

**GULF SUPERYACHT FORUM**  
**Thursday 12 March 2009**  
**Abu Dhabi**

**The Large Yacht Industry and the Business Potential in the Gulf**

Saif Altenaiji	Engineer/Administrator, Abu Dhabi MAR
Karl Morten Wiklund	Business Director, Passenger Ships, Det Norske Veritas
Michael Horrigan	CEO, IGY Middle East, Europe & Asia
Kostas Antonopoulos	Managing Director, Platinum Yachts
Wim Koersvelt	Managing Director, ICON Yachts

**Chairman—Martin Redmayne**

There are a few things I want to say before we kick off with this session. Saif, one of my panellists who's missing here, he's on his way, he's stuck in a meeting and running here—he's not running actually, he's walking—he hopes to be here in about 15 minutes so he'll be at the end of this panel session giving his perspectives. By way of introduction the Abu Dhabi Yacht Show was a new idea by the IAR Middle East Group that when they announced it we immediately thought there's an amazing opportunity for The Yacht Report Group to get involved in the Gulf region, which has always been a target of ours. And as a result of that we decided we wanted to make sure we could develop a conference proposition here to educate and inform not only the market themselves, but people who want to work in the market. In the current economic situation it's very important for everyone to know what's happening in what region, what territory, and to understand it as best as possible. That's part of the objective of this meeting today.

My panel is basically a group of experienced individuals who have either worked direct with clients or are very directly involved in the business here through their own companies. I won't introduce them all personally because it would take too long and we want to make sure we have more time for discussion and interaction. The thing that is amazing about the Gulf region and the potential here, and certainly with Abu Dhabi as an Emirate, there is incredible development as you all know, billions and billions are being spent on the infrastructure, the development of the marinas and you cannot help notice that this is being done in such an incredible way that the future is bright. I have this vision in my mind of the ruler here of the Abu Dhabi Emirate and the ruler of the Dubai Emirate singing to each other anything you can do, I can do better. But at the same time what they're probably learning from is how much things have been developed in Dubai that Abu Dhabi want to do but do it in a very much more intelligent, more professional way. I don't mean that as an offensive statement, I mean there are some lessons to be learned from Dubai that I think the Abu Dhabi organisations certainly understand and want to do very very well. Looking at the Press at the moment there's a huge amount of talk about billionaires losing their wealth but certainly in Abu Dhabi you're looking at a situation where yes, they've lost a significant percentage of the sovereign wealth funds etc but there's still huge huge potential here, huge reserves of oil, huge reserves of wealth. So we're in a market place where we are confident that the future is very very interesting and obviously everyone here in this room wants to understand more. The introduction is also doing some sort of fairly important things like fire escapes and all that sort of stuff, fire escapes behind you, if anyone needs any health issues please find Georgina whom you met at the entrance. Let's just put those things out of our minds

now. Tonight those people who are staying for the evening will be escorted across the bridge to the cocktail reception over on the marina, those who are staying for drinks this evening. Lunch is served next door through those doors, for those who are staying for lunch and we hope you enjoy the rest of the day. To my left I'm going to kick off with Michael, because Michael is obviously one of the key people from the IGY Group who are our lead sponsor today. And Michael has been in the Gulf for quite a few years now and an interesting perspective from his experiences in Dubai, and obviously Abu Dhabi is now a key part of their strategy. So I'm going to ask Michael to start off then Wim Koersvelt from the ICON Yachts who's the sort of wild card in the pack, because obviously Wim has dealt with a lot of clients in the Gulf and has an interesting perspective as a Dutch shipyard working within the Gulf. So Wim will then speak after Michael. Kostas will follow up with his views on his activities in the market and then **Karl** will finish when Saif has arrived. Saif himself will talk about what your interests are in the market. OK, Michael?

**Michael Horrigan** CEO, IGY Middle East, Europe & Asia

Good morning ladies and gentlemen. I'm never sure whether it's good to be first or to be last, but I didn't get much choice so I'm first. It's a pleasure to be here today and to talk about the industry that's of interest to us all. Just a little bit of background about myself—I'm the CEO of Island Global Yachting, which is a developer of marinas and marina-related upland. We initiated in the Caribbean, the US is still probably our largest and strongest market. Out of our office in Dubai we're responsible for Europe, the Middle East and Asia. So our network of marinas is global in nature so the current economic situation is of great interest to all of us, I'm sure, and particularly to us. A little bit of background about myself, my professional qualifications are as an architect and urban planner which may seem a little bit strange in the marina industry but it's relevant to the questions I'd like to pose to the group today and it's certainly pertinent to IGY's strategy which is seeing a change in marinas in the industry and the role that they play. I've lived in 9 different countries, as Martin said I've been 5 years in the Middle East. It's certainly been a very interesting ride the last few months, more interesting than most, but I'm strongly convinced that this region is very strong, it's stable and we're about to see perhaps a somewhat different industry but still a very strong and important industry. It certainly is for us.

