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THE REFIT DEBATE: Boom Times Ahead

Ron Baker	Merrill-Stevens
Remy Millot	Pinmar
Michael Murray	Atlantic Marine

Chairman - Martin Redmayne

Good morning everyone. I'm very impressed with the turn out this morning. Didn't drink too much. Well done. Tomorrow morning for those who are racing, do know what you're doing? Okay, good. Means I'll win. Just to give you a heads up on that, there are two things I want to talk about before we start the session. Georgina is hosting this little barbecue at the Newport Shipyard tonight, it starts at 6.30 which is straight after the last session, however it will go on to about 9.30 and so if you don't make it for 6.30, that'll be fine, go back to your rooms, change if you want to change – get more sort of down and dirty for a barbecue outfit and be there 7.30 or 8 o'clock, whatever you want. And then obviously the Boom-Boom room will be open again tonight, we enjoy the Boom-Boom Room. And ultimately just come and have a nice, relaxing barbeque. The idea is that you're going to meet some of the race crew, the America's Cup Charter Team will be there to talk you through the plan and you'll be given all your team outfits. Don't worry, it's only a t-shirt! But the idea is that it's all colour coded and it will be good fun. Then the next day—you've got to realise you can't be out too late tonight because we need to be at the shipyard—what time George? 7.30? No, 8 o'clock - at the shipyard where we're having breakfast and meet the teams again, race debrief, course, all the usual stuff for a regatta. And we should have a wonderful day sailing tomorrow.

I hope you all enjoyed last night, I did. I think it was a good atmosphere. The session this morning – the latest Yacht Report has done a fairly detailed report on the refit market and we think this is one of the biggest market potentials for the next 5 or 10 years. The fleet is getting bigger and bigger, the capacity of the refit yards is not expanding at the same rate so there's a massive opportunity I think. And that involves every single person in this room I think – in terms of supply chains, services and the whole shipyard infrastructure. Remy Millot is the boss of Pinmar in Palma and Barcelona, and he's been doing some interesting trips and tours of duty around the US, looking at the US shipyards and ultimately he's been very interested in what he's seen here. Because obviously there's an interesting comparison between Europe and the US—Europe has made some huge investment in their infrastructure and we think the US needs to do some more. Ultimately we've looked at a couple of things in the last year where investors have looked at shipyards in the US from a refit perspective so I think it's something big on the horizon here. So I won't give any more of my introduction.... Remy, the floor is yours.

Remy Millot Pinmar

Thanks Martin, just to start off where we left last night. A guy goes home to his wife and says 'I've got a job in a bowling alley', she says 'ten pin?', he says 'no permanent' !!!

Martin

Oh my God!!!

Remy

No? No?!!

Okay. Right. Martin asked me to look at the comparisons between the US yards and Europe, looking at yards that base all their activities or the majority of their activities on the refit business. I apologise to the yards that I haven't been able to do a presentation on today. Obviously it would take an awful long time to get through all those yards. To name a few: Abeking & Rasmussen, Amico, DML, Feadship, Lurssen, ITM, Perini, OceanCo, Pendennis, Monaco Marine, Trinity, Palmer Johnson, Delta, Knight & Carver, Broward, Merrill-Stevens, Dania, Jones and DN Kelley. Those are the ones we're not talking about.

We're trying to establish whether in fact, Europe is ahead in terms of the market share with refit, in terms of facilities and capacity. We can say that due to the greater market share of the new build in Europe, Europe has established itself as the market leader in terms of refit today. Including the investments made so far directly related to refit.

However, looking at the statistics on paper through this PowerPoint, we can see that the American yards have a big potential to increase its volume of refits in the U.S. In actual fact, in terms of facilities and investments they have made, they're not too far away from Europe at all.

So looking at the yards—this is basically the locations of the yards that we studied on the East Coast America there, up in Norfolk and down in Florida and as far North as New York. And then in Europe, the Mediterranean and Northern Europe. Astilleros de Mallorca, in Palma, probably one of the longest standing refit yards in the Mediterranean, uses the slipway method to haul boats and has a large in-water capacity to do refits. The yard is famous for the 3 masted schooner yacht 'Jessica' built in 1984, has good workshop facilities, and I've just done a brief outline of all the yards we've looked at. It made reasonable investments, but not too much as this yard is going to move its location in the next 10 to 12 years into a more commercial area in Majorca.

CRN in Italy mainly focused on new builds but are actively looking to get into this service and refit business. They're part of the Ferretti Group and have made major investments in the facilities, such as new sheds, new shops and in water working marina. So they're well-prepared for the refit market. We're unable to disclose how much investment they've made but it's significant.

Composite Works in La Ciotat, there has been a significant state and European investment in this area. With a 2000 tonne travel lift, new shed, and Composite Works leases space in this area to carry out a full refit service along with two other companies and Monaco Marine.

MB92 in Barcelona, arguably the biggest and most successful refit centre in Europe to date over the past few years. They've made very large investments in the past 10 years and now will make an even larger investment in the future in doubling their capacity by buying out the commercial yard next door in the next 3 years. Which will have berthing up to 200 metres for yachts. There we can see the existing yard here and this is the intended expansion there.

STP in Palma, the ex-Boatyard Palma has made a significant investment in developing a new, on the hard standing area for yachts up to 60 metres, with a 600 tonne travel lift. This yard is basically an open yard where contractors and companies can work freely in the yard

and invoicing directly to the boats. And if they require a full management service or yard service in the traditional way they can use the facility next door called Varadero Palma.

Blohm & Voss, historically a very large, commercial yard, which it still continues to be. It has dedicated a large part of the yard and workforce to the yacht new build, refit and repair. The yard is famous for large yachts and the construction of large yachts such as 'Lady Moira' and 'Echo' and currently has several new builds under construction. And it's very active in the repair every year.

Then we go to the American yards. Atlantic Marine in Jacksonville, initially and currently a commercial yard with a large part of its workforce still dedicated to the commercial activity of new builds. In recent years it has entered the yacht refit business. There's very good capacity for the larger yachts with good facilities. Although the yard has carried out a large number of refits to date, it has great potential to increase the refit activity and has invested in developing this side.

Colonna Shipyard in Norfolk, Virginia, this yard has mainly dedicated itself to the commercial industry but has been in the yacht refit business since 1992. There's a big lifting and docking capacity for large yachts and deep draught for sailing yachts. It has strong engineering capabilities and has made significant investment in new offices and 1000 tonne travel lift where yachts can use a more dedicated yacht service area. And it certainly has the potential to increase its refit business.

Derecktors shipyard in Connecticut, instituted for the State of Alaska Highway System Ferries, and has continued its commercial activities. The yard quickly entered the yacht new build and refit market and currently has a well-known 85 metre yacht under construction and the world's largest catamaran under construction. The new build shed is a very nice facility with connecting workshops and I'm sure they will have a lot of interest in the new build in the future.

Derecktors shipyard in Florida, one of the longest standing Florida refit yards with a lot of experience in this field. I'd compare it with the yards in Europe, something like M for their experience. They have a very good knowledge of the refit market since being in business since 1967. The facilities are good and well-prepared for refit.

