

Yachts & Marinas

Wednesday September 25 2013

www.ft.com/reports | @ftreports

Industry endures a crucial year

Participants gathering in Monaco this week are on lookout for return of confidence, says *Richard Donkin*

Sitting at anchor off the French Riviera resort of Beaulieu-sur-Mer, a short hop from Nice, Issana launches its tenders to pick up visitors who have flown in by private jet from Farnborough airport in southeast England. A Rolls-Royce has whisked them to the quayside.

"You have to experience one of these yachts to understand just what they have to offer," says Chris Cecil-Wright, founder of broker Cecil-Wright & Partners, which is showing the 55-metre yacht at the Monaco Yacht Show, which begins today.

Issana is today moored in the Port Hercule basin, along with scores of other second-hand yachts selling at big discounts to the prices that owners were seeking just two or three years ago. Another 100 or so yachts for sale are anchored outside the port.

For superyacht brokers, 2013 is seen as a make-or-break year, and the Monaco show, the most prestigious gathering of luxury vessels, is where these hopes will be realised or dashed.

"I do think we've turned the corner," says Mr Cecil-Wright. "We have been working at the bottom of the market for 24 months, but things are looking up. Quality boats are selling again. It's all about confidence among buyers and I think that's returning."

Nicholas Edmiston, chairman of broker Edmiston, says that realism among sellers is a big factor.



Issana, a 55-metre superyacht being marketed by Cecil-Wright & Partners, is one of the luxury vessels for sale at the Monaco Yacht Show, which begins today

"We are placing an emphasis on boats that owners want to sell, and we want to know that owners are serious about that. I am not interested in asking prices. I do not make money on asking prices but on selling prices."

Educating sellers to face up to market realities has been tough, says Will Christie at yacht brokers YCO. "At the start of the downturn, many buyers stood back, looking for distress sales and rock-bottom deals while sellers often held out for unrealistic prices. The market is now seeing a coming-together on both sides of the deal."

Sales of second-hand yachts have led to a steady stream of refit business in the past few years as some owners and buyers have chosen to remodel existing yachts rather than to have them designed and built from scratch.

Pendennis, a UK-based shipyard, has more refit work than new building projects, according to Toby Allies, its sales and marketing director. The yard has just spent £20m in three new construction halls and a wet basin. Other builders are also investing.

Azimut Yachts, part of the Azimut Benetti Group, is committing €29m

over three years, shifting its production from Turkey and Piacenza to its main site in Avigliana. The move places the company's strategy squarely within its Italian roots.

Giovanna Vitelli, a board director, says: "Azimut's owners, workforce, designers, technical staff and production sites are all Italian. We focus on 'Made in Italy' because it is what our competitors cannot claim to be."

The statement is a thinly-veiled barb at its closest rival, the Chinese-owned Ferretti Group. China's interest in European yacht brands was confirmed

by last year's takeover of Ferretti by Shandong Heavy Industry, and the more recent purchase of the UK's Sunseeker by Dalian Wanda.

The brand played "Rule Britannia" on the Sunseeker stand at Southampton Boat Show this month, and Stewart McIntyre, its managing director, has stressed the Britishness of the company. "It may not be British-owned but it's British-built," he says. "The owners are very keen to promote the British brand."

Continued on Page 4

Inside »

Luxury vessels prove their worth

Industry creates jobs and gives an economic boost

Page 2

Spain lightens boat tax load

Lobbying victory expected to aid charter trade

Page 2

Format change prices out teams

Fears that America's Cup is now too expensive

Page 3

Manta rays make up for glitch

Victor Mallet marvels at marine life close up

Page 4

Yacht for sale: with karaoke

China market has its own dynamics

Page 4

NETJETS

For business, for family, for life.

The innovative NetJets Signature Series.

Giving you the comforts of home and office on every flight.

When was the last time you were this excited about getting on a plane? The unrelenting passion of our pilots to provide unparalleled levels of safety and service on every flight, along with customized onboard amenities designed just for you, create an experience unlike any other. You are now free to focus on what's important in life.



Contact us at netjets.com or +44 (0) 20 3131 2902 SHARE / LEASE / JET CARD

Yachts & Marinas

Luxury vessels prove their worth

Economics Superyachts contribute significantly to employment, writes *Don Hoyt Gorman*

Five years after the global financial crisis took the wind from the sails of the luxury yachts market, shipyards and brokers have begun to promote their industry with a broader message: superyachts are economic drivers.

Industries such as automobiles and aviation often report on the economic value of their work. But the superyacht industry's largely private and independent nature has meant that until recently, few outsiders have needed to be persuaded of its economic impact.

However, VAT squabbles and environmental shipping regulations, which affect the construction and use of larger yachts, have prompted the industry to commission a series of studies examining what it contributes to local and regional economies.

A report last year by the Superyacht Intelligence Agency, which tracks the superyacht market, found that in 2010 – by all accounts a quiet year – €13.76bn was generated in the superyacht industry supply chain through sales, wages, expenditure and charter revenue, with a further €10.24bn generated indirectly including €4.3bn spent ashore and more than €1.6bn on crew jobs. The London School of Economics has also noted that employment in the superyacht industry has risen 10 per cent in the past five years.

Ken Hickling, president of the International Superyacht Society, which represents the large yachts industry worldwide, insists no other segment of the luxury market has the capacity to redistribute wealth in this way.

"When compared to art, property, jewels and [different forms of] luxury transport such as cars and planes, superyachts are the most ethical," he says. "Buying boats supports jobs. Buying big boats supports more jobs."

So where does the money go? Wealthy buyers who want a custom-built superyacht usually spend 5-10 per cent of the building cost on top-name design studios and naval architects. Specialist law firms such as Hill Dickinson and Clyde & Co are engaged to guide the client through the design and new-build contract process.

