

British Regional Report

All things considered a majority of new build shipyards in the UK are still in a growth period and are receiving plenty of new business; this can be seen with their new orders – especially with the likes of Sunseeker – and the new ventures, such as Palmer Johnson starting to build in Hythe and Southampton. On the down side, Devonport – one of the main UK players – has announced their plans to cease superyacht production after completing their current projects, as you'll read below. Is this a sign of the times ahead for the UK and international shipyards or just a tiny blip in the grand scheme of the superyachting world?

Brooke Marine Yachts

Brooke Marine Yachts (BM) re-established themselves last year in the port of Lowestoft under the new ownership of Michael Fenton, former MD and CEO of Hebridean, the luxury cruise-yacht owner and operator.

Brooke Marine was a well-known name in yacht building beforehand, long associated with Jon Bannenberg, and was responsible for yachts such as the 54m *Maridome* (ex *Stepharan*), the 40m *Bad Girl* (ex *Chamar*) and Jon Bannenberg's personal 37m sloop *Beaugeste* (now *Beaupré*).

The yard currently specialises in conversion work but is setting its sights towards new build construction work. In fact BM expect to shortly announce a new build project for an 88m vessel. This project is under negotiation for an overseas owner and will, should all go to plan, begin construction in 2009.



Current projects include the conversion and rebuild of a 1981 patrol vessel *M/Y Sulisker* (pictured below before conversion and featured in issue 95 of *The Yacht Report*) into a full SOLAS compliant, sub-36 passenger class vessel carrying 24 to 26 guests and 24 crew.

With no current plans for expansion to the yard, BM's facilities already include a 77m drydock and engineering and outfit shops. The company's goal is to reintroduce large vessel construction and rebuild work to the UK's east coast and to re-establish an iconic name with a history going back nearly 100 years – no small feat.

Devonport

In July Devonport completed the handover of *M/Y Sarafsa* (pictured opposite top), their 82m new build, which is the largest private yacht to have been built by any UK shipyard to date. However, following this exciting news, sobering news reached us in October that the company intend to focus only on commercial work in the future. It appears that Babcock Marine (Devonport's parent company) completed a review of its planned naval workload over the next three to four years, which it seems is more than enough, and led its yacht division, Devonport, to no longer wish to bid for future yacht contracts beyond those that are currently in the order book.



They are fully committed to the completion of these projects as their next new build, a 96m (Project 55), is still in full swing at the yard. Indeed Project 55 will shortly be moved from Devonport's facility in Appledore, north Devon, with the steel section of the hull towed to their Plymouth facility in south Devon, for the aluminium superstructure to be fitted and where final completion and commissioning will take place.

Towards the middle of 2008 Devonport also finalised a series of three new design concepts; a 108m design by Redman Whiteley Dixon; the *Eight Zero* (84m) by Andrew Winch Designs; and *Nine Zero* (92m) by Francis Design. Whether these will still go ahead we have yet to receive news.

Fairlie Restorations

Fairlie Restorations have a finger in every pie including refit work, sub-contract work and now new build. It is also possible for Fairlie to build exact replicas of Fife, Mylne or Watson designed yachts (or any other classic designed cruising yachts), though modern engineering systems would be required and with today's requirements for safety, it does mean that the lines of the original yachts aren't always suitable.



The UK has built 5.2% of all superyachts ever built. Italy has built 28.9%

Currently they are building a considerable number of deck structures and spars for the 300ft steam boat *Nahlin*, which is being restored in Germany under the supervision of GL Watson, and have two new build design proposals which they are promoting at various boat shows.

Their first proposal is for a schooner originally designed by William Fife in 1909, which was never built. *Hidden Dragon* is a universal rule schooner with a length overall of 51.2m with bowsprit, and 38m length on deck.

The other new design is a 28m concept cruising yacht (below) designed by their in house naval architect Paul Spooner and will be built in their Hamble shipyard. She has been developed with the same principles in mind as *Niebla* – their first in-house design and built yacht, launched in 2005. The ethos behind this new 28m concept is a traditional long keeled hull married with modern high-performance rig, sailing and engineering systems.

