

The Superyacht New Build Report

OWNER

Owners give their honest feedback on their own new-build experiences in a compendium of our most candid interviews.

DESIGN

A quickie with Dickie

The inimitable Dickie Bannenberg becomes the latest designer to join Georgia Boscawen for a pint.

TECHNOLOGY

“If you’re a superyacht builder and you ask someone to import Burmese teak, you are in effect commissioning someone to commit a crime.”

Jago Wadley, senior forest campaigner for the Environmental Investigation Agency

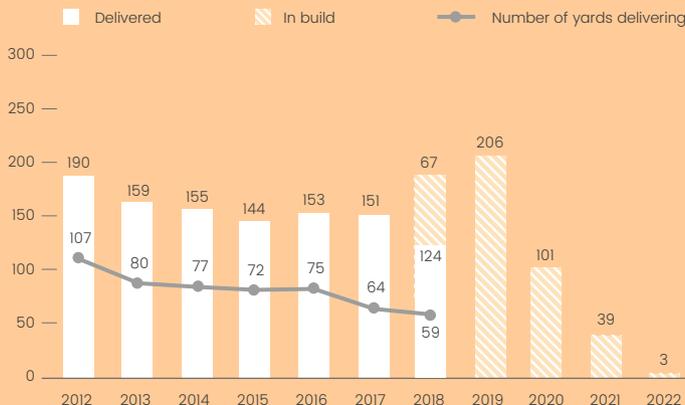


Michael Breman and Theo Hooning debate our two-tier market hypothesis

FLEET

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Completed and scheduled deliveries



BUYER

223 & 125

The average number of annual second-hand sales and new orders, respectively, since 2013.

OPERATIONS

‘An owner I worked for actually changed the shipyard when looking for a larger new build because of the amount of post-build work we had to conduct to correct simple issues.’



An interview with
the president and
secretary general
of SYBAss



Industrialists: Michael Breman and Theo Hooning

BY WILLIAM MATHIESON

TSR travels to the Lürssen headquarters in Bremen, Germany, to meet the president and secretary general of the superyacht industry's foremost new-build representative body.



Throughout this report, by using empirical data, we have been at pains to underline the true status of the new-build market. Within these pages, we have proven that the new-build market remains sustainable and is one of longevity – for an elite tier of yards, that is. The global output, in unit terms, has chugged along at a relatively flat pace, with a small handful of shipyards enjoying high levels of activity while many others are living a hand-to-mouth existence in the context of projects.

With this schism of activity between this elite tier and the rest, we thought the obvious subjects for the Industrialists section of our New Build issue were the senior representatives for the body that represents the market's strongest performers.

Since its inception in 2007, SYBAss (Superyacht Builders Association) has swelled its ranks to 22 members (Bilgin Yachts having joined days before this interview took place) and these are the true nucleus of new-build activity.

Representing builders of yachts over 40m LOA, the SYBAss roster is, in essence, a list of the world's most prolific and longstanding yacht builders. While there are a few candidates who could – but have yet to – join its ranks, we felt it only apt that for this issue we should meet the organisation's president Michael Breman and secretary general Theo Hooning.

I think the best place to start is with the composition of the organisation, its purpose and your respective roles within it.

TH: Michael is the president of the association and, with the secretary general, we act as the first actors in topics relevant to the association. We have been doing this together for 12 years and that has created a strong situation; I have never had to question Michael's

decisions and he has never come to me and said, 'What the hell are you doing?'. So it creates a stable leadership for the board to work with.

What is the composition of the board?

TH: We represent a nice mixture of the geographical areas, with the vice president [at the time of writing, Perini Navi's Fabrizio Sgariglia] representing the sailing-yacht sector. We also have Germany, Italy, the Netherlands and the US represented on the board. We have tried to differentiate between ages and gender too [the remainder of the current board comprises Vincenzo Poerio, Benetti; Michelle Jones, Delta Marine; and Jan Bart Verkuyl, Feadship] and we have our next board elections in September.

The founding members were Feadship, Benetti and Lürssen, and then Perini, with initial discussions in 2006, followed by 16 other shipyards. And then the organisation was formally founded in February 2007, with elections in September of that year.