For new-build and second-hand purchases, yacht brokers and the houses



Expensive signing: Eclipse was built by Blohm + Voss for Roman Abramovich Getty

they work under are brought in to handle arrangements, introductions and negotiations, typically charging about 5 per cent of the sale price.

Once commissioned, the shipyard will receive an upfront payment to begin work. Before 2007, some yards would begin work with no money up front, but today, yards expect to see upwards of a third of the building cost before hull work begins. In 2012, 169 superyachts were delivered with an estimated total price of €3bn.

During the build phase, a range of professionals are employed on every

aspect of the vessel's manufacture, from planners and project managers to welders, plumbers, electricians, painters and carpenters. The International Superyacht Society estimates that a 65-metre new-build will provide direct employment for 350 people for the two years of its construction.

Herbert Aly, chief executive of Hamburg-based Blohm + Voss, a subsidiary of the industrial conglomerate ThyssenKrupp and the shipyard that built Eclipse for Russian businessman Roman Abramovich, says: "A medium-sized shipyard employs 500-700

workers, four times that number in servicing and supporting the yard, and at least 10 times as many working as suppliers, subcontractors and assembly workers."

Peter Lürssen, chief executive of Lürssen Yachts, which this year launched Azzam, the world's largest private yacht, says that depending on the type of vessel involved, the rule of thumb is that for every hour worked in the yard a further four to six hours are worked in related industries.

He says: "When a shipyard takes 300,000-400,000 hours to build a superyacht, six times that many hours in the support industries make about 2.5m to almost 3m man hours to finish a yacht. That equals two thousand people having worked for one year."

Superyachts require registration with classification societies, surveys, insurance and regular visits from technical specialists to maintain everything from the air conditioning to the satellite communication systems. Not forgetting crew, food and fuel. Operational and management costs for a typical superyacht are roughly 10 per cent of its build price per year. That is another €3m for a €30m yacht.

Once they are launched, superyachts – like cruise ships – often inject large sums of money into the destinations they visit.

Data collected by the US Superyacht Association, a trade body, show that on average, a 55-metre superyacht will annually spend about £70,000 on provisioning, £220,000 on dockage fees and £250,000 on fuel in the ports it visits.

Then there is the charter industry. There are more than 1,200 superyachts available worldwide to rent for an average rate of about £200,000 a week (the most lavish can cost more than £1m a week). Guests on board can be profligate, spending money on anything from helicopter flights and security to food, drink and lavish nights out in town. Tips (usually 10 per cent of the charter fee and shared among the crew) are often spent within walking distance of the marina.

"A superyacht can contain 30-40 times the value of a passenger vessel, freighter or other commercial ship," says Henk de Vries, chief executive of Royal de Vries, part of the Dutch Feadship yard. "[There is] economic value in what we do."

A little something to get you to the shore

Tenders

Craft that accompany the biggest superyachts can be impressive in themselves, writes *Richard Donkin*

Monaco's Port Hercule will this week be abuzz with candy-coloured tender boats holding their own beauty parade among the bigger yachts. The larger the vessel, the more likely it is that the owner will want something special in yacht-to-shore transport.

The trend today among the biggest yachts is for so-called limousine tenders, often with enclosed roofs, to convey guests ship-to-shore in comfort.

Sailing yachts, on the other hand, will often demand fast ribs and chase boats able to keep up with the high-speed luxury racers at an event.

The market for tenders has grown in response to demand among wealthy buyers for ever-larger superyachts with two or more smaller boats to service their needs. Often these tenders will be garaged below decks, or transported on a support vessel that travels behind with the owner's other toys, such as mini-submarines and jet skis.

Southampton-based Pascoe International manufactures the SL Limousine and SL Landau, two tenders that combine classic and modern styling in a sleek exterior. Pascoe emerged from the build of the Maltese Falcon, launched in 2006 and one of the world's largest privately owned sailing yachts. Ken Freivokh, one of the Falcon's designers, worked with Mark Pascoe, a powerboat racer, to produce two 10-metre tenders for the yacht.

"Owners are often looking for a go-faster toy, so we are building ribs, limousines and everything in between," says Tom Southern, sales manager at Pascoe.

Manufacturers have also picked up on the desire in some yacht owners to have tenders styled like those in days gone by – such as the 1960s and 70s Italian-made Riva yachts that traded strongly on film-star appeal and the idea of la dolce vita. The Riva range today extends beyond its classic Aquariva Super to include larger, more modern-styled boats, moving up into the superyacht market.

Radenko Milakovic, owner of Swedish-made J Craft, on the other hand, has carved out a niche for a single design, the 13-metre long Torpedo. Mr

Milakovic bought the business after renting a J Craft in the mid-2000s. "As a typical 'weekend warrior' without a lot of boating experience at the time, I wanted something more manoeuvrable," he says.

The Torpedo incorporates twin Volvo Penta 500 engines custom-tuned to deliver 44 knots. The internal propulsion system causes two sets of counter-rotating propellers to swivel, dispensing with the need for a rudder, and making the boats much easier to bring alongside a mooring.

"Our boats have crossed the Mediterranean and the Baltic many times. It is an uber-practical boat," says Mr Milakovic.

The J Craft is an expensive proposition, with 5,500 man hours devoted to each build. "We could have it made much more cheaply in Turkey or Italy but that would be letting down the promise of building the very best boat," says Mr Milakovic.

Other options include the Rivarama Super, also from Riva. This 13-metre powerboat is moving beyond the ten-

The trend today among the biggest yachts is for limousine tenders

der market – although not beyond the means of some superyacht owners, who will trail their yacht with a support vessel that may include a power boat secreted in the hold.