Ocean Marine Yacht Centre in Virginia, probably the best out and out yacht painting facility in the U.S. with two purpose built painting sheds with a lifting capacity of 1200 tonnes. It's a very clean yard and plans to build a third painting shed to increase its capacity.

Rybovich yard in Palm Beach, they made a significant investment in the yard with completely new facilities and workshop dedicated to the yacht refit business with a lifting capacity of 660 tonnes. They're also going to invest further with a new marina out at the front of the yard, which can be used as working berths and normal docking service.

Something that you'll see from the slides there is that all the yards that I visited have very strong internal Health & Safety policies and I think that most of the yards have an internal training scheme also. We've often heard in Europe that there is, perhaps, a slightly lighter approach to the Health & Safety and environmental issues in the U.S. but from what I've seen, I think it's very strong in the U.S. also.

So if we look at the averages, which I've just done on the yards that we visited... The lifting capacity in Europe against the U.S is very, very similar. The average capacity with regards to length to dock the boats between the U.S. and Europe is also very similar. The average projects per year, you can see there that the average amount of projects that Europe has a

year is more than the U.S. And I would probably say that the extent of the refit in Europe per project could be larger, i.e. major extensions and things of that nature.

We're missing a couple of the investments in Europe and the U.S. there, with CRN, Thyssenkrupp and Atlantic Marine, didn't disclose their investments, but we can see there that on both sides there's been substantial investment, with the MB92 and the Rybovich yard to date making a big investment so far. And interestingly those two yards are purely dedicated to refit.

I think some of the American yards have also made large investments but some of those yards have also commercial sides to the yards so they have also invested in the commercial side also.

Looking at the workforce, fixed employees in Europe is less than in the U.S.A. Interestingly, we looked at the sub-contractors' discussion yesterday and there's a huge amount of sub-contractors used in Europe, against the relatively small amount of sub-contractors used in the U.S. I think the sub-contractors are an incredibly important part of the refit business and the new build business. They do an excellent job and the discussions yesterday were quite interesting.

And I think this is the most significant slide really, as we can see there that the market share in new build is much, much greater in Europe at 73%, the rest of the world at 12% and the U.S. 15%.

So the conclusions, and I'd just like to say that although I have a fairly good knowledge of the U.S. yards, I'm much more familiar with European yards, so if anyone would like to contradict me or if I've misquoted something then please feel free to do so. I've tried to be as independent as I possibly can.

I would say in the mega yacht business, i.e. yachts over 75 metres, I would say that Europe is probably 7 to 10 years ahead of the U.S. yards, in terms of choice and facilities totally dedicated to refit and repair. It's obvious that the U.S. has some very good yards and can offer good yacht facilities to carry out refits and I'm sure the U.S. has big potential in my opinion to expand the super yacht refit business.

It has to be said, and especially in Florida, there are many, many yards totally dedicated to refit and repair in the U.S. and they've been doing so for many, many years. I would say that there are some restrictions in those yards, with regards to lifting capacity and depth of water.

I've been very impressed, when I've met everyone in the various yards, with the attitude of the people. And I think they probably take care of the crews a little bit more. There's a yard in Florida which has invested heavily in taking care of the crews with recreational areas, gyms, a dining room with a full time chef, so they seem to be much more inclined to look after the yacht crews.

I've also seen, in Florida, a huge amount of investment made in the 100 to 120 foot end of the market. With a lot of new sheds going up in Florida and although I think the U.S. yards have made a lot of investments, as I said earlier, it's not purely dedicated to refit. I think obviously the U.S. yards have a bigger disadvantage with the overwhelming new build market share in Europe, as the guys from Trinity and Palmer Johnson said yesterday, they find it very difficult to service their yachts in Europe when they have warranty issues. So I guess the same would apply to the European yards where they feel much more comfortable and closer to home to carry out the warranty period in Europe. And then, of course, that's where a lot of relationships are built in the European yards with the yachts themselves and the return of the business.

There's definitely a market out there for the U.S. yards to grow, and now with the dollar and the overbooking in Europe, I think we'll see the U.S. yards taking advantage of this situation. I also understand—which perhaps the guys can comment on a little further—that the yards that are investing in their facilities are coming up against a lot of red tape and local government issues with permits and things. So obviously that's slowing down the process of bringing the yards into a better state.

Well, that's my bit for today. Thanks very much.

Martin

Remy, thank you very much. Mr Murray, please?

Michael Murray Atlantic Marine

Thanks Remy, that was a pretty thorough investigation there. I agree with a lot of what Remy said there, especially the last point that so many American yards, especially in Florida, it seems that in the United States and a lot of places we don't have the support as yacht industry people to get local governments to support us as quickly as we'd like. Very often they would prefer to do some sort of tourism based business or some kind of condos or some other nonsense, like we've got the massive explosion, which thank God stopped here recently. But it's been very difficult to get things done and I'm sure Ron could speak of that a lot better than I could.

As far as making investments within the yards and infrastructure, that's also a big issue and with my experience with Atlantic of course as of four years ago, they maybe did a yacht or two a year, in fact that's the reason I was hired on was to further that business which, thanks to a weak dollar and overbooking in Europe, we've had some pretty good success. But the facilities – speaking for Atlantic – the facilities certainly need to improve, better enclosures, and still work on the yacht culture that needs to be in place. It's certainly different to servicing a tug boat or supply boat.

The other issue that Remy pointed out are sub-contractors and looking at that chart that he made, it's pretty startling, the lack of sub-contractors. Traditionally, when people talked about refits in the U.S., they think of South Florida and as a result the bulk of the sub-contractors have been in South Florida and you know with the Atlantic Marine Yard in Jacksonville, Colonnas and Derectors all up and down the East Coast, like Carver on the West Coast, there's a need to expand the sub-contractor base. That's a very difficult thing to do, I think, in America because of whole psyche that someone who works with their hands is somewhat less than somebody that sits in front of a desk. It's unfortunate. So we do have a very big lack of sub contractors.

And that is going to be a giant hurdle, more so than local government to get by, to be able to improve our capacity to do more refits and do larger scale projects at one time, like Remy said, which is commonplace in Europe. So I'm excited about the future for sure. The opportunities are there. You can certainly see it growing. The weak dollar is an advantage, of course you don't always want the guy who wants the cheapest job because that's not necessarily the best customer. But in my opinion, we're on the right track as sometimes I think bureaucracy gets in the way. I'd like to see some more infrastructure for teaching younger kids skills to be able to enter into apprenticeships and learn crafts that would expand our sub contractor base and also our crafts within the yard as well. So it's exciting times and hopefully we can continue expanding with the market. Thanks.

Martin

Michael, thank you. Ron, you have a few words to say?