So when we were invited to table some thoughts or concepts that we could discuss openly I enjoyed sitting down and thinking perhaps the three things that I thought covered the broadest range of marinas in our industry, to pose to the group. The first one of course that we all wonder about is for the regional and global economic trend in the economies that's happening—how is that affecting marinas and the marina industry in the Middle East? We were chatting casually earlier and like anybody, November, December gave me a few heart palpitations as we saw what was happening around the world and in the Middle East as well. It's interesting and I think a relevant viewpoint to the GCC that by mid-January to late January I was feeling very calm and stable about the way things were re-emerging, so I truly do believe that we're going to, here in the Middle East, come back very strongly, perhaps a little bit differently, but I think it's going to be a very short hiatus period for us. When you consider that the Middle East currently holds 30% of the 100 largest yachts in the world, it tells you something about superyachts, megayachts, in this region and what it means for the industries that we all occupy. The average length of those yachts in the Middle East is 95 metres. The average length of the European yachts is 77 metres. So the boats here are larger and more complex and they represent a very big portion of the market place. In the next 5 years that's expected to at least be stable, if not to increase, as a share of the 100 largest yachts. So that means for all

of us that catering to that statistic, that reality, is a very important part of what we all bring to the industry. We currently have advanced involvement in 3 dedicated megayacht facilities, the first one of which will come to the market in 2010. So certainly for us as marina developers and designers, the commitment to dedicated megayachts and the unique aspects to that is something that is causing a greater diversity in the technical skills we bring to the table, which is why you see an architect and an urban planner working for a marina developer.

An issue to table with the group is the changing nature of marinas in relation to the upland. As recently as 2003 our company experienced that roughly 75% of our revenue came out of the marina berths and 25% came out of the upland. In recent times we're now finding 50% of our revenue comes out of the upland and 50% out of the marina berths. So the integration of the upland, the correct design of the upland to relate to the needs of the boat owners, the crews, the captains, is becoming an increasingly stronger part of our business, hence you see an architect and urban planner sitting in front of you. You hear a lot about integrated marina lifestyle. In commercial terms and in operations terms and design terms it's something you'll hear a lot today, I think, and it certainly is becoming more profound that the upland and the related marina and marina facilities are becoming a cohesive interactive component. Marinas are no longer tucked away at the end of some dusty little road that you can trundle down and park your car, take your boat out. They're in front of your apartments and your office buildings and your retail facilities. A large part of that is it's very clear in the development industry that we're getting enhanced returns out of the commercial facilities on the upland, where they are related to marina facilities. So it's very synergistic. The demographics and the people who occupy the upland will own a boat, there will be a lot of people who don't own boats who want to live in that environment so the changing nature of the marina upland is very important to us. But equally when we talk about the sophistication and the increased trend in the super and the megayachts it leads me to the third item that has to be strongly considered. And that's the increasing sophistication of the infrastructure that is necessary to properly cater for super, mega and gigayachts. The days are past that the yachts of that size are berthed offshore or in a commercial facility and beside an oil tanker or a container ship. The requirements of those megayachts is very profound. When you consider MY Dubai, Sheik Mohammed's boat, its power demand is 3,300 Mw when it's at full power. When it's at low power standby it's around half that. The water demand on a full demand is 100,000 litres a day, the sewage discharge is 90,000 litres a day. If you have a dedicated megayacht facility, say 50 or 60 megas and gigas, the infrastructure in the first analysis is very critical to be able to cater to those requirements of the berth. But we look at infrastructure in a much broader context than just the utilities, here in the Middle East. It's crucial to understand that Middle East boat owners have much different requirements for security, for parking, for access to their boats, they moor their boats differently to the Mediterranean and the Caribbean where people will happily sit in their swimmers on the deck and, you know, wave their cocktail glass at the poorer people down on the concourse. There's a lot more privacy, a lot more security, there's demand for more parking adjacent to the boats. So when you talk about access in that regard it's a very strong part of the design consideration. Deliveries of supplies to these boats are akin to a small hotel. There is a lot of provisioning and supplies coming into these boats, even from the point of view of fuelling--we in our megayacht facilities have in-berth fuelling so the boats don't have to be moved to be fuelled. The sophistication of the megayacht owner and how they live their lives, the hotels they go to, the houses they own, the restaurants and shopping that they use, creates a standard where they don't expect anything less for their major investment in their boats. So the design of the marinas, the understanding of how the boats, the owners, the crews, the captains, will operate is a major part of addressing this part of the industry. So my

three questions to table for the group are basically the confidence that I feel over the regional and global economy will not have the effect on the marine industry that we perhaps see in the other regions, the changing nature of the marina upland in relation to the berth designs and the third thing is the requirements for infrastructure in catering to the mega and gigayacht fraternity. Thank you very much.

### **Martin**

Michael, thank you very much.

There is an interruption to your timing now, bec Saif has just explained to me he has to leave to see a sheik within half an hour, so I'm sorry to have to do this but can I ask Saif to speak first? And then we'll come to you straight afterwards. Because this sort of thing happens over here, things get prioritised. So Saif, please?

**Saif Altenaiji** Engineer/Administrator, Abu Dhabi MAR

Thank you very much. Good morning everybody. I'm going to talk about the yacht industry and how they react in our Emirates.