The Corsair 32 from Florida-based Chris-Craft, one of the great names in world powerboating, was also named Best Sport Boat at the recent China (Shanghai) International Boat Show.

Not everyone wants the retro look – some prefer the angled lines of the Wally tenders, the avant-garde appeal of a VanDutch or a one-off miniature version of their larger yacht.

The British-made Hunton Powerboats combine racing pedigree and what might be described as cross-over appeal for superyacht owners who want something a little more than a conveyance.

"Our aim is to remain relatively small, with short production runs to keep the exclusivity that we know is one of the things our clients appreciate," says Fiona Pool, Hunton managing director.

Tender buyers are spoiled for choice.

Rule change set to increase attraction of mooring in Spain

Taxation

Lobbying pays off and augurs well for charters, reports *Richard Donkin*

Joaquin Fernandez-Davila takes a call on his smartphone. Lady M, a 64-metre superyacht launched this year, wants to take on 20,000 litres of fuel in the Marina Davila Sport in Vigo, north-west Spain.

The yacht's captain asks whether the marina has sufficient depth. "No problem," says Mr Fernandez-Davila, the marina's megayacht coordinator, who has the ideal berth alongside a 230-metre pontoon.

The yacht docks in the evening, but departs the following day. Yachts this size are a rare sight in Spain. "I would like them to stay longer, to show them what our region has to offer," says Mr Fernandez-Davila, who longs for the day when big yachts will charter from Spanish ports, as they do from the French Mediterranean resorts.

Now, after persistent industry lobbying within the European Union, that day may not be far away.

The Spanish government in July accepted a bill that will allow an exemption from the matriculation tax of 12 per cent for visiting charter yachts in Spanish waters. The tax, which pre-dates Spain's entry into the EU, is imposed on all luxury goods, including large yachts. When added to VAT it means Spanish nationals pay a 33 per cent tax on luxury goods.

At present the Spanish tax authorities allow a tax exemption for all privately-owned boats in Spain up to eight metres in length, and charter boats up to 15 metres in length.

The new law, part of a package of tax measures put before the Spanish parliament, will not change the matriculation tax, but it will remove the 15-metre limit on exemptions for visiting charter yachts.



Short stop: Lady M docks in Vigo for the night Richard Donkin

It means that superyacht charters will be able to use Spanish waters and ports without becoming liable for the tax. "Just now if you bring your \$100m charter boat into Spain you saddle yourself with a \$12m tax liability. That will go when these measures become law," says Patricia Bullock, tax specialist at Network Marine Consultants.

The tax change, which should be in place before the 2014 charter season, has been welcomed by a Spanish yachting industry that has been struggling for business.

New interpretations on the way VAT is applied on big yacht charters in France and Italy are also beginning to level charter fee structures in the Mediterranean. A French VAT exemption was recently dropped, reducing the tax anomaly that had contributed to its flourishing charter business.

"We are hoping now that the VAT position is going to be clearer and fairer for everyone," says Carla Bellieni, a Genoa-based tax specialist. "The way VAT has been interpreted in different countries has been the problem. A uniform interpretative line will allow charter companies to choose a location because of the appeal of the country and its coast, not because of VAT law provisions."

Ahead of these changes, a number of boat builders in

Vigo have been equipping themselves in the hope of winning a slice of the superyacht industry.

Freire Shipyard, a builder of offshore exploration support vessels, expanded recently into luxury yachts with the launch of Pegaso, a 74-metre oceanographic yacht with a 10,000-mile range and its own mini-submarine.

"We were able to marry our expertise in building support vessels for the offshore oil industry to the superyacht skills of our yard in Majorca. We

'If you bring your \$100m charter boat into Spain you'll be saddled with \$12m tax'

brought those skills over to Vigo for this project," says Marcos Freire, one of the company directors.

Atollvic Shipyard, based in neighbouring Pontevedra, has extended its yacht build and refit capacity in the past few years. But with Spain's economy in a prolonged downturn, business has been slow. "It has been hard in the past year. We hope this taxation change will repay our investment," says Diego Gomez, Atollvic's commercial and marketing director.

Freire, meanwhile, has just won an order to build a training yacht for the Indonesian navy. The vessel will take 200 passengers and crew, and will double up for Indonesian government use on state occasions and trade missions.

Galicia is a long way from the Balearic islands, which can expect to pick up the lion's share of new charter business resulting from the Spanish tax change. Yet that has not stopped the port of La Coruña extending its marina in anticipation of a market upturn.

"We have a beautiful old town with so much history," says Jesús González-Aller Lacalle, director-general of Marina Coruña. "The food and the wine of this region and the Rias – our small fjords – make it perfect for cruising."

One of Galicia's wealthiest sons, Amancio Ortega, founder of the Zara clothing chain, is known to cruise the area, but the biggest yachts are not often seen on the Spanish coast, where 80 per cent of boat ownership is concentrated on yachts of less than eight metres.

Of the Mediterranean charter fleet, numbering some 840 yachts over 24 metres, no more than 14 are working in Spain, and most are older vessels.

For years, Spanish yacht builders, owners and marina owners have watched the superyacht industry expand elsewhere in frustration at a tax that has strangled their ambitions.

The tax changes cannot come too soon for Salamanca Group, the banking and risk management business that has invested in expanding Barcelona's Marina Port Vell to provide 167 berths for yachts from 10 to 180 metres long.

"The tax changes will make a significant difference," says Martin Bellamy, Salamanca chief executive. "We will be taking large vessels from this autumn and are very excited about the prospect. Our marina has the potential to be the number one superyacht marina in Europe."