Ron Baker Merrill-Stevens

Yes, I thought Remy did a great job on exploring all the possibilities we have out there. And I agree to a large extent that we've lacked infrastructure to support the growth that has taken place. Merrill-Stevens is an old company, it's been in business since 1875. It's been in Florida as a number one corporation from the beginning so we have a long, long history in the business and we were recently purchased a couple of years ago by the Westbrook family and they were customers of ours for twenty-some years and they saw the need to definitely upgrade the facility we were in. And they said if it's ever for sale let us know. And of course it did happen to come for sale and they purchased it. And we're in the process now of creating renovation plans, we've got most of the engineering done. We have plans for new buildings, 2500 tonne synchrolift, with about 5 transfer stations. We have acquired new lands, 11 or 12 hundred feet on the south side of our property that go West and another 800 feet on the North side that also go West. We've acquired properties behind our South buildings and some more property to the East of the 12th Avenue Bridge on both sides of the river. So we have the potential to expand greatly over the next several years. Unfortunately it will take us several years to catch up because it isn't easy, we've had 56 government agencies that we have to satisfy. Everything, from a guy that swims under the docks to check the archaeology to guys doing air permit studies. So getting anything done in the United States is a bureaucracy nightmare. But with that said everyone that is involved with the planning of the project from the city and the county and the federal governments have been very supportive and they want to see it happen. It's just that there is no easy pathway to see that happen.

So in the meantime, though we've got the owners' son, young boy, he's very energetic and very smart and I'm kind of the old dinosaur in the place but they're bringing me along and they've created new software for scheduling, allocation of the workforce and allocation of the space. And showing me how to do things a lot better than I use to! We're making progress all along. And in the meantime, we've moved out of our North side offices and created temporary offices over on the South side. We've been involved in doing this now, getting ready to start on our third year and we still haven't put the shovel in the ground. We've invested about four to five million dollars already in planning and engineering. So it's coming, I just hope I live long enough to see it!

Martin

I love optimism!

Ron

But I agree the business is there, everyone sees it, we enjoy an 87% repeat cycle of customers and we're very proud of that. And we've found that about 65% of our customers have outgrown us literally. Our holding capacity is only around 500 tonnes, and half of them now I can no longer take. So we're anxious to recapture those relationships and I hope we can do it soon.

Martin

Ron, thank you very much.

Right, open discussion. Any questions to the panel? I think there's a major, major problem on the horizon. There is a very limited capacity. Tork may have a few questions, I'm sure.

Tork

How big of a factor for U.S. yards, is the reality, or perceived reality of the difficulty of bringing yachts and crew into the United States?

Martin

???Mistake or did he say something?

Ron

I think it is troublesome and it's one of the challenges we have right now. Homeland security continues to make it difficult and we are hiring lobbyists to work with our government to see if we can streamline that situation and I think these efforts will come to fruition. But nothing happens overnight.

Tork

Within your lifetime?!

Ron

Yeah, weren't we here last time on the same subject? I think it will eventually happen.

Michael

Yeah, we've had some issues as well. We recently had a large yacht in the yard that some of the crew had to be given holiday because they couldn't get their visas straight. It's been a tremendous mess, even though, for instance in Jacksonville, which is a major commercial shipping port – as is Miami—you'd think it would be easier that we'd be able to facilitate this, but the problem is the commercial ships come and go rather quickly and when you try to tell somebody that's used to dealing with merchant ships that this yacht is going to be here for six to nine months with these foreign nationals they panic, and they really don't know what to do. And it really does get in the way of business.

Ron

One of the other things too, Tork, is the immigration policy in the U.S. Even for bringing in the foreign workers, we have a tremendous amount of applications to come in to us daily from foreign workers, foreign sub-contractors who would live to come and work in the United States. And we've investigated trying to get them visas or green cards or some other way we can utilise the extra labour. And that's been an almost impossible situation as well. So, yeah, it is frustrating.

Tork

I think our next session covers some of those topics. So hopefully you'll be able to find some questions for the panellists.

Martin

Dan, please?

Dan [From the floor]

This is for Remy – you had mentioned a very good report and I was very interested to see the disparity between the U.S. and Europe. But you asked us to point out anything you may have overlooked. One of the yards that could have shown very well on your screen there was Vancouver Shipyard. They enjoyed 'Refit of the Year' with Attesa III and are currently refitting Evergreen, which is a 300 footer which is being stretched, and faired and painted, total refit. That's up in Vancouver, British Columbia.

Remy

Yes, as I said, my apologies for missing out anybody. I had a relatively short amount of time to do the investigation so a lot of it was geographical with my investigations. So it sounds very interesting and we'll definitely look into this yard, for sure.

Martin

Are Vancouver definitely making a commitment to the market, or is it just project by project?

Can I have the mike back, sorry?

[From the floor]

That's Dennis Washington. He's had several boats, and he's also refurbishing right now the old Boeing yacht Daedalus. But, yes, that's a shipyard he built – the Fast Ferries, which were all aluminium catamarans, that were built up there, I think they're over 300 feet those boats, and they built four of them. It was a commercial yard that is now taking on private, super yacht projects and they're looking for that market.

Martin

Okay, thank you. Yes, back to Bradford, and have we got a question over there?

[From the floor]

Yes, this is for Remy. The definition of refit and repair – a refit let's say would be up to a 4 month or 6 month project. Whereas, in Florida what we see from Bradford's standpoint is more of the repair—I have bent my props, I need a haul out right away. What would you say is the percentage in Europe of refits as opposed to emergency repair?

Remy

Well, give me a couple of hours!

Martin

We know how to drive boats in Europe, don't we?

Tork

I think one thing I've noticed is that certainly for the larger yachts quite a lot of what you are calling repair would actually be done in the nearest commercial yard. It's not necessarily a yacht facility that's doing it. Obviously, if you're next to MB92, they're going to do it but there

is quite a lot of commercial yards that just ad hoc and do that 'I bent my prop...' Wouldn't you agree?

Remy

Yes, certainly, if it's an emergency repair the yachts would just pull into the first available safe slot they could get into. Something we've definitely experienced in the last few years is that it used to be that people would dedicate, let's say, a painting period, then they would do the following year their decks and possibly their engineering. What I see these days is people trying to extend the refit by not too much but doing a hell of a lot more work in the same period. So people tend to try and do their decks, painting, engineering and repair all at the same time. In a very compressed schedule. And that does have its problems, with regards to quality and the amount of stuff that is going on around the boat, so I see people are a lot more reluctant to give up time for refit and repair. So that's an interesting development I think.

Ron

Can I add to that?

Martin

Yeah, sure.

Ron

I think what Remy says is correct. But with the supply chain and the problems with getting materials these days, I'm sure Michael talked to this as well, there's going to have to be a lot more planning up front before you come into a yard and expect to get on time and on schedule because there are delays in getting things. If you happen to need a shaft and it has to have an ABS or a Lloyds stamp on it, you may not leave with that shaft. You may have to come back and get it at a later date. And those things are happening more and more frequently.

