

SUPERYACHT DESIGN SUMMIT
DESIGN CENTRE CHELSEA HARBOUR
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Chairman—Martin Redmayne

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| Charlie Ford | Design Centre Chelsea Harbour |
| Capt Julien Jouault | Project Orca |
| James Lawson | Hill Dickinson |
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Charlie Ford

Good morning ladies and gentlemen. My name is Charlie Ford and on behalf of Design Centre, Chelsea Harbour, I'd like to welcome you to this morning's Superyacht Design Summit.

Firstly, please could I ask you to ensure that all your mobile phones are switched off. Thank you.

Well, we are absolutely delighted to welcome The Yacht Report Group, recognised internationally as the leading authority on the yacht industry. If you want to stay in touch with the latest opinions, views and ideas that drive this specialist market forward, then you really need look no further than The Yacht Report Group and it gives me great pleasure to introduce Chairman and Editor in Chief, Martin Redmayne. I'm going to leave it to Martin to introduce our expert panel, but he really is the perfect person to lead this discussion. Martin's business knowledge and passion for this industry is exceptional. Ladies and gentlemen, Martin Redmayne.

Martin

That was embarrassing, Charlie. I'll do the same to you in a minute. OK, good morning everyone. I don't have to say anything about me now, which is great. This is a new idea which we started last March, whereby we want to try and bring the world of design closer to our serious business side of the market, which is The Yacht Report Group's main mission. I'm not going to do any major plug about what we do but we are getting closer to the world of design through a new project we're launching in November. So what I'm going to do today is try and lead an intelligent debate with the four highly IQ'd intelligentsia next to me, to talk about the business of design. Not just the beauty of design but the business of design, because what I've seen in the past 20 years that I've been in the business now is that design suppliers, sub contractors and designers themselves aren't always the best business people. And it's all glamorous and sexy and wonderful but at the same time we're here to make money, we're here to make a profit, we're here to make a business work effectively. So part of the debate is about this delivering quality, meeting expectations. The expectation is not just the individual person who we're supplying, i.e. the owner, he has ridiculous expectations. But it's also the expectations of the industry, that is making sure that we deliver something that they make money on,

that the actual individual supplier makes money on. And that's part of the discussion today, to make sure that when you're delivering something, that contractually you're happy as well as the client. Because that's sometimes something that goes awry.

Anyway, my four panellists are varied and disparate. I'm going to introduce them all and they can just give you a 5 minute snapshot of who they are and what they do, where they come from, that blind date introduction and then we'll try and match them up with your expectations. So furthest from me is—Captain ? *[No, project manager]*. Allright, ex captain, Julien Jouault. Next to him is James Lawson, Mark Boddington from Silverlining and the inimitable, famous, special Ken Freivokh who built the most incredible boat in the world, the Maltese Falcon. Probably the most publicised yacht in the world. Julien, 5 minutes please on who you are, where you come from, and what you love.

Julien Jouault

I'm Julien and I'm a project manager, At some stage of a building process you should hear from someone like myself. If you haven't heard from someone like myself then there may be a problem. My background is I built 2 projects with a team, and I include the shipyard as part of that team, a 61 metre which is Shalimar, 67metre which is motoryacht Anna and I'm now building a 95 metre with a very large team in Germany. And I am the coordination person. Can I say what the expectations are, what the standards are? No. But I would look to clearly identify what those standards should be, clarify it from the designer, from the supplier, and then feed it to the lawyer so he can actually put everything in writing so there is a clearly defined set of rules for everybody to be delivering to the owner's expectations. And that's my role in the build process.

Martin

Thank you Julien. So what are you working on at the moment?

Julien

A 95 metre. And as the projects get bigger, the support teams within the build get bigger as well.

Martin

James?

James Lawson

Good morning everybody. And thank you Martin for asking me to present here. I'm the one in the grey suit, I have to be the lawyer. This is my creativity, a Blount tie. That's as creative and as flowery as it gets, for us lot. I'm a partner at a London firm called Hill Dickinson LLP and my practice encompasses acting for owners, banks and indeed suppliers in the superyacht industry. It's a fairly varied scope of legal work, but the common theme throughout is a large yacht. The team itself is the largest in the UK, probably the largest in the world outside the US. 14 of us just specialise in yachts and working for owners. And my main role is contract law—be it a new build contract with a yard, be it a project manager's terms, be it perhaps owner's supply items like bespoke furniture, or even the design agreement with the exterior or the interior designer. That's what I do. Often on behalf of the owner, but equally often on behalf of the supplier as well. It is a pure contract situation but of

course the subject matter is more glamorous and more interesting than any other area of law and believe me I've tried many of them. And instead of away days to Liverpool and places like that we actually get to spend a lot of time in Monaco. So that's what I do, and that's why I'm here.

Martin

Mark, please?

Mark Boddington

Good morning. As Martin said, I'm Mark Boddington from Silverlining. I'm the managing director of the company which was started in 1985. We create furniture for superyachts and residences throughout the world, we've worked on all continents and to date we've worked on 27 superyachts. Last year we were asked to join the British Luxury group, the Walpole Group, which we were privileged to enter and we also published a book last year called Silverlining, The Art of Furniture, and this year we've just published a second book, with the foreword written by Martin, called Design, Innovation, 21st Century Craftsmanship. When it comes to quality I think there are two issues that we have, first of all what are our clients' expectations and I think for us as a supplier we need to continually exceed those with our product and our service, and that's a continual process. Because if any of us gets a little lax on these issues then they're going to look somewhere else. From a company point of view our quality is only equal to the sum of our employees, so it's very very important that our people are the best, and we continually invest in them. Over the last 25 years of working in this industry I think we've identified 6 key points that are useful in delivering quality. The first one is that it's very very important in this industry to continually innovate. These owners are often at the forefront of their professions, their industries, they're always looking for new things, and I think the panel would agree the industry moves very very fast. It's almost like Formula One on the sea. And I know Ken has very much been leading that. Having said that, if you're going to innovate and produce new things, make sure you do your due diligence. Because if you don't meet the warranties, it's a new finish or something, and you get a problem, it's going to be very very expensive to say go to South America to fix it. And the lawyer is going to make sure you do it for free. The second thing is make sure I would suggest that you agree what the specification is. And that's why you need a very good lawyer and we can obviously recommend Hill Dickinson. You need to identify what you're doing, very clearly, what is the price and what is the delivery date. And you need to have all the mechanisms in case any of those go wrong. Because often things can change half way through, the shipyard can be taken over by a new owner. The owner commissioning the boat can actually die—we've had that instance—what do you do? Is there something in your contract so it covers all these things? What happens when you get to the shipyard and the ship's not there? It's gone on sea trials. We've had that with Julien. We turned up to Holland, and it's gone to sea for 4 days and we've got 8 people in Holland. The third thing is communication. I think on yacht projects compared to residences, there's a lot more people involved. On a residence you've probably got the owner, the architect and maybe the interior designer and AV consultant. On yachts there can be literally 10 or 15 people. You've got the owner, the owner's rep, the lawyer, the project build manager, the boat designer, the resonance and vibration consultant, the audio visual consultant, the captain—so there's lots of people that you've got to communicate with and satisfy, and they all have different agendas. The fourth thing is planning. We've actually had to learn in the yacht industry that we have to plan every day because every day it can change. Literally you've got an installation, it could get cancelled for

2 weeks and be moved on 3 months, or it could be brought forward. So you've got to be very very flexible when you're working in the yacht industry. The fifth thing is that obviously in any industry you need very very tight quality control, and we do that by having continual feedback from our clients and also internally from our staff and we meet every week to discuss any problems we may have on how we can improve systems. The final thing which I think will interest most of you if you do a lot of residential work is the yachting environment which obviously is completely different to a house. First of all, on many yachts your furniture or whatever you're supplying needs to be lightweight. It's also got to be phenomenally strong. It's also got to be resistant to vibration or resonance, those sort of things. The fire regulations on yachts are much more strict than in a house and the SOLAS regulations are becoming much more important—I know Julien may add to this. The fourth thing is obviously the space—it's 3 dimensional. And it's often very small, and it's often very small to get into. We've had instances where we built a bit of furniture and we couldn't get it in the yacht. So you've got to be very very careful to check everything before you actually go into these. And the final thing that is becoming much more important now is that people are looking for furniture specifically to be very multi functional and we've just designed a table that seats 20 people but can split up to become 3 card tables, or become a buffet station or it can become a DJ station. So they're looking for things to be very very multi functional. So for us that's a sort of synopsis of some of the things you need to look for if you're working in this industry.

Martin

Mark, thank you. Ken—your background, your visions, etc ?