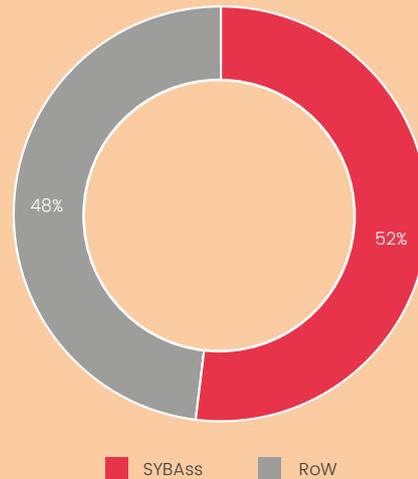
What is the organisation's modus operandi?

MB: One of the main reasons for the birth of the organisation was that we were caught with our pants down when it came to the Maritime Labour Convention. For an outsider to look at our little market, they'd say, 'You have people regulating your market and you don't know about it?' But we didn't! That was the catalyst to say 'never again'. And out of this evolved the fact we now have a say with those that regulate our market. A wishful next step is more than just a say – it's influence. But right now, we are heard and we have observer status at the IMO, so we can sit at the table from the beginning. And slowly but surely, thanks to the personalities of those

“Our core mission is to ensure we have a relationship with all of the core stakeholders affecting our industry.”



Total LOA delivered in past five years (40m+)



involved, we have become part of that family, with the fruits becoming more apparent over time. So our core mission is to ensure we have a relationship with all of the core stakeholders affecting our industry.

TH: With common goals, we are more effective and that was something that was missing from this industry.

While, ostensibly, you are an association of builders, do you think you now represent the industry because of the rate of your progress when compared to other industry bodies?

MB: We tend to stay away from things within the bigger picture that don't concern us. We try to have a dialogue with other stakeholders, such as brokers or regulators. We sit together regularly to see where there is room for improvement. One of the issues I have when discussing matters with the board is that what is good for the collective is good for the one, and what is good for

the one is good for the collective. We sit in working groups with technical representatives from our shipyards, working together and negotiating on topics. These discussions are protracted over many, many months to work out what is a fair outcome for all. We have achieved many [of the] things we wanted to achieve, but not everything. Perhaps this is because some are idealistic in commercial terms, but let's see what the future brings.

Are there any initiatives, current or upcoming, that you want readers to be aware of?

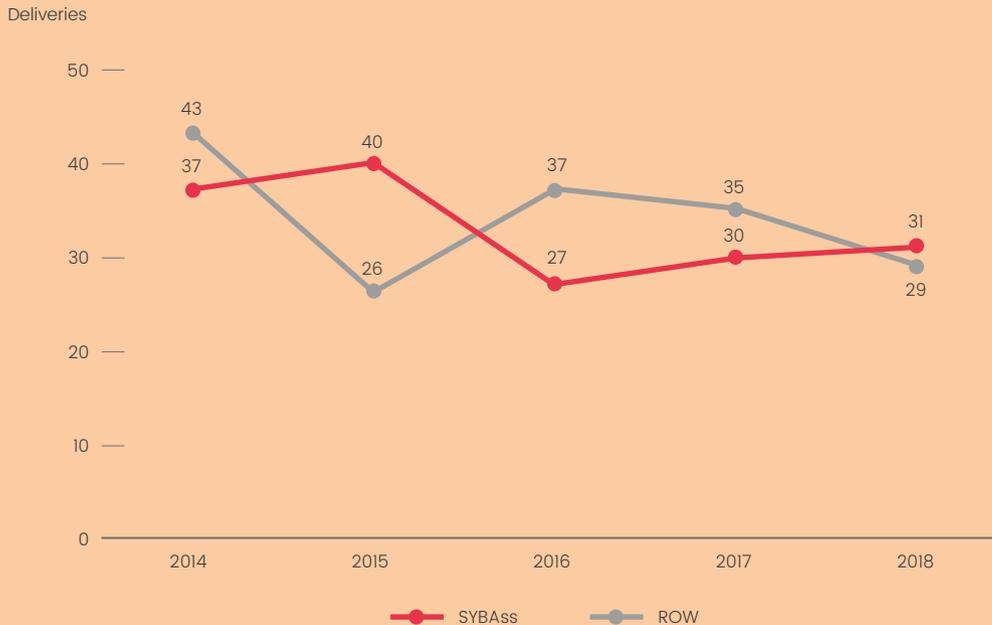
TH: SYBAss started as a B2B [business-to-business] activity, with promotion, regulation and professionalism being our core [pillars]. We undertake work that shows our impact on the maritime industry or the economy at large. We have an economic impact study finalised, produced in conjunction with VU University in Amsterdam. In 2011,

