YACHTING & MARINAS

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Asia takes the helm in choppy waters

The shift in global economic power is changing the game for the superyacht and pleasureboat industry, writes Victor Mallet

early four years after the collapse of Lehman Brothers, the luxury yacht industry continues to struggle with a persistent economic crisis in its core European market and the tentative nature of the recovery

The yacht sector is large and highly diversified, and there are some prominent bright patches in the generally gloomy outlook – including strong demand for the largest motoryachts from very wealthy Middle Eastern and eastern European customers, hopeful signs of growth from emerging markets such as China, and some sailing

achievements that cast a glow of good publicity over the whole marine industry. In general, however, while the

fleet of superyachts grows inexorably, profits do not – at least not for brokers struggling with collapsing prices for secondhand yachts or marina operators trying to amortise big and the broader pleasure yacht investments. Banks that over- sector are starting to undergo

exposed themselves to yacht buyers before the crisis are trying to offload repossessed vessels and further depressing second-hand prices.

According to The superyacht Group (TSG), the fleet of superyachts - pleasure vessels longer than 30 metres – has risen fourfold since 1985 to reach 4,209 by last vear. But annual deliveries peaked at 259 in 2008, and have fallen steadily since to 173 last year. The order book - the number of big yachts under construction - peaked in 2009 at 587 and is now down to 415.

Martin Redmayne, TSG chairman, says: "Europe and the US, the core markets of the yacht industry, are still there and the clients are showing interest, but their appetite is being stalled by what's happening domestically.'

In western Europe in particular, this is an important industry. In an economic impact study published this year, The superyacht Intelligence Agency, part of TSG, concluded that more than 6,000 companies were involved in the sector and that superyachts contributed up to €24bn in revenues to the global economy in 2010, as well as providing jobs for 33,000 crew and more than 200,000 others in manufacturing and services.

Yet the superyacht business



Classically trained: a crew gets to grips with the J Class Velsheda, built in 1933 at Gosport for the chairman of Woolworth's. (Read Richard Donkin's article on this summer's planned J class regattas at: www.ft.com/yachting-marinas-2012)

some profound changes as a Eastern, the investment group result of the shift in global economic power from west to east.

In an emblematic manufacturing deal at the end of last year. Ferretti, the debt-laden Italian yachtmaker, was taken over by China's Shandong Heavy Industry Group for a fraction of its pre-crisis valuation of €1.7bn in

of Hong Kong-based businessman Victor Chu, bought a stake in Camper & Nicholsons Marina Investments (CNMI), which is traded on London's Aim and established a joint venture with it to develop luxury marina and property projects in Asia.

Nick Maris, CNMI chief execu-

rather uncertain [economic] cli-

"In the east, it's a totally different picture... In Asia it's an independent market with its own dynamics. The difference is that it's virgin territory and will be very fast growing."

Despite the hopes of eager brokers and yachtmakers, tive, says: "In the west, we have China's growing pool of billion-And on the marinas side, First some years to go in this kind of aires and millionaires have yet

to take to the sea in a big way, partly because yachting is an unfamiliar pastime and partly because of the need for discretion in turbulent political times.

Chinese yacht owners, like those in Brazil, Russia and Italy and perhaps France now that the Socialist François Hollande has been elected president – face

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Servicing Owners such as Russia's Andrei Melnichenko (whose



futuristic yacht 'A' is pictured) may be rich but even the wealthy still like to save money filling up on fuel

LONDON **NEW YORK** CHICAGO **LAS VEGAS** PALM BEACH **BAL HARBOUR** SAN FRANCISCO MONTE CARLO COURCHEVEL MOSCOW **GENEVA GSTAAD** KIEV 1000ft - 300m DUBAI BEIJING **SHANGHAI** HONG KONG ScubaGraff 47 Ø ТОКҮО OE TAIPEI SAKS FIFTH AVENUE & SELECTED SAKS STORES OPENING SOON MACAU HANGZHOU HONG KONG **SHANGHAI** TOKYO GRAFF www.graffdiamonds.com

Yachting & Marinas

Soaking the rich can be counterproductive

Taxation

The overall economic benefit of the industry must be considered, says Richard Donkin

ladimir Putin, the Russian prime minister, sent a shiver down the spines of the country's wealthy elite in February by announcing plans for a supertax that would be levied on luxury goods such as large yachts and sports

In Italy too, superyacht owners found themselves on the fiscal radar in December, when the Italian government signalled plans for a mooring tax. After industry lobbying, the tax, which has yet to be enacted, has been watered down, so that the proposal now is to levy it only on Italian

rich through taxation of their playthings are likely to be misplaced.

If anything, robust lobbying for an easing of taxation among charter yachts in Spain could signal a more enlightened approach to taxation in the yacht industry, one which recognises the economic value of regular yacht use and chartering.

The Spanish yacht charter industry has been all but destroyed by the matriculation tax, a tax on registration of yachts over eight metres that must be paid in addition to VAT.

With Spanish VAT at 18 per cent and matriculation tax at 12 per cent this means buyers of moderate to large Spanish yachts face a surcharge of nearly a third of the retail price. A recent report for the National

Nautical Business Association in Spain estimated that in the Balearic Islands alone last year, income from the tax amounted to ≤ 1.5 m.