**Since 1990 only nine yards
have built superyachts in the UK**

Pendennis

Following the success of their Pendennis Cup event in August (more of which in issue 98) and their 20th year celebrations, Pendennis are currently busy working on their Project 057 vessel – a 54.9m expedition M/Y built with a steel hull and aluminium superstructure. She is currently in the latter stages of being completed and due for launching very shortly.

Pendennis' all aluminium Dubois designed 30m sail yacht *Nostramo* (right) is also due to be handed over shortly in spring 2009. *Nostramo's* keel has been attached and work is starting on her interior – she is precisely at the half way point on her 18-month build programme. Pendennis hope to announce shortly the signing of two new projects as well; one at 150ft and another of 105ft. Both yachts will be built to Lloyd's and MCA.

Further news sees the yard announce a new design series, their *Phantom* 45m, a project developed for a client that they are now marketing to the industry and potential clients. This new motoryacht has been designed by London-based designer Reymond Langton with a signature plumb bow, providing the yacht with a sleek, aggressive profile – we hope to provide full details about her in issue 100.

Additionally, in mid September the 64m S/Y *Adix* returned to the yard after competing in the Pendennis Cup for her third major refit, and M/Y *Va Bene* has also returned for a further month-long mini refit in between her busy Mediterranean and Caribbean charter seasons. On top of



all that work they are shortly expecting the arrival of S/Y *Tenaz* (ex S/Y *Mamamouchi*) for a substantial refit, so will be extremely busy throughout the winter season.

Sunseeker

Sunseeker's CEO, Robert Braithwaite, CBE, has reported to *TYR* that the company's financial year for 2007/2008 has proved very successful despite the challenging times. Sales for the year increased to a record £293 million, an increase of 22% on the previous year's best result. It seems that this continued growth has enabled Sunseeker to maintain its status as the UK's largest production boat builder. A planned investment programme has also helped the company to introduce new models, expand their production facilities and strengthen their work force to 2,350 employees.

New shipyard facilities have been added to their New Quay Road in Poole – these have been specifically built to accommodate the larger models over 100ft in length. Plus a new 260-tonne travel hoist has also been provided allowing boats up to 150ft to be lifted. Osprey Quay in Portland has been granted planning permission as well to alter and increase the existing facilities on the 11-acre site and the planned development will enable the company to meet future demand for its larger models.

At the London International Boat Show in January this year Sunseeker officially launched their 34m yacht, which followed the launch of their 37m yacht in 2007 (Snapper). A number of these larger yachts are already in build at Sunseeker and firm orders for the next two to three years sees their large yacht programme remain secure. Under development at the current time and due for launching over the next year are the Predator 92 Sport (a new model) and their 30m yacht due to be launched at the London International Boat Show in 2009. As if all that wasn't enough though, firmly under way are the designs for a new 46m yacht and a Predator 130.

**322 built and under construction
yachts have a UK flag**

Distributors in the Middle East, Far East, Russia and Australia are all reporting higher levels of enquiries and sales, and their European market continues to build with the company's orderbook currently running at an all-time high.

Although the global economy is going through an uncomfortable period Sunseeker are confident that with the number of current orders, new models currently in development and a growing interest in the product from new markets, 2009 will, once again, be a growth year.

Comments from the UK Superyacht Industry

In addition to the UK yard coverage we asked a selection of executives from Superyacht UK the following question (replies below):

Immediately following this year's Monaco Yacht Show and with the current financial turmoil around the globe, including currency fluctuations and banking issues, what are your expectations and predictions for the next 12 months and beyond, in terms of UK superyacht business export activity and the UK as a yacht-building nation?

