



November 25, 2008

The Honorable Henry M. Paulson, Jr.  
Secretary, U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Paulson:

The nation's leading recreation industry organizations appreciate this opportunity to share with you three important messages.

**First, we support your efforts to promote the availability of consumer financing for qualified borrowers through the newly announced Term Asset-Backed Securities Loan Facility.** We are encouraged that new classes of asset-backed consumer lending may be considered and believe that lending for boats, RVs and other recreational items should be on an equal basis with loans for automobiles, educational expenses and purchases with credit cards initially targeted by the new Treasury facility. We urge you to formally extend this program to cover RVs and boats and consider expansion of the effort.

**Second, we request your assistance in urging both banks and non-bank financial concerns receiving federal assistance under TARP to make consumer loans available for all traditional uses.** Economic recovery depends heavily on a rebound in consumer confidence, and consumers who are credit-worthy and encounter barriers to financing purchases will make this rebound more difficult. We note the special importance of this provision to employment in the United States associated with the recreational boating and RV industries, where an overwhelming majority of the new units are U.S.-manufactured.

**Third, we seek your attention to problems faced by recreation companies and many other small businesses in commercial lending -- often referred to as dealer floor-plan financing --** which have exacerbated the challenges faced as sales have slowed. Credit must become available to these businesses to support economic recovery and growth.

#### BACKGROUND

The U.S. recreation industry is large and diverse, and two segments are especially important to U.S. employment and public program budgets.

Some 1,700 boat builders, engine manufacturers, and marine accessory manufacturers are represented by the National Marine Manufacturers Association. They produce more than 80% of U.S.-produced recreational marine products. With more than 59 million boaters nationwide, the recreational boating industry is a major consumer goods industry with expenditures on recreational marine products and services of \$37.5 billion in 2007 alone. Recreational boating has an overall economic impact in the country of over \$100 billion annually. The U.S. boating industry is comprised mostly of small- and medium-sized businesses, and its products are primarily made in America by American workers. In 2007, recreational boating directly and indirectly impacted 337,758 U.S. jobs with a labor income of \$10.4 billion. Nearly 19,000

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boating businesses employ more than 154,000 U.S. workers. Additionally, boaters are middle-class Americans – 75 percent of boat owners earn an annual household income of less than \$100,000, and 95 percent of boats in use are less than 26 feet in length (in other words, trailerable boats).

The current challenging financial landscape is having a severe impact on the American recreational marine industry. The credit and housing crises, the collapse of consumer confidence, and the weakening export market have resulted in sales for the industry declining an average of 26 percent so far in 2008 and 40 percent since the housing crisis and falling consumer confidence began, with much higher declines in certain segments. As a consequence, many American marine companies are shutting their doors, closing manufacturing facilities permanently or temporarily, and making painful decisions about their operations in order to survive. Companies that have not closed are dramatically reducing production, cutting back on expenses, reducing labor, and taking on mounting losses.

The importance of the RV industry is similar. There are an estimated 12,332 RV-related businesses in the nation with combined revenues of \$37.5 billion in 2006, including a combined payroll of nearly \$5 billion for American workers in the manufacturing, retail and service sectors – employment which, as with boating, totals some 150,000. One out of every 12 American households owns an RV – a category that ranges from inexpensive pop-up tent campers to large, self-propelled motorhomes. Today, there are 8.5 million RVs in operation. Seventy percent (70%) of RV production is located in Indiana, and another 15% is located in Oregon and California. Retail and service employment is more evenly dispersed across the nation. There were 98 manufacturers of recreation vehicles in 2006; 11 have ceased operation in the last year and a half, contributing to dramatic regional impacts. Elkhart County, Indiana, now has the highest unemployment rate in the United States.

Despite a history of very few defaults on loans for boat and RV purchases, there are credible reports of difficulties in arranging loans for consumer purchases of these products since September. Traditional lenders at retail report that the difficulties are not related to boat and RV loans themselves, but to overall reduced levels of available credit from both banks and non-bank financial institutions.

Both the RV and boat industries have recently experienced commercial lending challenges, as well. KeyBank, Wachovia and Citizens Bank, among others, have recently ended or significantly altered programs for floor-plan lending to marine and recreational vehicle products. Continued constriction of this vital financing could have potentially devastating consequences for manufacturers and dealers of recreational equipment. Boat and RV dealers face increasing difficulty securing and retaining sufficient credit to sustain their operations and purchase new model year product, which has a direct, adverse effect on manufacturing in these industries.

The recreation industry is proud of its leadership on environmental matters. We have actively supported protection of public lands and waters, clean air and more. We can document that the environmental consequences of recreation on greenhouse gas emissions and other environmental issues is often below those associated with other activities, and there is widespread acceptance that participation in boating and camping is linked positively to active lifestyles which combat chronic illnesses which now represent 75% of the nation's healthcare costs.

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Sales of RVs and boats and related products are also important underpinnings for federal, state and local government operations. State and local sales tax receipts from industry sales exceed several billions of dollars annually. Registration and other fees linked to these activities also generate billions of dollars annually for state transportation, boating and water safety programs and are vital to operations of countless state and federal recreation sites.

FURTHER INFORMATION

The recreation industry is willing and able to provide additional documentation of the consequences of the current economic situation on its businesses, those employed in the industry and its customers. We offer this information through a centralized contact at the American Recreation Coalition, 202-682-9530 or [dcrandall@funoutdoors.com](mailto:dcrandall@funoutdoors.com).

Sincerely,



Thomas J. Dammrich, President  
National Marine Manufacturers Association



Michael A. Molino, President  
Recreation Vehicle Dealers Association



Richard A. Coon, President  
Recreation Vehicle Industry Association