But in collecting the tax, it said, the Balearics lost out on a potential But, while both developments might income of €600m through extra traffic, have led to some unease among marina revenue, and shop, restaurant superyacht owners, any fears of a and other retail spending that would

charter boats that have been deterred from operating in Spanish waters.

Patricia Bullock, director of yachting at Altius, a Spanish shipping group, says the Spanish Government is shooting itself in the foot by persisting with a "negative tax".

She adds: "They have effectively



Small request: Patricia Bullock of Altius shipping wants the Spanish government to lay off the chartered yacht industry

plugged what would otherwise be a fountain of income for the Spanish economy

Much of the economic damage could be reduced, Ms Bullock argues, by introducing a blanket exemption from the tax for charter boats.

"Boats of less than eight metres don't have to pay the tax and charter boats up to 15 metres can claim times higher than the VAT income it used by non-EU people. If half a dozen

ing for is that the 15-metre limit is removed, so that all charter boats can claim exemption from the tax.

"We don't want to do rich people favours. We want rich people to come to Spain, spend their money and inject it in to the economy.

"Every day, I get three or four inquiries about this tax from charter owners. If the Government could turn the key on this tax situation it would open a floodgate of upmarket tourism in Spain. Marinas, shipyards and related industries would all benefit."

Spain's loss has been France's gain in the charter industry. France allows a full commercial exemption from VAT for charter boats that start their charters in France.

James Lawson, a superyacht lawyer at Hill Dickinson, a maritime law firm, says: "This means that many Mediterranean yacht charters begin in France. So that's flights, hotels, victualling, fuel - all that spend going to

"It's been said that the benefit of this to the French economy is 30

to charge VAT. So France has cornered the charter market as a result."

Since VAT is by far the most significant tax facing supervacht owners in Europe, some owners may be attracted to various leasing schemes operated in certain countries that can lead to a net reduction in the VAT bill. But most European owners are advised to pay VAT.

Ms Bullock says: "Yachting is recreation and people want peace of mind and they want to enjoy their yachts. They don't want to have to worry all the time about legal and tax set-ups.' However, there are important VAT

exemptions available in the EU for foreign users of yachts that are registered and flagged outside the EU.

Non-EU residents and their yachts can benefit from an 18-month dispensation from VAT called temporary admittance. But there are pitfalls.

Ms Bullock explains: "If you're an Arab, Russian, Chinese or American, say, you can bring in your boat flagged in Grand Cayman or somewhere outside the EU but it must be

general trend towards soaking the have been generated by visitors on exemption from the tax. All we're ask- would have earned had it continued Brits, for example, are having a jolly on your yacht and it hasn't paid tax, then you could have serious problems since yachts are inspected. Owners who have been badly advised can be

caught out that way. When non-European owned boats have come to the end of the 18-month dispensation period, they need to leave the EU and visit a non-EU port in order to continue with their VATfree status. When they return, the 18-

month period starts again. So skippers take their boat from the Balearics to a small port such as Bejaia on the North Algerian coast, moor up for a while, get their papers stamped, then sail straight back to an EU destination to begin their 18month dispensation all over again.

The lesson for governments from superyacht taxation, therefore, is to tread carefully, taking in to consideration the overall economic benefit of the superyacht industry. The lesson for owners in Europe at least, is to take VAT on the chin and pay up.

"Whatever the size of your yacht, the old days of tax-free sailing are at an end," says Ms Bullock.

No plain sailing for private equity

Investment

Returns will come not from snapping up distressed assets but better trading, says **Stanley Pignal**

When Star Capital, a UK private equity firm, sealed a deal to take over Thyssen-Krupp's superyacht division in December, its chief executive steered clear of gloating about becoming a player in the glamorous world of yachting.

"We are pleased to have acquired a world class German engineering busi-Tony Mallin said securing Blohm + Voss, one of the most

It was as if Star Capital makers of smaller boats is had acquired a ball bear-easy to back up. ings factory outside Stuttgart, rather than the builder of such floating palaces as Roman Abramovich's 163-metre luxury motor yacht Eclipse.

Mr Mallin's reluctance to get sucked into the glitzy universe of yachting is grounded in a dispassionate analysis of past private equity deals in the sector.

Buying companies that make boats is often as expensive as owning the boats themselves. "Luxury yachts are a bit

of a graveyard for private

equity. It's like buying a

golf course; you want to be the third person to own it,"

august names in shipbuild- the claim that it should not leveraged buyout candibe categorised with the dates.

> The price tags of the boats it makes, at \$400m-\$500m, and the fouryear design-and-build process means it is more akin to a high-end contractor.

As well as non-leisure contracts with the German navy, Star also picked up a high-end repairs and parts

fied world of superyachts, and the record of private equity ownership is less than stellar.

business. Overall revenues were said to be €400m a year at the time of the deal. But look beyond the rare-

Ferretti, the Italian owner of the Riva, Bertram and Pershing brands among others, has served as a salu-In Blohm + Voss's case, tary warning for wannabe market turmoil.

It was once a poster company for private equity groups piling into the sector. A forerunner to Permira, the London-based firm, made more than 50 times its original stake by buying the business off the founding family in 1998 and listing it three years later in a deal valuing Ferretti at €400m including debt.