Ken Freivokh

I'm one of the partners in Ken Freivokh Design, a comparatively small team trying to do our best to do nice work in the industry and equally trying to not be too repetitive so we spread quite wide between production yachts and also the one-off custom yachts. So for example we more or less started with Fairline Yachts on the early Squadron range, we've done 13 years with Sunseekers, their exclusive designers and obviously that brought in the sort of experience with the production side and currently we have a variety of projects from 137 metre one off yacht to a range of yachts with different styles so we're doing for example quite a modern interior on a 55 metre, but equally we just launched with Burger in the States a very traditional almost Art Deco 1920s style project. And I was quite taken by the title of our meeting today because it mentions two words, it mentions quality and it mentions expectations. And I've had plenty of occasion to question the awareness and the dictionary definition of these words because quality is what I perceive as quality, and what the owner perceives as quality for example—where I haven't mentioned that particular project but we're working on one and we've taken the owner in Monaco to look at this yacht and that yacht and whatever; I'm talking to him and I'm trying to get him to see what I believe is quality, you know, the finish, the fittings used, etc, etc. But he's looking at quality and saying but this is not quality, there's almost nothing on this wall. You know, whereas the other boat we went to see is very busy, it has carvings, has a number of other details and that's his quality, and there's a confusion, I guess, between what quality is and intricacy. Which to my mind there's a very big difference. And also—and that brings a point that will affect your work as outfitters and furniture makers—can the owners even see quality? When they go and look at a semi production yacht which has several millimetres of trickle lacquer and it's all shiny but it's all irregular, there's orange peel, there are junctions that don't meet, the fittings are appalling quality, the cheapest of the cheap but it's still all shiny and to

many of these owners this is fantastic, they really are taken aback. So are we all wasting our time trying to do the perfect finish and the perfect fitting?

Martin

We'd make a lot more money!

Ken

So again, one is sometimes working against the situation that it is very difficult to convince an owner and then you move on to expectations and again, whose expectations? I mean obviously we have expectations—we want to innovate or do something very special, but the owner—I mean one of his main expectations is that he wants to defer our fees and pay us when the yacht is finished and of course 99% of our work is ahead of the project even starting with the yard, so it's very difficult for the owners and their advisers to sometimes sort of come to terms with the fact that we'd like to be paid please when we have the whole team working on the project for one or two years, not when the yard is trying to cut steel or wood or whatever. So that is his expectation. His next expectation is that now there are computers around so he's expecting to see 3 dimensional visuals of every single room, the bathrooms, the closets, everything. And of course that is incredibly time-consuming and of course our team is trying to satisfy a number of expectations not just the owner, because the yard needs information to get going, you know, the project manager is trying to get information so that prices can be secured from outfitters and other people, all the owner wants is to see what his yacht is going to look like and make sure that he has made the right decision with the designer and make sure he's made the right decisions generally. So that's his expectations. I mean his wife maybe wants to see mood boards, sample boards, the materials—is she going to be comfortable with that—the kitchen, and again it depends on the size of the yacht and so on. I mean the number of times with Sunseeker that I've had the wife come and quiz us in great detail about the size of the oven because she's planning to cook a 27lb turkey at Christmas and of course the yacht comes back onto the market as a trade-in a year and a half later and that oven still has the stickers on. So there's just no way that those expectations relate in any way to reality. You then have the project manager, he's not interested in any of these frilly bits, the project manager wants to know that we're handling MCA classification society issues properly, that we've taken account of all the requirements technically, that we've allowed technical space, the decks, the air conditioning, and they're incredibly necessary and anybody that heads into one of the big projects without a good project manager I think needs his head examined. They're our best allies, if they can guide the owner and trying and explain the complexities. But again, as I said, that's his expectations. Of course the solicitor, he wants to make sure we have professional indemnity insurance, public liability insurance, in case we fall off the ladder or whatever, he's interested to see if the milestones are sufficiently clearly defined, so that he would sanction payment. He's obviously generally looking after the owner, so his aim is not to pay us unless he has to. But—some of them are fairer than others—then there's the outfitter. Now first of all the main thing he wants is the drawings approved by the owner so when we send them the drawings and say oh yes, very pretty, is that approved? He doesn't want to waste time working on something unless it's been completely sanctioned etc. They are very resistant generally to too close an examination at the early stages because clearly there's competition and clearly they want at times in the industry they're trying to get the project and it's a question of how far the design has gone at the time that they're pricing. If you put a table, and the table is just shown as a square on a piece of paper, is that a piece of plywood with 4 legs, or is that a very intricate of work with

inlays and everything else? So that's on his side, he wants the finish and he wants to make sure that it's approved, that the expectations at that side, depending on the yard but not unusually one of the things the yard wants is to make sure that we just keep the owner entertained, take him shopping, and just stay away. He doesn't want the owner's interference and very importantly he doesn't want our interference either. Because again, they want to do as close to their standard product as possible. Now I believe there may be a number of outfitters and in fact suppliers here, and one of the other issues that is maybe of relevance and it's something that we try to be as fair to them as possible, as designers, is we like to come with innovation, we like to bring in new products—we've spent time with lighting suppliers or lamps or door handles or whatever—the suppliers have given us their time, to develop those products in great detail, something quite unusual, very special, for this yacht, and then the first thing that happens is the supplier is trying to substitute the product, so his price for doing that but can he propose something which is very similar, it just happens to have been made in China or Taiwan or whatever. And it is quite close but it's not quite the same thing—and we then have the moral obligation of trying to protect the person that spent all the time doing the development work. And the same of course applies to everything—the catches, any part of the yacht. So again, it is a complex set of expectations and a complex application of what the quality side is, and that will be interesting to see what other people feel about this subject.

Martin

Ken, thank you. OK the objective now is for me to throw more questions at these guys—we'll also bring you guys into the debate as well. So can I just have a show of hands—how many of you are already in the yacht market? Oh, some tentative hands there, not quite sure whether they are or not? OK, how many want to be in the yacht market? You crazy people. Now I know who you are I can point at you and interrogate you. The idea is to sort of share amongst this audience some of the issues that you need to be prepared for but also the protocols and processes. We have some more luminary designers here—they're now sitting in nice easy-reach seats and I can bring them into the debate as well, so Charlie is going to be ready with the mike soon. I'm still though going to wax lyrical a bit more. For those who don't know the yacht market very well, let's put it into perspective. We're all looking very tired and weary because we just spent 5 days in Monaco, one of the most intensive shows in the world—some of these guys have as well. But it's a show that's phenomenal. There were 97 yachts in the show, something like that. 38 yachts couldn't get into the show and were anchored off Monaco, another 40 yachts were anchored round the corner in Cap d'Ail, nearly 200 boats were there. Average price say €25million, €30million. So over €3½ billion of assets were floating off Monaco last week. It is an amazing market, a very difficult market to crack, but when you put it into perspective with the current fleet of yachts which is, we estimate 4½ thousand yachts worldwide over 100 feet, on which the order books have about 480, I think my team would be able to confirm that, but 480 boats in the world currently building. They have gone through some credit crunch issues—James I'm sure and his team have been busy extracting people from contracts in the past year maybe?

James

Yes indeed, and acting for people with cash who were coming in and buying those as well.

Martin

Yes. So the market is quite dynamic at the moment—lots of people leaving because they can't afford their payments, but people coming in to go for the bargain basement type price point. So it's an active, dynamic market, with lots of cash. Lots of money being spent in this market place. And when you look at what Ken has done in the past on some of his projects, what Mark supplies, what Julien buys on behalf of his principal, and what James is trying to manage from a contractual point of view it's a very very complex market. But I still think there are areas in this market that need to evolve. I also sat on board a boat called the Icon 1, which has just been built in Holland. That boat has a lot of what I call *loose* furniture—it was bolted down, but it was loose furniture bolted down for sea time. And they were buying off show rooms like Polyform, or Casini, or one of these companies that you all know—Minotti, lots of companies that you probably all know from the real land based design world. So it is changing. The principle of that shipyard describes his yacht as an IKEA yacht, which is bizarre, but he calls it an IKEA yacht because it's all put together with very very simple principles of design and interior supply. So there are some changes going on as well, where people are trying to look for a more efficient design process, which I think is good, provided we can manage everyone's expectation on that. So Julien, I'm going to throw a question at you first—from your point of view, what level of control do you have on the expectation of your client in terms of rejection or on terms of acceptance and how does it work for a major project like you're working on, where there is millions and millions of euros worth of interior supply, who has the final say, and what is the protocol?

