



Mr. Jeff Hoedt
Chief, Office of Boating Safety
Commandant (G-OPB)
U.S. Coast Guard Headquarters
2100 2nd Street, NW
Washington, D.C. 20593-0001

March 31, 2005

Re: New Hull Identification Number Proposals

Dear Mr. Hoedt:

The National Marine Manufacturers Association (NMMA) would like to provide the U.S. Coast Guard Office of Boating Safety with our members' views of the effort to expand the hull identification number (HIN) for new recreational boats from the existing 12-characters. We understand that the U.S. Coast Guard is considering a number of different proposals including:

- 17-digit HIN with a check digit¹ in the format used in the automobile VIN system;
- 17-digit HIN with a check digit in the format developed as a American Boat and Yacht Council (ABYC) technical information report; and
- A voluntary 12-digit HIN + 5 digits – that would consist of the existing 12-digit HIN with an additional 5 characters (based on the ABYC format and including a check digit) that may be separated from the HIN by a box, a 2-inch space, or on a separate plate. This proposal is under development by a National Boating Safety Advisory Council (NBSAC) working group and was the subject of NBSAC resolution 2004-74-3.

It is NMMA's view that any change to the HIN will result in increased costs to our members; therefore, it is incumbent on the USCG to be able to demonstrate that these costs are justified by a corresponding increase in *boating safety*. NMMA is unable to find in these proposals an increase in boating safety that would warrant the additional cost of converting to a new HIN format. Nonetheless, due to the importance of this issue to many members of the boating community, NMMA has been and will continue to be an active participant in the NBSAC HIN working group and in discussions on these proposals as a member of NBSAC.

¹ The check-digit would be derived from a formula developed by the Coast Guard to ensure a unique combination of HIN characters based on vessel specific information. The check-digit would be calculated by recreational boat manufacturers and importers using an algorithm developed by the Coast Guard.

Executive Committee

Chairman, NMMA
George Bellwoar
PERKO, Inc.

Vice Chairman, NMMA
Chuck Rowe
Indmar

Secretary, NMMA
Marty O'Donohue
Marinco

Treasurer, NMMA
David Slikkers
Tiara Yachts

Member At-Large
Kris Carroll
Grady-White Boats

BMD Representative
J.J. Marie
Zodiac of North America

EMD Representative
Jim Hubbard
Mercury Marine

AMD Representative
Rick Russell
Anderson Marine

President
Thomas J. Dammrich
NMMA

444 North Capitol Street, NW, Suite 645
Washington, D.C. 20001
202.737.9750 Fax 202.628.4716
nmma.org

NMMA strongly urges the U.S. Coast Guard to carefully consider the costs and benefits of the various proposals as it decides whether to endorse or adopt any HIN change. If the Coast Guard should decide to go forward with a HIN change, NMMA asks that the USCG first identify ways to mitigate those costs. For example, prior to going forward with any proposal the USCG should:

- Ensure that any adopted proposal provides sufficient time (e.g. 10 years) to implement a HIN change so that the change could be factored into already scheduled computer system enhancements and manufacturers could use up existing plate stocks;
- ensure that the chosen format is the least costly for industry to implement;
- consider trying out the proposal first in a voluntary pilot project; and
- establish a web-based system that would calculate the HIN and check digit for manufacturers in order to reduce costs and decrease HIN errors.

The U.S. Coast Guard should evaluate all the costs and options before implementing any HIN change. Even then, NMMA urges the USCG to carefully consider whether this initiative will provide a sufficient increase in boating safety to justify the Office of Boating Safety's attention and the significant cost to industry.

U.S. Coast Guard Cost-Benefit Analysis

In an effort to provide additional information to the Coast Guard, NMMA surveyed its members about potential costs and reviewed the "Cost Benefit Analysis of the 17-Character Hull Identification Number on New Recreational Boats" prepared by Potomac Management Group, Inc. for the U.S. Coast Guard. According to the Potomac Management Study, a HIN change will cost recreational boat manufacturers nearly \$13 million over a 10-year period.² NMMA views this as a substantial cost to our industry. Yet, this analysis also indicates that the primary benefit of the 17-character HIN in the VIN format would merely be an increase in the recovery rate of stolen recreational boats and possibly a reduction in boat theft.³ Indeed, according to the Potomac Management study to be cost-beneficial the proposal "must yield a minimum stolen vessel recovery rate of 21 percent."