Yachts & Marinas

Change of format for television prices out teams

America's Cup Efforts to attract an audience beyond sailing have contributed to the prestigious event becoming too expensive, writes *Roger Blitz*

Larry Ellison's grip on the America's Cup is finally loosening. Three years after his BMW Oracle team won sailing's most prized trophy off Valencia, the software billionaire's defence has been crumbling under the weight of Emirates Team New Zealand's impressive challenge.

Barring a miracle, the prestigious trophy will be heading to Auckland, with the homegrown New Zealand outfit outperforming Oracle Team USA and its star-studded crew in two weeks of competition off the San Francisco coast. As the FT went to press on Friday, Emirates New Zealand was 8-2 up, one race from victory.

Losing will be painful for the Oracle chief executive, although it may be of some comfort to know he has injected renewed vigour into the 162-year-old event. Some observers, however, also hold him partly responsible for the event's descent into acrimony and the exclusion of all but the super-wealthy.

Partly because of its history, the America's Cup is a sporting contest of global repute. First raced off the English coast in 1851 between the best British yacht and a schooner from the New York Yacht Club named America, the contest has always attracted entrepreneurs and industrialists.

From Sir Thomas Lipton and Sir Thomas Sopwith to the Vanderbilts from the US and Australian tycoon Alan Bond, the cup has always found individuals willing to sink time, effort and most of all money into the pursuit of sporting glory on the seas.

But its reputation has been sullied in recent years and sponsors have drifted away, as have many of the teams. Much of the damage was caused by an unedifying legal battle involving Mr Ellison and Switzerland's Ernesto Bertarelli, heir to the Serono pharmaceutical company and cup winner in 2007 in Valencia.

The 33rd edition of the cup, a grudge match in 2010 between Oracle and Mr Bertarelli's Alinghi team, went Mr Ellison's way. The defending champion has the right to set the specifications for each edition of the race, and Mr Ellison has set about changing the tone of the event, most of all in constructing an event to attract an audience beyond sailing.

"Fundamentally, this series has been designed as a television prod-



Home grown success: Emirates Team New Zealand has outperformed Oracle Team USA in two weeks of sailing off the coast of San Francisco

Reuters

uct," says Richard Simmonds, joint managing director at Sunset+Vine, a supplier of sports programming to broadcasters.

The cup was traditionally raced in single-hull boats out at sea. But Mr Ellison championed a change of format involving fast, multihulled boats racing closer to the shoreline, with the San Francisco coastline an enticing urban backdrop this time round.

The 34th edition pitted two catamarans racing at speeds of up to 30

knots, with the boats often tipping dangerously on their side to gain maximum racing thrust. At times they looked like they were flying above the surface of the water.

Television viewers were given data on boat speeds and direction of currents, while on-board cameras and microphones showed close up the frantic efforts of the crews to jibe and tack. "It is exciting to watch and it has captured imaginations," Mr Simmonds says.

But to sailing traditionalists, some of the beauty of the cup has been lost. The main criticism is that the modern version resembles nothing more than a drag race, the artistry of sailing sacrificed on the altar of speed.

Warnings about the risk of excessive speeds came horribly true in May when British Olympian Andrew Simpson was killed after his boat, Artemis, capsized during the Louis Vuitton Cup, the play-off that determines the America's Cup challenger.

'Unless you were prepared to spend north of \$100m you shouldn't even bother'

Branded regattas help create strong bonds with customers

Customer relations

The events are proving popular with owners, writes *Richard Donkin*

Giovanni Tamburi stands on the afterdeck of his gleaming Perini Navi yacht and puts his arm around the shoulder of its skipper, Marco Castelli.

"Marco has been my skipper for 20 years," he says. "We are one big family. It's why I like to be here."

The Tamburi yacht, Xnoi, is lined up at the dockside of Porto Cervo on the northern tip of Sardinia alongside 14 other gleaming boats, their towering masts dwarfing the smaller yachts and power boats that berth here all summer long.

Mr Tamburi is chairman of Tamburi Investment Partners, a company that takes minority investments in a range of companies. Today, he is racing in the Perini Navi Cup – one of a number of branded sailing regattas established by yacht builders to help them bond with their customers.

The special atmosphere in Porto Cervo is helped by complimentary moorings for owners, shore parties and 1,000 bottles of Pommery champagne that guests will guzzle in three days of racing and socialising. Fabio Perini, founder of Perini Navi, says: "For our owners, it's a great way of coming together, staying in touch and enjoying some friendly competition."

The event attracted 15 of the 52 yachts in the Perini

Navi fleet, including the distinctive three-masted Maltese Falcon owned by Elena Ambrosiadou, the co-founder of Ikos, the hedge fund.

"I am Greek, so this love of sailing comes from inside," says Ms Ambrosiadou. "My work means I can't be with the yacht as often as I would like, but I try to join it where and when I can."

Like many of the big yachts, Maltese Falcon is available for charter; the next group of clients will be boarding a few hours after the owner has left.

It is a reminder that superyachts are expensive and that the charter business can make a significant contribution to upkeep. "Maltese Falcon is an economic entity; we have to be conscious of that," says Ms Ambrosiadou, who chartered the yacht herself before buying it in 2009.

The brand relationship with owners is precious, both for feedback on performance and quality and for future sales and refit opportunities.

Owners enjoy mooring together, comparing yachts and using Porto Cervo's exclusive Yacht Club Costa Smeralda, which has become a favourite venue for high-end sailing events.

Some of the yachts have drafted in professional tacticians and racing crew, but competi-

tion is friendly rather than fierce.

"Everyone wants to win," says Riccardo Bonadeo, commodore of the club, even if the boats are not prepared in the same way as they will be for the Maxi Yacht Rolex Cup held the following week. Maxi yachts arrive daily, so that by the weekend the small harbour is heaving.

