

\$6M yacht repair facility coming to the Gulf ICW



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Monday, 29 December 2008 09:17



it to grow despite the weak economy

Saunders Yachtworks says its focus on service enables

In an economic shakeup, it's easy to think doom and gloom, but not at Saunders Yachtworks, a regional yacht service business in Orange Beach, Ala. The company is investing approximately \$6 million in a new development — NorthHarbor Yacht Center, on the Gulf Intracoastal Waterway.

“We’re building this new facility after envisioning the yacht of the future, the yachtsman of the future, and the technology requirements of the future yacht repair world,” says Andrew Saunders Jr., 64, chairman of the company’s board of directors and principal shareholder in the privately held business. “We’re not just looking to the past and building on what we did before. We’re acting on a long-range plan for future growth.”

Two-phase plan

Phase 1 of the development on the 14-acre site includes a total of 15,000 square feet for the company’s offices, a mechanical services shop, and a warehouse. Finished space of about 11,700 square feet will be completed in January and most of the operation will relocate to NorthHarbor Yacht Center in Gulf Shores, Ala. The company will retain its facilities at Orange Beach.

Phase 2 of NorthHarbor Yacht Center will begin in the second quarter of 2009 when work starts on a 3.5-acre yacht basin large enough for up to 30 boats. The basin is intended for yachts in need of service; it won’t function as a marina with leased seasonal slips. The development has 950 feet of frontage on the ICW. About 5.5 acres of the site with 450 feet of ICW frontage will be set aside for future development.

“We’re proceeding with the identification of partners or tenants for the west side of the property that may impact the ultimate development,” says John Fitzgerald, 43, president and CEO of Saunders Yachtworks.

1950s beginning

The roots of Saunders Yachtworks date to 1959 when Andrew Saunders Sr. established a company to service commercial vessels, with a primary emphasis on engines and associated equipment. About 20 years ago, the company began servicing recreational boats, and in 2007 it sold its commercial business, Saunders Engine and Equipment, to Marine Systems, a division of the Kirby Corp., shifting its focus entirely to yacht services, Fitzgerald says.



The company specializes in engine repairs and rebuilds, repowering, boat-system repairs and new installations, and structural repairs and maintenance. The bulk of its customers are owners of sportfishing boats from 35 to 60 feet, though Fitzgerald says the new facility will be able to accommodate larger boats. Saunders Yachtworks is a dealer for Caterpillar, Cummins, MTU and MAN engines, and for ZF and Twin Disc transmissions, among others.

With its profit centers derived solely from yacht services, a strong segment in today's troubled marine industry, Saunders Yachtworks has been in a good position to weather the economic storm and to continue its expansion. It currently has 50 employees, with plans to add 20 more, almost doubling its work force, Fitzgerald says. The lion's share of new employees will work in yacht services.

A buffered sector

"We don't sell boats or a lot of products. Our business is built around the work our guys do every day servicing boats. That we offer service and have focused on service ever since the company started works to our benefit," Fitzgerald says. "It's been something of a buffer against the bad economy."

In 2007, Saunders Yachtworks generated approximately \$6.5 million in sales. It expects about a 3 percent increase in revenue for 2008, and to maintain 2008 revenue levels through 2009, according to Fitzgerald. "Attention to quality work and good customer service is the driver behind the company's success," he says.

Unlike some yacht service companies that tend to use subcontractors, Saunders Yachtworks prefers to "keep all trades" in house, which helps ensure quality control, Saunders says. "We always did have a large in-house staff."

Saunders Yachtworks began operating out of Orange Beach Marina in 1996. Over time, the facilities grew to encompass a mechanical services building with two 5,000 square-foot work areas with roof heights of 35 feet to accommodate the towers of large sportfishing boats. A 1,500-square-foot carpentry shop is attached to the services building. Haul-outs are done with a 60-ton, wide-beam Travelift.

Gradually, the company outgrew the facilities, a difficulty common to many yacht service businesses. "Most boatyards are somewhat locked into their own footprint," says Jim Bronstien, 48, a shareholder and board member of Saunders Yachtworks. "They don't have the ability to build their own new facilities or to expand," he says, adding that building new from the ground up is a great opportunity for Saunders Yachtworks.

County support

Plans for the development began three years ago, with help from the Baldwin County Economic Development Alliance, which assisted the company in identifying potential sites. Land owned by the city of Gulf Shores along the ICW "made the most sense," Fitzgerald says. The land was zoned specifically for economic development, and the city granted Saunders Yachtworks a 99-year lease.



Fitzgerald says the acquisition of a favorable lease from Gulf Shores was key to making the development possible. “We’ve had a great relationship with all concerned,” he says.

The development of NorthHarbor Yacht Center represents a major commitment for the company that was not without obstacles, Saunders says. “The rules are many, and there are tons of locks and barriers to overcome. These are tough times. It’s not easy to enter this kind of market, [but] we’re a strong player in the service industry and the service is much needed,” he says.

In spite of the need for quality yacht services, Saunders says many in the industry don’t want to get into the business because “it’s capital intensive, labor management intensive, and it has inherent risks when working with heavy equipment.” He says there are fewer companies solely dedicated to providing yacht services than in the past.

“The service business is a part of the marine industry which has been ignored for years,” says Bronstien, who for 23 years owned and operated Rybovich, a marina, yacht service and custom boatbuilding business in West Palm Beach. He sold it in 2004. He is the founder of Marine Business Advisors and has served on the boards of the American Boatbuilders and Repairers Association, the Marine Industry Association of Palm Beach County, and the Marine Industry Association of South Florida.

“The service side is what keeps people in boating or gets them out of boating,” Bronstien says. “All boats need attention at some point, and annoying or poorly trained personnel and poor quality work drives people away. They sell the boat and go play golf. Companies that understand service keep people in boating.”

This article originally appeared in the January 2009 issue.