Michael

Yeah, absolutely. The proper planning is the key to a successful refit. Regardless of where in the world you do it. Thankfully, sometimes we get people involved, managers, captains even brokers or whoever, who have the foresight to tell the owner to please allow proper engineering before you enter the yard. We recently had—well I say recently because it just left recently, but it got there about 2½ years ago—the owner bought a yacht and contacted us to say he wanted to bring it in to do a little bit of work and looking at the work he intended to do, there were no specs, there was no engineering. And we tried to convince him to use the boat for a few months, let the naval architects catch up so that we had a clear path on what to do. The result was a more expensive refit, having to do re-work because he changed his mind. The ultimate goal for all of us, as yards, as sub-contractors, as managers and crew is to make a refit a success so the owner gets what he wants and do what he wants to do. And that all has to channel through proper pre-planning before the yacht gets to the yard. So it's a problem we all face, it's a huge issue that needs to be addressed. Sounds like a good article for Tork to write!

Martin

Roger, please?

Roger Marshall U.S. Editor of the Yacht Report.

I've been in most of the yards that you've mentioned over the last eighteen months or so. My estimate would be that you've underestimated the U.S. capacity by about 15 to 20%. There are a number of smaller yards that are only doing one or two boats, especially at the lower end of the scale, certainly throughout Maine and places like that. They may be only doing one or two boats a year – a hundred, a hundred and twenty feet, and I think some of the larger yards – I certainly think you're very accurate at the larger end of the scale, where the well-known yards are able to lift the boats out. One of the things I see is the engineering support for a lot of the yards is not very strong in certain areas of the East Coast for sure. That was just a comment not really a question on your take on what was up there, Remy.

Martin

Thank you.

Remy

You say that the engineering support is not very strong, can you clarify that? Because I was actually—

Roger

I think that what I've seen is maybe 3 prop shops that are able to handle the very large propellers, 3 to 5. Colonna, for example, is one that can handle huge propellers and that's about the only one that could do propellers and shafts in the mid-Atlantic area. Derektor can probably do the same. Some prop work and some shaft work at Bridgeport. I don't see it at many other yards being able to handle that – the large yacht prop end of it.

Remy

Would you say that is the case Michael? In your yard, it looks like you can carry out some pretty heavy engineering stuff there.

Michael

Yeah, absolutely. Pretty much anything built presently or under construction in the yacht world. As far as engineering support, what Atlantic Marine does is, we don't have an internal engineering department, we utilise sub-contractor engineers for that. People like Marine Associates, like Uglier Brother and other naval architects in the States you know, Donald Blount, there are quite a few very good, very reputable companies that we utilise. As well as sub-contractors for things like propeller work. There certainly are a few, especially in the South East of the United States that can handle really anything that's out there. You know, when you pull a prop off, it doesn't matter if it came off a yacht or a container ship. It's just the same kind of technology, so that's how we've been able to handle that larger end of the market.

Martin

Okay. Yes, Clive and then we'll come back over to Sam.

Clive

Remy, thanks very much—a tremendous, comprehensive research project. A few questions, maybe to you as you gathered this data, and maybe Michael or Ron could comment. What is

the percentage that you see, firm price over time and material work? What is the job growth rate? What's the time schedule? Performance? What is the repeat customer rate? And did you gather any information on insurance coverage?

Remy

What were those questions? What was that again? Let me write it down!

The percentage of time and materials work – I didn't make an investigation into. Certainly in Europe it's very minor. I think that people are asking for fixed prices now a lot more and I think people are very reluctant to go on a time and materials basis. Timeframes—I used to speak to my buddies over here in the painting business about timeframes and they were always saying how impressed they were with how quickly we did projects in Europe compared to the U.S., they would be asking for a lot more time. But actually now, I'm seeing that the U.S. are also compressing their timeframes for the projects and so cranking up the hours and the workforce on each project.

The insurance, I didn't make an investigation into so I can't answer that question and your other one was, sorry?

Clive

Repeat customers?

Remy

It's an interesting one because when I've spoken to the yards, they've been very, very enthusiastic about the amount of enquiries they've been getting now. And a couple of yards have said they're very enthusiastic about the future. And we've got at least, 6 or 10 or 12 projects in play for the Fall, which they seem to have increased their interests in the U.S. yards. Without sounding at all smug or arrogant here, I would say, certainly for us, we're probably getting two to three enquiries a week. So this shows you the kind of difference in the amount of refits enquiries certainly, whether they're executed or not is a different matter. So there's a lot more interest in Europe I think, having spoken to the U.S. yards. Repeat business? I think that the U.S. yards seem to be very strong on this point. I think that probably lack of choice perhaps, and also the way that the yards take care of their clients – they seem to take a lot of time dedicated to personalisation with their clients, where I would say in Europe sometimes we get a little bit blasé and perhaps overlook the needs of the client a bit because we're very busy and we're kind of pressed all the time. So, I'd say the return client basis in the U.S. is, I would imagine – I'm sure the guys can answer it – probably excellent. And I think also in Europe it's very good.

Martin

Any comment Michael?

Michael

Yes, I absolutely agree. Speaking for Atlantic, because it's been in the yacht business for a relatively short time, we certainly see a pretty good percentage of return customers, but we also get a lot of new customers coming. And with the relatively new idea of refitting yachts in the Jacksonville facility we see—I think the number this year was like 76% return. The other business is all new business, which I attribute to the weak dollar and overbooking in Europe. As far as the lead times go, it's funny really, what Remy said is spot on, in years past when you gave a number of weeks to do, say, a full paint job, you get comments like 'well Pinmar

can do that in 4 weeks less, why can't you do it?' And that's really forced the United States' sub-contractors and finish paint workers to raise the bar because you know, if you can't compete – it's not all dollars. The people that own these yachts can pretty much buy what they want except for time. Time is a premium.

In terms of insurance, that's become sort of a dirty word here in the last 6 months! We're seeing more people requesting more coverage when they're in the yard and it's become an issue, certainly in the United States, that needs to be addressed. It's a very grey area right now that is certainly a point for future discussion.

Clive

I don't think it's a particularly grey area as long as you're ahead of it in time to fix it. Just to comment on some questions I've had from American yards: why are we not getting the business, because of the weakness of the dollar; and to the time point that Michael made, you have to remember that the owners of these yachts are immensely wealthy people who are sufficiently hedged either side. It doesn't matter that the dollar is weak, what matters is that the fuel is expensive and it takes 30 days to go back and forward across the Atlantic. And you can paint your boat in Europe and be ready for the Grand Prix Charter season without losing it.

Tork

Does that imply that really you're not going to get business here unless somebody is going to cruise this side of the pond?

Clive

We'll see. I've had a couple of conversations with a couple of our brokers who've got people buying boats in Europe who are thinking about refitting them in the U.S. and some of that is dollar driven and some of it is actually quality driven, believe it or not. People have heard that there is good work being done at the yacht yards in Florida. And that news is getting out, which is very encouraging. Also in Vancouver, although not specifically Vancouver Shipyard that Dan mentioned, but at Platinum, where I've had a client call me and say I've heard about the great work being done at Platinum. So that's coming too. So I don't think that's necessarily true at all.