Permira then bought it bolting on rival brands to the parent company before flipping it to Candover in 2006 for €1.7bn.

The buyouts were followed by serial restructurings after Candover – since vanished from the private equity scene - saw its own plans to float the business for up to €3bn scuppered by

Lenders who took over the equity when the business faltered sold out to China's state-owned Shan-Heavy Industry Group-Weichai Group.

Numerous other yachtmakers have come in and out of trouble following private equity takeovers: Bain Capital's 2007 investment in Bavaria Yachtbau soured two years later; Dehler, a German sailing boat maker, was bailed out by the government after having been taken over by Buchanan Capital.

The same downturn that hurt so many yachtmakers has perhaps helped investors in the sector improve the returns on their investment as valuations for companies have fallen.

Sunseeker International, based in Dorset, was purchased for £25m plus debt financing in 2010 by FL Partners, an Irish private equity group. It has since reported healthy trading.

And last year, Jon Moulton's Better Capital spoke of "an opportunistic deal" to take over the Fairline Group, which specialises in 38 to 80-foot boats, together with RBS. The value of Fairline had been written down to zero by its previous owner, 3i, another private equity investor.

investors will come not from snapping up distressed assets at discount prices, but from better trading at the acquired companies. For Blohm + Voss, that

Ultimately, returns for

means expanding sales to emerging markets, where most new billionaires are being minted. For now,



Clean lines: a yacht built under pristine conditions at Ferretti, now Chinese-owned

sales to the Bric economies are mixed: for all the new wealth in China, the local yachting scene there is hampered by the lack of marinas on the militarycontrolled coastline.

11-metre range. Typically,

these are narrow-beamed

with a deep V-shaped hull

that does well in the short

chop that Gulf waters are

from two or even at times

three big, maybe even huge

[300hp] engines bolted on

the back. In short, fuel is

cheap and speed impera-

metres purchased for

fly

use locally are

typically fitted

Forty

per cent

15m-plus

boats are

owned by

expatriate

business

men origi-

nating from

countries such as India, Syria,

Jordan, Oman and

with

bridges.

Boats of more than 15

"Power generally comes

famous for.

Brazil has introduced

import tariffs to protect its domestic manufacturers.

Even more promisingly, billionaires who buy yachts might also be interested in buying yachtmakers, some Blohm + Voss's new

owner, Mr Mallin, said an emerging market buyer is one potential exit for Star Capital – before emphasising again that the shipyard is really more of an engiin the industry are hoping. neering concern than a

is another locally based

company selling into the

local market, but current

production is based in Thai-

In Bahrain, Al Dhaen still

builds boats up to 15

metres, producing 75 to 100

units each year, but produc-

tion is half what it was two

Having recently sold a 41metre new-build superyacht

into the Middle East market, Erwin Bamps, chief

operating officer of Gulf

Craft, believes that his com-

pany will survive the global

downturn because of its

years ago.

flexibility.

Fuel is cheap and speed is a must for sailors in Arab world

Middle East

Messing about in boats goes with the territory, write **Frances** and **Michael Howorth**

Yachts in the Gulf are used for very different reasons to those typical in the west. This reflects the region's

maritime history. In the days before oil was discovered, the local population lived in small communities close to the sea.

Fishing, pearl trading, and dhow owning were important sources of local wealth. Seafaring was ingrained into the culture. As a consequence, people

like boats, they love being at sea and enjoy being on Boating in the region is a male-dominated activity. It

is fathers and their sons who go boating while wives and daughters tend to stay Craig Barnett, editor-in-

chief of Yachts Emirates magazine, says: "Fast open boats are very popular with those who like to go fishing. "Here they do so, not

with rods or nets, but instead favour the use of hand lines and will spend hours at the sport. "They like to go well off-

shore and these customers

Both these groups use their boats in a more European fashion and will often

venture further away from their home port and live on board for days at a time.

Westerners who occupy

managerial positions tend

toward smaller cabin cruis-

The estimated value of the leisure fleet (boats over 5 metres) is about \$4.2bn. Of

favour boats in the eight to those, the cruiser market Gulf Craft. Samawy Marine (boats over 15 metres) accounts for \$1.6bn.

> There are roughly 46,850 leisure boats (5 metres and above) in the six countries that make up the Gulf Cooperation Council. Gulf Craft, the Dubai-

based boat builder and the region's most prolific producer of craft, accounts for more than 20 per cent of the market, having built about 9,000 boats.

Twenty years ago, were between 15 and 20 boat builders

producing yachts over 10 metres in the region. Today, there are less than a

This leaves

Gulf Craft the dominant manufacproducing larger yachts from 10 metres and above. There are about 30 builders of boats smaller

than 10 metres in the In the United Arab Emirates, builders include: Al

Marakeb, Al Shaali, Aqua Tech. Dubai Marine and

officer of Gulf Craft

Flexible friend: Erwin Bamps (above), chief operating

"We are not a production boat company. Despite the fact we have built 9,000-plus boats, every one is a one-off. No two boats are exactly the same. Each one is a custom build," he says. Proving there remains a

great future for yachting in the Middle East, the 20th Dubai International Boat Show held in March was hailed a success soon after the doors closed on the fiveday event. This was a result of strong visitor numbers and the increased size of boats on display.