Porto Cervo in June hosted the Dubois Cup, the designer-led event that started in 2007. Ed Dubois, founder of the naval architects, says: "A couple of owners came to me suggesting an event for Dubois yachts. We've run it every couple of years since then."

Nautor's Swan, the Finnish yacht builder, is a pioneer of branded events. When Leonardo Ferragamo, scion of the Italian footwear family, and a group of investors bought Nautor's Swan and its two Finnish factories in 1998, they set up Club Swan for Swan owners. Beyond its flagship, the Rolex Swan Cup, events now extend to a regatta in the British Virgin Islands and others, some organised by owners.

Rolex, the watchmaker, has been a title sponsor for more than a

Superyacht owner Elena Ambrosiadou

Bloomberg

decade, and last year Gazprom, the Russian state-controlled gas company, came in as title sponsor for three other Swan events.

Jennifer Hall, marketing director at Nautor's Swan, also credits the Yacht Club Costa Smeralda. "They saw the opening for such branded events, and it was there we held the first Swan Cup," she says.

Oyster Yachts has gone one step further by launching a world rally, which is now in its ninth month. A support team has been accompanying the rally since its start in Antigua, guiding the 28 participating yachts through a detailed route that includes calling at ports in 15 countries along the 27,000 mile course over 16 months.

Brand loyalty underpins not only sales, but also return business in servicing and refitting. Even classic brands of long defunct yards and makers live on among enthusiasts.

Luxury brands such as Panerai, the watchmaker, have capitalised on this need for support in regattas, hitching their brands to the sailing lifestyle. Panerai hosts an annual series for classic yachts, enabling owners of once famous yards such as Fife yachts, to come together and race.

Other traditional classes of yachts, such as the now thriving J-class, can often be slotted in to existing regattas such as Maxi events.

"It's a lot of work... but it's important to our business," says Mr Perini. "Our owners want to come together – it's part of sailing and of what we do."

Contributors >>

Robert Orr
Commissioning editor

Steve Bird
Designer

Richard Gibson, Liz Durno
Sub-editors

Michael Crabtree
Picture editor

Roger Blitz
Leisure industries correspondent

Richard Donkin

Sailing correspondent

Don Hoyt Gorman
Business editor, The Superyacht Report

Sarah Mishkin
Taipei correspondent

Victor Mallet
South Asia bureau chief

All content in this report is produced by the FT. For advertising contact **Ian Edwards** Ian.Edwards@ft.com +44 020 7873 3272

Yachts & Marinas

Dutch yards maintain a focus on quality

Netherlands

Competition between yards keeps standards high, says *Richard Donkin*

Myanmar teak is stacked floor to ceiling in an aerated shed at the Royal de Vries shipyard in the Netherlands. The racked wooden planks, which must season and dry for 10 years, are valued at €10m at today's prices, with teak trading at €25,000 per cubic metre. "Each tree is about 100 years old. It is a limited resource and the industry cannot go on using it – we know that," says Henk de Vries, Royal de Vries chief executive. "In 10 years, we will not be using teak any more." He shrugs, walking through to the shop floor where carpenters are working the wood, which has been selected specially for its tight grain.

"The average age of our employees is 36 or 37 – that means they've worked on 30 to 40 ships in their careers," he says. "That's a

lot of experience – few other companies can match that."

Royal de Vries is one of two builders that produce yachts under the Feadship brand. The name is recognised across the industry for its workmanship, and produces some of the world's finest superyachts. The other yard, Royal Van Lent, is owned by LVMH, the luxury goods group.

They are separate businesses, which market their yachts jointly under the Feadship name. A third company working within the brand, De Voogt Naval Architects, jointly owned by both yards, handles their designs.

Along with the leading German yards, the Feadship brand has weathered the world yacht-building recession better than many others. Feted for their obsessive attention to detail, the yards have a reputation not unlike those of Rolls-Royce or Bentley carmakers – not necessarily the most stylish, but renowned for their build quality.

"I can live with that comparison," says Mr de Vries.



Henk de Vries Richard Donkin

Will Christie, a broker at YCO, says: "These yachts hold their value better than most." Mr Christie is attending the Monaco Yacht Show this week to handle the sale of Seaflower, a 40-metre Royal Van Lent yacht priced at €16.5m after a recent refit.

A characteristic of Dutch shipbuilding is the willingness of leading yards to recognise the quality of domestic competition. That between Royal Van Lent and Royal de Vries tends to be at yard level, among managers and the teams of

workers who take pride in their skills.

But the yards co-operate in sharing innovations. Outsiders say it is difficult to distinguish between them on build quality.

The rival Amels yard has been pushing Feadship hard in the past few years. Its 60-metre Tim Heywood-designed Event is one of the must-see yachts at Monaco this week.

Rob Luijendijk, Amels managing director, says: "Event is a benchmark in superyacht exterior design. It will definitely turn many heads – even in Monaco."

Among that competition is another Dutch yacht, the Heesen-built 65-metre Galactica Star, owned by Kola Aluko, the Nigerian oil tycoon.

Built with an aluminium fast-displacement hull, Galactica Star delivered a top speed of almost 29 knots during recent sea trials. It also comes with design features including a beach club, swimming platform, tender garages, helideck and a glass-bottomed pool above the bar.

But it is the features under the waterline that

Heesen believes will give it the edge in a market that is slowly waking up to the need for fuel conservation.

Another of its yachts, currently under construction, is being fitted with a "hull vane" – an underwater foil attached to the underside of the yacht to provide better stability and performance through the water.

Meanwhile, the Dutch sailing-yacht maker Royal Huisman has bounced back after suffering the cancellation of two important orders during the financial downturn. It has three yachts currently in build, and recently completed Blue Papillon, a 43-metre sloop designed by German Frers, the Argentine naval architect.