Remy

Clive, an interesting point I discussed with the guys in America is that in Europe, if a boat decides not to go across the Atlantic to the Caribbean or the U.S., basically the boat is out of play. So it leaves a lot of time and opportunity to do a refit, whereas I think one of the big disadvantages in the U.S. is that when the boats are over here, the boats are in play. You know, there's a possible charter they could have, it's actually not the same down time in seasons here as there is in Europe. So this also may contribute to the difficulty in getting boats to commit to a yard period.

One thing I'd like to ask Michael and Ron is, when I spoke to people, there seems to be quite a lot of apprehension about and let's say, not confidence in the refit market, why do you think that is?

Michael

Well, to be honest with you, I'm not sure where that comes from.

Martin

Name some names Remy!

Remy

No it wasn't—it was a general thing. People seem to be unsure of it, let's say.

Martin

Not sure of the stability? Or —

Remy

No, just unsure that if they made a big commitment, would the business be there. And I saw a little apprehension there.

Michael

I think a part of that has to do with the present state of things both politically and economically in the United States. People are a little unsure of themselves and want to be a little bit apprehensive about sticking their neck out. You know as we can all see, being members of this community, that's not the case with the yachting company.

Tork

What, at a certain size level?

Michael

Certainly, the bigger the better in fact.

Ron

Yeah, you know the lower end of the market has really suffered just from the cost of fuel, and those guys are suffering greatly. And then in Florida we have this highest and best use taxing of waterfront property, which basically taxes the marine business right out of existence. So we're working on it, I'm trying to alleviate some of that pressure on the marine industry as well. But it's there nevertheless. And there are other challenges. You brought up a good point about insurance because a lot of the insurance companies are instructing their captains 'do not sign a work order until we've had a chance to look at it' and what they're getting at is they're trying to look at limits of the shipyards' liability. You know some shipyards you bring a \$60million yacht into a shipyard that has in the contract limited liability of \$300,000, that's not going to fly. But there has to be a reasonable number because most shipyards don't cost \$60million and you can't just give the guy the keys if something happens. So I think if there is anybody in the insurance business here in the audience maybe they could give us a little hint on what they're thinking because we had a big monster come in and the guy (I personally have a limited liability of about \$2million even though we carry tons more) but if I leave it open to the large amount, my rates go up so dramatically that we'd have to raise our labour rate to cover it. It's getting crazy. So there are a lot of challenges here that need to be addressed in that department specifically. One boat wanted me to get a \$30 million writer just so we could paint the bottom, it doesn't make sense.

Tork

Actually Ron, without giving us a plug, there's actually an article about application of waiver in the current issue, which touches on some of the ways that shipyards can actually increase their coverage without killing themselves.

Ron

Thank you!

Martin

Right, I've got a question from Sam – Don? I have Graham at the back and Bradford..

Sam Brown Knight & Carver

Remy, the presentation you did was tremendous, and I think that one of the issues you brought up about the hesitancy of some people to move into the market has to do with the fact that there is difficulty—and we talked about this throughout the conference—of getting information in a way that you can take to a bank. For example, you need to get real information about what the market is – you know you tell them, well, there's big boats and they're coming, you know, and all that sort of thing and the banks are unimpressed. You need to give them data and market growth and real information that's very, very difficult to come by. So in that vein, I was going to ask you for a copy of your presentation, because I think it's pretty good and also whether you have some of the assumptions behind it that make up—obviously there's some steps there to getting the information. And obviously if you wouldn't mind sharing that, I'd appreciate that. But also I had a question, did you look at the real labour rates between Europe and the U.S.? and what did you find? And also did you look at the availability of project management between the U.S. and Europe? and what did you find there? Two big areas. Thank you.

Remy

The labour rates, from what I can see, are quite comparable. Obviously, if you transfer the labour rates into dollars and euros, there is a difference. From what I know about our competitors in the U.S. or the people we bid against in the U.S., I think the prices that people are offering, from what I know, are pretty similar on both sides of the Atlantic. Perhaps the U.S. yards are slightly cheaper, but this could be influenced by the rate of the dollar but I think if you put it in real terms, I think rates and the prices are pretty equal on both sides of the Atlantic.

With regards the project management, I think in Europe there's a good strong project management basis and I think that what I've also seen in the U.S., as I said before, they seem to take pretty good care of their clients and have strong project managements in place. But I think this is one of the main problems in our industry, and it was brought up yesterday, that the middle management and the project management is so hard to find, isn't it? I mean, it's not like we're running shoe factories where we can pick guys from all over the place that know about shoemaking. We're in a very, very individual industry so project management is very difficult to find because the project managers that we rely on deal with customers, clients, high end people as well as shop floor workers, so you've got to have a broad knowledge and range of skills to be able to deal with a refit.

Martin

Is the data available to some?

Remy

Yes.

Martin

Sam, just to add to that. We just did our refit report in the latest issue on Europe, we're doing one for the U.S. as well, and there's additional data on Synfo, which gives some of the labour rates information you may be looking for.

Can I have Graham first? And then, have you got a question over there Tess? Oh you're already standing up ready and waiting, go on please! I don't want to spoil your moment of glory.

[From the floor]

I'd like to address the insurance issue a little. I'm a maritime lawyer down in Miami and I represent most of the major yacht underwriters in the world. And we run into this problem all the time with their boats going into yards for refits. I mean, insurance is a risk allocation business and underwriters like some predictability. And the problem we have is we might have a boat owner that's going to go to Merrill-Stevens or to Derecktors or to Bradfords and they all have different contracts. And some of them have different liabilities – some of them want to be listed on the policies as additional insured on the hull and liability policies. And we have frantic brokers calling all the time, can they sign this? Is it going to jeopardize their insurance coverage? And I think it's less of a problem - well, it's more of a problem of the differences between the yards, the underwriters will adjust premiums and figure out what the risk is, but they can't do it if every yard has something different. And it causes a real problem in the insurance industry.

Martin

Thank you. Graham please, Tess can you please come through the middle?

Graham [From the floor]

I just wanted to follow up what Clive said earlier on, the cost of bringing the boats over here and the time, in my opinion it's a huge factor with the charter side being so strong in the Mediterranean right now, in the Caribbean and here in New England it being pretty soft. You've got to look at that and where are you going to pay your down time? That's just a comment. The question I had was towards Remy. Over the years (I think it's more rumour) but I'd like to try to get some clarification from the captains in the boats and the yards there—the yards have a very small amount of actual employees and everyone else is sub-contracted so even though your contract is with the yard, if the sub-contractor doesn't show up one day, the yard can do nothing about it. I just wanted some clarification on how the employment structure works there. And how that all works out.

Remy

In Europe are you talking about?

Graham

Yeah, in Europe.

Remy

Well, I think that the yards that operate on a pretty regular basis in Europe because there is such a, let's say, a steady flow of work, I think the yards create longstanding relationships with their sub-contractors and obviously the sub-contractors are able to grow and get quite strong in the yards in Europe. I think with regards to warranty the approach is exactly what the guy said yesterday, is that the first approach is to the yard, and the yard will take care that whatever the warranty is, whether it be their own employees or sub-contractors, the yard will make sure that this warranty issue gets taken care of. Whether it be with the actual sub-contractor that did the work originally or with another one, or with their own employees. I don't see that as a big issue to be honest.