Michael was the first to see our market was shrinking and he felt we needed to reach out to the consumer. To cut a long story short, that was the start of the Superyacht Life Foundation [an initiative now with many trustees in superyacht sectors beyond new build that promotes the superyachting experience to new spheres].

Under 'professionalism' we developed a keen interest in sustainability issues, which is essential if we want to be seen as an industry. This became the Water Revolution Foundation [a non-profit, scientific foundation promoting sustainability within yachting, co-founded by The Superyacht Group's Martin Redmayne]. So now we have what I see as three pillars: business-to-business, business-to-consumer and business-to-society.

So on to the market itself and your views on its health. We believe a two-tier market has been formed, with

40m+ deliveries since 2014



your members constituting the nucleus of the top tier. If we focus on your market parameters (40m+), the market is self-sustaining and very profitable – for a handful of builders.

MB: ‘Very profitable’ is a loose term; it is a ‘continuing business’. Like most brokers, the difference between a good year and a bad year for most shipyards is one boat. The risk taken by our members, and anyone that undertakes this work, is quite substantial. We like to say that at any given time we are responsible for around half of all activity. The other half is done by as many shipyards as there are units. That’s a pretty scary picture of the market.

TH: The core of the market is within SYBAss. Even greater concentration still could help to bring even greater stability to the market. In terms of what we represent, you can go two ways; you can have a very exclusive club – but then you are not really representative anymore – or you try to be globally representative.

That’s tricky because the new-build market has contracted significantly. If we take ‘consistency’ to be the delivery of one project per annum for each of the past five years, there are only 10 shipyards worldwide that we can truly class as consistent – and nine are SYBAss members [Abeking & Rasmussen, Amels, Baglietto, Benetti, Feadship, Heesen, Lürssen, Oceanco and Sanlorenzo; the only non-member is Sunseeker]. There is diversity of representation, but there is also representation of the true state of the market and the truth is that we are an incredibly niche market.

TH: And they are all in the eurozone. It has become a superpower in this industry and that is detrimental to a truly global association. So are we a global association or a European association? We have two parameters of acceptance – four deliveries within 10 years and the company [continually trading] for the same time period. This immediately

limits you with the number of shipyards you can accept.

MB: There are yards that are eligible but are not members. It’s a pity because the things we manage to achieve in the field of regulation apply to everybody, even if they aren’t members. This is a club where you should be a member.