Julien

Well, I'd like to say it's myself, but it isn't. I think you have to come back to what you said earlier. I think a yacht project can make a company, and I think it can also break a company. And you have to clearly identify, or be asking the questions, if a designer who is developing the beautiful interior after getting the input from the client, the suppliers who are looking to supply to the vessel should clearly identify *is this approved?* Is the cost of it approved? And then identifying the processes of getting your product on time to the standard that has been agreed beforehand into the vessel. And a project manager will contact the designer, he will ask him to verify with the supplier that it's agreed with the client, that the costs have been agreed, and then looking to make sure that the project manager protects the owner's interests with the design and the designer's interests to getting the vessel designed to the standard that he wants. Because if there's any delay for any type of widget or gadget a shipyard will clearly identify that delay as holding up the whole delivery of the vessel.

Martin

That's where James comes in!

Julien

Precisely. And of course someone like James will be saying Julien, is the standard identified, are the costs agreed, are the costs extras agreed for the shipyard to install this particular new widget or this new design feature—you would love to say you can identify everything at the beginning of the build, but it's only when the space is actually orientated that it's only natural that the design develops and things change slightly. And the shipyard will say well now we have extra drawing costs, and everything else. So it starts to get more complicated, and this is where the role of the project manager to coordinate the whole process of when items get delivered needs to be identified. And it's the costs—it comes down to money. Time is money for a

shipyard, they have an enormous responsibility to deliver that vessel on the day. And I'm sure you have the same problems with residential properties. But I do think that the expectations on a yacht are that much higher, and priced accordingly.

Martin

Mark, in terms of expectations, with your quality control in your facility, which I've seen, do you always exceed, or do you think that some people reject based on a negotiation talk?

Mark

Well I think part of the problem when you're doing one-offs, is what are their expectations, and it's often in the designer's mind. And when it comes to the legal side of it, it's the designer signing it off. Because often the specification is actually never ever written down. Because a lot of our projects we don't even know what we're building when we agree the amount of money. So you've got to have an understanding, and a relationship with the designer to be fair—as Ken mentioned—that protects the boat's interests. He wants it to be innovative and to be fantastic, but he doesn't want the supplier to go out of business. So it is about a relationship. And then when it comes to the lawyer signing it off, they're going to ask someone—it says in the contract it's normally the boat designer. But it is a very difficult thing to specify what we're doing, in the contract. It's normally a sum of money and literally 27 bits of furniture. Ken mentioned a square—we have a lot of projects like that. We just get a GA, and it's got a circle and an oval on it. We have to put a price against it, based on an owner saying oh, I like a yacht that was done 7 years ago.

Ken

Part of the problem is the subjective—first of all, some of it can't be measured, exactly. It is subjective, it's quite usual that an outfitter will be asked to submit samples and they become master samples against which you can compare the end product that you want supplied. And that would be one measure. But there are a number of things that aren't defined at the time of the price, and you rely on a good outfitter to come up with good quality. I mean I've had a situation on a fairly large yacht where we were using two outfitters on the lower deck and we had a problem with underwater lights. Well one half of the boat was absolutely no problem—the outfitter had worked out for himself that access would be required in future, that maintenance was required, maybe the project manager also made him aware. And so you just opened this area, or that area, there were gas struts and very easily the mountable parts, you could reach the bulbs to change them, so to speak. The other half you had to destroy half the yacht to get to the same. It was lack of engineering. So it wasn't such a visible thing, it was really the professionalism of the outfitter. And then the same percolates into one of my favourite themes, which is—are the fittings up to the job? Will they not rust, will they not rattle, will they continue to work after a couple of months?

Martin

And who's in charge of the procurement process for that sort of stuff? Is it sometimes the yard without your control, or—

Ken

Normally speaking we agree as far as we can, as much as we can with the outfitter or the furniture maker. But then there's a number of people involved, and again some of the owners, instead of using a professional project manager that knows what he's doing just turns to his captain and says well you can manage this, and the captain is probably great at sort of reversing into a tight space but this is not his metier. It's not his expertise. So he's obviously going to try his best, ask some awkward questions here or there, but probably miss some fundamentals.

Martin

So who should be in charge of the process in order to manage their expectations?

Ken

I think a good project manager with a team working with him.

Martin

And do you see that happening, or—

Ken

I think it's happening more and more because the whole industry is getting a little bit more refined and more professional, but I think it's necessary because again, going back to expectations, sometimes the expectations are that the designer should be doing that and I think the designer should be concentrating on the creative work and some technical aspects, but he can't be expected to do everything.

Mark

I think Martin, in builds, as the new kid on the block in about 2000 from 95 to about 2000 a big yacht was a 50 metre boat and most captains managed that process and now owners and captains realise that there needs to be somebody who has that particular build experience to manage and coordinate all these communication processes. And hence the project manager was born in yachting.

Martin

Dickie, please?

Dickie Bannenberg

I was just going to really follow in what Mark and Ken have been saying. I think it's a very opaque process, that whole interior costing approach, and it's something that we've run into quite a few times recently, and it may be something that James in particular, with his lawyer's act, could get in on, is that one has a sort of reference boat in the specification which really frankly is no help at all. Because the amount of dodging room that that gives a yard to say well your interior had more wood than that one—it ends up as vague as that. In our office we've got as our projects director a guy whose background was land based in hotels in particular, and he's used to the sort of rigour of something like QS in land based process. And he got involved in one of our projects—I think the yard wanted to kill him when he sat down trying to work out square metre-ages of particular finishes or metre-ages of nickel. And they're just

very loose, those yard specifications. And they also give very low allowances, even with the large yards for instance you might get an allowance of say €300 for a coffee table, and it just seems when you're starting from that kind of opaque and low base level it's bound to go off the rails.

Martin

I agree with you. Any comment, James?

James

Yes, it's very nebulous, Dickie. It's a problem, the interior design. The yards tend to offload the entire interior design issue onto the owner, and they'll call it an owner supply item under the build contract, which basically means they can defer all responsibility for it and leave the owner to try and determine the spec. And as a result of it being an owner's supply item it's either paid for outside the contract sum—some of the German yards will quote you a phenomenal price for a yacht but that price does not include any of the interior fit-out for what we would call owner and guest areas. They'll do the crew areas, but they won't do the owner and guest areas, which is what Dickie is talking about. And so you're adding another inordinate amount of money to the bare contract price. And that's what the German yards do, they leave it to the owner to do the spec. And they leave it to the owner to pay for it. So they're leaving it to the owner to contract with their interior supplier to do this, and the yard can sit back and say well, it's over to you. The other way a yard will cost it and Dickie referred to it by talking about an allowance, is by building in a provisional costing into the contract price. Let's say they allow €5million for the interior. Anything over that €5million is usually dealt with by way of a change order so if the interior ends up costing €10million the yard will be able to charge a percentage uplift on it as well. So talking bluntly it's in their interest to make this run over, and as Dickie has mentioned, to say OK well you referred to a particular yacht, but that had an ultra modern appearance and you've suddenly decided half way through to go with wood panelling throughout, and you want mahogany, and we can't source it, therefore the cost is going to be far higher. I agree, we always try and put down a benchmark yacht in terms of general quality—and what you're trying to do there is you're trying to force a yard to build to Lurssen, Feadship, Amels type standard generally. But for a lawyer it's very difficult to actually nail them down onto a particular benchmark standard of a yacht in terms of interior. It hasn't evolved properly, that particular aspect. The point I think is really important for everyone who's trying to get into this industry and indeed people who are already in the industry, is that all of the issues that we've mentioned so far and very many that Martin I'm sure will tease out in a minute, all flow from the build contract but none of you actually ever get to see the build contract—I do, the project manager will, but Mark won't, and it's very unlikely that Ken will. Very unlikely. That build contract, not just on price, the main issue that we're talking about here for an owner is timing. Because the owner always wants it by a particular day, be it a birthday or it's Christmas, or it's Thanksgiving, or it's the beginning of the Med season. But the owner always wants his yacht on a particular day and we spend hours and hours arguing with the yard's lawyer or if it's the other way around with the owner's lawyer, as to the amount of liquidated damages which will be payable if the yacht does not leave the yard by a particular day. Now under English law a penalty clause is unenforceable. You can't have a penalty clause in a contract and try and rely on it, because the court will kick it out. So instead you have this concept called liquidated damages which is meant to be a genuine estimate of the loss that will be occasioned to the owner by way of late delivery, let's say. Or because the yacht can't hit 60 knots when the yard said it would. Or it can't do 5,000 miles without refuelling.