The Arabian Gulf is one of the fastest growing markets in the world, with respect to recreational boats. The manufacturers in the area have devised a number of projects in addition to developing the waterfront, especially in the United Arab Emirates. UAE has benefited from the strategic location between Europe and Asia to become one of the most important ports of the industry attracting global navigation and major integration in the world. But somebody would ask what are the factors that have helped the industry to succeed? First of all benefits of low cost labour. We have it here in UAE. The industry depends on the labour and this is what helps us to compete in foreign markets and the world. I think the industry in the future is specially in the countries with lower labour. But labour is not the only factor behind the success of the yacht industry. The truth is that there are several factors including the absence of taxes, the factor that exists of a strong and fast service in the UAE which do not exist in another country. I think we could in the UAE to import something in an urgent situation in two days or three days—it is difficult to find this in another country, even in the European countries. The fourth factor is excellent geographical location near the centre of major marine yachts in the world. And an integrated modern infrastructure. All these factors have helped to make us able to compete. For that the UAE has become the capital of the maritime industry in the Arab world, to provide service and assistance to insurance companies, banks specialising in marine industry and the marina and waterfront. Abu Dhabi is the capital of UAE, which consists of more than two hundred islands stretching 400 miles along the beach. Abu Dhabi has a company called Abu Dhabi MAR—Abu Dhabi MAR is a global yacht building organisation in the heart of the United Arab Emirates providing all services to yachting. Abu Dhabi MAR can also surely be considered the first one stop centre that will build, service, supply and manage yachts to relieve the owner and crew of concerns about safe secure reliable operation anywhere in the world. Finally we will raise the flag of the United Arab Emirates through the participation in international fields, where we will raise the banner and the name of the UAE. Thank you very much.

### **Martin**

OK Wim, would you like to follow that?

**Wim Koersvelt** Managing Director, ICON Yachts

It's a hard act to follow. Good morning, I'm a boat builder, I'm a yacht builder. Martin invited me to sit here and explained to me that this would be, his intention at least is, that it is a two-way meeting, a conference where ideas are being shared. I share with you some of my experiences here in the Middle East as a boat builder.

I came for the first time about 10 years ago and worked with a Middle East client who in the end built a boat at a major European yard. We worked with him to develop his ideas, we selected the yard, and we stayed with him throughout the operational side. Actually last week one of my people was on the boat to do an inspection for a repaint job, possibly in Europe. The same thing happened with another client from another Middle East country, it was actually a referral from this first owner. And we did another boat, a 50 metre boat, which is now 6 years old. That is a conclusion that I draw—that the yacht buyers from this part of the world, they know the industry, they know where to go if they want to buy a boat and look at different boats. They know the industry, they know the brokers, they know the designers, they know their way, they will find us in other parts of the world. About 6 years ago the whole thing got turned around, and an American buyer wanted to buy a boat, to be built here in the UAE, about a 37 metre powerboat, and after some discussions I represented that owner at the yard, so I came here almost every 2 or 3 weeks, to spend a number of days, did a lot of correspondence, and learned a lot of things. There were two things that I think for me at least are important to realise—is that the labour structure, exactly the cheap labour that was just mentioned—I think is one of the drawbacks for the local builders, because this is a very, I think unstable, force to build on. When we were in our yard in Holland we were putting in the shafts of our first 62 metre a few weeks ago. The person who was responsible for that brought his father, who was 69, with 48 years' experience at the Amels yard in Holland, who just came around to have a look. But by his visit he shared his experience and sort of was part of the tradition that is lacking here. And doing a project here I found that a serious problem. And people in even the middle management of the yard are also transients, some thing to think about. I'm just giving observations that maybe people would like to talk about. The other thing I learned, doing business here, is that the owners of the company are absolutely honourable men. We had some difficulties also with outside expertise being brought in and the owners of the company kept their backs straight and where a lot of yards in other parts of the world may have withdrawn he kept to his word. Word was gold, I'm still friends with that person today. And that's another thing to consider I think when doing business here. And with our current yard we will probably in the future do business with them slightly different. The third experience here in the Middle East, I'm here now for 3 years representing a company that I'm part owner of, ICON Yachts in Holland, and when the company is only a little more than 3 years old, we're located in Holland, about equidistant between Bremen and Rotterdam, so we consider ourselves in the hub of luxury yacht building in north western Europe—we decided from the beginning that we would only visit two shows. One was Dubai and one was Monaco. This year was our third year in Dubai. The first two years we had zero results. Last year was dramatic. We did not have a single person coming to our stand that could even remotely have been classified as a potential yacht buyer or a representative of a potential yacht buyer. Something to think about. We decided to come back to Dubai this year and during this show we have three leads to follow up. Whether it'll pan out, we don't know, but at least we discussed some possibilities. One of those three leads is a follow up on an existing discussion we had with one of the designers, the potential buyer came to our stand, interestingly enough, he came 15 minutes before closing time on Friday. Everybody in the Dubai superyacht pavilion was gone. We were there alone. He came in, sat with a group of 7 people, we had 45 minutes of extremely valuable time and we're