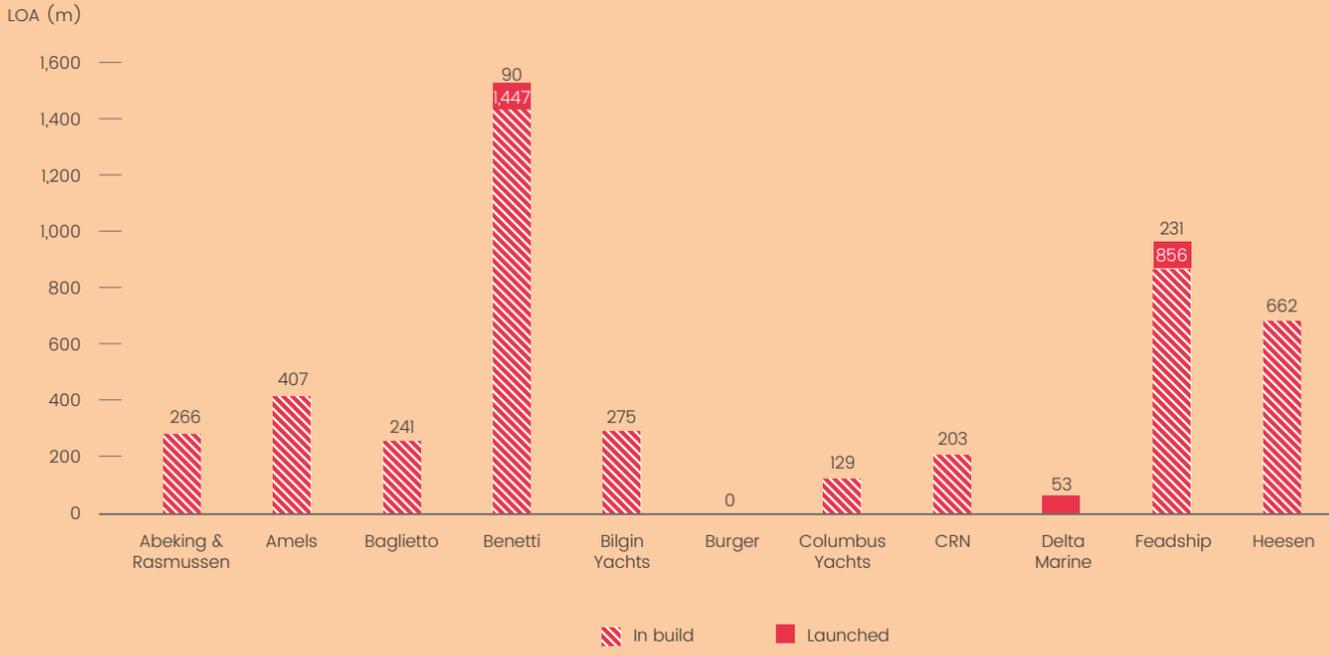
TH: It’s strange because if you have delivered 12 yachts but are not a member, you are reaping the benefits without contributing. But I do hope that we will attract more countries – China, perhaps – to support the notion that we are truly international.

But that’s reliant on them meeting your parameters, which isn’t guaranteed. We’re actually seeing less diversity as our industry grows, which is ironic because it seems in contravention of the most basic rules of economics.

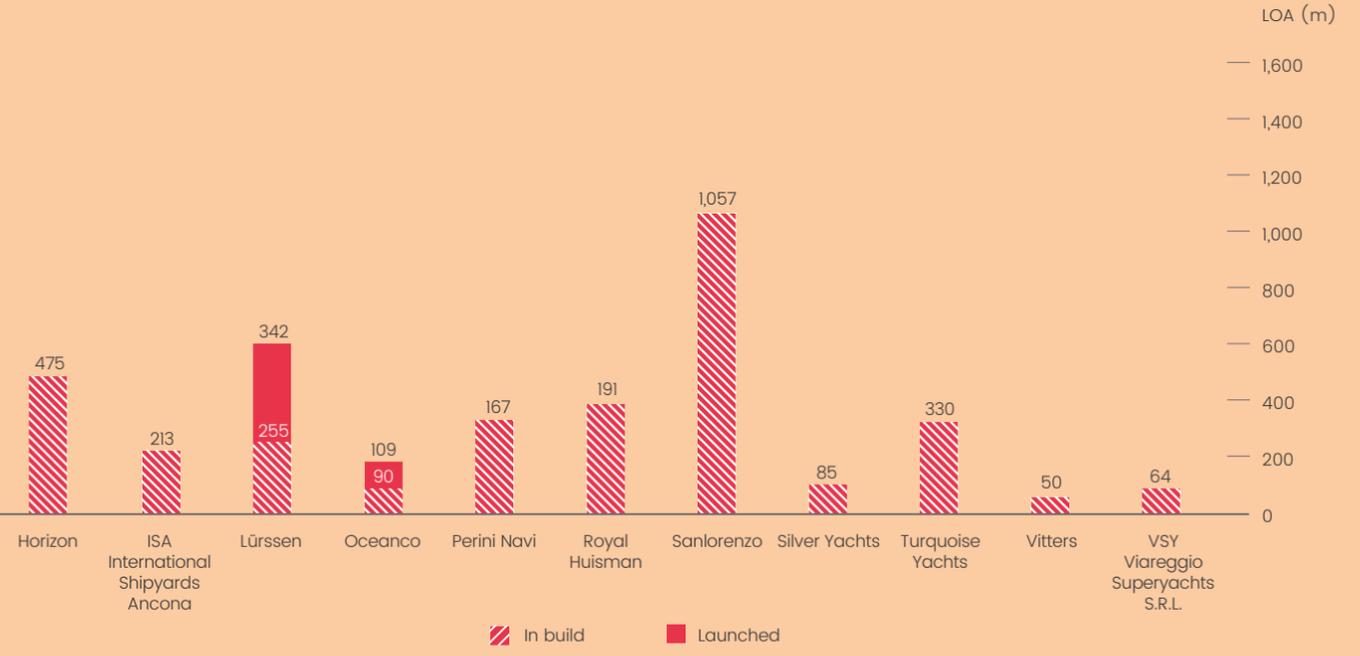
MB: That is because you are trying to apply ‘real-world’ economic rules



