a secure, long-term team member; 2) take the time to be analytical and strategic about planning and guiding the business and future directions; and 3) follow the timelines and the plan – and do it while there is time to make a smooth, positive transition.

In their release announcing the management transition at Mustang, Bob Askew, Mustang Survival's new Chairman was quoted as saying, "As part of my succession plan announced in late 2009, one of the key objectives was to execute a well-managed plan to transition my role into one focused on strategic corporate governance and guidance. In the past year, Jim and I have worked closely together with our realigned senior management and operation teams to reinforce the solid foundation Mustang is built upon to further prepare our company for the upcoming challenges and opportunities in the years ahead."

It's almost certain that if Mustang had not been willing to get involved in developing the regulations and standards, the company would not be the success it is today. There are parallels even to local marinas and repair shops; join your marine trade association, local chamber of commerce, tourism group or businessman's association. Learn about what your world needs. The interest to shape regulations and standards, or local bylaws brings you and your business to the forefront.

In Mustang Survival's world, inflatable products were difficult to develop and not rewarding at first. Yet, now Mustang is the performance leader, so that investment was very productive.

So, too, is being innovative. Mustang began with a radical new product, the Floater™ Coat.

Bob Askew commented that entrepreneurialism is constant; you need to have tenacity to start with. He said that every startup has to find its vision. They tried outdoor wear in the early days, but after much internal discussion, they made the decision to say, "We save



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lives for a living' and the strategies continued from there.

It's a great statement, a sharp focus, but even that leaves room to stray. Maybe life rafts could fit...or inflatable boats...

So, we continued our discussion on strategy and innovation and here's the greatest nugget from my session with Mustang Survival.

In evaluating a market or new direction, they look at whether a market is 'articulated' or 'served'. Articulated is where the market has identified a need and served is whether or not that articulated need is being satisfied. If you can make it work, an un-articulated and unserved opportunity gives you the best success. This is true innovation. This was the Floater Coat...or the inflatable vest, the Air Crew Inflatable Device, Mustang's invention of Ice Rider Buoyant Snowmobile Wear, or the Mustang Survival life preservers for NASA's Space Shuttle Program.

Bob Askew said, "It's a matter of market positioning – get out ahead of the market (which is difficult in a very heavily regulated industry) and you can be very successful."

Jim added that the Vision Statement is so important. Mustang Survival's Vision Statement is: "To Be a Respected Leader in the Research, Design and Supply of Quality Life Saving Solutions for Our Target Markets".

This is supported by Mustang Survival's Values: Passionate, Entrepreneurial, Collaborative and Integrity. But Jim and Bob both stressed that innovation is more than products, processes and systems, it's in the DNA of the organization.

Starting with Irv Davies in 1967, then with each evolution of management through Dwight to Bob and now to Jim, Mustang Survival as a corporation has a fundamental understanding of renewal and commitment.

Through their succession, this has become more sophisticated with each cycle. Dwight to Bob was "organic" but now it is clearly expressed. It's more than a job – they have the constancy of purpose.

After listening to so much sophisticated, but clearly expressed and understood management and operational philosophy, I had to stop them and ask, "Where do you find the time?"

"You have to set out the time for this," Jim said. Mustang's management has found great inspiration and ideas to apply in day-to-day business. "Read Stephen Covey's million-selling book, *The Seven Habits of Highly Effective People*."

In your own business, start carving out time to plan and train. Develop strategies to direct the efforts of the team, even if it's only a one man team right now.

Jim also advised that you have to be brutally blunt with what's important and what is not. A great example they cited was Mustang Survival's decision to concentrate on North American and to pass on the large European market.

Another corporate resource is the book entitled "Strategy Maps" by Robert Kaplan and David Norton that offered three critical thoughts:

- Identify markets that are not articulated and served
- Carve out time to plan and analyze these markets
- Document and review and be willing to discard

Applying that learning, strategy showed the US was not well served or articulated, therefore Mustang decided to focus on the US and stop working on Europe (which was already well-articulated and well-served).

So, we ended our discussion with Mustang Survival's executive team by asking, "How well does all this work...is Mustang number one?"