working on what will probably be about a 62 metre megayacht to take that a few steps further. So I have three perspectives to look at this part of the world. One representing buyers that came to Europe to build a boat, the other one representing a buyer building here and now here as a yacht builder in Holland to try to sell the yachts that we can build. I have a few conclusions, sort of thoughts written down that hopefully will provoke some discussion—even though I heard 30% of the big yachts are from this part of the world I still have the impression that there are only a few local clients. Yachts are not a common thing here yet. That's my impression, maybe we'll see. Potential buyers for yachts know their way, they know the industry, and they'll know how to find us. We will continue coming to this part of this world, first of all because it's, well, once you get to know people from here it's quite pleasant, they're quite generous and hospitable, pleasant people to for instance go fishing with, great fishing out here. But we think we have to look at this in terms of 5 to 10 years before we see the results that we hope to win here. I think that if the buyer is looking for high quality then as a builder I don't worry so much about the local builders here, because they'll have a long way to go before they will achieve the quality that equals the quality of the Rolls Royce or the Bentley. I've been out here on the water a number of times, and to me the infrastructure could be improved, of course, you just mentioned that. But when I compare this region with the Mediterranean there are no nice little harbours and nice little places to go to. There is no Portofino, there is no Capri. And I think if you talk about—you have a nice term for it—upland facilities, I wonder if the region would not become more attractive if there would be more traditional small anchorages and places to tie up a yacht where also the local traditions are kept alive, the local culture and the local history. And I think if that would help then maybe we could sell more boats. And I think another problem that probably needs to be corrected, or solved, overcome, that's why we have this minimum of 5 to 10 years, is the reason--the sea must be safe to travel to for yachts. If you now have an owner who wants to come from the Mediterranean in the winter maybe, wonderful place to come here climate-wise, but he would have to go through the Suez Canal, brave pirate attacks and then maybe manoeuvre through warships down the straits—I wonder if when that all comes to rest whether the place will become more attractive? I wonder whether here the local clients, the local yacht owners, how they use their boats? You were mentioning marinas—my experience is that in Europe or in the States, in the US, yachts are often the place between the office and the home. You want to speak with a person in privacy, in a more personal way, then the office is not suitable for that, the home is too close. Then the yacht is often a very very good place to have meetings. I wonder if that is the case here—and if not, then once that custom would become normal then maybe this market will also expand. I mention those points because it's your intention to find out from this conference how the market is, if there is a market here. And how big this market is. So that's why I raise these points. I hope this stimulates conversation.

### **Martin**

Saif are there any comments you want to say in terms of the real potential here, the number of clients etc—you're obviously closer to the market than Wim may be, but try and say how many people here that really can build a boat?

### **Saif**

Actually in Abu Dhabi we are a new company, so we just start to build boats.

### **Martin**

But in terms of your understanding of the market place, how many people do you know of, or would you think of in the market that could buy 50 metres or above?

**Saif**

I mean there is a big demand now in UAE for this kind of length of the yacht, so for this length of yacht is not affected for the price tag. So here still people can buy—

**Martin**

But what sort of numbers, do you think? 100s ?

**Saif**

Maybe Kostas can tell you because he has a big experience with the Platinum from Dubai.

**Martin**

Right.

**Kostas Antonopoulos**      Managing Director, Platinum Yachts

Well, If you look at the population of the Gulf—it cannot be compared with the numbers of the population in the Western nations in Europe and the US. However there is a large concentration of wealthy people and I believe that potentially the numbers are high. If you look at the royal families they are large in numbers and OK Saudi Arabia alone has around 6000 princes. I'm not saying that all of them are potential buyers but some of them are for sure. I believe that there are buyers in the market and some of them are quite experienced buyers. They have started owning yachts back in the 70s and they have developed teams that are taking care of their yachts—consultants and people that cater to all their needs in yachting and that have considerable expertise. And throughout the years they have developed also a sense of quality. In my opinion a characteristic of the Middle Eastern client is that he likes volume, he likes large yachts, he likes lots of interior space, lots of cabins because they have large families, they have friends, they travel in large groups. Most of them. And I agree that potentially the region has the possibility to develop large numbers of clients for yachts of 50 metres and above. Especially with current conditions I believe that this region will be the first to come out of the crisis—by the end of the crisis the whole thing will turn around and yes OK the infrastructure projects now are going at a slow pace but this is all over the world. Still this region is growing faster than other regions and after the first experiments—we have first of course in this stage you do things in the wrong way. After the first experiments I think that development of the infrastructure now is done in a more professional way and it can adapt to the demand and I believe that well, if you look at the positive side of this crisis that this will benefit the UAE and the Gulf in general, this crisis. It will bring some more reasoning and a better way of handling the needs for all kinds of infrastructure in the industry. And especially for this industry as well.

**Martin**

Wim please?

**Wim**

Just an analogy. In the town where I live there is a marina being built with 600 berths. And it took 7 years to get the decision to build it but it also took 1200 applicants for 600 berths, so it's a market driven. That means that if people have small boats, want bigger boats, they want a better location—but there is a demand for these berths. And the berths are sold before the marina was started and they're going to be filled with boats. Now you're building marinas here—are you building the marinas first and then hope the boats are coming, or is it the way we have it in Holland? And that's what we are trying to find out. It's nice to see all the big developments and marinas and islands where everybody can have his boat with his own house, but is there a demand for yachts in this? Do people here want to go on the water with boats of their own? That is the question. How big is this market?

**Martin**

Michael please?

**Michael**

Perhaps if I can comment on that a little bit. It's a little bit of both. I mean there is a large unfulfilled demand for berths where the quality expectations and service expectations are far higher than what's being provided by existing facilities. When the berths are available it's clear that there will be a lot more boats ordered. Purely because people who want to own boats don't have any place to berth them at the moment. So I think it's both, I think there is a large existing demand for better quality berths and services and equally there is an unfulfilled demand for people who want to buy berths, want to berth their boats.

**Wim**

I'm thinking a little further then. Cut me off if I'm getting too cheeky here. But your big marina is done in 2010?

**Michael**

That's the megayacht marina.

**Wim**

Megayacht yes. How many berths over 50 metres?

**Michael**

In the facility that's coming online next year? I think 25.

**Wim**

How many boats are being delivered in 2010 to fill those spots? To be delivered in 2010?

**Michael**

A significant number of those boats are already well defined, they're gigas, not megayachts. I mean there are groups here obviously of highly placed people who have boats underway and need a place to berth them.

**Wim**

No real answer but hopefully good.