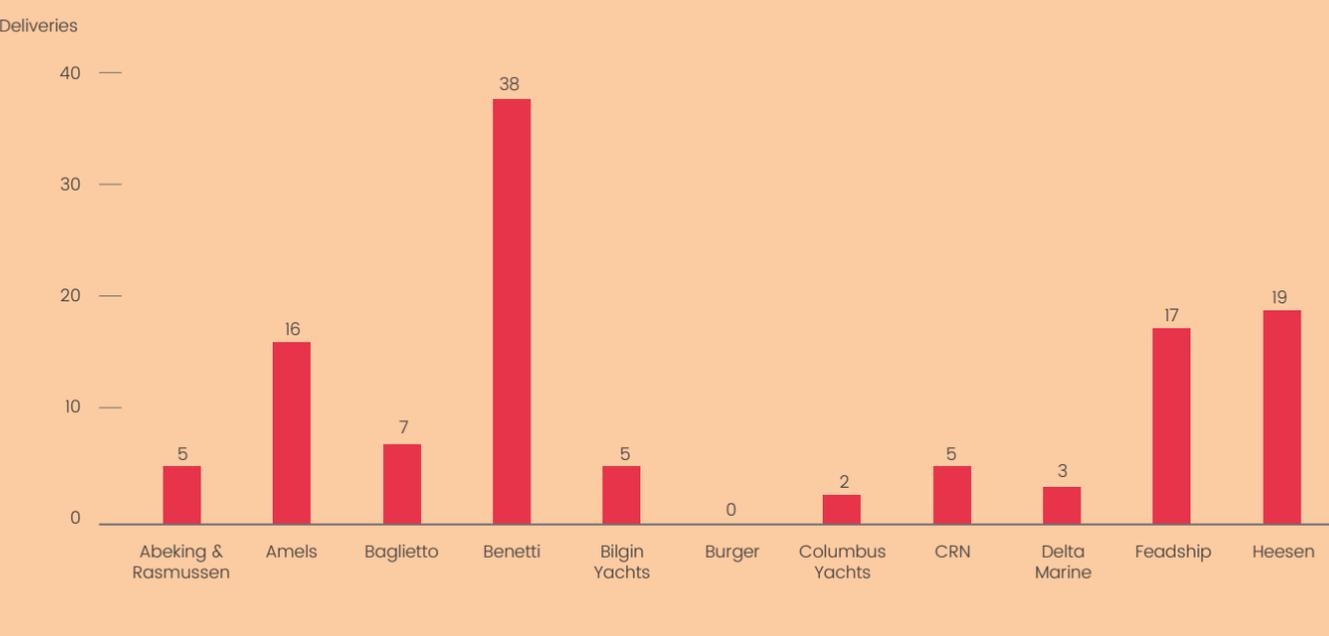
SYBAss total LOA in-build and launched projects