Martin

But also a lot of the sub-contractors are based at the yard full time.

Remy

I think they are.

Martin

So they can't hide!

Remy

I think, as I said, because of the steady flow of work there, I think a lot of sub-contractors are based in the yards and they tend to use the same ones.

Tork

Remy, does that make for the American yards a kind of chicken and an egg situation because, clearly, from your numbers, they need more sub-contractors. But therefore they need to attract them, but get the work to attract the sub-contractors, and so on.

Remy

Yeah, I guess it's—you know, the thing is with sub-contractors is exactly that. When you need them you can quickly—they're readily available, and when you don't need them you can get rid of them quite easily. I think the sub-contractors suffer from this. Certainly yesterday, there was a discussion about, you know, some sub-contractors in the U.S. are reluctant to grow and to get bigger. It's obvious that perhaps if they're not sure of the future market then it's very difficult for those sub-contractors to grow. But I think in Europe the yards are completely reliant on sub-contractors and it's such a standard thing that I think most of the sub-contractors become quite big and secure and reliable. And in the U.S. I guess they're either going to have to employ more people, which if you actually looked at the statistics there is a lot more fixed employees in the U.S. yards than in the European yards. Perhaps this is the key, to start creating in the U.S. some very strong sub-contractors and getting some good strong partners together. I think, with regards to the painting side, I don't think there is one yard that has exclusivity agreements or any real solid agreements in place with the applicators. There seems to be a constant moving around of companies within the yards so perhaps that is something that needs to happen, is to get some good, strong collaborators and some good, strong partners on the sub-contractors side.

Martin

Can I ask, Don, before you come in, Lisa can you bring your microphone to Ian McDonald?
Looking there quite quiet and comfortable.

Ian

Oh, no!

Martin

What do you think of the actual sub contractor world? Be careful, don't stand too close to him!

Ian

What was the question?

Martin

You're reliable, aren't you. It's all about sub contractors and painting in the U.S. yards.
What's your perspective?

Ian

Yeah, I think this is a problem. I think we're used and abused! The problem we have in South Florida, you've kind of touched on it but haven't addressed it in full, is that it's very, very seasonal. So you can only run the number of people you can afford when you've got no work. And that really inhibits the growth and where you don't get the shipyards supporting you so that you can keep work going, it's very difficult to increase your supply. And I think that's probably the biggest factor that we're going to have to face as we go forward. The seasonality of it, trying to encourage the boats to come out of season if they want to get quality work done rather than all piling in on the same day.

Martin

Okay, thank you Ian.

Ian

I do want to mention that Remy said 'his friends'. He hasn't got any!

Remy

I actually said buddies!

Ian

Same thing!

Martin

Don, thank you, your question?

Don [From the floor]

This session started out talking about capacity and a lot of the yachts you're talking about, the very, very large boats that are coming out of Europe right now. And certainly the in States you all talked about commercial stuff, Remy, but there's a pretty significant capacity here that's naval based. And I just wondered if there's anybody here that has any insight into whether Ingles, Bath, Newport etc, any of the big U.S. —because certainly in Europe three of the ones you named have tight military backgrounds, so what do we know about the U.S. naval yards' interest in this market? They are certainly in a position to step up with lifting capacity tomorrow morning.

Michael

Yeah, interesting enough, a large portion of Atlantic Marine's business traditionally was navy, that has admittedly faded off a little bit, some of the boats are on 8-year schedules, for haul outs, it's amazing. It certainly seems an opportunity but again the thing to keep in mind is the whole culture issue. There's a large learning curve there that needs to be addressed. You certainly don't want someone who could get away with having their tool belt on, walking down a gangway or companionway on a naval boat—there's a lot of learning that needs to happen on the part of the workers. But the potential is certainly there.

Tork

I think, though, you would also have some fairly massive security issues for bringing foreign crews and vessels into the U.S. Navy yard.

Michael

Yes, agreed. And again, Atlantic runs into that from time to time, when there is a navy boat in the large dock.

Remy

I'm not sure it's absolutely necessary but the yards that you have, that do repair, have very good capacity to lift the largest yachts in the world. I don't actually see the real need to move into the naval direction right now, I think all the yards in the U.S. have the capacity.

Michael

We'd be more interested in stealing their talent!

Martin

Well, the question I now throw to you Michael is: in that situation (and Remy as well could answer this) what capacity are you running at, at the moment? Are you massively under capacity or over capacity?

Michael

We're presently running pretty close to full capacity. The boom in the oil industry here has certainly helped. On the new construction side there's presently 6 OSVs being built there—240 foot OSVs and on the refit side, you know of course, we still maintain a fair commercial business there, but the yacht market — whereas we used to see a down time about now, we're now seeing the downtime is turning into weeks rather than months when the Fall season starts up—it's actually starting now in August, where we start getting backed up.

Remy

Well, looking at these statistics on the charts, the yards in the U.S. say that they're growing between 20 and 40% a year.

Tork

Well, that kind of ties into an email point that was a question if you like, sent in.

Martin

Anonymous!

Tork

Oh, they're all anonymous. They speak if they don't want to be anonymous! —Do the U.S. yards have plans to market themselves aggressively in Europe? Should we be watching our backs or do they feel that they have more than enough work anyway? And if you're at capacity, perhaps marketing yourselves strongly in Europe isn't necessary?

Michael

Well, I think it would be foolish to sit back and say I'm as busy as I need to be, I don't need to be aggressive and research that, and attack that, so to speak.

Tork

So watch your back?!

Michael

Yes certainly, I mean—I guess that answers the question. ...

Remy

That was one of the other observations and things we discussed—that the American yards don't actually do that much international marketing. If you look in Martin's magazine, every issue you see 2 or 3 European yards advertising quite strongly in those magazines. I believe, unless someone can correct me, that you don't see too much of the American yards advertising in these international magazines.

Ron

You were looking at my ads?!

Remy

Apart from Ron!

Michael

I agree with Remy on that, in case of point Atlantic does not advertise in any periodicals at all, which I think is a mistake personally. What we have done is send me over there, I don't know if it's a good idea or not! Over to Monaco, to METS, to Global Superyacht Forum,

which is very effective in fact. But it's—certainly I think more of an effort needs to be made, not be just a half page advert in a magazine. To be bold and try to make yourself seen as much as possible.

Martin

I have to agree with that – I'm sorry! Question at the back, thank you?

Steve Leonard

Hi, my name's Steve Leonard, and the question I have is: Have the employment laws in Europe contributed to the larger sub-contractor base than what we have here in the U.S.?

Martin

Sorry, can you repeat that, Remy missed it.

Steve

Have the employment laws, or employee laws in how quickly you can lay people off, contributed to the larger sub contractor base?