*[Crashing noise]* The gods are showering us with gifts !!

**Martin**

Right. Kostas? You had your little say but carry on with your perspectives on what's really happening.

**Kostas**

Like my colleague next to me I came from a different background, I studied mathematics and computer science and I started the first intel provider in Greece in 1987. That's now a very large company there but I'm not a shareholder obviously any more. Then because I love boats very much I started in naval architecture and I started my career in the marine industry and I'm working with shipping, then I joined a group that was dealing with very large yachts, building, refits, conversions, and management. And for the last now 13 or 14 years I'm dealing with this business. I've been involved in different projects and either new builds or refits or conversions or whatever and now I'm the managing director of Platinum Yachts. Platinum Yachts started as a team of people whose aim was to buy and finalise the hull that was left in Blohm & Voss and was called the 100 Project. The company bought the bare hull but with the superstructure welded on it. There was no hard fitting in the hull, no pipes or cables or anything. And there was some equipment including main engines etc in containers and they started work on it. There was a main contractor involved which under-performed so the control of the project passed to local hands here in UAE. At the last stages of the project the largest shipyard in Dubai, quite a large shipyard with 10,000 people working there, was involved in order to finalise the project and indeed the yacht started sailing in 2005. and the project was finalised in 2006 where we had the certification from Lloyds and following that we took a 45 metre hull and made a sailing yacht out of it, a 45 metre schooner. It's called Dubai Magic and that was delivered end of 2007. and we just delivered a diesel generator 2009, a conversion of a cruise yacht, or a cruise ship, to a yacht, it's a very large volume yacht, 4,200 gross tons. It's called Dubawi and it sits in the marina right now. Wim said that it took 7 years to build the marina there, whatever, to take the decision. My experience in the area is that decisions are taken fast, especially for infrastructure projects, I wonder how many years it takes in the South of France to build a marina? I think that here development has been fuelled just by the fact that the leaders of these nations here are strong and they are decisive and they can immediately fulfil their dreams and visions and they don't have to battle with local authorities and some constraints that are coming through the type of problems that we have back in Europe which has a lot of projects of course but has also this kind of negative that developments take a long long time to fulfil. Concerning the cheap labour and the effect of cheap labour in our industry here, I would say that my opinion is something between Wim's and Saif's. Saif believes that cheap labour is a key factor for development of our industry here, Wim says that cheap labour is a disaster for quality projects. In our experience in Platinum we had several projects in a row so we could develop very good skills among our people, our in-house production people, but of course we developed our products by using also very highly experienced contractors from northern Europe. We have good alliances with contractors but we couple these contractors with our local workforce. I'll give you an example—if a northern European company will design and deliver all the electrical components for a given yacht project like for

instance the diesel electric yacht that we have developed now of 88 metres—you understand that this yacht has 200 kms of cable. We don't need a European worker at €40 an hour to lay your cables, you can use your own. But of course there's commissioning and design and everything is under the control of an experienced sub contractor. Now I'm very happy that Abu Dhabi MAR started in the region because in this way we can maintain the stable workforce between us. What we're doing actually is that at the moment I don't have work for all my people, I call them up from Abu Dhabi MAR and then the other way around. So we can maintain a pool of workforce which moves around our companies. What is happening in Europe really? I mean you see a carpenter working at Hammerslag and then the same guy you see him working at Metrica. So people are just moving around. And by developing a local market for ship builders here, this is what we do. We develop and we maintain a pool of skilled people working the various projects. Indeed, one of the weaknesses of this area is that most of the expertise or experienced labour is imported. The main thing is to have enough projects to keep it here. Because the moment you don't have the projects then you don't have them any more. Or you have to bear the cost to keep them with you for an indefinite time. Concerning if you ask me about development of the region, as I said before, I'm a strong believer of the region and I agree with Wim, OK maybe at this point they don't have the destinations that you see in the Mediterranean—I'm coming from Greece and we have 3,600 islands. And we have the largest coastline in Europe. So if you want to spend your weekends on the boat, a lifetime is not enough to see all of those. This is not the case here, but the region is developing fast; destinations which have a luxury feel and a lot of content, and it can serve also during the winter time especially as a perfect cruising ground. But not only that, this area will be used for large yachts as a base for cruising the Indian Ocean, which is a good place to cruise. Plus the fact that it offers a lot of economic advantages, taxation etc. Here unlike Europe you can have a huge yacht in your passport, you can be the sole owner, you don't need to hide behind corporations etc. Nobody cares if you own the yacht. And I believe that at the end of the day this region will offer for small yachts some good destinations to cruise, for larger yachts it will offer the possibility to winter, to do maintenance and refit works, to fulfil the taxation obligations of being away from Europe for a long time and also to be used as a base for cruising the Indian Ocean and other close by areas.

## **Martin**

Right. I think the final comment from Karl is a sort of different situation because **Karl** is from a class society DNV and he's been working with Abu Dhabi MAR I believe on a sort of passenger ship/yacht rule. Is that correct? Gulf owned ? So Karl can you give your sort of input on this debate?