These clauses go in, and you spend hours arguing over a grace period, over tolerance measures, and over particular sums per day. Now the point is, on liquidated damages specifically for delay, the yard try and build in a number of different ways of excluding themselves from meeting a liability for them, so the owner changes his mind. That extends the delivery date. There's a *force majeure* event, that extends the delivery date. Class come up with some new requirement that hasn't been factored in in the spec. That will extend the delivery date. All legitimately, and all without any liquidated damages implications. However, if the owner—and the owner is not responsible for very much under a contract other than payment, and if he's late in payment, that will extend the delivery date. But also crucially the supply of design drawings in the first place, and then approval of them when the yard has tweaked them, the supply of bespoke furniture has got to be by a particular date, and the project manager, the scope of a project manager's authority—if the project manager is given the authority to sign off an instalment certificate but unreasonably refuses to do so or delays, again, that extends the delivery date. So you can see the thrust here—timing. In the build contract there is a delivery date but there's also a whole raft of excuses for the yard to get out of that and extend delivery. And these all come back on the three guys that we've got sitting here. And yet they never see the contract. So my job, an owner's lawyer's job, is to manage the timing so that every single contract, not just the build contract, which is the core document, but the design contract at the outset, which is always the first one, followed quickly by the project manager's contract, then followed by supply items and interior design, and supply items we're talking about are bespoke furniture, we're talking about interior, we're talking about audio visual and hot topic at the moment—tenders. All of these documents, all of these contracts, need to dovetail in to the provisions on timing and on scope of authority that were in the original build contract. So we're managing that at the outset—it's all theoretical, there's nothing we can do really if it goes wrong actually at the yard. That's where these guys come into manage—Ken's point about communication is the only way to get this resolved. The project manager's relationship with the designer, the project manager's relationship with the suppliers, has to be factored in to the yard. As an owner's project manager, there'll also be a yard's project manager, the most important relationship in the entire concept is Julien's relationship with the guy at the yard who's in charge of that particular construction. And if you can cut through everything that we've done theoretically at the outset, which ought to make things watertight, if it doesn't, you need a little bit of give and take at the yard to make it work.

The trouble is, Dickie, to go back to the original question, where the concept is nebulous we like X but you're building to Y, and the yard are looking at it, they've probably had an overrun, they've probably under-quoted, as they often do, they're trying to claw back some of the money, the great way of doing it is by overcharging or increasing the cost on interior design

Martin

Overcharging !

James

Increasing the cost ! on interior design.

Ken

And then on that side, I think one thing that maybe firms like yours ought to look at is you end up with something which is quite a cold document, whether we see it or not, but that is not the critical path analysis attached to it, and that is what's critical. Because you know suddenly the owner's wife is talking to us and wants to change the logo on the napkins—that should not be delaying the whole yacht. So there are issues—I'm being frivolous here, but there are quite major changes that could take place in parallel with other activities without delaying anything and without being real cause for delay, or legitimate cause for delay, but still the yard will try their best to use it as an excuse for delay or to create a delay in order to recover some costs.

James

There's an example at a German yard that happened a couple of weeks ago where the interior designer has been pushed really really hard to come up—they haven't even cut steel, that's the point at which the yacht is—the interior designer is pushed really hard to come up with a really intricate and detailed analysis of design. Now this particular design company has done 4 or 5 builds with this yard already and they've worked together and they know that the yard only requires a general interior design concept at the early stage. This time the yard has turned around and said you failed to deliver because you haven't told us what style of light switch your design work is imparting. They haven't even begun to cut steel, delivery isn't until 2013, and yet they're already trying to claim a legitimate delay to the delivery date based on a failure by the interior designer to comply with his requirements. Now in this case there's a reason for it, which I won't go into. But that's an extreme example. Ken is right, all these separate contracts that we deal with will have a schedule of timing attached to them, so that the suppliers do know the times by which they have to deliver. But yes, it is true that the yard will try if they can to claw back time and to claw back money by using strange little reasons like changing the logo on the napkin. But if the owner hasn't signed off on a particular plan, and in the contract it says that all plans need to be owner approved by such and such a date, it can be a trigger.

Martin

So what are you recommending?

James

What you need is the two-way relationship between a really proactive and experienced project manager and someone at the yard who is prepared to give and take.

Martin

That's a Utopia.

Julien

Yes it's get round the table.

Mark

My advice is get round the table. If you start sending emails back and forth and get lawyers involved they all pull the contracts out and try and blame somebody. Julien is

one of the best diplomats I know and I'd hate to do his job but he seems to be able to smooth the waters.

Julien

And I'm only 21!

Mark

And in reality unless it's really serious, normally it all gets worked out. The owner has made a change, and you give a bit there—

Julien

Let me try and put it in perspective. Ken could be designing a vessel right now, he could walk out of this meeting and walk into the door handle shop on one of the floors. He sees a particular door handle and thinks that's it, that's going to complement my design for the luxury interior for the boat. He then says I want that door handle. He then comes to the shipyard and this door handle complies with British safety law but unfortunately this door handle is now penetration through a fire door, it doesn't comply with maritime regulations. So the designer is insisting on it, you want to take on board his design input, but you've got to find how this door handle can actually fit on the door. The shipyard will say well why don't you make it owner's delivery? Because he knows the process will take long—the shipyard may be in delay themselves but now they can pin the delay on the door handles. And so it goes. Carpets—forgive me if there are any carpet manufacturers here. Some owners say oh, it's just a piece of carpet. What's the problem? And the shipyard says well you can deliver the carpets if you want but when it comes to sea trials carpets are an integral part of the noise and vibration, but we don't think about that when we're building a house, unless we have an earthquake, but carpets are woollen, with underlay, so you can imagine how it drops the decibels down in the cabins. So when can we actually get into the cabin to take the templates, or measure up to fit the carpets? The only person who can really control that process is the shipyard, but they'll sign it off knowing it'll be a point of delay and frustration for the owner and if I'm so busy trying to organise the carpet installation and trying to separate the sub contractors for the shipyard to try and get the bloody carpets in, it starts to become a bit of a process. So it's all of these processes that you have to coordinate, plan, and manage. I hope that gives a more basic insight to it.

Martin

John, you had something to say?

John Munford

I'm on the design side, so I understand Ken's problems very well. But there is only one person who can actually pay for this and that's the owner. And if he's building a race yacht he's prepared to take the risk, he's prepared to, if something breaks or is a problem, do better next time. When he's buying a superyacht it's like buying a Mercedes, you can do anything you like with it. So he pays a lot of money for it and he gives the job to a designer. And the designer's job is to level out the perceptions and to understand what his are, to understand what the yard's is, and what they're going to supply, and to hope to even out the whole thing. The project manager has to try and be a bully on both sides—he has to be able to actually make that work and

the problem is the yard is the strongest. The yard makes the most money, it does the most work. And it's the only one actually that can pay for most of the mistakes. But the interior itself—James, you were saying that certain German yards now are pricing the interior separately. But they do give you an envelope, they give you a hull, they give you the walls, they give you the air-conditioning, and the surface tissue you're putting into it. But in all, the actual planning and the arrangement and the whole of the interior is about a third of the whole project and in that way it employs about a third of the people and it costs a third of the amount. It's a very large amount of money and with all our jobs we're trying to even out the perceptions, make their life as easy as possible. The client actually thinks we don't do a lot because the yard seems to do everything. Or in the case of Mark, what a beautiful piece of furniture, I love it, it's beautiful. Look at that handle, it's so shiny, it's wonderful. But our job actually is to pull the whole thing together and to make it easier. But I don't know how you get the initial stages sorted out, because in the old days the hull was built and the interior was fitted out. Now the time for building a yacht is shortened, so the interior is started at virtually the same time as the hull is. We don't have any drawings, but we have to give the idea of what it is. And as you were saying James, we have to give the right drawings at the right time and we have to complete the circle. We have to define everything on it. And I think that's where the project manager has to come in and say no we can't do all that. We have to leave these pieces loose, we have to leave these pieces safe for change. Ken will know I had one client who is a charming man, absolutely so charming he had 7 girlfriends. And each girlfriend had 7 different ideas.

Julien

That's why he had them!

John

And the last idea comes quite late in the whole programme so that is the problem I see. And I think the project manager is the only person who has to be there and stand up and fight everyone's corner.

Julien

There's a wonderful word that we use in project managers lingo and that's the word compromise. The downside of building yachts is that they're actually designed and built by humans and as hard as the design department will do to build a base box for the luxury interior to be fitted onto, whether it be a Fritz or a Dirk who's fitting a pipe, he'll decide, all by himself as he's putting in the pipe or the cable tray that it will be a lot better if it goes this way. But he doesn't tell anybody, and it does work because his pipe will flow better and the cable and electricity will be that much better installed. But it then means that the person who does the base wall installation fits it over and it comes around, and when we've gone to the shipyard and saying oh we want this extra finish and the shipyard place a surcharge on, and the owner throws it back saying it's too much, but likewise the shipyard will come at some stage cap in hand with well, we did agree that we'd install this corner of the room in this particular way but now it won't fit. So this is where we rely on the expertise of the designer to come up with a compromise design solution in very quick time, and of course there's trade offs in the build. Compromise. Where the designer may have forgotten a particular detail, which is understandable because you only can see things when it actually starts to go together. And you start to negotiate one on one. And working with the designer you start to negotiate the things he forgot and the shipyard can't install. So it's not all doom and gloom. Sometimes I walk out of the project manager's office in

the shipyard thinking I didn't get that but I think he'll be back in a month's time when I know he can't fit it. So I hope that gives some hope for some people.