Tim Wiltshire – Burgess Yachts

With a Burgess involvement in yachts under construction at both Pendennis and Devonport we are extremely impressed and excited with what the UK yacht-building industry is capable of. The quality and skill of the workforce in these two yards in particular is fantastic and certainly in the past I believe the UK industry has been far too modest about its abilities and not fought hard enough for the desirable mainstream projects. I have every confidence that Palmer Johnson's decision to invest in the UK was well founded and will ultimately prove successful. The brand perception of the UK as a yacht-building nation is improving rapidly. It is an enormous pity that Babcock (owner of Devonport Yachts) have lacked the vision to see the potential of Devonport Yachts and announced their intentions to not pursue yacht building; however, this hopefully will provide the opportunity for someone else to take that business forward to the next stage. I have every confidence that someone will quickly see the enormous potential that exists with the Devonport team and they will not be quiet for long, particularly once their latest 96m project emerges. It would be naive to think that the UK industry is not going to be in for a rough ride over the next year or so. However, as long as businesses can preserve their skill bases and manage their commitments in line with their order books, there is no reason to believe that the UK industry cannot emerge from this global downturn stronger than some of the foreign competitors. Historically the UK industry generally, and in particular the service sector of the UK marine industry, has also been quite good at adapting itself to suit global markets and is probably rapidly doing so now behind the scenes. In summary, however, yachting is still one of the most enjoyable ways of spending leisure time and there will always be those that aspire to get afloat – so, like all storms, it will blow over!

**The UK has 220 superyachts built
and under construction, by 65 yards**

Christopher Ling Former UK Underwriting Manager – Marine: Norwich Union Insurance

In any downturn, the hidden economy of the super-rich tends to be shielded from economic volatility. However, this downturn is being driven by a sudden shortage of capital rather than the traditional over-supply of consumer goods and slowdown. As a result, the previous lessons of downturns may have gone out of the window. Furthermore, the UK industry only has a handful of builders who can appeal to this market.

Sentiment around the Southampton Boat Show is that the weak sterling is helping export stay buoyant and the 'quality' top-end of the market with full order books for the next two to three years should be able to carry on as before. However, those not so clearly positioned at the top – or targeting buyers earning wealth from seven/eight-figure bonuses or M&A/Business Disposal sales – will suffer greatly. One only has to look to Fairline Yachts.

One thing that is apparent is the on-going consolidation and share price reduction in the OEM (Original Equipment Manufacture) markets. There is no doubt that this space is gearing itself for a slowdown in demand from yacht builders/reduction in margins.

The UK market is not being helped by a number of additional factors:

- Fuel price increases;
- A lack of clarity over marine diesel taxation;
- A shortage of marina berths for mid-size yachts (15–30m) and the resultant pricing;
- A shortage of experienced qualified crews;



Albert Levy – The expertise and innovation in the design, refit, component and service sectors will help maintain the importance of the UK.



Tim Wiltshire – The UK industry generally, and in particular the service sector of the UK marine industry, has also been quite good at adapting itself to suit global markets.



Paul Holland – I don't think we are immune from any economic downturn, but I think the UK superyacht industry is insulated from it.



Robin Thatcher – For companies offering products that meet the exacting quality standards mandated by highly demanding clients the outlook is definitely bright.



Richard Lambert – The success and strength of the UK superyacht service industry have been its ability to adapt and develop key markets and situations.



Robert Braithwaite – Our on-going development programme and the introduction of new designs provides us with a level of manageable enquiries.

- Eurozone now being in recession;
 - Hedging costs are now soaring massively, increasing currency risks for longer build-times.
- Niche builders with the right USP (Unique Selling Point), and who appeal to a buoyant market should be able to continue to thrive.

To summarise:

- I believe that there will be a flight to quality. These builders should survive;
- Certain niche builders – providing that their customer base has not been drastically affected and that they are nimble enough to manage costs/restructure – should keep going well;
- The middle market that has sold to city bonus earners and business owners will suffer.

Finally builders – even if they are able to maintain a positive P&L position, they may get caught out by a number of other factors. There will be an inevitable contraction and this will also be driven by:

- Significant increases in the cost of capital;
- Increased business risk through supplier/customer failure/default;
- Reduced access to/increased costs of hedging;
- Additional yacht operating expenses;
- Unforeseen economic events (country bankruptcies).