Helal Saeed chief executive of Dubai World Trade Centre, the event organisers, says the show has become "the single most significant driver of the leisure marine industry in the region today".



The downside of lightweight efficiency

Sea-change The Acciona prepares to compete in the Vendée Globe without using a drop of fossil fuel

Design

Sometimes owners get led astray by green issues, write **Frances** and Michael Howorth

mbitious owners with deep pockets innovative designers and naval architects eager to transfer technology are combining to put yachting into the front line of design

As the cost of fuel rises, designers of motor boats are copying the underwater hull attributes of sailing yachts and investigating lightweight materials to improve efficiency.

With the demand for superyacht speed rising, so the price of fuel propels itself into cost calculations.

Ever aware of green issues and the need to cut ostentatious fossil fuel use, owners are trying to build vachts that are more costeffective.

One solution is to reduce the weight of the boat. Danish Yachts in Skagen, Denmark, has met this difficulty head on by converting hull production away from traditional materials such as steel, aluminium and fibreglass and mastering the science of building in carbon fibre.

Spurred on by Carlos Peralta, the Mexican millionaire, and using Espen Oeino, the Norwegian designer, Danish Yachts built Moon Goddess using carbon fibre.

The high-speed yacht has cabins, designed to regularly sprint from Portofino to Sardinia.

The shipyard, hoping to find a buyer for a completed yacht, decided to build another, bigger, better and more multifunctional craft out of the same material, again designed by Mr

Today the 38-metre Shooting Star is, at 48 knots, probably the fastest, fully equipped twin engine motor vacht in the world of its

For sale at €18.5m, the boat is blazing a trail for the builders, who are demonstrating that their expertise has real practical appli-

efficient speed, the alternaalter the underwater pro-

Philippe Briand, the French designer, has a yacht designs to his name themselves from powerboaters

and pretend that theirs is an environmentally friendly sport using only the power of the wind. But the reality has always been rather dirtier.

Cruising yachts, especially in the fickle weather of the Mediterranean, often use their diesel engines to move from one place to another. Even racers, forbidden to use anything but sails in a competition, burn diesel in generators or main engines to charge the batteries needed for electrical and electronic

A sea-change, however, is finally under way. Javier "Bubi" Sansó, Majorca-based skipper of the newly built Acciona 60ft racing yacht, plans to compete in the 2012-13 Vendée Globe, the singlehanded race around the world, without using a drop of fossil fuel.

"This is a very special boat, with a lot of research and development," he says, showing off the renewable energy systems of the red-and-white yacht at the dock in Palma.

They include high-tech photovoltaic solar panels embedded in the deck, two wind generators and two hydrogenerators that can be lowered into the water when the boat is moving fast enough for their propellers to have no appreciable impact on the yacht's speed through the water.

Mr Sansó teamed up with Acciona, the Spanish energy and infrastructure group, three years ago when he asked the company about financing a Vendée Globe entry. It no doubt helped that José Manuel Entrecanales, executive chairman, is a keen

"Acciona said 'yes', but there was one condition," says Mr



Sea-change: the eco-friendly Acciona has a hydrogen-powered fuel cell that can be used to charge the batteries

Sansó. "They said 'we want to make not just a racing boat but a special racing boat, without the use of fossil fuel'. They said it was 100 per cent 'ecopower' or nothing.

There was one snag: the rules of the race, which runs every four years from the port of Les Sables d'Olonne and is a big sporting event for French and British enthusiasts in particular, required entrants to have a 40-horsepower diesel engine for emergencies.

That has been changed to keep up with technological advances, and instead the organisers now require the boats to demonstrate that they can work under power, whether for themselves or to tow

another competitor out of trouble. For the development team, the toughest test has been to show that they can motor for five hours at five knots with their small but power-hungry electric motor.

Instead of adding more batteries - and therefore much more weight - they opted to add a hydrogen-powered fuel cell that can be used to charge the batteries and so extend the range of the electric propulsion system and the fuel cell).

Weight is all-important in modern racing yachts, but Mr Sansó argues that eschewing fossil fuels will not give him much advantage over the whole race, since he will start a little lighter than most of his competitors

from about three hours to more

(who will be carrying about 250 litres of fuel and a heavy diesel engine), and finish a little heavier (because of his extra batteries

The trend towards the use of renewable energy and towards greater efficiency, however, is unmistakable among all the competitors, just as it in other races and among cruising sailors the world over, who are usually keen to adopt technology from aerospace or the motor industry

to save weight and save diesel. For most of its energy systems, Acciona has bought advanced products off the shelf and integrated them - with a lot of hard work - into the design of the boat. The engine for example, is made up of two electric motors for fork-lift machines.

Mr Sansó believes that one advantage of the project is that its achievements can be applied elsewhere, including to homes on land. He also notes that the energy efficiency even of dieselpowered boats has increased hugely in the past decade. In the 2004 Vendée, competitors took 400 litres of diesel, 150 litres more than expected this time.

"These things would have been unthinkable five or six years ago [because of the weight of renewable energy systems]," he says. "There is a curve, and it's going up, and it will be a lot more efficient in two years' time. Batteries are starting to be better, and the electric motors have suddenly had a quality increase."