Martin

Simon, do you have something to add?

Simon Rowell

I just wanted to highlight perhaps why we have so many grey areas so quickly in this conversation. There seems to be a consensus, quite rightly, that the whole thing works better if everyone works as a team. Right from the client through to the supplier of the smallest detail. But what I've noticed, and it's perhaps the same for Ken, and certainly the same for Mark, is that these projects quite often—and James, you mentioned the contract—the designer is not even appointed at the time of signing the shipyard's contract. Or if he is, he's probably been only very recently appointed. I know that's not always the case, quite often an owner will have his dream yacht designed up to a point and then it'll enter the tendering or the industry for review for pricing, for the next stage. But most of the time the designer comes on board and is pressurised to sign off a GA, that's about the earliest they're generally involved, and I suppose I mean interior-wise, here. And then the whole process starts running extremely quickly because the designer is told right, we need your drawings in 6 months. So in 6 months how can the designer spec every light switch—

James

Simon you can't.

Simon

But then I think there's a duty on the part perhaps of the industry that you two Julien and James, represent, to say to the owner you need more design upfront. And then some of the grey area, some of the culture, will improve. And some of the grey areas will perhaps reduce.

James

We keep telling clients that there is no way they should be signing a build contract until the specification is as detailed as is physically possible, and a spec can't be done without input of the interior designer. And if you're being asked to get involved with a project for the first time by signing off a General Arrangement, GA plan, which is a schedule to the contract, which it clearly has to be agreed by the time of the contract, so your first involvement is the date of signature of the contract, that's madness.

Simon

Well it's not quite, because we usually change the plan and it messes everything up.

James

But there was a very big project that was very very close to signing earlier this year and in hindsight the owner is now delighted that it didn't, but he was pushing to sign the contract with a clause in it that the spec was 95% done, which basically means

the interior designers hadn't been involved at all so in his view it was 95% done. We all knew it was 30% done. And he was trying to force the signature of the contract—he wanted to—it was back in the days when the slots were important and the money didn't matter. I.e. about a year ago! And we refused, we wouldn't let him sign up the build contract until the spec and the GA had been finalised with you, even though he wanted a clause in there saying that the yard agrees to use their best endeavours to work in good faith with the owner to agree. That means the yard could have turned around and said actually no, we can't build with those light switches, therefore we're going to claim an extra 3 years' worth of delivery dates, or the price is going up by €200million. A ludicrous situation, it didn't happen. You are right, and if you've got any experience of the industry you can't let that sort of situation happen. And it is incumbent upon the two of us, you because you've been speaking to the owner since day one, and us because we are there with the ultimate *OK this is ready to sign*, or for us in that situation to say *no, this isn't ready yet, this needs a lot more work up front*. Thankfully I think the days of pushing through have gone, the yards have now got time—

Martin

Tell that to the brokers !

James

Oh well the brokers are another thing altogether. I mean we haven't mentioned them yet. But when we've got to this stage fortunately with a couple of well placed words the broker's enthusiasm can be dampened down relatively quickly and the cold realism of cost and timing and no, they can't build it for that price, strikes home. Especially now there's not the pressure of X wants that slot and he's going to sign tomorrow so we've got to sign today.

Martin

It'll come back though.

James

It will. But I think the industry has grown up.

Ken

I was going to say that the brokers have obviously a very important role to play. I think where in fact that becomes more problematic is when they try and extend that role to encompass the project management side and (a) there's a conflict of interest in-house virtually in that respect and (b) they tend not to be set up to do the work in the way that is required. From our point of view I think it's so important that we have competent project management firm involved, preferably quite separate from any of the other activities, so they're not also part of the trying to get chartering or selling or whatever. They should just be project managing.

James

The broker's role is to coordinate all the professionals coming in, up to the point at which we take over. And they're essentially doing that. And then they hand over to us.

Mark

So Dickie, Simon and John and Ken, would you prefer that the owner just paid you to do three years' work to specify it right down to every nut and bolt, and then you work with the expertise and the document is probably 30,000 pages thick, you write it up, and put it out to tender. And no changes. Why is it so woolly? Why doesn't it go to a much more structured result before anyone gives a price? So they haven't got to wait for an up-charge.

Julien

I think it has to be structured, you have to be sympathetic to the designer, the design process and people that do beautiful bespoke finishes and furniture. You've got to allow them to develop them. But you must give them windows of opportunities to do that. A lot of suppliers are very busy, even in this market downturn—they will have manufacturing periods where they set out that they can design, build and deliver furniture so the owner and designer understand that yes, they can develop it, maybe not at the beginning, but a certain sum is set aside for that and they can develop it here. If they go over that date then the project manager must have the confidence—and it's a very important thing to tell the client—oh, by the way, we're going to be late. *But we've got 2 years to go? We've got 3 years to go?* No. If we don't get this design now, the shipyard will nail us to it. And in many respects they'll be right, because they'll have manufacturing and engineering processes within themselves that will default. Some are slightly ridiculous—as James said about light switches—but I defend the shipyard in this particular case, they do have some reason.

James

My answer to that question would be because the owner wants his yacht. And he doesn't want to spend 3 years working it up, and then a 3 year build period. The kit that you're supplying, if it's loose furniture, he can sign a contract and then he can decide what he wants you to supply him because it doesn't need to be supplied until 6 months from delivery. So, with your build period, he's got 2½ years—he's got a period in which he can come up with a decision and then you build it and deliver.

Mark

Yes, but we've been talking about the interior side, but there are other critical things like weight. It's very rare in a contract that they even tell you what weight it has to meet. Or there's an expression that *it needs to be as light as possible*. So there's lots of room for argument there. What is the definition of as light as possible, or you work together. Now surely it's quite critical how much furniture weighs on the bridge desk if it's got to be a fast yacht, but it's very rare that these things even get mentioned.

Julien

I can't begin to think of the nightmare of televisions—if you look at the days when we were going from CRT TVs to flat-screens, and you can imagine half way through a build the owner says—I just saw this latest thing in Tokyo, we've got to have it. It now means that the TV which was *that* thick is now down to (the early ones say) maybe that thick. Now they're going even thinner. And this is an evolving thing of course. I would have hated to have been a project manager at that stage because it means then a complete redesign of the interior because there's more space available and

now the TV can be hidden because it can go up and down on a lift. It's these processes you have to plan, manage and coordinate.

Justin Ratcliffe

I'm the editor of Superyacht Design, which none of you have seen yet but will shortly. We've established that communication is key in that the hugely complex and potentially contentious process of building a superyacht. Julien, you're probably the start and finish of that communication process. Isn't there room for a whole new job description here, in having a communications manager who is responsible purely for ensuring effective communication between the various groups, not just of those on stage but others besides?

Julien

Yes, as the builds that I've done over my period of approximately 10 years now, as they got progressively bigger I've incorporated more consultants. I presently answer to a build director in the UK but I'm on site coordinating things. Yes, you have a valid point. As luck would have it, I'm not an engineer, I am not a naval architect. And really right now I'm not qualified as a captain. But I can communicate. I do understand what the crew require in the operation, I'm sympathetic to what the designers are trying to achieve for the client, I also understand that at the end of the day the owner is going to say why isn't it on time. And fourthly, the lawyer is saying why didn't you tell me about this before? The lawyer also is not somebody who comes in at the beginning to sort out a huge mess at the end. I see the legal side of a build, the lawyer, as being an integral part of the build team because he needs to be part of the communication process as well, and I would readily send a brief to the lawyer so he can hold the shipyard's feet to the fire towards the end to make sure that they commit the resources for my client to deliver on time. But yes, I do agree with you. Luckily I would like to think that I fulfil the role as a communications manager just as much as I do as a project manager, but you do have a valid point.

James

I think yes, if it's part of the project management team, no if it's another layer of the owner's management structure. Because then it just doesn't work. We've seen them try and do this, it doesn't work. There are conflicting messages feeding their way back and if it's part of what you're buying in from the project management it'll be great but otherwise it's too much complication. Keep the lines as clear and as uncluttered and as simple as possible.