Alice Huisman, managing director of the family business, says that, having traditionally concentrated on sailing yachts, the yard would be willing to build motor yachts if the right kind of contract came along.

"We have every kind of trades capability in-house, from traditional joinery skills to space-age electronics and IT," she says.

"Our focus is that of a custom-builder creating bespoke yachts... [for] clients for whom quality is everything. There's nothing the team likes better than a new challenge to their engineering ingenuity."

Royal Huisman has been active in the J-class revival, building Hanuman for Jim Clark, the information technology entrepreneur. The yard also built Mr Clark's classically-styled schooner, Athena.

One of the biggest sailing-yacht projects in the world, however, is being undertaken by a rival Dutch yard, Oceano, which is building a 108-metre superyacht, Solar, to be delivered in 2015.

The yacht is adopting a DynaRig mast and rigging arrangement similar to that used on the revolutionary three-masted Maltese Falcon owned by the Greek hedge fund owner Elena Ambrosiadou.

With expertise such as this, the Netherlands is likely to be in a strong position to capitalise on a return to confidence among buyers at the top end of the superyacht market.

Yacht for sale: with karaoke room included

Asia

China market has its own dynamics, says *Sarah Mishkin*

The yacht market in China is growing despite an uncertain economy and a government fight against corruption which has turned the mood against conspicuous consumption. But many potential owners have little experience of seafaring, and yacht builders are warning that cultural obstacles, stiff import taxes and the bureaucracy that hampers coastal passages will take time to overcome.

An attraction to European luxury brands has directed Chinese investors into Europe's yacht market, as evidenced by two high-profile deals: last year's purchase of Italy's Ferretti Group by China's Shandong Heavy Industry and Dalian Wanda's takeover of the UK-based Sunseeker in June.

Both deals underlined the Chinese move into luxury goods. People in mainland China are becoming ever more interested in deluxe living, and the popularity of the Hainan Rendez-Vous – an annual showcase of high-end wares ranging from furs and jewellery to exotic cars, private jets and superyachts – increases every year.

Some European manufacturers are warning that the country will take time to come around to yachting. "Chinese owners rarely sleep on board their boats, and use them mostly for business and entertaining. A must-have cabin on many yachts is the karaoke room. It is taken quite seriously in China," says Will Green, sales director at the UK's Princess Yachts.

Ferruccio Rossi, Ferretti chief executive and a regular visitor to China, says luxury yachts are valued for their lifestyle appeal. "The yacht is mostly for status among corporations and important entrepreneurs, who use it as a place to develop business relationships," he says.

Cultural differences have not deterred the CIMC Raffles shipyard in Shandong province from building an 88-metre superyacht, Illusion. Due to be completed next year, it will be the biggest ever built in China.

European boat builders and brokers are making forays into what is still an immature market. Royal Huisman, the Dutch yacht builder, has just appointed two executives to build its brand in Hong Kong and China. Twizzle, a 57-metre Royal Huisman-built ketch, which has been cruising and chartered around the region this year, recently won the Asia Boating award for best Asian-based charter yacht.

The Netherlands' Feadship recently sold the 45-metre Blue Sky to a Chinese owner – the first exclusive superyacht order for mainland China. "We expect more to follow," says Jan-Bart Verkuyl, Feadship sales director.

Chinese-owned Ferretti and Sunseeker, however, seem the best poised among Europe's yachtmakers to exploit these markets. "The acquisition [by Shandong Heavy Industry] means new investment and gives us access to a rapidly growing market," says Stewart McIntyre, Sunseeker managing director.

One of the biggest barriers for European yacht exporters is a 43 per cent import tax on yachts sold to mainland China. Most sales, therefore, are in Hong Kong, which has no import tax.

As a result of the tax barrier, a home-based yacht building industry is emerging in China. The country's yachtmakers together ranked eighth in the world in 2012 for production measured by length, according to ShowBoats International, a market researcher.

The growth in a Chinese yacht building industry and the development of internal supply chains were aided by the economic downturn in the west, says Mark Evans, joint managing director of McConaghy Boat, an Australian group that opened a shipyard in China a decade ago. He has found western customers more willing to save money by buying a "Made in China" boat.

Roger Liang, founder of Kingship, one of China's home-grown yacht brands, imports precision parts from overseas, and brings in skilled craftsmen to train his workforce. "I have 130 guys living in a dormitory, not going home. That's dedication," he says.

Yet the home-grown sector faces its own problems. Mr Liang says his labour costs are a tenth of those paid in Europe, with the result that, without the prestige of a European brand, his boats have to sell at two-thirds of the price of equivalents made by his old-world competitors.

Another hurdle for Chinese yachting is a shortage of high-quality marina developments. Yachts often have to moor alongside fishing boats, away from shopping centres and the best hotels. Hong Kong too is short of marina space.

Keppel Land, part of Singapore's Keppel Group, is building a "lifestyle marina" in Zhongshan – a short journey from Hong Kong – that will include residential and commercial properties. Trevor Fong, head of marina management, says Keppel is also seeking a relaxation of regulations to allow boats to sail directly to the nearby gambling hub of Macau.

Difficulties in obtaining travel permits to move from one province to another deter all but the most adventurous yacht owners, and China's military is very sensitive to yacht traffic encroaching on its manoeuvres.

Yachtmakers are persisting in developing their Chinese connections, however. The Italian Sanlorenzo SpA yard has just entered into a €30m joint venture with Sundiro Holding, a Shenzhen Stock Exchange-quoted company that makes Honda motorcycles under license, to produce Sanlorenzo-designed 10-20 metres boats in China under the Sundiro brand.