Both Jim and Bob laughed at this question and they said that Stearn's life jackets used to be three times the size of Mustang but now, as part of Coleman Corporation, its market presence is roughly equivalent to Mustang's. At present, Mustang Survival serves the recreational, professional and the military marine and aerospace life saving markets; no one else is in all those areas. ●



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# Marine Trade Associations Update

**ACROSS CANADA** is a new department in *Boating Industry Canada* where we invite all of Canada's marine trade associations and related organizations to participate in this national communications platform.

The goal is to share with all members of the industry in Canada (and key people in the US and Europe), the activities and accomplishments of Canada's marine trade associations and their members by providing each association a voice.

We feel our industry is in a time of major transition where the marine industry is experiencing a major new product sales decline coupled with a serious shortage of skilled technicians, an anticipated wave of retiring dealers and an underlying demographic shift in the Canadian population.

Our hope is that in "Across Canada", we can use our national circulation to help share ideas and solutions across Canada to everyone's benefit on an ongoing basis.

## National Marine Manufacturers Association (NMMA) Canada

### Alignment with EPA

After many months of hard work, the National Marine Manufacturers Association (NMMA) Canada, through its engine working group, successfully worked with Environment Canada to finalize and pass new off road (marine) engine emission regulations at Canada Gazette 2 on February 16. The regulations are now aligned with the U.S. Environmental Protection Agency (EPA). This means that all engines sold in Canada and the U.S. (or engines which move across the border) will all be subject to the same emission requirements regardless of where they are sold.

"The industry has been actively pushing for this much needed alignment since 2008. We thank Environment

Canada for working with NMMA Canada on this important issue," said Sara Anghel, Executive Director, NMMA Canada.

More on this is included in the Propulsion article on page 10 in this issue. The dates dealers and manufacturers need to remember are:

- Outboard, personal watercraft, and sterndrive/inboard up to 500 HP – January 1, 2012
- Stern drive/inboard over 500 Hp – January 1, 2013
- Boat evaporative emissions systems – January 1, 2015

[nmma.org](http://nmma.org)

## Discover Boating

### Extends Facebook Invitation to the Water

Discover Boating efforts are building momentum heading into the busy spring and summer boating months. So, how can you get involved?

This year, the industry's Discover Boating campaign will invite boaters to share their passion for boating as part of a new Welcome to the Water effort to invite their friends and family aboard. The effort will be supported with national television advertising, online advertising, search engine marketing, public relations and social media.

In addition, Discover Boating will launch an invitation to the water using Facebook. Given the inherently social nature of boating, reaching potential boaters through this social medium is a natural fit.

Boat owners will be able to send Welcome to the Water invitations to their Facebook friends to join them for a day on the water while competing for prizes.

As guests accept the invitation, it will be posted on their Facebook pages and news feeds, creating a viral message about going boating. The goal is to have boat owners across the country invite

their friends out on their boats, helping more Canadians get out on the water. Discover Boating will keep them organized and motivated with hundreds of prize giveaways throughout the summer.

This is where your help is needed. This application isn't just for consumers – this tool should be used by you and others in the industry. Manufacturers and dealers can invite their customers out on the water to demo a new model. Marinas can invite customers out to tour the facility and schedule boat rides. There are a variety of ways the industry can use this application to make it work for their businesses.

Take advantage of Discover Boating tools and resources to help reach more current and potential boaters. Each member of the industry can help start this movement by inviting friends, family and customers to the water. Building excitement and growing participation will ultimately help the entire industry increase sales.

[facebook.com/DiscoverBoatingCanada](https://facebook.com/DiscoverBoatingCanada).

[DiscoverBoating.ca](http://DiscoverBoating.ca)

## British Columbia Marine Trades Association (BCMTA)

Economist and Media Personality, Michael Campbell Keynotes at Boat Show

At the BCMTA Industry Breakfast during the Vancouver International Boat Show in February 2011, media personality Michael Campbell was the keynote speaker. Both an Economist and media personality, Michael Campbell kicked off the Industry Breakfast prior the BCMTA AGM with three key messages: welcome and adapt to change; be innovative in your approach to business and be prepared for a bullish private sector. Michael indicated that while there are slow rises in the economy, what he sees is a positive outlook and growing economy for our industry, particularly if busi-



ness leaders and owners are willing to adapt to differing environments, change and focus on marketing. A few key highlights from Michael's talk:

- One of every two children born post 2000 will live past 100 years of age
- When marketing, focus on the importance of "time" to families (purchasers are not just buying a boat, they're investing in their families)
- Major trend: time famine
- Demographic shift (aging population)
- Target what people are dreaming about (if they dreamed about buying a boat prior to the recession, they likely have the same dream coming out of the recession)
- Canadian dollar will supersede the Euro over time
- Canadian dollar will hit \$1.20 over next three years
- Become comfortable with and use social media as a marketing tool
- What happens in China, India and Brazil will continue to be strong economic influencers

BCMTA has once again extended its support for the WaterWise team with a financial donation for the 2011 year. The Life Saving Society's WaterWise Team will visit schools prior the boating season to educate primary students on the importance of safe boating. The same messages will be communicated on the water, at boat launches and during public events.

The Vancouver International Boat Show in February was a great success, especially considering that the 2010 show had to be cancelled for the Winter Olympics. The 2012 Vancouver International Boat Show will be held at BC Place and the False Creek Yacht Club, February 8 to 12, 2012. BCMTA will again be managing the Victoria Boat Show, April 28 - May 1, 2011, Victoria Inner Harbour.

[bcyba.com](http://bcyba.com)

### **Alberta Marine Dealers Association (AMDA)**

Growing Membership After Two Years

The Alberta Marine Dealers Association (AMDA) has been in existence for a little

more than two years now. We are pleased to have seen steady membership growth and positive participation from dealers across the province. Despite our youth as an organization, the AMDA is participating in a number of important initiatives that we believe will help member dealers develop & stabilize their businesses in a rapidly changing industry.

We are pleased to report that many of our member dealers have fared well despite significant economic challenges in recent years. A large part of our mandate as an association is to participate in discussions with other provincial trade associations in order to bring broader perspectives and innovative ideas to bear on the common challenges faced by our dealers. The AMDA is now a member of Discover Boating Canada and we are sending a representative to the NMMA Strategy Session in Toronto on April 12th.

Consistent with the rest of Canada, we are dealing with a dramatic shortage of skilled tradespeople.

With the impending cancellation of the Marine Service Technician program offered in Edmonton, along with the ever-growing use of technology in today's marine products, we can expect to see this shortage grow exponentially over the next decade. The AMDA is engaged in promoting a collaborative effort with provincial government and other provincial marine trade associations in an attempt to redefine how apprenticeship training will be delivered in the future.

AMDA member dealers are also enthusiastic about expanding marine floorplan financing options, anticipating new programs that are better tailored to the needs of the industry.

Up and coming, the AMDA is planning for its first Annual General Meeting which is scheduled for January 17 & 18, 2012 in Edmonton.

[abmarineassociation.ca](http://abmarineassociation.ca)

### **Mid-Canada Marine and Powersports Dealers Association (MMPDA)**

Marine Amalgamated with Powersports

The Mid-Canada Marine Dealers Asso-

ciation, an influential group of marine dealers, manufacturers and related businesses has joined forces with the powersports industry to create the Mid-Canada Marine and Powersports Dealers Association, and is now one large organization representing the interests of both the marine and powersports industries.

Its goal is to promote the marine and power sport industry for the benefit of all members and to facilitate safety, education and leadership to enable the industry to maximize its potential in their region.

Association Manager Kim J. Wozniak cited several benefits of the amalgamation.

First, by amalgamating the marine and powersports dealers, the members have created one approachable entity that will be able to address industry issues with a unified voice.

The MMPDA supports provincial user organizations such as Snoman and ATV MB.

A prime focus has been to work with government to bring awareness of the industry issues and to be proactive in development of policy that has an impact on both industries.

The organization has been working on various projects, the most recent and notable being that of having the Marine and Powersports technician designated as an official trade in the province of MB.

Fortunately, the Manitoba government mounted a major push to promote careers in the trades and by adding powersports to marine, the association better reflected their member's business activities while gaining significant mass. The curriculum was developed and launched in January only a year after the project started. Once the trade was designated, the association members worked to populate the Apprentice program. They gained enough participation that Red River College set up the courses and now the MMPDA is actively promoting industry career options in their region.