**Karl Morten Wiklund** Business Director, Passenger Ships, Det Norske Veritas

Good morning ladies and gentlemen. I'm pleased to see that we have a number of ladies attending. To start with a little bit about myself. I'm born very close to the North Pole, a bit colder than this part of the world, on the west coast of Norway. And I've been in this business for 40 years, working with all types of vessels carrying persons or we call it passengers, everything from boats to yachts to ferries to high speed craft. And the nice thing with that is you are given the opportunity to see what is going around in the world, being responsible for certification of over 1½ million boats, from 500 different types. I've seen a number of different types of yachts. The main thing is that I'm not allowed to tell about the different projects at all. That's with the designers and with the yachts. So my interest in this conference and this session is to start to understand what you're talking about. You have a conference addressing the business potential for large yachts in the Gulf area. And I'm going to

get personal—what is large? From the regulatory side? Because I'm sitting on that side of the table, and I've been doing that my whole life. What is large? So I'd like to raise the question and potential in the different segments. So let me start with those saying that you like to have 30,000 berths in their marinas. For sure you will not fill up those 30,000 with boats from Abu Dhabi MAR. So one segment in this yacht business is what I'd like to call it boats. It started with a rather small unit and has grown up to 24 metre, which is the EU legislation for recreational craft and to me that makes sense, this is very very specific market, industrialised market, and I don't see an opportunity for this part of the world to go into that kind of volume production. I believe more in China and India for that kind of boat and East Europe for that kind of volume production of boats. And the reason for that it's the same argument as I say I don't see a reason to set up a car industry assembly plant in this part of the world because the home market is not big enough. So that segment is something which this part of the world has to buy from where the volume market is, the same way as you're buying your cars. And the challenge of course will be for those guys providing the 30,000 boats that you have something which can serve that segment of the market and in the way that you still maintain this beautiful part of the world as something which provides recreation, which provides some place you can dive and you can fish and enjoy being on board a boat. And that is why some kind of protection of the infrastructure, protection of what you have, what will you require for those kind of units with respect to this charge on everything from the boats, when you talk about 30,000 units.

The other segment I'd like to address with the opportunity for this Gulf area is the composite yacht industry. And the composite yacht industry to my mind is something between when I talk about yachts, between 24 metres and perhaps up to 50 metres. That is also a volume production, that is dedicated, made in yards around the world which are professional in their standard design vessels. If this part of the world shall enter into that segment of shipping you have to provide something which is different. I heard your definition of a large yacht as 100 feet or 30 metres. If you think or perhaps some of you know what has happened on the sailboat market in Europe over the last 5 years—we got the situation where some clever yard said we'd like to enter this sailboat market and take a significant share of that market by sending out volume instead of competing on price for a certain size. Which means that we got an industry, sailboat industry, in East Europe, sending 40 foot sailboats to the same parts as an existing 30 foot sailboat. And they were successful, they brought something new to the market. So if this part of the world shall do something on the series productions that there are in the yacht market I think something new has to happen. I'd say that this market is to sail the Indian Ocean. Let's say that this part of the world decided to sell 40 metre motor yachts to the same price as some existing 30 metre. Then there will be a breakthrough, then there will be a change in the market, then there will be a replacement, and I can imagine that this part of the world like to see volume instead of just some feet missing, or fewer equipment. And when you've got all your equipment on board your boat you find it's a bit too small. So something has to get them in a more tough way, if you start to break into that composite segment of the market. So perhaps, perhaps not, that can be something that can materialise in this world if that money is available for industrial production of large motor yachts I believe it can be done. I know about those projects, I'm in a project which had that kind of thing.

Then the third segment of the market which I think is what we are really discussing, and that's the one-off megayacht or gigayacht, or what you call it. The large ship is my opinion. What is it? The 100 largest yachts in the world are above 65 metres in length? And we're talking about perhaps 100 more vessels of that size. That segment I strongly believe can be leading from this part of the world. And the reason for that is

quite simple. It's like any other development of industry. You need two things—you need a home market and you need labour to do it. And you have both in this part of the world. And I believe that what you will see in the future is very interesting development of this market segment—by extremely spectacular gigayachts in the future. Far different to what we have seen up to now, which looks more like, or some of them at least, more like a passenger ship. I will say that I'm now responsible for the world's largest tourist ship which will be delivered in November, carrying 8,500 persons on board and having lifeboats for 370 persons. I would say that that concept is in fact more spectacular than some of the gigayachts ever seen. But I think the future, and I've seen a number of projects that are so spectacular and so new that it will set the standard for that segment in the future and I'm a strong supporter and believer for that segment. Thank you.

### **Martin**

Karl, may I ask you directly then, what are you doing differently at DNV to meet that gigayacht sector?

### **Karl**

Now I have to talk as a regulator again—and regulators are boring people. But I said the small scale market is straightforward, that's regulated by EU directives, and industry standards, and we know perfectly well what is the standard. Then you have above 24 metre you start to become a ship, and that involves international IMO regime. And you have a strange set of regulations intended for the commercial yacht market. And you have to understand that basically that kind of regulation that is a separate regulation. Yachts are per definition unregulated but when you start to make money on your yacht and lease it and have it into the commercial market it is in competition with passenger ship segment, and for that you need some kind of regulations, the MCA regulations for example. That is something which tried to copy what is in the international legislation for ships. And when you know that international regulations for ships that is something which is the outcome of huge disasters in the world, from Titanic to Estonia to all kinds of large passenger ships. I don't think that makes very much sense when you talk about the developed—you don't have the same combinations. So when we are working closely with Abu Dhabi MAR which we did and they have a tendency to create a lot of very very interesting novel technology and I think which can be standard setting for the future in the gigayacht market. Then you have to go back to the basic principles and say—

### **Martin**

The potential in this region—the cruising potential is obviously another key area to make sure if you're bringing your yacht here what do you do with it and if you're going to use it, the berthing potential Mike just touched on I think there's huge berthing development it's just how that actually is filled in the future. The operation aspect and the infrastructure aspect is key and the other thing that hasn't really been touched on too much is how many yachts will actually come through this region going to the Indian Ocean—I'm not sure—it is a proven destination but only a handful of yachts are coming through this region at the moment from Europe into the Indian Ocean because they don't really want to double back on themselves, travelling until the infrastructure is ready so there's these 5 key things we need to talk about to see really what this true business potential is. Because everyone talks about the huge number of people that can afford to buy a yacht but actually will they? The key question is whether they actually want one. So that's the thing I want to touch on in

some of the discussion now. Any show of hands at this stage that have got—Sophie is here with the microphone, I believe. And George is as well. So Justin please.