On FT.com >>

India

A shared dream

Victor Mallet meets Shakeel Kudrolli and Zia Hajeebhoy, the husband and wife team aiming 'to get Indians to sail'

www.ft.com/yachts

Somersaulting manta rays make up for a steering crisis

Mediterranean A problem that could have ruined the trip was forgotten as *Victor Mallet* was given a chance to marvel at marine life

It seemed too good to be true, and it was. After a week of frustratingly windless Mediterranean weather, Sea Flower was finally relishing a good breeze and storming from the island of Ischia across the Bay of Naples towards Capri.

Then our friend Patrick, who sports a reassuringly seamanlike grizzled beard, bellowed "No steering!" from the helm and showed us the wheel spinning uselessly as the 11-metre cutter began to veer off course and head gently up into the wind.

It may not be the most unwelcome shout a skipper can hear ("Man overboard!" and "Fire!" are worse), but the inability to steer the boat certainly gets you thinking fast about dangers to leeward, ports of refuge and the possibility of foreshortened vacations and unhappy teenagers.

Fortunately the rudder was intact and we had taken the precaution at the start of our cruise in the city of Pisa of checking the emergency tiller, which slots over the top of the rudder post and allows you to steer the 12-tonne boat like a rather heavy dinghy.

So we made it safely into harbour at Capri, which has the twin distinction of being the most expensive marina in which we have ever berthed, and probably the best value for money, given the cost of the island's hotel rooms.

A price of €130 does not sound so bad when you divide it between the six of us on board (our family of four and a couple of old friends eccentric and tolerant enough to spend two weeks in June with us).

But the failure of the steering cable was a harsh reminder that all boats –

from the multimillion-dollar luxury motor yachts that towered over us at Capri to the smallest sailing vessel pottering about the Solent – depend on constant maintenance and repair of the multiple systems that make them work.

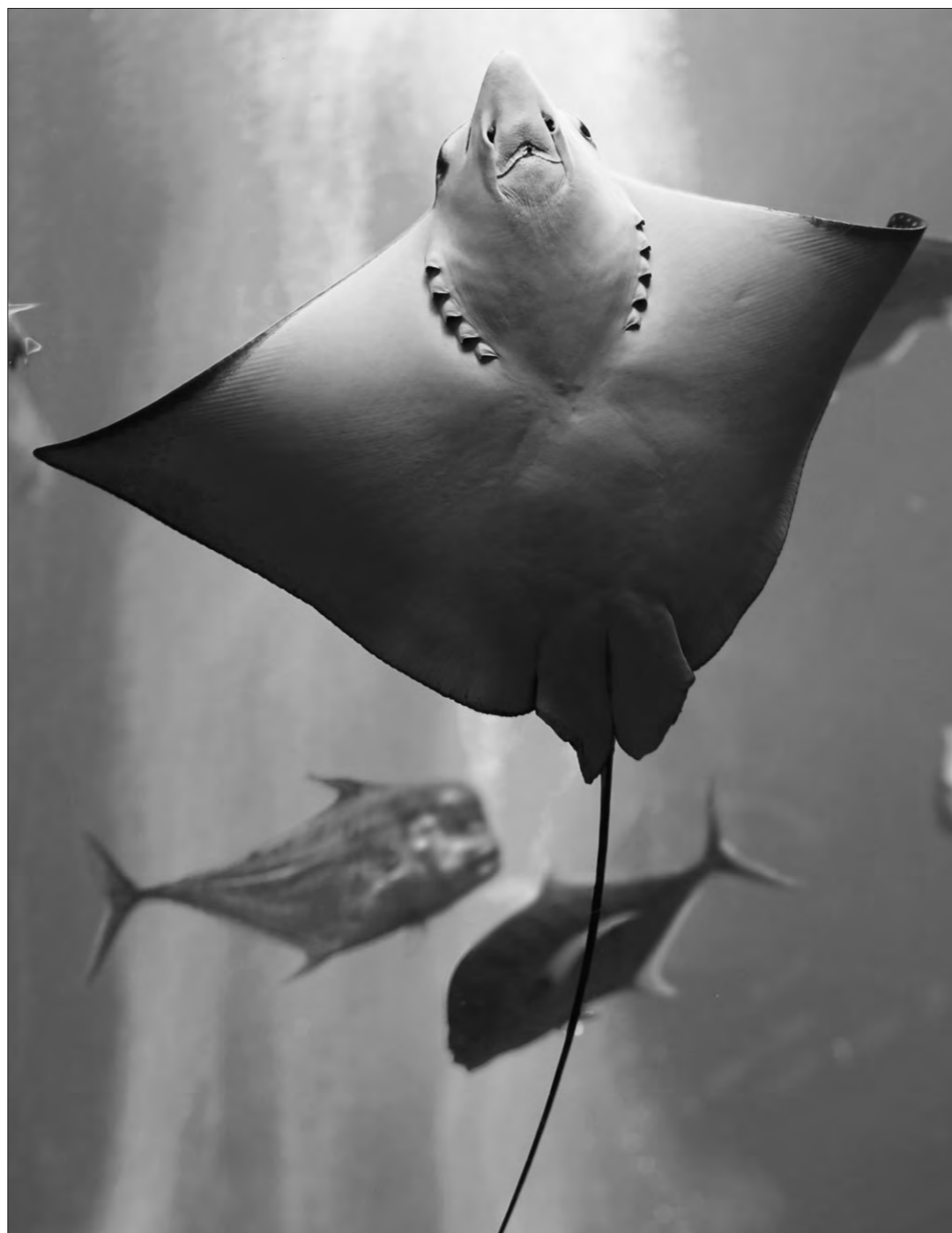
Passengers on professionally crewed superyachts may be blissfully unaware of what goes on behind the bulkheads, but skippers of their own boats know the need for eternal vigilance about sails, rigging, plumbing, electrical systems, electronic instruments, refrigeration and auxiliary diesel engines.