Officially, the aim is to prove that a modern sailing boat can circle the world without fossil fuel, but the Acciona entry - built by Southern Ocean Marine in New Zealand to the specifications of Owen Clarke Designs – features other innovations and could prove to be a very fast competitor.

"It's very exciting, especially from a design point of view," says Mr Sansó, an experienced longdistance sailor who had to abandon the 2000-01 Vendée after breaking one of his rudders on a small iceberg in the southern

"It's been three years thinking about it. We have come from the PowerPoints to the actual sailing. And I'm a sailor, not an engineer.

Victor Mallet

hull design to create a new breed of motor yacht.

Branded Vitruvius and built by the Picchiotti yard owned by Perini Navi, the these sleek motor boats are proving they can cut fuel costs by more than 30 per cent compared with those of similar length with wider



Briand has created a new breed of lightweight

In the effort to produce beams. Employing a hull design that he has both tive to weight cutting is to stretched and optimised, Mr Briand has created a more efficient hull shape.

"Each yacht has an efficient ratio of superstructure string of high-speed racing to hull; built out of steel and aluminium, they are as

similar design," says Mr Briand.

"Each hull is designed for efficiency to reduce water resistance and increase the length at the waterline. The optimisation of volume and weight distribution allows for lower fuel friendly long-range yacht."

SuperYacht World, summed up the need for super slippery hulls, saying: "Owners and designers are driving the development of highperformance hulls, not because they want more out-and-out speed, but because hulls like these burn less fuel.

Paul Aston, editor of

"It's a win-win situation; both running costs and carbon footprint are reduced, and has recently used his a result lightweight, con- and the yacht is able to experience with fast sailing sume less fuel and have cruise much further afield too," says Mr Leach.

lower carbon dioxide emis- so is no longer tied to sions than other boats of a expensive and increasingly oversubscribed supervacht marinas.'

Michael Leach Designs Italian superyacht builder, maximum hydrodynamic (MLD) has won industry awards for the design of both the exterior and interior of its latest launch, the 96-metre Palladium.

Mr Leach says many experienced owners have a consumption and therefore wealth of knowledge coumore environmentally- pled with the desire to create their own dream yacht. But they often need help.

"We have a client want ing to include the very latest in technologies and efficiencies in his new 70-metre motor yacht, but we have to be very careful about how much of this has been tried and tested. "Imaginary efficiencies in

narrow sleek hulls can lead to stability issues, raising the fuel burn on the generators to run stabilisers, this has other knock-on effects

Mark Smith, business partner at MLD, says ownsometimes get led

all costs.

than five.

characteristics of the sea they sail in have not astray by green issues, believing that their yachts that trying to evolve too must be super efficient at

"They forget that the times, be a pointless exer- Frances heavy weather aboard some changed in centuries, so yachts with super fast slip- experts pery hulls is akin to driving far away from the tried and a Formula One race car tested hull designs can, at across a ploughed field."

Michael and cise." He adds: "Sailing into Howorth are specialist travel writers and superyacht who write for Superyacht Magazines. Their website is

Asia takes the helm in choppy waters

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onerous taxes on their luxuries and close scrutiny from their fellow citizens.

The statistics and the anecdotal evidence nevertheless show that the ultrawealthy continue to buy ever larger yachts, even if the merely prosperous are having to tighten their

Barry Gilmour, executive chairman of Royale Oceanic, which supervises construction and management for yacht owners, says: "I don't see green shoots in any particular sector, with the exception possibly of the larger yachts.'

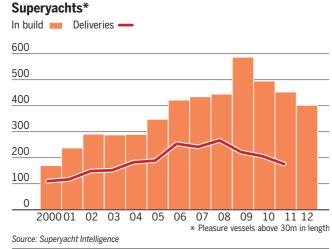
Demand for yachts of 60-70 metres or more remains strong and the average yacht ordered is therefore increasing in length. Fewer superyachts are being built, and fewer shipyards are in business, but the total length and size of what they are building has increased since 2010 because of demand from Gulf sheikhs and Russian

"Above, say, 60 metres, there seems to be a huge amount of activity, which means that there are 50 or 60 people sourcing boats, says TSG's Mr Redmayne.

These large yachts, some costing €200m and above, are more like ships than ordinary pleasure boats.

Superyachts.com, the luxury yachting web portal, says 11 new vessels, some the size of cruise liners, are joining its annual top 100 ranking this year, up from

nine new entries last year. The largest is Topaz, a 147-metre vessel built by



for a client thought to be from Abu Dhabi's ruling Al Nahyan family.

For a few owners, the austerity has spawned a "serious" yachting trend, with owners seeking to show that they care about the environment and want the icy north of Canada. to contribute to scientific research in the oceans.

Pegaso, the 73-metre yacht of Alejandro Burillo Azcárraga, a Mexican tycoon, is billed as exactly this kind of yacht.

"Social enterprise is a big topic," says Mr Redmayne. "The idea is that it's no good just looking like a rich bastard – your yacht has to have a bit of a purpose . . . It's not just putting \$100m into a boat and going off around the world, it's saying that there is something good coming out of this boat.