Simon Wakefield – Yellow Admiral

- There's unlikely to be a dramatic reduction in build numbers at the top end of the market both in the UK and Europe;
- Build numbers in the middle and lower ends of the market will be impacted as sales will fall;
- Overall numbers employed in the build sectors will decrease;
- Secondhand markets will see less activity and major price reductions as 'trading up' will be difficult;
- Overall numbers employed in sales and brokerage will decrease;
- Export activity to the Middle and Far East likely to increase as this market is expanding very quickly and any impact from the current economic turmoil will be minimal;
- Superyacht crew numbers will increase but the shortage will remain.

And finally, from a selfish business perspective, recruitment agencies such as ourselves will be able to focus upon sending skilled UK staff to the Middle and Far East and maintain good levels of business.

Albert Levy – Ince Law

De-leveraging of both corporate and personal balance sheets on top of inflationary pressures (which will subside) in basic goods and services as well as the planned withdrawal of Devonport from the market will cast a shadow over the UK industry. Nevertheless, the expertise and innovation in the design, refit, component and service sectors will help maintain the importance of the UK. The forthcoming London Olympic Games with sailing in Weymouth could, with care, provide a showcase for Superyacht UK's potential.

Paul Holland – Energy Solutions

The exchange rate drop is not doing us any harm at the moment – in fact the weak pound is helping our export activities. Overall we see superyachts as a significant long-term investment for owners and they want to maintain those investments properly using expert, supportive suppliers – which is good news for the UK superyacht industry with its high quality reputation. As an industry I don't think we are immune from any economic downturn, but I think the UK superyacht industry is insulated from it.

Frazer-Nash Consultancy Ltd

Above about 60m there appears to be no change in the level of demand – in fact, there are definite signs of growth. In particular, owners' requirements are becoming more sophisticated, and the level of engineering complexity we have to consider is increasing. Landing and docking requirements must now be considered for progressively more exotic craft, whether water or airborne. Yachts

Sunseeker has built 74% of the UK's yachts since 2000

themselves are now expected to be quieter, faster, more efficient, and, crucially, more environmentally friendly than ever before. As a result we've had to continue investing in developing the engineering technology to meet these goals. It remains to be seen whether currency fluctuations will prove to be significant, and whether different levels of government support during the lean years will ultimately lead to significant changes in the global manufacturing base.

Richard Lambert – OceanStyle

We see that (although the next 12 months could be challenging) the UK is a key and important market, which will continue to develop. With the fluctuation in the exchange rates, we have seen the UK production manufacturers that have always priced their product in sterling, become increasingly competitive in comparison to the European yards, giving them a competitive edge for export as well as being more attractively priced for the domestic market.

The UK will remain a prominent force within yachting and will be seen to export into the newer emerging markets that have been less affected by the recent banking and financial issues. The success and strength of the UK superyacht service industry have been its ability to adapt and develop key markets and situations allowing positive growth during more challenging times.

Robin Thatcher – Trend Marine Products

There are some great businesses in the UK within the superyacht sector, and I would expect these to continue to benefit from strong demand over the coming months. For companies offering products that meet the exacting quality standards mandated by highly demanding clients, the outlook is definitely bright. From Trend's perspective we continue to receive an increasing volume of enquiries, and we are completing more projects for the market. Equally, our on-going investment programme continues to focus on supporting an ever-widening array of worldwide customers in this thriving sector.

Robert Braithwaite Sunseeker International Ltd

The current global economic situation does raise cause for concern, at Sunseeker we are in a position where we have a strong order book and feel confident that due to our sales activity across the globe additional orders will be added. A number of the orders currently in build are due for delivery over the next 12 months and we have orders on new models, which carry our production on well into 2011. Our on-going development programme and the introduction of new designs provides us with a level of manageable enquiries. Obviously we are very aware that market conditions may have an effect on future business and we are taking appropriate steps to secure our position.

Toby Allies – Pendennis

Monaco was a strong show for us again this year and was another key event for our 20th anniversary celebrations with my team bringing back numerous new sales leads. As one of the UK's leading superyacht companies we are confident of a continued strong order book on both the new build and refit sides of our business. There is no reason that the UK superyacht industry won't continue to thrive; our economy has taken a hit but no more than others across Europe and the rest of the world. The UK has world-renowned knowledge and skills in the superyacht industry – from construction and through to services and equipment manufacture.