Ken

The reality is though that we can't educate the owners and they tend to not be very receptive to that. And you get the two extremes, you get the owner who is very proactive and feels he can pick up the phone, talk to him, to him, to me separately, and he causes the most amazing amount of havoc that we then have to try to resolve behind his back. And you then have the opposite—the owner who is almost unapproachable other than through a very tenuous line of communication of representatives and whatever, which is almost worse, because by the time you get an answer back you've gone a long way towards maybe selecting things from suppliers or whatever that you've had to commit to, to stay in the timescale.

Martin

Right. Any more questions from the floor ? yes, Mike please ?

Mike Worthington Leese

I'm very much in the same boat as Julien and I have to heartily endorse the comments that have been made on the stage about diplomacy and that sort of thing. And in some instances compromise. It is the only way, as far as we are concerned, to get a job to a successful conclusion. We've had too much experience of project managers who go in gung ho on behalf of the client, trying to score points against the shipyard, thinking they're doing a great thing, and then they're left out in the cold at the end of the day with a huge dispute on their hands. Having got that off my chest I would like to ask you a question, particularly of probably James and Julien. A technique that we have used with reasonable success over the past 10 years on various projects is to move some things that are in the original contract as owner's supply, such as the interior *per se*, not the design, the design almost invariably stays in that category. But to move other things across after discussion and give them to the shipyard as variations to contract. Now obviously that attracts a premium, because the yard is not a charity. It's not going to do it for nothing. But the cases in point have been obviously the interior joinery itself, *per se* not the design. Tenders is another one which I think was mentioned earlier. That's becoming a biggie these days. If those things are passed over to the shipyard on a structured basis so that everybody knows exactly what they're doing, exactly what their responsibilities are, and these are set out in the variations to the contract, for a price, as I said, straight away the project manager has been relieved of a bit of hassle, he still has to watch what's going on but the tenders are a classic. There can then be no comeback about coordination, and then the yard cannot be throwing up their hands and saying well a delay is a delay, we haven't got this information. Sorry guys, it became a VTC, it's up to you to get the information from the tender manufacturer or whatever.

I'd just like to know what the guys think about that as a possibility. Is it a technique that's been used?

Julien

I would say that the best time to negotiate is obviously before the contract, and as you clearly pointed out, going to the shipyard we have an item of owner's supply to be yard supply—it's not just a matter of the cost of the item, the management and coordination of it, it's just the fact that the shipyard have lost an excuse to pin any type of delay, however ridiculous it may or may not be, to the client. I've dealt with some moderately priced tender suppliers and I've dealt with some very expensively priced tenders and you get what you pay for. I've had tenders that have been delivered late and I've had to have done major damage control to defend the client and I've used high end tenders where they've delivered exactly on time. Yet again, not only is the project manager managing the build itself but he also has to project manage the tenders. He has to supply just as much attention to the tenders in a miniature form as he does the main vessel. The bigger the tender—the tenders are going now to 8metres, 10metres, 12 metres. Air conditioning, audio, legs that sprout out from the bottom, anchors that pop in and out, TVs, tracking systems. They're getting as complex in miniature form as the main vessel. It's as assessment, I would say. I can't really give you a straight answer.

Ken

I think on that topic, with my different hat—as Martin knows—I mean I got involved and I'm still involved with a firm that supplies high end tenders. One mystery to me as

we know is why the tenders are on the supply, because to me they're an integral part of the machinery and the safety and the operation of the yacht, and as such, to me, should be part of the yard's responsibility the same as the main engine or something else. I mean their weight is critical, their function is critical. The weight that the crane has to be lift in order to get them in the water is critical. I've worked really hard to make rescue tenders that were traditionally disgusting looking agricultural orange—as you can see, I feel strongly about it—and now I've got tenders manufactured by Pascoe which look quite pretty and can be dual use still as rescue tenders but they're very critical in terms of the weight and everything because the crane that lifts them for example has to lift 2½ times that, it has to be launched in a certain say 5 or 6 minutes, with somebody on board or whatever. So the whole thing is very complex and it's not the same as specifying a table cloth.

James

Which is precisely why it's an owner's supply item. Because if it's outside the contract as an owner's supply item then the yard are not responsible for the cost, so the cost gets almost forgotten. The owner sees the base yard price and forgets the \$½ million for the tender. So the yard aren't responsible for the cost, they're not responsible for anything that goes wrong with it—

Ken

And the owner seldom understands all the implications of the tender and the choice of tender. Because again the tenders are working, typically a tender is working 18 hours a day. The yacht is just sitting at anchor, the tender at 6 in the morning is taking the garbage ashore, it's taking crew bringing equipment to repair something, then suddenly the owners or the daughters or whatever want to go water-skiing, then they want to get somewhere at lunchtime. And they end up at 2 in the morning collecting a couple of crew that had a few too many and then they have almost no time to start all over again.

James

And the point there is of course that because it's been used all the time it's more likely to go wrong. If it goes wrong as an owner's supply items the yard has got nothing to do with it at all.

Martin

Does that apply to every owner's supply item?

James

Every owner's supply item. The yard are not responsible for owner's supply items unless they have to install them and they've got the installation wrong. But for a tender it's very straightforward. The last thing—so that's price and things that go wrong—is of course the owner has got to identify it and then provide the information on weight and dimensions for the crane. And if they get that wrong and they deliver that information late it's a great excuse to extend the delivery date again. So for all those reasons that's why a tender doesn't come into the contract.

Ken

They should.

Mike W-L

Can I say that that was exactly my point? That James has homed in on. I feel that the owners obviously will pick the tenders, they will go to their favourite designer, the owner's rep and the project manager will talk about the design right up until the time that it's time to place the contract for the baby boats. As soon as that is done then what James has described automatically transfers. There are then no excuses from the shipyard about weight, lift points, clearances, trim, balance, etc. The owner's rep, the project manager, should still and will still, have serious input into the quality control of those boats, visiting the builder etc etc—because it's just like QC-ing the mother ship. It's an extension of the mother ship.

James

We're at a very interesting stage with tenders. We had a rush on new build contracts 18 months ago and people were signing up all over the place. All of these have been owner supply items. The bubble that we've had in relation to new builds has transgressed down the line and we now have a bubble in relation to tenders. And at this moment project managers on all these new builds are going to tender manufacturers at the moment and there is a little contract race—we've got to sign up Pascoe Vaudrey Miller *today* because we know that Project X is also having one, their delivery date is the same as ours, and we need to get in there now to comply with the timing requirements. So it's a very very topical issue that you've raised. The way the yards will defer all the liability to the owner is that the owner won't have made up his mind what tender he wants when he signs the build contract and he's agreed the spec and indeed these things fluctuate—a new one might come out that he might go for. Like an AV, like an upgrade in AV. So that's the way the yard will justify passing the responsibility onto the owner. A good topic.

Martin

From a quality point of view though, James, are we looking therefore that some things can be rejected because something new comes out?

James

No. You can't do that. If you've committed to purchase something when you signed the contract, you can't then reject it because something new has come out in the meantime.

Martin

But have you ever seen excuses being given?

James

No.

Ken

I've seen it in reverse. I've see a situation where the yard—I mean we went with an owner on a middle sized build to a good Dutch yard and we produced a fairly thick

specification, set of drawings, everything. We went with the owner to the shipyard and the shipyard looked at everything and said this is incredibly impressive, we're so proud, in fact we're going to do something—we're going to put at the front of that contract to be built to Dutch standard. And we said fantastic. The owner was delighted. Away we go. And 6 months down the line when I wanted to try and get the lights that we had shown they said sorry, this is not Dutch standard. So it can backfire.

Martin

Another quality issue is paint.

Neil Anderson

I'm from DuPont. I'd just like to ask a question really, regarding especially the yacht designers, and what value they place on the actual exterior colour, given that the most recent high profile launches have been predominantly in white and there is a choice of colour available in the market, hence I mean the iconic Maltese Falcon for example. I just wanted to have an understanding what the issues were there. And I guess Ken could answer that question, or Dickie, and I guess Julien perhaps would have some remarks about it. It's probably a simple question but I guess it's going to take some time to answer?

Martin

A loaded question as well. Ken, please?

Ken

Are you really querying what is the quality or the choice?

Neil

I think both go hand in hand, but there is a choice. I think quality perhaps is a different issue. It's based on something else. You can choose the colour, but whoever applies it or produces the final quality is a different issue.