### **Justin Radcliffe**

Good morning everybody. I'm a photo-journalist and work for several magazines, one of which is of course The Yacht Report. I'd like to pick up on your first point Martin with regard to the clients and this question is really directed to Kostas. We have this potentially huge client base in this part of the world—what would be the perceived incentive or advantage for buyers from outside of the Gulf area, from Europe or America, to build and buy from Platinum Yachts, for example?

### **Kostas**

We already had a client from Europe—to start from the beginning we developed an 88 metre diesel electric yacht. We call it the Trident Project. This yacht has been designed by Sancho Duvani and the basic engineering has been done by Azur Naval Architecture of Holland. We believe that this yacht is a perfect size if you wish, it's not too big, so it can reach most destinations. The diesel electric offers a number of advantages. But a very significant advantage was that we managed to lay all the engine room in one deck so all the engine room is in a tank top level if you wish. So this vessel is just below 3,000 gross tons. And you have much more interior actually available in the same gross tonnage than other vessels. That's a comparison let's say with Alfa Nero which is 82 metres is 1,950 gross tons, so we're talking about 40% more. Now we had a client from Europe for that boat. And well under the circumstances the client defaulted, actually. But yes, we are approached by European owners. And I think that our strategy is to their liking. What is our strategy? Depending on the project, it changes, and what the owner is and what the owner wants, but for instance for Trident it is an all branded product. If you look at the other suppliers and the sub contractors they use aspects of the industry so a consultant or a captain or anyone would recognise each and every one. What is the advantage? Well the advantage is the available capacity, plus the fact that works that are labour intensive like, as I said before 200kms of cables, or cleaning, a very important part of the yacht building is cleanliness throughout the building and having 40 people cleaning in Europe is very expensive. Having 40 people cleaning here it's nothing, in comparison of course. So yes, there are economic advantages and we can deliver European quality products here and I believe that when you see the first new build from the region you'll understand that. But even if you visit Dubai for instance, which is the largest yacht in the world, then the effort to keep it, to arrive at the detail of 50 metre yacht in 162 metres, it's huge. Just to understand the sheer volume—a 60metre yacht is about 1,000 gross tons more or less. Dubai is 13,000 gross tons. Its fairing and paint area is 9,000 square metres. It's a huge beast, with 36,000 horsepower. And 26 knots of speed. Now the effort to arrive to the level of the detail of a 50metre yacht is huge, and the time required is almost asymptotic. But I believe that whoever has visited this yacht they understood that we achieved that to a very great extent and the visitors who saw it from the Press, brokers, also shipyards, and we had the same comments. So I think yes, it is possible to have a very high quality product here and that European or Western clients will knock on our doors and they do knock on our doors to discuss projects.

### **Justin**

Just as a way of illustration can you tell us the average labour rate, for skilled labour perhaps in dollars or euros?

**Kostas**

Well this is—

**Martin**

Take a comparison of welder to welder perhaps?

**Kostas**

Well just to give you an example a skilled welder here will be something like 2,500 dirhams per month plus accommodation and food. So that's about €300 to €500 a month.

**Martin**

Wim do you have any comment on that?

**Wim**

I have no comment on that.

**Martin**

What's your welders' monthly income?

**Wim**

We calculate with €50 an hour, but then they have to take care of their own lodging and food at home. That's the great advantage, they've got plenty of European yards which still have a labour force where the human being can live a civilised life, go home to his wife and see his children grow up, and then rest, and have peace in his life. And you know and also see his children go to school and if there is something in the family there is schemes in place that hospitals, children can get the necessary medical care. Even the person that sweeps the floors, even the person that cleans the bilges in the boats. And I think that man has collected enough money and he'll go home to regain and make up for lost time, spend time with his family. That's one of the things that I mentioned earlier that is probably the drawback of cheap labour.

**Martin**

Kostas any comment?

**Kostas**

Yes. I could not agree more with Wim that's good to have such an environment where people are locals. Wim is comparing two different models, the model of take any industry in Europe where the workers and managers are local people and every afternoon they go home and they meet their children and the wife and all this. And even if they lose their jobs and want to seek another job they will not just leave the country, they will just seek another job in the same area if possible. Compared to the model of the Gulf where most of the skilled labour and managerial force is imported and is mobile and there is a high turnover of people that's what I said before. By having Abu Dhabi MAR working in close, hand in hand with us, results in more or

less decision--because at the moment in the big yachts the only player with a proven track record is Platinum for Middle East, India and Africa. We're the only ones in the MINA region that have delivered big yachts. So this of course has the disadvantage that as long as we have projects OK, we can maintain our workforce. The moment we don't have a project we could not maintain this workforce unless we go to considerable expense. Now that other players are developing in the region, which is good for us, good for everybody, like Abu Dhabi MAR, we share this workforce and we can balance the workforce according to our needs and there is good cooperation in that. And yes, you're right, Wim, that perhaps at this time or whoever can collect enough money to pursue his dream back home he'll go back home and it's fine. But at the same time we will develop more new people that will take his place. And if you wish all this, even this building that is here, has been developed by these people, with this model.