In practice, some of the years have been achieved in the America's Cup backed

Germany's Lürssen Yachts much smaller vessels, usually sailing boats. This year saw the publication of Cameron Dueck's book The New Northwest Passage: A Voydesire to avoid unfashion- age to the Front Line of Cliable ostentation in a time of mate Change, in which the one-time FT journalist describes the 8,000 nautical mile voyage of the 12-metre Silent Sound yacht around

> In January, French sailor Loïck Peyron and his crew of 13 broke the world record for circumnavigating the globe nonstop under sail, their trimaran Banque Populaire V completed the 29,000-mile journey in just over 45 days an average speed of more than 26 knots, faster than

It is in sailing that many new technologies from the aerospace, motor and renewable energy industries are taken to their maritime extremes. Witness the high-tech and very fast wing-sail catamarans commemorable feats of recent peting in the new version of

many diesel-powered boats.

by Larry Ellison, the Oracle software tycoon and current cup holder.

Then there is Acciona, an entry for the Vendée Globe single-handed round the world sailing race starting in November (see story above). Financed by the Spanish infrastructure and energy company of the same name and skippered by Javier "Bubi" Sansó, it is designed to compete (and win) without using a drop of fossil fuel, even for generating electricity, because it will make its power entirely from the sun, the wind and the water.

Design of large motor yachts is also evolving rapidly in terms of materials, electronics, engines and interior decoration. One trend, says Mr Gilmour, is to use the extra space available on larger superyachts to create suites akin to those found in hotels on land rather than consigning guests to (relatively) mod-

est cabins. Yet the basic premise of the luxury yacht remains unchanged. "I know certain yacht owners who are very interested in and have concerns about ecology and the seas," says Mr Gilmour. "It's something they will all sign up to. But the main purpose of a yacht is to sit off Portofino [on the Italian Riviera] and enjoy the time with your guests.

The problem for some superyacht manufacturers and service providers is that not enough hedge fund managers or industrialists are prepared to take the plunge and order a new boat until economic confi-



As backers pull out, strategic tack is needed

Sponsors

Companies and competitors can still do deals, says **Richard Donkin**

big boost for competitive sailing came in February after four dismal years in which a number of high-profile backers had abandoned the sport.

This was the announcement that Alpari, the online foreign exchange dealing company, had been secured as sponsor for the World Match Racing Tour.

Perhaps the biggest shock was the decision in December to suspend the MedCup in 2012 after it failed to secure the funding it needed from Audi, its title sponsor, to continue the

Other factors were a and financial constraints on local authorities that might have bid to host regattas.

Companies such as BT, Aviva, Ecover and iShares have all pulled out of sponsoring sailing competitions their objectives for and individual yachts in the past few years.

Most of the fallout can be put down to belt-tightening in the recession. Nonetheless, in spite of tighter marketing budgets, companies such as Volvo, Hugo Boss and Artemis continue to maintain a strong presence in the sport, while Louis Vuitton has been lured back into the fold to sponthe 34th America's Cup in

sponsorship and brand com- the region of $\pounds 5m$. munications, says sailing is Mr Stuart says more reliant on sponsorship for revenue than many other sports. "In spectator sports, such

as football, there are the gate receipts, media rights and merchandising, which together may account for 75 per cent of the

revenues. "Sailing, on the other hand, relies to a much greater degree on the corporate pound in sponsorship," he

This means that event organisers and individual sailors seeking sponsorship must be increasingly strategic in their thinking, both in targeting a prospective sponsor and shaping a deal that

Matthew Strachan, sales director at World Match Racing Tour, says: "I looked at a number of industry sectors for potential sponsors and tried to align them with the brand fit that I felt the tour was offering.

profiting in the recession. tors can find rich seams of One was foreign exchange trading, which thrives from volatile currency movements in turbulent markets.

between sailing and forex," says Mr Strachan. "The forex market is based on analysing trends, research, insight and strategic risktaking. These are all attributes that make for a successful match racer, who must look at weather trends and gauge the best time to gain an advantage.

"If you look at a lot of sponsorship approaches, they are tailored to what the event requires rather dwindling field of entrants than what it will deliver for

> Brands like an approach allowing them to discuss the promotion

the brand. Our approach was completely the other way, saying to a potential sponsor: 'You tell us what you want and we'll tell you if we can deliver that.'

David Stuart, Alpari's chief operating officer, says he appreciates an approach sor the challenger series for that allows the business to discuss its objectives in promoting the brand over the Richard Moore, chief five-year duration of the executive of Capitalize, a contract. The size of the

> looking to associate ourselves with a prestigious event. We see the tour as fitting that aim. Its audience profile suits the profile

of our business on the international stage." Finding the right match between sponsor and event is becoming a sophisticated process Capitalize created a

Sail on: the Open 60 of sport more accessible.

Hugo

will prove an attractive division that is dedicated to bringing sponsors and events together.

Andrew Pindar, principal at the GAC Pindar team that includes Ian Williams the Alpari World Match Racing Tour champion, in its stable of yachts and competitors, believes He also looked at sectors that sponsors and competinew business if they are prepared to innovate.

One of its customers is the Extreme 40 racing tour "We could see synergies that has become the sailing equivalent of Formula One motor racing, close-to-shore events around the world.

GAC Pindar handles the shipping of boats in containers to different venues (see story, right).

"It's important that people understand the difference between sponsorship and patronage. Sponsorship isn't philanthropy; it's done for commercial business reasons," says Mr Pindar.