Remy

From personal experience, we have in our company around 300 fixed employees, and once they're fixed it's incredibly difficult to lay them off and to basically reduce the size of your company. But I think it's incredibly difficult to do that in Europe so that's one of the reasons why a large proportion of sub-contractors are used.

Martin

Yes, Lisa. There's a question next to you?

Bill Oakerson BoatUS

We are yacht underwriters and I wanted to address Ron's question. The article by the way in the Yacht Report, 'Be careful what you wave' does do an excellent job of explaining the answer to that. I would say that the yacht underwriter wants a price for the risk they're taking, and whether it's built into your rates or built into their premiums, I don't think makes a difference really—the owner of the yacht is the one who's going to bear the burden of it, but it's the assessment of that risk and getting the right price on it that's the important thing. I would also agree with you Ron, that the demand for \$30 million for painting the bottom of the boat seems absurd. I have a question for Michael. You mentioned the shortage of sub-contractors in northern Florida, is there a certain specialty or skill set that you see as more of a problem than others?

Michael

Certainly, finished work, interior work, you know high end, what we call yacht quality work. Certainly we have plenty of people that can do rough work and the on the dock jobs but the fine finish work like interior goods, soft goods is what's lacking. The good news is that because of the increase in jobs that we're seeing coming that way, there are more and more sub-contractors that are either moving or putting offices nearby. A case in point, Darrell from High Seas Technology informed me they're opening an office in Jacksonville. Here's another

yacht contractor coming into play and it all helps. It's so important to us to have that kind of support with sub-contractors. It's getting better but there's still an issue so—

Martin

Yes, Charlie at the back, please?

Charlie [From the floor]

Probably for Michael or Ron, do you think that if the charter regulations were changed somewhat, do you feel it would help a lot to feed boats in to American yards, because if the 30-day trip across or whatever you want to call it, the ocean in between, if the charter atmosphere was better in the U.S. for foreign flag vessels, wouldn't that tend to lessen that?

Michael

Dimensions! Absolutely, you know, again, the cost of driving a yacht, or putting it on dock express or however you get it here, is substantial. And by the time you get here the difference between the dollar and the euro effectively goes away most of the time. So that being said, if a yacht's already here there's a much greater chance that they're going to do refit work here. Then if they were planning on staying in the Mediterranean, and just decided 'hey, look let's go and see the cheap Americans, and see what they can do'. So yeah, to answer your question, absolutely, absolutely. If it was made easier for yachts to charter here and to be here, we would certainly see more of an increase in business.

Charlie

Let me just go, and I go a little bit further with it? I had a friend who bought, probably a 50 metre sail boat, a substantial sail boat and he was booked in with us at the shipyard this summer but he told he was going to try go to the Med if he could. But he wasn't sure as he had just gotten the boat, it turns out he didn't come because of—and I said to him oh my goodness the fees are so much higher there, the fuel, you've got to go over blah, blah, blah. And he said, I know all that but I can charter over there—I bought a foreign flag vessel – foreign to the U.S. And so we lost him, and it made me think that maybe, you know even in the Bahamas they have a Transire Cruising Permit. I'm not familiar enough, and I know it's going to come up in the next section, but I'm not familiar enough with the regulations and all I hear is that if you're foreign flag, forget it. And, maybe that's not quite true but if that could be cracked then maybe even by attaching a limited amount of charter to some sort of a cruising permit, then in the U.S. we wouldn't have to attack the whole body of law that's so entrenched it could probably never be unseated. But maybe it could be through permits, even following the Bahamian example.

Martin

You have to ask Homeland Security in the next session.

Tork

And the Jones Act of course.

Martin

Yes, Bradford, please?

Bradford [From the floor]

Yes, this is to answer Remy's question about apprehension in the yards. I don't think it's one of apprehension, it's one of caution. Traditionally in South Florida we have been relegated to 3 months prior to the Caribbean season or 3 months post Caribbean season. So would one want to commit to a 6-month refit in South Florida, which would mean they would be giving up their Med charter period, run the risk of using the H-wood in Florida, which we've had 4 in the last 5 years. So generally, it makes more economic sense that if I am going to undertake a large refit, that I forgo the 3 weeks of charter in the Caribbean and stay there. You add that to, as you quite rightly pointed out, that 70% of the large yachts are produced in Europe, it would make sense that they are refitted in Europe because unfortunately the United States still uses—hasn't gone metric shall we say! So there is more to it than build it and they will come – there are other dynamics involved and I think until there are significant changes in regulations for chartering in Newport during the summer season, that the refit market in the U.S. will be just that. Repair and minor refits.

Martin

Thank you. Elenor, did you have a question?

Elenor Ekman Interlux

Right, on the subject of charters and charter companies looking for different cruising destinations, and owners looking for different cruising destinations. A question for the panel and maybe we could get an American and European perspective, I was wondering if you feel that the shift, let's say in the next 10 years, with more destinations opening up – do you potentially see a shift or change in location? or where these yachts may dock for a refit or maintenance? Examples I'm thinking about could be if there's more traffic to Alaska and would that affect the activities in Florida yards and in Northern Europe with boats going in to the Baltic—will they dock in Norway rather than Palma for example?

Michael

I think that's an inevitability, I'm sure Sam could speak to the increase in the business on the West coast. You know, nothing against the Mediterranean, but I would imagine that a lot of owners want to see new things, go to new places, I mean there are so many places in the world that are just so untapped. South America for example. The sky's the limit. There's really, in many cases, no budget to worry about. I absolutely think that in the future we're going to see a dispersion of the yachts – there's just too many of them being built to be able to be handled all in the Med or all in the Caribbean at once.

Tork

Mind you, the strange thing is that even the new money owners are still tremendously conservative about where they want to go. I mean if I had one, I'd be in Alaska in an eye blink but a lot of them still, they have the milk run mentality, you know St Tropez to Monaco.

Michael

Right. A lot of it has to do with that safety we spoke about the other day. Where they feel safe.

Tork

Yeah, maybe. I don't think its about feeling safe, I think it's just unadventurous!

Remy

And the fact they're new owners with new money perhaps from the Eastern side, so they probably haven't done it before so it's a novelty. Still.

Tork

Too many captains have villas in the South of France!

Martin

Not just one villa either. Eric?

Eric Goldring Goldring & Goldring

I was wondering—the cost of materials, even with the dollar being worthless!! is so much lower here in the States, and Michael properly said that probably the biggest issue in performing substantial refit work is the finish work. I mean we could weld anything, but it's the finish work that is really undercutting a lot of the potential work. Has anybody thought about a legitimate, industry wide training programme? Because there is a migration of trades from, and it happens in Europe but we just don't think of it here, where you've got the run Florida up to New York and back, where there is sharing of these tradesmen. So you can have projects that actually continue over a period of time possibly in a co-operative effort between these yards, gets rid of the H word, you get supply, you can exploit our lower costs on materials. Is this something anyone has thought about?