Ken

I mean one of the issues there which is a little bit similar to some of the problems we have on other things is when you look at it from the owner's point of view all he could look at is maybe just a colour. He doesn't know how it's going to behave long term, he is not able to judge how easy it's going to be to apply, and more importantly it is very difficult for him to see how it can be maintained. I mean the choice, as in the case of the Maltese Falcon, the choice of paint at the end was made because we wanted to make sure that things could be maintained, burnished, and polished, and still look good. Whereas you have for example a few yachts—there was one in particular at the Monaco Show with one of these changing colour things like TVRs used to have. You look at it from this side, it's purple, from that side it's green. And I've seen one of the very important yachts that was finished like that sort at Benetti where the painter was trying to do a repair on that and of course I don't know if it's to do with how the molecules sit on the surface or whatever but suddenly from this side you could see the purple with a little patch of green where it had been repaired. So obviously the practicality side has to come into it. And there has to be somebody like the project manager advising the owner and agreeing with the yard how it's going to

be done and typically with very few exceptions the whole paint process is nowadays done by gangs, if you want, of people that will come and offer their own warranties. But then there is always the conflict between the facilities the yard can give them in terms of dust control and everything else and their ability. So there's quite a tricky legal situation there.

Julien

And to answer the expectations. If the colour change is agreed before contracts and you're going from an all white boat to a white boat with graphic feature items, and the shipyard says yes we can do that and the delivery date is going to be the same—you can't throw 50 Chinamen into a room and expect things to get painted quicker. The schedule may be extended because to do more clear coating, to get this metallic finish is going to then affect access into the vessel, it'll affect the teak laying—because all these disciplines have to interact with each other. To be sympathetic to the design process the owner will say I just saw a yacht down in Monaco and I'd like to have some sections which are graphically changing before my eyes. You then have to go to the shipyards, and the shipyards say well firstly, it now gives them an extension on the delivery date, because they will factor in any delays that they may have, and also the cost. And then you have to negotiate the cost, and when he says oh come on, it doesn't really cost that much—the process will be an extra two months of painting, and then they'll say it'll affect the interior installation because they can't get into the boat because it's all tented up. So these are all factors that you have to figure with a paint change. And obviously the best time to actually get it done is before—but then owners are only human, and they're allowed to develop their design. So this is where the project manager will help.

Neil

I think I fully understand that there's a lot of variables surrounding the choice of colour—I mean many of them like you've suggested. But do you feel as a designer that you are compromised by the fact that you cannot maybe choose the colour that you'd like to choose for the vessel? And even the owner—I think we've had instances where on very large yachts the owner has chosen the colour, a metallic colour perhaps, and then at the end of it it's been painted white anyway. So that was chosen in the early stages of the specification—I think one gentleman wanted a James Bond theme which was gold, the yacht is white now. So I'm just wondering if you feel compromised by the fact that you're concerned that you can not choose a colour that you feel applies to the design of that yacht?

Ken

I'm not too sure why we'd not be able to choose a colour though?

Neil

But you can. That's the whole point. You can actually choose whatever colour you like, and the owner can choose whichever colour he likes. I think it comes down to the process, and obviously specifying this extremely early. And I think if you want to take it a stage further yes, you have the planning for that is a little bit more extensive than the industry perhaps is traditionally used to.

Ken

But I still don't see why—provided it's done in time, and provided the samples are approved, I mean obviously you'd need to be aware of the consequences of what you do, like on this polychromatic paint or whatever, there are consequences. Equally the reason so many yachts end up being white is because from a practical point of view it makes a lot of sense. But it's obviously sometimes not the effect you wanted. I mean you go and paint a big yacht black, it shows all the salt, the maintenance, the heat gain because of the dark colour, there are consequential issues. I mean we ended up painting a composite yacht a very dark colour on specific request from the owners and it did create a serious problem with the heat to the extent that they then had to repaint it. Because the composite people just couldn't offer any other solution.

Neil

I mean that's interesting from a paint manufacturing perspective. It could also be important that the paint manufacturer gets involved technically at the early part of the specification. Because they should be able to tell you whether you can do that or you cannot do that. Or that is not advisable. Anyway I guess that's probably another subject. Thank you very much, gentlemen.

Martin

OK. Any other questions? John?

Hugh Garforth-Bles of Peter Dudgeon Sofas

John, do have this microphone after me!

We've made sofas for about 50 superyachts in the last 16 years—the first one due to John. I just wanted really to add to what Mark said earlier on, on quality and expectation. I think there is a considerable difference between making furniture for boats rather than for houses. I think that in houses people seem to have a much clearer idea what they want in their house when it comes to discussing with the manufacturer and the designer what is going to go into the house. With boats, I identify with all the stories that Mark says—that for example boats have disappeared from the yard and suddenly they've gone off on sea trials and you've got lots of people waiting to install things. But primarily I think the key thing is that the owners do want to change part way through the process of manufacture and I think it's incumbent upon the supplier to make sure that that can happen. And in order for that to happen, and for the supplier still to be in business a year or two later I think that the cost for manufacturing for boats does have to have a certain premium upon it, even if it appears at the outset to be a standard item. Because almost certainly there will be a change, if not inevitably there will be a change to the specification and it's much better and people prefer it much more and the designers prefer it, the project managers prefer it, the people paying the bills prefer it, if a price is submitted in the first instance which includes an allowance which almost inevitably will take place for that piece or pieces of furniture to alter. And so I think that the key thing on quality and expectation really is that you as the supplier need to make sure that you basically say yes when the owner or project manager or the designer say we want to make a small change, or even a bigger change. And you say yes of course, that's not a problem. Rather than turning round and saying well if you make a change you're going to have to pay more. Because that tends to impair relationships.

Martin

What sort of premium would you say is the recommended premium ? Because there are stories of 300% mark ups and ridiculous numbers that cushion the blow but what's your rule of thumb?

Hugh

I have a percentage figure that's in my mind but before I give you that percentage I would say that it depends on whether it's a motor yacht or a sailing yacht. Sailing yachts tend to be more complicated because the space is even more at a premium than it is on a big motor yacht. But on a motor yacht you can still get some enormous changes to a specification. The percentage I was thinking of, and it does vary, I would say would be somewhere between 30% and 50%.

Martin

OK. And because you've got the microphone, I choose you to answer this question as well. In the premium scenario, over the years, it was 16 years you said you've been supplying yachts? are you making more money on yacht projects than land projects per item? With that premium attached? Or what's your lesson?

Hugh

I think that over the 16 years we've been doing both residential and yacht projects, that we've built up a considerable, more of an expertise in making special pieces of furniture, so that if someone comes along with a photograph it's almost second nature that we'd know how to do it and what's involved. I think that profitability is not always a precise science—where you make your profit—and that comes from somebody trained as a chartered accountant. I think that we prefer the superyacht market and I think that is an area where suppliers in the UK if they can get into the market it's a welcome market to get into because it is not a market that can be serviced from China or from Poland or from Eastern Europe in anything like the same way. Because if somebody wants to make a change it's much easier if your workshop is in Fulham than it is if it's elsewhere. Obviously there is profit to be made in superyachts but you have to make sure that you perform and fulfil their expectations.

Martin

Sure. James?

James

Can I just ask you—by building in a premium in case the owner changes his mind throughout the project, are you not penalising the owner who has planned at the outset, who comes in—your dream client— and tells you exactly what he wants and allows you to get on and build it ?

Hugh

I've had a lot of dream clients but I don't think I've had any client who hasn't changed his mind or made an alteration. In over 1,000 pieces of furniture I would say that nearly every piece, if not every piece—I'll get back to the office and have a look.

James

By doing that, by allowing the change without having a formal mechanism, are you also ensuring that you extend the delivery date if this decision has come late? Or is that not an issue?

Hugh

I think that delivery dates are an interesting thing. I think that it's very rare that a supplier of manufactured items is the cause for a delay in the boatyard finishing the project. I'm sure it does happen but I don't think that happens very often.

James

I agree.

Hugh

I'm sorry, ask me the question again!

James

You should consider I think extending the delivery date, even if you're not going to increase the contract price.

Hugh

I think because boats are the ultimate owner's toy, the key thing is to give them what they want, and if they want to make a change, then that change should be incorporated.

Mark

But he doesn't have to be aware of the ramifications. If we were delivering dining room table and coffee chairs or say just chairs, the ramifications on the delivery of the vessel are negligible. But if we're now delivering elements of furniture which is constructed and they'll be integrated into the air conditioning and the TV and the AV system, then it's going to start to have bigger ramifications so an assessment has to be made of risk, cost and expectations.

Hugh

I totally agree with you and obviously the change would only be done in conjunction with the designer, the project manager, the boatyard and probably the owner and so it's not a unilateral operation.