It means for example that my 82-year-old mother in Kent finds herself each winter taking delivery of mysterious packages from online chandleries containing toilet repair kits, fanbelts or solar charge regulators that allow the batteries to be safely charged by the boat's flexible solar panels.

Even so, I reflected at the end of our cruise in Salerno as I struggled in the bowels of the boat to dismantle the broken steering system, it was all worth it – for the manta rays alone.

We had eaten well and drunk good Italian wine, having started our holiday on the banks of the Arno river near Pisa.

We had enjoyed swimming in the clear blue waters of the Mediterranean and walking through the fragrant scrub of the islands of Elba, Giglio and Capri. We had seen the sights, classical and Renaissance, including the Roman galley harbour dug out of rock at Ventotene and the ruins of Herculaneum on the shore near Naples underneath a steaming Mount Vesuvius.



High flyer: sights such as the giant manta ray are best enjoyed from the sea

Bloomberg

But to our surprise, the highlights of this trip in the overfished Mediterranean were undoubtedly provided by the marine life.

The manta rays were the most spectacular and unexpected of all. As we approached Ponza one morning after an overnight sail from Giglio, I was puzzled to see what appeared to be a big wet blanket leap into the air from the sea and flop back into the water about half a mile ahead.

Closer to Ponza we were treated to the extraordinary sight of at least three of these big rays chasing each other elegantly through the water a few inches below the surface. They appeared to ignore us completely as we gawped at their antics.

Occasionally one would leap high into the air and perhaps do a somersault before splashing down again. We immediately assumed they were

engaged in some kind of mating frenzy, although from the little research available on the habits of rays we later concluded that their behaviour might equally have had something to do with feeding.

Either way, we all felt privileged to have witnessed the sight because it is the kind of experience you can have only on a boat.

Last year, I nearly ran over a large sea turtle off Elba. This year we saw dolphins, several sunfish – the massive, inedible creatures that flop about on the surface – and a bizarre black-cloaked sea slug about four inches long that looked like a swimming Phantom of the Opera, but turned out to be a sea hare.

Next year, we aim to head south again and see the Aeolian islands and the live volcano of Stromboli. I just have to fix the steering first.

Crucial year for industry on the lookout for signs of confidence

Continued from Page 1

Competitor Princess Yachts plans to invest €35m developing part of the former naval dockyard in Devonport, Plymouth, that would give it the capacity to build yachts up to 60 metres. While Sunseeker and Princess are optimistic about growth, a smaller UK builder, Sealine, went into administration this year.

The leading Dutch and German yards, meanwhile, report healthy building programmes, even if – in some cases – the order books are not as strong as they were five years ago when the

industry was hit by the financial downturn. Builders at the high-end of the market are working for an exclusive club.

"I always say to potential buyers: 'Never spend more than 10 per cent of your net worth on buying your yacht.' So if you have €100m, you can afford one at €10m," says Mr Edmiston. "If you have more than a billion, within reason, you can do what you want."

According to Forbes magazine, the global economy has produced just over 200 new billionaires in 2013, but only a sprinkling of these will want to buy a

new superyacht. "I think the number of people crazy enough to commission one of these yachts is between 30 and 40 a year," says Henk de Vries, chief executive of Royal de Vries, one of the two Dutch yards constructing yachts under the Feadship brand.

"We are dealing with tremendous egos. Why have a new yacht when there's a fantastic selection among 1,000 used ones out there? But they want the ultimate boat. In the mind of one owner, he was the painter and we, the shipyard, were the paints and the canvas. That's how he described it."

While 2013 saw the launch of the biggest private yacht to date – Azzam, built by Germany's Lürssen – some yards and brokers believe that the trend among motor yacht buyers in future will be towards quality and efficiency, rather than size.

The downturn hit the industry when some of the biggest yachts were under construction. Every one of the world's 100 largest superyachts is more than 70 metres in length, and 39 of these was either built or delivered in the past five years, according to the latest Camper & Nicholsons Superyacht Index, produced

in collaboration with Superyacht Times.

Heesen, the Dutch yacht-builder, has been working on new hull developments, some of which went into the building of its latest superyacht, Galactica Star. The Dutch Feadship yards, meanwhile, continue to focus on quality.

"Explaining the differences in build that distinguish the very best yachts is not always easy when confronted with a buyer who simply says: 'I want a bigger yacht,'" says Mr Cecil-Wright.

Size does still matter for sailing yacht buyers, with a

number of 100 metre-plus yachts currently being built. Still on the drawing board as Project 380 – but bearing the stage when contracts will be signed, according to the naval architect Ed

125m

Height of the mast on a proposed giant sloop

Dubois – is a giant sloop that, if built, will be the largest Bermudan rig in the world. The 101-metre yacht has been designed with a 125-metre mast that would dwarf London's Big Ben.

Equally exciting are the technological leaps in size and speed made by the 72-metre wing-sail catamarans that contested the recent America's Cup.

While the world's most experienced crews worry that the technologies are in danger of overtaking their efforts to tame this new generation of racing yachts, most believe that there will be no going back to monohulls. Technology pioneered from these yachts will also feed through to other forms of racing.

Despite the optimism, Monaco this week will again be a buyers' market where

potential owners can pick over some of the jewels of the world's superyacht fleet. While brokers will lay on the VIP treatment for prospective clients, builders are showing some of their latest launches.

Stand-outs include Lürssen's 88-metre Quattroelle, Heesen's 65-metre Galactica Star, the 60-metre scimitar-bowed Event from Amels, Perini Navi's 60-metre sailing yacht, Seahawk, and Palmer Johnson's 64-metre Lady M.

Looking at these gleaming arrivals, it is hard to believe that yachting has been through the doldrums.