

Boatbuilder enters Russian waters

Rogue Valley firm keeps workers busy with orders from Trade Marine in St. Petersburg

By [Greg Stiles](#)

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Boulton Powerboats was roaring along, hydroplaning and spitting out a nice rooster tail in its wake two years ago, extending a hard-earned streak of expanding sales dating back to the 1990s.

Then the real estate market turned sour and it was almost like someone pulled the transom drain plug.

The housing decline, which has threatened to swamp more than one boatbuilder unable to sell boats as home equity financing has dried up, struck the local company hard, reducing sales by nearly 40 percent.

After cranking out 144 boats at its Crater Lake Highway plant between Medford and White City in 2005, production tumbled to 90 units last year — the fewest in seven years. That required some fresh thinking about the kinds of boats Boulton was building and where to find buyers.

Turns out the buyers were 12 time zones away, says company President Mike Boulton.

Trade Marine, headquartered in the northwest Russia port city of St. Petersburg, has ordered four boats for exhibition at the Moscow International Boat Show in January and 10 more for a similar event in St. Petersburg in June.

"If the market you're in is eroding, this is what you want to do," says Jack Vitacco, director of Southern Oregon University's Small Business operation. "You need to look at your capabilities and need to look at other markets."

Needless to say, the orders have been a boon to Boulton and his 20-person staff.

"They deal in boats of up to 110-foot yachts and this is the smallest boat line they're carrying," Boulton says.

Oleg Riabykh, Trade Marine's owner, and general manager Valerie Zykova contacted Boulton in August, but the Russian company actually scouted Rogue Valley boat offerings at the Portland Boat Show last January.

"They scrutinized the assemblers there and did their homework there," Boulton says. "They already had a list of boats they wanted from me. They were really prepared."

FertiKola

As for end users?

It didn't take long for an upper class to rise following the end of total state control over the Russian economy. That new elite with disposable cash has provided a large market for Trade Marine, whose Web site displays a broad range of marine craft and recreational vehicles.

While there are plenty of people with money in the revived Russian economy, the credit system isn't nearly as stable. As a result, rather than borrowing money to finance the project, Trade Marine wired the cash into Boulton's account.

"They can't get their money back easily so they need to be reassured we'll do what we say we'll do," he says.

As a result the company gets almost daily calls about progress on the project and pictures of each boat are e-mailed daily to make sure what is developing on the shop floor is what the Russians ordered.

"We've built our business on good faith and good business practices," Boulton says. "But when you're working through this kind of communication and explaining things, pictures are worth a thousand words."

The boats would sell for \$45,000 in the United States, but by the time they are shipped 12,000 miles, the price tag will be \$115,000.

Boulton isn't sure whether he'll go through a third party or use in-house transportation to Florida, where the boats will be shipped by Trade Marine through Denmark, Germany and on to Russia.

"They'll have to pay for shipping and then a 42 percent duty on top of that," Boulton says. "Their currency by comparison is real strong because it's a country rich in resources."

Because the dollar has been trading down against most currencies, it's been a good time for exporters — including Boulton Powerboats.

"It's been a great quarter for exports," says Sean Jones of Jeff Thredgold Economic Associates in Clearfield, Utah. "We're expecting that to continue through the end of the year and on into '08."

Boulton won't be going to the Moscow show, but instead will be gearing up for big shows in Portland, Sacramento and Puyallup, Wash., in early 2008.

"Those are three huge shows for us," he says. "It's not uncommon for us to have sold out the first half of the year in the first 30 days because of those shows."

This past year, however, didn't produce a strong flow of orders.

"We're cautiously optimistic about next year, but we don't expect a barn-burner," Boulton says. "The way mortgages and housing has gone, it's affected the capital people have to buy boats. But most of our clients are 50 and older."

FertiKola

He says even during boom times and peak production seasons, the company resisted growing beyond sustainable means.

"We've stayed small and sacrificed by not supplying peak-season demand," Boulton says. "We can't build fast enough this time of year so that boats are ready for the shows. But our goal is to stay busy year around; we try not to lay off anybody and never have."

In June, Boulton plans to travel out of country for the first time to take in the St. Petersburg show.

"I've never been out of the U.S., but I have tons of air miles I've never used. I've got my passport, but I've got to get all my visas together. I hear it's a beautiful city with tons of water and bridges."

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Reacting to shifting markets

When boat sales slowed down in 2006, as a result of the housing market's downturn, Boulton Powerboats turned more than ever to institutional buyers.

The Rogue Valley boat builder, already a major supplier for law enforcement, became the largest provider for the California Boating and Waterways Safety Patrol.

When sales declined, company President Mike Boulton didn't necessarily think in terms of curtailing overall production.

"Last year, we were all over the map in the types and designs of boats," Boulton says. "From specialty landing craft to rigid inflatables. We made some super-custom boats that were more than 30 feet. They were really big for us."