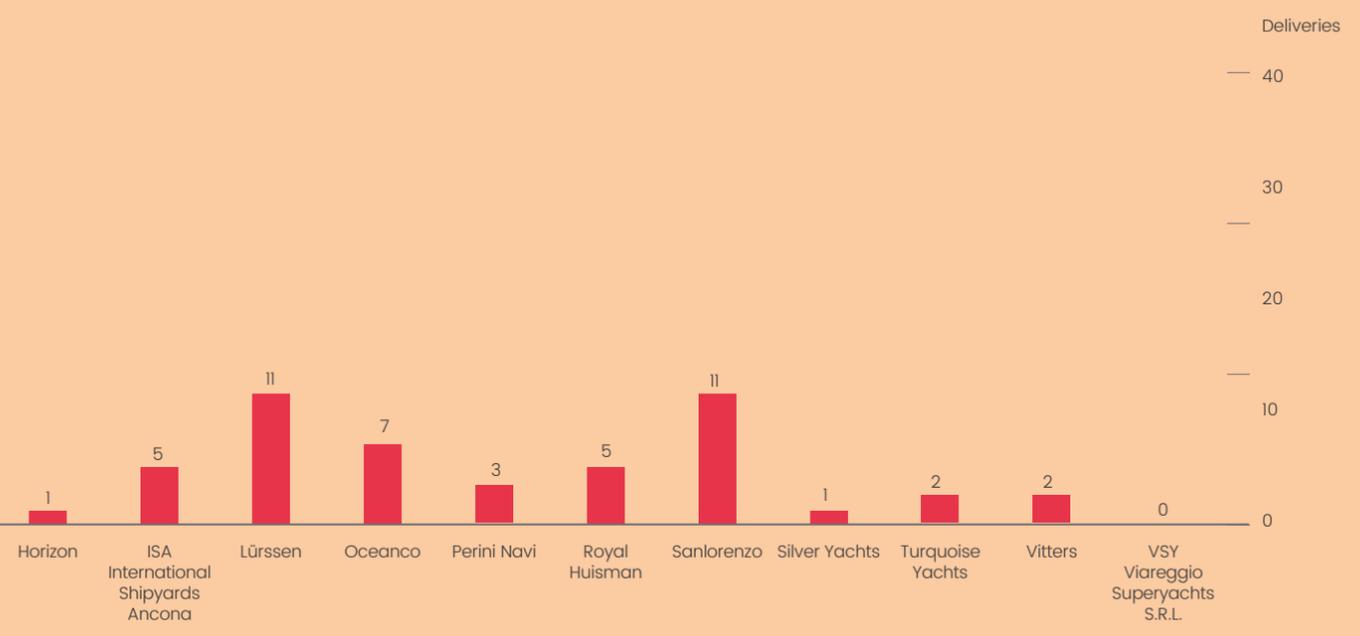
SYBAss total LOA in-build and launched projects



SYBAss members total deliveries in past five years



SYBAss members total deliveries in past five years



“With the growing size of the boats, I worry we could price ourselves out of our own market. If our yachts become too expensive, our clients will find other things in the world instead.”

to something that exists outside that world. Yes, it is a very niche business, but bear in mind [that] half the world's production is still undertaken by many, many shipyards that are at that moment in time engaged in activity. So in that sense, the situation is not as dramatic as you make out. The thing that worries me, and has for a long time, is the flat-line of market activity. We continue to build the same number of boats each year. Some companies have expanded but if you look at the numbers there is no upward trend.

With the growing size of the boats too, I worry we could price ourselves out of our own market. If our yachts become too expensive, our clients will find other things in the world instead. That is why we must undertake these outreach programmes to increase the propensity [by wealthy people] to buy yachts.

But does that line need to spike? Perhaps what we are looking at is the true state of the superyacht new-build market – one that sustains only the finest purveyors of quality in every sector.

MB: The barriers to entry are certainly now quite high. The temptation to enter the market goes hand in hand with pricing, and after one or two yachts, they may realise it is not a good business and move on to something else. We need to find ways to attract more clients and pricing is certainly an issue.

Is that the sort of issue you discuss within SYBAss?

MB: Superyacht Life has been set up precisely to be that sort of ‘lobbyist’ –

to create campaigns that highlight the attributes of yachting and to change the myths published in the mainstream press about it, which means many people don't dare venture into our world for fear of being labelled as some kind of crook!