The MMPDA then hosted an industry career presentation on the opening day of the Mid-Canada Boat Show on March 3rd, 2011.

Kim Wozniak stated with pride that

over 70 educators and students were in attendance and Peter Bjornson, the Minister of Entrepreneurship Training and Trade addressed the students. The MMPDA has made significant progress in their area toward supporting the goal of a National Red Seal recognition for marine and powersport technicians.  
[midcanadamarinedealers.com](http://midcanadamarinedealers.com)

### **Boating Ontario [BO]**

**Boating Ontario Continues To Promote Human Resources (HR) Best Management Practices Initiative**

During the months of March and April, Boating Ontario is encouraging members to participate in regional meetings that are held throughout the province. Boating Ontario places a high value on member input and as Canada's largest marine trades association, the regional meetings provide valuable input to guide future programs. The following includes some of the topics that have been discussed during the regional meetings.

Boating Ontario now has an ownership position in the Toronto International Boat Show, and their position of ownership in the show is a vital means of securing some stable long-term funding for the association and its activities. The business results from the 2011 boat show season revealed that sales numbers are generally up across the board, higher levels than in 2010.

One particularly valuable activity that Boating Ontario is providing members is the Student Marina Training Workshop program, which will be continued for 2011 in partnership with Ed Lehman Associates. 13 different training sessions will be held this year, each with up to 15 students and the numbers seem to be growing. The program is not only available for students but other regular employees as well. This one-day program covers a wide range of critical activities including customer service, emergency response, oil spill response and clean-up, WHMIS and a wide range of practical skills.

Another valuable new service from Boating Ontario is their new Human Resources (HR) Best Management Practices Manual and accompanying Web HR Portal. This very comprehensive resource covers all of the information a marina owner will ever need, to deal with any human resources issue likely to arise. The manual includes a wide range of resources covering legislation, hiring and dismissal of employees, many templates and legal forms as well. While the hardcopy lets members source information quickly and conveniently, the web portal is available 24/7 with continually updated information as well as a blog for members to post inquiries.

Boating Ontario hosts interactive webinars to educate subscribers in the new Boating Ontario Human Resources program and for members, registration to this product/service is only \$99 to subscribe to the manual and Web portal access in the first year than \$49 per year in future years including the updating.

Other topics arising at the associa-

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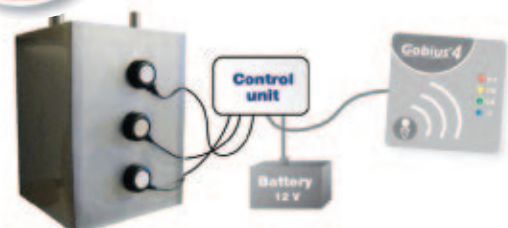
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tion's regional meetings include comments that the HST does not seem to be a concern for consumers as long as price increases due to the HST are explained properly. The association is also continuing to work with the Ministry of Natural Resources on water lot leases.

[boatingontario.ca](http://boatingontario.ca)

### **Quebec Maritime Association (AMQ)**

AMQ Recognized as a Sectorial Touristic Association by Quebec Tourism

Spring 2011 got off to a quick start. The Quebec Maritime Association (AMQ) replaced its traditional DB Summer Tour with a strong presence in regional boat and outdoor shows held in various parts of the province this spring: Chicoutimi, Rimouski, Quebec City and Sherbrooke. We hope this early exposure will have a stronger impact on boaters-to-be as they are planning their summer activities and holidays. AMQ is also planning to attend more summer festivals to promote boating.