Michael

I think that's a tremendous idea actually. Last year when we did this in San Diego there was a fella there from, I believe it was Mass Maritime, or maybe it was Maine Maritime, and I got to speak to him briefly—curiously both of my brothers went to New York Maritime Academy, I went to Webb Institute—and in the times that we were there, and I know it still happens in the merchant marine academies, yachtsmen get taken seriously. I know one Webbie was going to work at a naval architecture firm in Florida that I know of and when he said he was going there, his professor said more or less, what are you going there for? There's no marine industry there. And I just think that's absurd and I think that needs to be changed. It's a tremendous undertaking to do something like that and there have been little niches here and there of people trying to do that to promote the marine industry. I know some in Florida and Palm Beach County that has a little small training centre but there's really no funding behind it and there's no real marketing effort to try to get people, especially kids you know, younger kids to get their future going, it would be wonderful to do but I think it's an almost insurmountable task to be done and it would have to be a huge coalition of American shipyards and sub-contractors to try to make the effort to keep that going.

Eric

Well, I guess my point is that there's a lot of money that's been talked about that could be expended on infrastructure. And if you just took the money that is being expended on travel lifts and hoists so that you can get the biggest yachts in and re-allocate that as an industry, and again I'm trying to get—we can't be segmented, if we actually make it in industry and allocate some of those funds towards that sort of thing, I don't think it's that insurmountable.

Ron

Eric, there are some schools that are developed now in Fort Lauderdale and Palm Beach. Our company itself has its own apprentice programme. You know, your company is only as good as your employees. Your capacity is basically limited by the number of the employees you have regardless of how much frontage and lift capacity you have. So you're 100% right but these things are in place and it probably takes 3 to 5 years to realise someone you can actually charge for after spending the time to get them up to speed, and it's just going to be a little more time, but it will come and it will be good. We always tell the high school kids, if you've got a good attitude that's all you need. And if you want to learn, we'll teach you. And it's going to happen.

Martin

There was a proposal, do you remember Eric, in Amsterdam, that a levy should be imposed on every brokerage commission to create an education fund.

Tork

It was a perfectly serious proposal and it was a very small percentage. And interestingly enough somebody else also proposed that building shipyards pay a levy and that was suggested by a building shipyard.

Eric

Yeah, well, it's in their best interests.

Martin

Absolutely. Don, you have a question? Or a joke?

Don [From the floor]

In spite of the mostly overall, bleak economic outlook, I've maybe heard exactly one—I wouldn't even say dire—prediction about the possibility of a slow down in the yacht market and that was from one marine consultant in Florida who thinks there could be a short term blip maybe, a year or a couple of years but it won't last for very long. But my question would be—say for a yard engaged in new build, how easy is it, say, to rededicate resources from new building, I imagine that would apply to any yard that has even both new building and refit capacity—how easy is it for any yard that does new build to possibly rededicate some of its new build capacities, real estate people to refit? Like, are the disciplines different enough? Is the tooling so different that it's very difficult to do?

Martin

Remy?

Don

I guess my other question would be: is there an express advantage to the two yards doing the biggest investments in both U.S. and Europe, who are dedicated refit investments, is there an advantage you see in being dedicated strictly to refit?

Remy

Having spoken to a lot of the new build yards in Europe, I think they do try to steer away from getting the refits involved in their new build side of the company. Obviously, the new build have their schedules, their demands, they've got their promises they have to keep. The thing is, with the refit market, is that it's an unknown factor when a yacht arrives in a yard and you generally find that the work list goes from 10 to 500 items very, very quickly. So I think that the two things have to be totally separate, your new build side or commercial side and your refit sides have to be completely separate. Otherwise I think you're fighting with schedules on both sides there, and I think that most people that have new build side have a separate division for the refit side. From what I understand.

Martin

Yes, but that's only because of their workload though. They're geared up for that.

Remy

Yes, and also I think there's a different mentality. I think there's a little more flexibility on the refit side and a little bit more openness about what goes on and I think there's a little bit different structure as well.

Tork

Generally billing-wise, refit is a little more transparent whereas you're kind of paying a fixed fee for building a yacht, which allows for more flexibility because suddenly you pull out a panel and there's some horror – you can sit down and say look, whereas in some ways new building is more risky I think. Would you agree?

Michael

Certainly.

Remy

I think in your yard Michael, you keep the two things totally separate, don't you?

Michael

Yeah, they're geographically separated. In terms of—what Tork just said is exactly right. We've had plenty of people approach Atlantic to build a yacht and looking at the risk assessment of that we're cautiously entering into that. Let's put it that way.

Martin

Mike Kelsey, I think you have a comment on this maybe?

Mike Kelsey Palmer Johnson

I do only because I've been involved in both massive refit work with Palmer Johnson over a number of years and new building. And I concur completely Remy—it isn't just the capacity at all, there's an absolutely different mentality involved between refitting and new building. If I had 3 empty bays tomorrow at our manufacturing facility and somebody said I can fill those 3 with refits, I would happily send them to one of these fine yards! Only because I can tell you already what the disaster would be. Refitting is more reverse engineering at times, especially in the beginning. And the mentality is different, my guys really would struggle and when we bought the Intermarine shipyard, this is a perfect example. In the same city, we had the

Thunderbolt facility and what we did is, we brought all the Thunderbolt employees who were completely disciplined in refit and were very good at it, into the Intermarine facility. And basically lost the Intermarine workforce that was used to building yachts. So we took a refit workforce and started building boats down there and everybody knows the rest of the story. It's very, very difficult and you have to decide, I think, to either have a completely separate division and know what you're doing when you set out to do that, you can't just create a separate division with the same people. Or you just need to concentrate on your core business and do what you do and we're happy to work with other refit yards on both sides of the Atlantic, because we know it's not the same, it just isn't. And that's from experience, the school of hard knocks!

Martin

Is there an opportunity Mike for you to do anything in Europe though, on the refit site with your expansion plans? With the boom that's coming I think.

Mike

Absolutely, there would be but I can also tell you that we're not going to. We have good relationships in the Med with a number of yards and because of our programme and how we build the workforce and how the programme of throughput works at the yard I think we would run into the same problem there that we would have here. I don't think geography would change it.

Martin

Okay, thank you. Any further comments before we break for lunch? I'm sorry. I'm hungry! Okay, we'll have a half hour break—is that Ian McDonald again?!

Ian MacDonald

Yeah, I'm trying to redeem myself again! I'm just curious. For all three panellists— what sort of customer bases, U.S. and non-U.S., do U.S. owners come to the States, and the European owners stay in Europe? Or vice versa? How does that all work?

Michael

I think because Atlantic focuses on the 50 metre plus market it's a mix and I almost dare to say that it's almost more foreign based ownership than American.

Ron

And I would say ours is probably a mix as well but more American than European.

Martin

Remy?

Remy

I've got a question for Ian. I see that for Classic Refinishing, you use a rhinoceros as your marketing tool? Is that because you're thick skinned and charge a lot?!

Martin

No there's another reason. A lot of people think he's really horny.

Ian MacDonald

I think Remy should go to Amsterdam for free for that!

Martin

Allright, thank you very much everyone. See you in half an hour.