But there are elements of the construction process – change orders, delivery times, premiums on equipment – that are internal matters for the industry to discuss and address.

TH: We are not in the business of enhancing the quality of the individual products because that is competition and that is down to each of our members' businesses.

MB: Of the nine you mention, they are all clearly very different products. Clients will rank them based on their own subjective interpretation of ‘quality’. What makes a yacht? The look, the quality, the excessive engine room ... or how you live it? The definition of a yacht is ‘a vessel intended for pleasure’.

Well, there it is. Categorising a yacht is very arbitrary. Our company does it using a 30m size LOA threshold because that gives us some parameters for our subject matter, whereas pleasure is harder to define.

MB: Personally, I am reinserting into my lexicon that the product we construct is a luxury yacht. The difference between *Ulysses* [now *Andromeda*] and *Northern Star* is how well appointed the two are. Without knocking either one, they fulfil their purpose – which is for their owners to enjoy yachting.



“It is my assumption that the increase in wealthy individuals through inheritance will outstrip new wealth. Therefore, I think the growth sector will be 60-80m, which is still a seriously large boat.”

TH: If you broaden your definition of a luxury yacht, you attract more clients. If you can do that, perhaps we as an industry [will] get out of the situation we find ourselves in.

MB: It’s a question of how we’re going to do that because otherwise we’re all swimming in the same bathwater.

Talking of that bathwater, how do you see the SYBAss market share evolving?

TH: We see it increasing. Fewer yards are building more yachts and they are members. The volume of vessels is getting bigger and that type of builder is a SYBAss builder. The sector we are worried about, however, is the sailing-yacht sector. When I started in this industry, 20 per cent of 40m-plus vessels were sailing yachts. Now it’s seven per cent, and still going down.

And what about the anecdotal evidence that yachts are getting exponentially bigger? Personally, I think that’s a falsehood.

MB: It’s my personal opinion that building large boats – 120m and upwards – is an occasional occurrence. It’s not a real business. [Lürssen] happens to be suited to it and people come to us because we have done it, so it may look like an attractive business, but I don’t think the volume [of business] is there. I don’t want that to be misinterpreted as

sounding cocky, but I do feel it is a very small market.

If you’re a very rich person and you have 1.5 billion, you like yachting and you decide to buy a boat. You spend 200 million on it and use it, but after a few years you take a step back and decide to pass on half a billion to each of your two children. Now, 500 million is a lot of money, but even if they like yachting they are more likely to buy a yacht for 75 million. It is my assumption that the increase in wealthy individuals through inheritance will outstrip new wealth. Therefore, I think the growth sector will be 60-80m, which is still a seriously large boat.

Absolutely. And equally, what are your thoughts on the discourse about yachts going ever further afield, as if there is some mythical exodus from the Med taking place?

MB: It’s rubbish. Boats have been doing it forever, but perhaps this discourse has been inspired by a certain ‘look’ that has emerged. *Octopus* was delivered in 2003, so this is nothing new. A yacht doesn’t need to look like an explorer to go all over the world; most boats built by SYBAss members can do just that. Look at *Gene Machine*, for example. The operational profile of that vessel is incredible. That is yachting to the max, and that is fantastic.

To conclude, both from your own personal points of view and the SYBAss party line, what is your outlook for the industry as a whole over the next one to one-and-a-half build cycles?

TH: What I’ve learned is that our health is reliant on stability. Political instability is not good for this industry and that remains a question mark at this moment. If you look at the strength of the major economies at this moment, there is little to worry about, but the big question mark is global instability.

MB: Uncertainty is the death of major transactions. Look at your own decisions; envisaging things will be good in two to three years makes you think, ‘What the hell, I’ll take the plunge’. I don’t think there’s a sane person on the planet who thinks the next three years are going to be stable. There may be a self-denial hypothesis, where two negatives cancel each other out, but in the meantime there is a feeling that something is not right. And it is being exacerbated every day; it is a permanent source of uncertainty.

But whereas in the past we were reactive, we are now at the table and we are proactive. There is nobody to blame and while things are not always good, we are in control of our future. It is an accrued benefit that cannot be stressed enough. **WM**