

# THE YACHT REPORT

Incorporating THE WOOD REPORT

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## YACHT TENDER & RIB SURVEY

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# Size Matters

From talking to some of the leading shipyards at the recent Düsseldorf Show it is apparent that all are bidding on some very large yacht projects, all in the 70 - 100 metre range. Yes, this bodes well for the future but we must not lose sight of the mainstream market, the 30 - 50m projects. It is of course tempting to build a major yacht, bigger than you have before, but the economics of these projects are more complex and, as we have seen in the past, have led to the demise of some shipyards. In addition, if you analyse some of these large projects under construction or at bid stage, the final choice of yard has bypassed the typical yacht yards and opted for commercial yards using specialist yacht subcontractors.

This is most likely due to pricing and hard negotiation, seducing the less busy commercial yards with these high profile floating palaces. As always it will be interesting to see the end result. In reality, the contract prices for these leviathan projects are made up of lots of noughts and become scary numbers. As many yards know, at the bid stage all are played against each other and the final agreed price may be unrealistic, with the successful yard hoping to make up the shortfall with change orders and specification improvements. If you look at the other end of the market, you can see how the production builders have realised that their clients at the top end of their product range have moved on to bigger and better things. This has resulted in the likes of Sunseeker, Azimut and Ferretti building projects in the 30m range, not that they have caught colds with these projects, but it is fair to say that it has been a steep learning curve for all, including the clients.

In the next five years these new Superyacht owners will no doubt progress to larger projects, this is when the established Superyacht builders need to be prepared to cultivate these clients. Now that the oceans are being flooded with semi custom production superyachts in the 30m plus range, we have to look at other factors apart from the market growth. We have in the past talked about the lack of marina space, this is obviously a major problem but more importantly

perhaps, is the way in which the 24m plus fleet will grow over the next decade, all of which will require a certain level of qualified crew. Not everyone will charter but even so, with the larger vessels now requiring 20 plus crew, where will the smaller boats find their operators. Judging by the number of new crew agencies appearing on the scene, it seems that the problem is being addressed but to counter that, the training centres and MCA report that they can only deal with a certain number of crew per year.

If you analyse the complete 24m plus market, of which there are in excess of 3000 vessels, assuming that they operate with an average of 6/7 crew members (highly conservative), that suggests a total crew market of 20,000 plus, of which we estimate that at least 10% will need to have all the relevant qualifications under current legislation.

To ensure that when the larger yachts cream off this percentage with the incentive of high salaries and prestige positions, these crew agencies need to have back up plans for the smaller yachts, with listings of potential new recruits from other marine industries, e.g. Navies, Cruise Ship Industries and Merchant Fleets, all of which will hopefully have the necessary level of qualification. We need to be prepared for the future in lots of ways, manning is one, build capacity another



*A recent addition to the 90m plus fleet, M.Y. Evergreen.*

and marina capacity yet another. Who is keeping an eye on these factors? Perhaps that could be the Raison D'Étre for the Superyacht Society, a proper industry watchdog.

Luckily, we are currently enjoying this unique level of growth, with many new yachts of all sizes being built or under discussion, the question now is how long will this last? No one can predict the future, but by analysing the past we can estimate levels of growth. In simple terms, the fleet has grown by varying percentages, each year.

It would appear that when a yacht owner is bitten by the bug, even at small levels of 40 feet, he cannot resist the temptation or pressure to build or buy bigger in the future.

To summarise, think of an Owner happily sitting at anchor on his 112 foot yacht, in Greek waters, suddenly being confronted by a 150' yacht steaming around the headland. It is not too hard to imagine the feelings of inadequacy or envy at the size of his/her neighbour's toy. Long may this part of human nature continue, it has to be one of the principle driving forces in the yacht industry.