Over the next 12 months we're pretty confident that the UK and Europe will see more American clients crossing the pond as the dollar strengthens against the pound and the euro. This is complemented by the continued growth on new world clients within the industry looking for both new build projects and the opportunity for combined purchase and refit. Key to the future is to maintain the UK's position of high quality, value and expertise.



Toby Allies – The UK has world-renowned knowledge and skills in the superyacht industry ...

Best & Worst of British

IT MAY BE WET AND MISERABLE MOST OF THE YEAR, HEAVILY TAXED and in many cases a diminishing manufacturing economy, but invariably the UK's stiff upper lip guarantees that things always come good in the end. There is good capacity in the UK and this is the frustrating thing: the potential to create great things like the Dutch, the Germans and the Kiwis is all there to be had, it just seems as though there is little incentive to do so.

The UK is full of expertise, knowledge, technical ability, legal counsel, design intuition and, more importantly, real clients with UK residence, so it is hard to understand why UK business in terms of building and creating yachts is limited to just a couple of builders. The coastline is riddled with dormant shipyards, there are facilities partially full of naval and commercial activity, but when the market was strong the industry seemed too slow to react. Only the key players like Sunseeker and Pendennis have raised their game and recognised the growth potential and demand for British excellence, but with the imminent arrival of the 2012 Olympics, the chance for the British Industry to set a course for global publicity and the opportunity to demonstrate their know-how is lying on a plate.

What UK Plc and British Government can do in order to drive the marine machine is to support all of the UK industries with as much financial support, grants and R & D input that will allow them to be competitive. The fact that Devonport Royal Dockyard has made the decision to cease superyacht operations as a result of lucrative Government Naval contracts and in the same year the same Government provide a platform for a US yacht builder to set up shop on British soil is a confusing message to the market. It needs addressing and I am sure that even in these turbulent times, the powers that be need to be called together and some form of lobby be planned in the general direction of Whitehall. Even though the world is in some kind of financial meltdown, it is clear that clients are still buying yachts, the rich are likely to get even richer and the market will bounce back stronger and wiser than before, we therefore need to be ready in the UK.

92 superyachts have been built since 1990 in the UK

On the flip side and in a positive vein, the UK has for decades dominated key segments of the industry; it is hard to travel the globe without meeting the best of British crew or big yacht brokers that originate from British soil, dusty red surveyors from Her Majesty's Flag Administration and not to mention the creative minds that all hail from the English enclaves like Lymington, Richmond and other environs of London. The majority of the fleet now flies Red Ensigns; is sold by the likes of Edmiston, Burgess and Campers, all originally Brits; designed and created by the Disdales, Bannenburgs (although slightly Antipodean, more of a Brit than most), Redmans, Whiteleys, Mumfords, Starkeys, Dubois and Heywoods, there is a very clear message to convey to the world. British pedigree and our knowledge pool are vast and have for decades played an important role in generating the finest floating real estate. The only issue is that it would have been great for UK Plc had the actual manufacturing process been an equal demonstration of UK technical ability.

In a final comment, the likes of Robert Braithwaite and his expanding Sunseeker empire have been an example to the global marine market. His unstinting focus on the British marque of excellence, the brand pedigree that creates so much value to the UK marine business and the unerring reliance on the UK's workforce makes him a figurehead of our maritime heritage. Now that he has broken into the world of superyachts, we need to make sure that this British brand becomes the champion of the small island nation that once ruled the waves. To deliver one or two yachts a year in the 30m plus range before Braithwaite stormed the big-boat arena was an almost invisible contribution to the fleet growth. Now that he has an intention to move into bigger and better things, we should be able to shout about the UK as being a proper player in the market, with an order book worth talking about.

The effort and force generated by the British Marine Federation over the past few years with the superyacht UK division has definitely raised the UK industry's profile, but there is so much work still to be done and the focus needs to remain and with the 2012 Olympics as the next major UK opportunity. The next three years are crucial in terms of flying the Union Jack, let alone the Red Ensign. Let's hope Britannia can rule the waves once again.

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