² In addition to the estimated \$13 million to manufacturers, the Potomac Management study also concluded that state law enforcement; titling and registry offices would incur costs of \$4,877,033 and the federal government costs of \$26,209. Putting the total costs at \$17,875,352. Potomac Management at iv. Although NMMA cites to the conclusions of this study, NMMA notes that this study represents an incomplete calculation of the costs of a 17-digit HIN proposal and does not include any calculation of the cost of a 12 +5 HIN format. Therefore, NMMA's citations of the study should not be construed as an endorsement.

³ NMMA is unconvinced that additional numbers on the HIN will stop a person from unknowingly purchasing a stolen boat. The current HIN should be adequate for helping such a person to verify the boat's registry.

NMMA is unclear how the additional numbers on the HIN will directly translate into an increase in the recovery of stolen boats, especially considering that according to the Potomac Management report “only 10 percent of all stolen boats with a 12-character HIN are recovered each year” and the vast majority of stolen boats are purchased by people who know they are stolen.⁴ Law enforcement would have to more than double their current recovery rate to justify the costs identified in the Potomac Management report. NMMA has serious doubts that such a feat could be accomplished by simply adding the new HIN alone. Therefore, NMMA simply cannot see in these figures a corresponding boating safety benefit to justify the proposal’s cost. Indeed, recovering stolen vessels, while obviously an important law enforcement goal that NMMA supports, cannot be considered a direct improvement in boating safety. Nonetheless, NMMA is concerned about the increase in insurance costs caused by stolen vessels claims and supports an increase in funding of boating law enforcement personnel to combat these crimes.

A change to the HIN format, in addition to increasing our members’ costs, would also add unnecessary complexity to the vessel numbering system and lead to more HIN formatting errors. Indeed, the current system is already difficult for many small manufacturers to comply with as the Potomac Management study correctly noted. The USCG should be considering methods to decrease the current HIN errors. NMMA therefore recommends that U.S. Coast Guard investigate establishing a web-based system that would calculate the HIN for manufacturers and ensure that no two vessels received the same HIN.

NMMA Members’ HIN Change Cost Estimates

Implementing a new HIN system will involve a number of different costs. As the Potomac Management study notes those costs include “(1) generating the HIN, (2) producing the HIN plate, and (3) affixing the HIN plate to the boat.”⁵ However, NMMA members reported that they also use the HIN as a unique tracking number in their computer systems. So any cost benefit analysis must also include the cost of converting a manufacturer’s (and potentially also a dealer’s) entire computer system to handle the additional digits. These costs were not included in the Potomac Management study and can be substantial. For example, one member reported to NMMA that the cost was approximately \$1 million dollars, while other members reported that costs varied widely, depending on the size and nature of their business operation.

NMMA members reported these and other additional costs and many noted that the costs of implementing a HIN format change will vary depending on which format is chosen. A number of members reported that the costs associated with the 17-digit HIN format would be about

⁴ Potomac Management at 18 & 29.

⁵ Potomac Management at 2.

double the cost of implementing the 12+5-digit HIN format. NMMA members reported the following HIN change costs: adding characters to certain documents (such as invoices, warranty cards, and boat stickers); adding the additional digits to all reports, inquiries and computer screens that display the boat serial number; additional staff time and material costs; and in some cases completely upgrading older computer systems that currently could not handle the additional digits and that cannot cost effectively be modified to do so. For our global members these costs would be incurred not only in U.S.-based computer systems but also in systems world-wide. In some cases, the data would be entered into at least six different computer systems used for tracking inventory, sales, and warranty data.

In addition to computer system costs, a new HIN format will require manufacturers to purchase new HIN plates and numbering machinery that can accommodate the additional digits. A number of manufacturers indicated that they would have to scrap a significant amount of existing inventory of these plates if the proposal were to go into effect now. Of course, scrapping of existing inventory could be alleviated by the adoption of a HIN +5 format where the existing plate could be used. However, since a new smaller plate would also have to be added next to the traditional plate this is certainly not a cost-free option.

* * *

NMMA offers these comments in a spirit of cooperation and looks forward to working with the Coast Guard and the boating community on this important issue. We trust that our members' concerns will be given serious consideration. NMMA boat builder members are overwhelmingly small businesses for which these costs are particularly significant. NMMA stands ready to continue to work closely with the U.S. Coast Guard toward policies and programs that will improve boating safety.

Sincerely,

A handwritten signature in dark ink, reading "Monita W. Fontaine". The signature is written in a cursive, flowing style.

Monita W. Fontaine, Esq.
Vice President Government Relations