Stuart Hosford, managing director of 5West, the company that looks after the Hugo Boss sail racing team of Alex Thomson, the longdistance sailor, agrees that race teams must look closely at what they are delivering for sponsors.

"We're always looking to win but we're also looking at ways to ensure a return on investment for Hugo Boss so we take the marketing side very seriously," he

The Hugo Boss team has a reputation for ambush marketing and promotional stunts.

"We're always trying to come up with new ideas to promote the team and the sponsor," says Mr Hosford.

He believes, however, that sailing has become public relations company deal has not been disclosed overly complex with too that specialises in sports but is understood to be in many events to thrive without some industry contrac-

> "We're heading towards a time when there needs to be a rationalisation of events and classes.," he says.

> The strain is already showing, with a number of well-known sailors struggling to find sponsorship for this year's Vendée Globe. Only three British sailors have managed to find firm backers.

> Mr Moore at Capitalize agrees that sailing needs more clarity if it is to deliver a sustainable business proposition for sponsors, but he also points out that new sponsors are being drawn in by entrepreneurial promoters who have been prepared to make the

"When you look at the new-age brands, such as Puma, Red Bull, Prada, Boss and Alpari, which have come into the sport in the past few years – a lot of sports would love to have that stable of brands."



Fuel at heart of supply challenges

Servicing

Owners may be wealthy but still like to save money filling up, writes **Richard Donkin**

Murray Bishop thought he understood all the complexities of superyacht refuelexplained to him the need to keep his vessel's tanks at least 40 per cent full.

"Part of the reason is to ensure there is always sufficient range to reach the destination.

"If you run out of fuel on the motorway, you swear and curse and walk to the nearest services, but if it happens in mid-Atlantic you have a big problem,' says Mr Bishop, yacht fuels trading manager at GAC Group, a shipping and logistics company.

The captain went on to say he also needed plenty of fuel to act as ballast, so that guests didn't notice the roll and the swell of the sea.

Mr Bishop says: "The rich and the famous don't like to be thrown about the place. They like to play the part but feel like they're on dry land.'

Atlantic crossings are an essential part of the season for those who like their

yachts to spend the summer to a pre-arranged rendezin the Mediterranean and winter in the Caribbean, as many owners do.

One option for smaller

freighted on top of a cargo deck or on a purpose-built sail-on-sail-off ship. The first of these ships, Yacht Express, operated by Dockwise Yacht Transport,

be sailed on board. Yacht transport relieves crews and owners of facing the rigours and uncertainties of an ocean crossing. and the pain of fuelling a trip that can cost tens of

thousands of pounds. For the biggest yachts of 80 metres and more a fill-up might run to several hundred thousand litres.

The futuristic superyacht "A" of Andrei Melnichenko, a Russian billionaire, has a fuel capacity of 757,000 litres and a cruising range of 6,500 nautical miles.

A round trip from its home port in the Caribbean to the Mediterranean costs millions of pounds in fuel, spares and staffing over-

For this reason, logistics are a crucial part of yacht management and fuelling is specialist business in itself, since fuel is often purchased on the spot market and delivered by truck

vous or pumped straight from storage. 'There are so many con-

siderations on quality that

are not always appreciyachts is to have them ated," says Mr Bishop. One of these, he says, is the flashpoint of the product. The Safety of Life at Sea (Solas) directive of the

Maritime International is semi-submersible and can Organisation states that ling - until a captain allowing its yacht cargo to with a flashpoint of less than 60C must be classed as

> 'Owners like low sulphur fuel. Clouds of smoke behind do not look pretty'

> > **Murray Bishop**

dangerous cargo and this would invalidate yacht insurance policies.

"The diesel that goes in to your car has a minimum flashpoint of 55C," says Mr Bishop. "A lot of places around the Med sell this kind of diesel. So owners need to check the fuel specifications before buying.

Another concern for yacht engineers is fuel quality. Unlike motor fuels, the kind of fuels used in yachts can vary enormously. "Sulphur content

important," says Mr Bishop. "Yachts like to have low

sulphur fuel for aesthetic not like that," he says. reasons. Big clouds of don't look very pretty when they sail out of port. 'It's a fine balancing act

We aim for the lowest possi- winds and currents.' ble sulphur.'

tar, fuel is often pumped straight from storage tanks.

The British overseas territory is a popular refuelling port, because of its dutyfree status. It is part of the European Union but not part of the EU VAT area. Barnaby Skipwith, direc-

tor of Yacht Fuel Services, a division of World Fuel Services, stresses the need to develop a rapport with yacht customers.

His company handles the fuel accounts for some 300 worldwide. superyachts "It's important to know our customers and their needs," says Mr Skipwith.

"I get the perception that some people, looking at the cost of a superyacht and nothing else, think that is exactly the fuelling same as driving into any garage forecourt, putting a nozzle in the car, assuming the fuel is going to be good quality and all the same wherever they go. It's

"If a customer is sailing smoke trailing behind them to Thailand or around the world, we talk to them about their routing, fuel quality, costs and availabilfor the yacht because you ity. Captains plan their need sulphur in the fuel to routes carefully to take help lubricate the engine. advantage of prevailing

The need for detailed While truck deliveries are planning in sailing and the common across the north superyacht market is lower itself in the water, any fuel for a superyacht Mediterranean coast, in attracting increasing intersome ports, such as Gibral- est from marine logistics companies. GAC has created a busi-

ness dedicated to superyacht and sail racing logistics as part of its GAC Pindar sail racing team.