This move is also in tune with the AMQ's efforts to further develop its Nautical Station network aiming at regrouping all the stakeholders of the boating and water sports industries into regional entities to further structure the service offering and promote the industry in a more integrated fashion. So far, eight of these stations have been set up: Rimouski-Mitis; Higher Gaspésie; Lake of Two Mountains; The Montreal South-Shore; Quebec-Levis; Lake St-François; Île-aux-Noix-Lake Champlain; and the latest, Lake St-Pierre (whose eco-system is also recognized as a world reserve of the UNESCO Biosphere). Three other regional stations are currently being implemented: the St-Lawrence North Shore; Manicouagan; and the Richelieu Valley. Eventually, there should be close to 20 such stations covering the province. As we move forward, the network will create a strong platform to position and develop boating in the long term in Quebec. One of the benefits of the program is that the AMQ has been recognized by Quebec Tourism as a Sectorial Touristic Association (ATS) opening numerous cooperation and coordination

opportunities with the tourism industry. Since a major portion of our industry is tourism related according to the 2006 Economic Impact Study conducted for DB, this program should bring long-term dividends for AMQ and the industry. In parallel, the association is active in further developing its Clean Marine and Marina Rating Programs as these quality programs fit in naturally in the strategy to consolidate and position the industry environment for future growth.

Building on the success of its first edition, the Board is considering to move forward with a second In-Water Boat Show to be held right after Labour Day, September 9 through 11, 2011, in the Port d'Escale of the Old Port of Montreal. A final decision to go ahead will likely be made shortly.

[nautismequebec.com](http://nautismequebec.com)

### **Atlantic Marine Trades Association (AMTA)**

Lunenburg Shipyard Alliance (LSA) Reconstruct Bluenose 11

The reconstruction of the schooner Bluenose 11 is the largest project going on in Nova Scotia's boat building industry. Three boat building companies, Lunenburg Industrial Foundry and Engineering, Covey Island Boat Works and Snyder's Ship Yard have come together under the banner of the Lunenburg Shipyard Alliance (LSA) that has been awarded the contract for the reconstruction. The public is welcome to view in person the reconstruction in Lunenburg, Nova Scotia.

Sailmaker to the Bluenose 11 and to many traditional vessels, Michele Stevens Sailloft has a new business direction. Michele and business partner Dick Steigenga have reached a deal that will enhance and expand their product line. The deal will bring new technology that will streamline the efficiency of the sailloft's current manufacturing and will bring construction of spinnakers and genakers and increase their market in the local performance sail making market.

[tallships.ca/sailloft](http://tallships.ca/sailloft)

Atlantic Boating News has a new website keeping people up to date with what is happening in recreational boat-

ing in Atlantic Canada including top news, destinations, Mariners Marketplace, Weather and Tides, Boating Events and a weekly newsletter.

[atlanticboatingnews.com](http://atlanticboatingnews.com)

North Sails Atlantic Rigging Shop in Halifax has recently expanded to include a full chandlery incorporating their Lunenburg Yacht Shop product lines and expert knowledge. Lunenburg Boat Locker has recently opened. Doug Philp and David Evans offer their clients a wide range of boating experience and expertise in service. The 3rd Annual Lewisporte Marine Show will take place in Lewisporte, Newfoundland, May 13 & 14, 2011.

Nova Scotia Boatbuilders Association will be presenting their 5th Annual Nova Scotia In-Water Boat Show July 22-24, 2011 in partnership with Waterfront Development Corporation, at Bishop's Landing on the Halifax Waterfront. This show features Maritime-built and Maritime-restored boats, both in-water and on-land as well as offering on-shore exhibitors who provide equipment and services to the boatbuilding industry.

[nsboats.com](http://nsboats.com)

The iconic South Shore Marine in Chester, Nova Scotia has recently been purchased by Shawn Mulrooney, formerly of Windward Yacht Services. South Shore Marine hauls and stores over 300 boats each year and provides fuel and services to over 95 boats in its mooring field in the summer months.

[southshoremachine.com](http://southshoremachine.com)

The pirates are coming ashore at the Mahone Bay Pirate Festival and Regatta, July 29-July 31, 2011. This annual festival will feature Pirate Days, Yacht Racing, boat builder display and marine market.

[mahonebayregatta.wordpress.com](http://mahonebayregatta.wordpress.com)

Paul Gartside Ltd, Boatbuilder & Designer, has moved his boat shop and design office to the east coast and is now located in historic Shelburne, Nova Scotia.

[gartsideboats.com](http://gartsideboats.com)

Keith Nelder of Big Pond Boat Shop, Custom boat builder, has relocated to a new boat shop in Martins River, Mahone Bay, Nova Scotia.

[bigpondboatshop.com](http://bigpondboatshop.com)

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