Mark

Obviously we're nearing the end of this and I'd like to add a positive note that there is definitely business out there. For those of you who don't know, I'd say a vast majority of the superyachts that are built are controlled through the UK, be it the designers, the brokers, the project managers, it's a very small field when you get there. I mean we've had an instance where James's office is acting on one side of the party and then the next contract on the other side for us. It's a very small team of people. And you need to get to know them all, so when there is a dispute, everyone knows you

around the table and you're in a much better state to have everyone saying no, they're really good guys, give them a bit of a break. Just get to know all the people. But the legal teams, the brokers—there are 8 leading designers in the UK, and they're controlling 80% of the superyachts. So you only have to drive around England, it's actually quite an easy field—

Martin

Did you say controlling?

Ken

I'd say suffering. But I would just add to that, in that geography thing, is that I don't know how many potential suppliers might be sat in the audience, but certainly we could do with a lot more products that are better designed and more suited to superyachts. I mean the number of incredibly expensive Lurssen and other yachts, they're multi million pounds worth of yachts and it's the same pull push catch rattling and terrible quality stuff and our palette of items is quite restricted. I think anybody that comes up with some—there have been people that have concentrated on something like cleats and they've come up with great things, they've made a lot of money, and they've come up with a lovely product that they're proud of. But when it comes to furniture, to lights, to handles, whatever, we're restricted to pretty much the domestic market and I think anybody out there that's a little bit more enterprising we'd certainly be interested.

Martin

Well, we have a few ideas for you Ken.

[From the floor]

I'm an interior designer and I mostly do residential but have done a few yachts through contacts in China. But it seems to me as if the yacht design industry is very cliquy and actually quite difficult to break into.

Martin

What gave you that idea?

[From the floor]

I wondered how, if you're not in with the club, how you can break into that field, as a designer, as well as a supplier ?

Martin

I'll help you.

[From the floor]

Good, thank you.

Martin

Any comment? Is it cliquy?

Ken

Well as a designer I think we don't want you!

Martin

Wasn't there a meeting in Monaco with all the designers and Don Starkie stood up and said all these new kids coming in is going to spoil the party for us?

Ken

Yes. But I think it is changing actually.

Martin

There are some talented people out there who should try.

Ken

There are a number of new designers—I mean at Monaco there were several interiors with architects or residential designers, in fact they were described to me on two occasions as having their first solo flight, with interiors that were pretty good. In fact even from the top German shipyard there were two yachts there and I thought by far the better one was the one that had been done by a residential designer rather than an established one.

[From the floor]

Maybe that's why you're beginning to see loose furniture, because that's just the way that we always put loose furniture in because that's how we would do a residential project. And as you say, you bolt it down and it works.

Ken

That part is not so easy, because we rely on some of the built in furniture to run ducts, pipes, you know, it's a little universe of technical things so we do require a certain amount of technical spaces which the built in furniture helps with.

[From the floor]

We do furniture that looks loose but is actually built in.

Julien

I think most designers come in to yachting through wealthy clients, obviously, through residential estates—and I think once the client's achieved his main home and his holiday home and he's acquired the jet, which is also a vacation tool as well as very much a business tool, his next graduation is the ultimate form of vacation which is his own private floating villa, which is a yacht. And you invariably find a lot of the designers will come from the residential into yachting. And a project manager will assess the person's experience and if necessary advise the client oh, he or she has never done a boat—because there are a lot of disciplines about fire regulations,

where they can put the door, and everything else. I remember one particular residential designer—I won't mention his name—decided to put a watertight bulkhead running longitudinally when they're actually meant to run *this* way. So it's different things like that. But once it was highlighted to him he configured it and he was very amicable to changes.

Martin

OK Charlie is scowling at me now. Right, one anecdotal comment on what you just said. There was a famous yacht designer who again will remain nameless, who was introduced to the owner's preferred interior designer and the preferred interior designer was brought and the luminary designer said oh yes, you can do the cushions. That was the sort of attitude. So there is an attitude thing there that exists. I think it's when you make your mark on this market you actually can do very very well. It's just breaking through those barriers, how Dickie and Simon have done.

Julien

I do remember hearing a funny story about Picasso in Paris where a lady was walking down the street and she said to him can you do my portrait? And he did a portrait of her and it only took 20 minutes, and he said that's 5,000 francs. She said but it only took 20 minutes. He said no, it took a lifetime. So if you understand the design process, which I try to—and I apologise ahead of time if I've been the voice of doom, or sounded like the headmaster, but it's better to have the cough medicine earlier than later in the build.

Martin

Absolutely. Oh the microphone is right there—Charlie, it's not my fault!

[From the floor]

Sorry. One question I wanted to ask you was—a yard, are there not certain yards that are better for certain types of kit-out and look, and detailing. Say you said oh I want this sort of look, and the client said oh it's going to be made in this yard. Would you be thinking no no, I'm not sure about that. Or does it not work like that?

Ken

I would say the yard is like a builder and normally speaking they would build what you want. And then I mean that's an over-simplification because obviously there are yards that have concentrated on sailing yachts as opposed to motor yachts and there are yards that are well known for a certain size and facility. I mean typically the selection is made based almost on the size of their shed, the capacity of their lifting cranes—

[From the floor]

How about the quality? You spoke about before—like you could be thinking that you're going to get a certain type of lacquer and they might be thinking that we give this type.

Ken

Well the problem is that as always you get what you pay for and the mistake that too many owners make is they don't agree to go with the yard that's given a firm price, for example that's a realistic price. They will go maybe with a price from a lesser yard, if you want, less experienced, that is buying the project in effectively. Or else simply is not able to calculate the real cost and is therefore giving a figure but the reality, as you can imagine, is the same engine is going to cost the same from both places maybe even a bit less from the expensive yard because it's a bigger yard, better known, and gets a better discount. So then it boils down to the labour part and OK, so the yard may be in China or somewhere else, their labour rate for the sake of argument is half but if they have to do the same thing three times then the economy is not there.

James

We try and build into a contract a reference to *best North European yacht building standards*. Because the best standards are Germany and Holland. It's a bit of a generalisation, but that's the aim you're looking for. And the German and Dutch yards will meet those. And when we had English builders they were happy to build to that as well. But you try and force that standard onto an Italian build contract and you won't get it, because although they look great on the outside, they build in a different way and they wouldn't be prepared, I'm not sure if they'd even be able, to build to that standard. So very generally, the North European yards are the Rolls Royce and—

Julien

And I think cost effective as well. If you go to say Italian or American yards, they will be able to build a very good yacht, say between the 30 and 40 metre range. And I'm not saying they couldn't build 100 metres and above. But then you'll find say the Dutch yards will hold the market with productivity and engineering systems say—and I stand to be corrected—between 50 to 70 metres. But then if you go into the huge ship building facilities say in the German yards, where they can pick up a ship's section of the engineering space the size of this room and put it down, crane it in, glue the other sections onto it, then that's cost effective.

Martin

They don't use glue though!

Julien

No, that's the old system, and rubber bands and staples. But then the person can make an assessment of what type of yard, what type of standard. Yet again you can go to Asian and other areas where the labour charges are less but as Ken said, you get what you pay for at the end of the day. An assessment.

Martin

Mike, can you shout out really quickly because Charlie is going to kill me?

Mike

[inaudible]

Martin

Well said.

Right. Charlie, can I finish? There are two things I want to say. Obviously thanks to the panel and thanks to you guys for joining in with us. The world of design is changing in yachting. It needs a lot more debate, a lot more discussion. We need a lot more project managers like Julien because there is a lack of good guys out there who know how to run a project effectively—I'm sure most of you designers will nod on that point. Because they have nightmares with projects. It is a market which we track every day—there are 140 shipyards out there that are currently building today. Another 100 shipyards that are refitting yachts, so the market is there to be looked at very closely, because it's not only just that new build supply, there's the regular supply of new materials and new fittings etc but there's also the whole process of refit and repair. It's something that if you don't know the market, we can explain more to you—Nicola and Charlie, Vam, Lisa, Georgina are all here. And Alice. And essentially if you need to know anything more about the superyacht market, Superyacht Design is coming, launched on 1 November. This is my sales pitch, sorry, I know I'm not supposed to do this. But when you leave you'll get a little bag with some bits and pieces in. That'll tell you a bit more. We're also hosting a lunch—because this is called the Superyacht Design Summit, we'll have lunch at the Summit Showroom for those who want to join us for a quick lunch there are some people that have already been VIP invited and a few of you might just want to come and talk to us more about what superyacht design is.

I know that this subject can run and run. We haven't even talked about intellectual property, we haven't talked about the financials in enough detail. So there will be more and more meetings like this coming, hopefully with Charlie and Helen's say-so, to deliver better information on how this market needs to evolve.

So guys thank you very much. As in any good yacht project, we've overrun with time.