"We're offering a one-stop shop for freighting, spares, fuelling, including transits through the Panama and Suez canals," says Mr Bishop.

MIQ Logistics, is competing in the same area.

"We don't just want to be a name. We want to be involved," says James Clark, MIQ's director of global marine logistics. He negotiated a sponsor-

ship arrangement with the J/80 World Championship and says that the company is now seeking more sponsorship deals.

"For a company such as ours it makes so much sense," he says.

"But I should sav we're very picky. It has to be

More moorings mooted for Med

Marinas

A shortage of berths is looming, write Frances and **Michael Howorth**

It is a blight of many cities that while you can more or less drive around, it is almost impossible to find a place to park. Now, something similar is happening at sea.

More and more yachts are thronging Mediterranean waters, but the number of moorings is not keeping up.

Some 2,900 superyachts (over 30 metres) are based in the Mediterranean, while the 175 superyacht-capable marinas that can accommodate them offer only 2,500

There is thus a shortfall of 400 berths. What is more, the has been an increase of only 400 since 2008.

Worldwide, the figures are slightly better, as there are 6,500 berths for 6,500 supervachts in 600 marinas

that can handle them. For investors contemplating marina construction,

are likely to be a decade from now. Jeff Houlgrave, a Marina

expert, works closely with expansion in the number of Marina Projects, a specialist consultancy group with clients around the world, which is based in Gosport, on The Solent in southern England. His sums indicate that in

10 years' time the number of superyachts will have increased and those seeking marina-based dockage will have grown accordingly, although 75 per cent of them will be less than 45 metres.

"In the Med, there has been a cycle of lack of berths followed by another when there were too many," he says. "Now that cycle is beginning to swing towards a shortage again.'

The market for berths, however, lies not in dockage for monster yachts of 75 metres and above but in the sub-45 metre bracket.

"The market for very large yacht berths, while perceived to be large, is in fact quite small," says Mr Houlgrave. "There is a limit to the size of yacht that can opments are continuingly

the trick is to calculate is be run by individuals and opening in emerging territothe number of yachts there most of those are already home-ported somewhere and are unlikely to move.' So there has to be an

> sub-45-metre berths available over the next 10 years or there will be a shortage. In commercial terms, the shortage of superyacht berths is a double-edged sword, says Dennis O'Neil, editor of SuperYacht Busi-

There has to be an expansion in the number of sub 45-metre berths over the next 10 years

ness magazine

"To some extent it is certainly deterring new-build demand, but it also flags up the business opportunities and potentially huge profits that exist for investors bold and creative enough to build high-end marinas capable of accommodating

superyachts.' New infrastructure devel-

ries, most notably in the Baltic, China, elsewhere in Asia, and in the Pacific.

In fact, even the most farflung regions of the planet such as remote atolls and the polar regions - are starting to discover the economic benefits associated with visits by superyachts.

This is largely due to the increased popularity of expedition-style yachts among adventurous owners and charter clients, who are keen to use their extreme wealth to enjoy unique travel experiences. Yet scarcity can be a mat-

ter of perception. There will probably always be a glut of berths in areas were owners do not want to leave their yachts and a shortage of berths where they want to use them most. With a growing waiting

list for berths, and an ever increasing demand for short-term summer rental, Porto Montenegro on the Bay of Kotor Tivat, Montenegro, plans to increase its marina's capacity from 185 berths to 485 for yachts up to 125 metres overall.

More than 80 berths will be for vessels above 40

metres, with a further 130 for yachts above 30 metres. Work is expected to begin in October and to be completed in spring 2014.

Oliver Corlette, managing director, says: "We have firmly established ourselves as one of the leading superyacht home ports on the Mediterranean, and have opened up the Adriatic as the new Cote d'Azur, but without the crowds and overdevelopment.'

In addition to the marina expansion, the developers are finalising plans on the creation of a superyacht refit and maintenance facility to be developed in two stages. It will be in partnership with the Adriatic Shipyard at nearby Bijela.

The financial case for choosing Montenegro as both a place to visit and use as a home port is powerful. Apart from the beauty of the area, there is a definite financial incentive in staying in a country where VAT is capped at 7 per cent on marine-related and tourist services, while there is a maximum of 9 per cent

VAT on capital gains,

Nearby Croatia is also

income and company tax.

Porto Montenegro plans to raise capacity to 485 moorings

appealing, with VAT of 10 Marinas, plans to increase per cent when related to

Elsewhere in the Mediterranean, developers are pushing ahead with the creation of new berths.

Cyprus has marinas being built at Karpaz Gate in the northern breakaway state and Limassol in the south, creating dockage on both sides of the divided island. Meanwhile, in Malta, Kurt Fraser, sales director of Camper & Nicholsons

the cost of buying superyacht dockage.

He believes berths there offer exceptional value compared with elsewhere in the

With a limited number of berths available at many sizes and an increase in superyacht visits and occupancy, Grand Harbour Marina will increase berth purchase prices as of July 1, 2013 by at least

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