**Peter Gibbs**      PENSUM LTD

Good morning. Is this working? I'm involved in registration services in the Cayman Islands and have some passing interest in maritime regulations. A question I have for Michael, I think mainly—what is the current predominant use of vessels? And for example, to what extent are they mainly used—privately by owners versus commercially by chartering? And in order to fill your marina slots, one would expect growth in chartering and chartering services and all the infrastructure that goes with that. And my question relates to what are the impediments to growth to enable chartering, including regulatory impediments to freedom to cruise in the region, red tape difficulties that exist and how you see resolving those difficulties? And a question for Karl, which is—has a pleasure yacht code actually been developed for the region, a passenger yacht code been developed for the very large yachts that go beyond the megayacht, the MCA code, beyond the 3000 limit for passenger yachts? And I think all of those are related.

**Martin**

Michael first please.

**Michael**

There's a few different questions and I hope I kept track of them in my mind. From the point of view of numbers, let's talk a little bit about numbers. I think that's interesting and certainly for non residents of the Emirates people here numbers of 30,000 berths, 50,000 berths, whatever number you might care to put on the table, I think there's a great degree of cynicism outside the Emirates when numbers like that are stated. What the true number for the market would be, in spite of all the analyses in the world were done, it will be generated by the market, and the market has changed short term for the moment. For anybody who does live here in the Emirates you don't get quite as cynical about the numbers because you see statistics and scale and ambition achieved very frequently here in the Emirates and achieved very commercially cost effectively and with good returns. So I don't get daunted by the numbers that we hear about in the market and analysis shows at least the demographic growth was changing, up until the end of last year the demand was very strong. I couldn't put statistics on it but for all the marinas we are developing and bringing on line, we have 2 marinas operational in Dubai, and the first Gulf one coming on line in the next month. The demand for berths in those from private ownership has been extraordinarily high. One of the questions earlier was when do we bring the leasing or the control of the berths on line? We do it in a phased release

to the market. We start with private leasing first and that starts fairly early on in the piece because demand is so high, as I mentioned earlier, because there isn't good quality or sufficient berths available for the people who already own boats so you get a very high interest from early leaseholders who want to secure it perhaps 12 months in advance of the berth in the marina becoming available. That in some cases is to let the berth and then to order their boats, so the boat is available when the marina comes on line. On all our marinas we avoid speculators so we only lease out berths to people who have a boat, or a boat order placed. In some of the developments there are owners with properties adjacent to the marina that's being brought on line so we start off with release to private boat owners. Later in the piece, perhaps on the second or third round of release we go to brokers and charters and the demand has been very high to date so both on our creek marinas and on our Gulf marinas. Statistically it'd be hard for me to put a number on it but the good quality berths that are available are still fairly low but I would guess probably about 20% of our berths are taken up by charterers and brokers to get their product out there. I think it's good for a marina to have that blend—depending on where it is, the mixture. But our focus is primarily the private boat owner, the people who are using it recreationally and socially. And a large part of the marina—because we operate our marinas as well as develop them—is the service aspect of it. The concierge service—so we're very much geared to a hotel type support infrastructure in the marinas so that for the boat owners, for maintaining their boats or food or supplies for their boats, is available. So it's very much the private owner.

I think the second part of your question was regulatory? About the growth in the charter business, to encourage that? I wouldn't be the one really to offer a comment on that. I'm the developer, architect, urban planner who brings the marina on line. There are colleagues of mine in the room today who take it from there. But the one comment I'd make I think that's going to impact is the change in tourism that's taking place in the general economy. But that will recover. Either one of the board members will be able to help you about the regulatory impact. Did that address your question, or did I miss part of it?

**Peter**

No, thank you very much.

**Martin**

Can I just ask you Michael. In terms of operation of your marinas though, what is the typical transient berth usage versus—is it just sitting there for large periods of time then going out for day cruising, or what's the typical operation?

**Michael**

That's a good question. And I think that's starting to change as well. We were talking about Portofino and Corfu and places like that, where the traditional Mediterranean use of boats is a different sort of environment. I think what's happening in the Emirates, the GCC as a whole, is that cruising pattern that will facilitate that is starting to take place. People do want places to go. By and large people aren't taking their boats out and just sunbathing out off the shore for a number of hours. So I think it's fair to say that to date historically there's been a lot of let's take a hamper full of sandwiches down and sit on our boat with our friends for the afternoon and then go home. There isn't as much boat movement traffic in the marinas here as we have in our other locations in the Mediterranean and the Caribbean. As the destinations are

starting to emerge, Abu Dhabi, Dubai, further afield, even up to Bahrain, Qatar, people are going to start moving their boats more in that region which, once you're in that region it's a safe region. And going to the destinations provided they know there's a place to go. I have to agree a little bit with my friend here that I don't think people are looking to go and stop their boat in a soukh environment. I think they're wanting to go into a resort, recreational, shopping, environment rather than a heritage environment. I think there's a certain amount of attraction to that but I don't think you'd draw people because of it. I think with the multiple cruising/berthing destinations that are becoming available along the coastline there will be more boat traffic, there will be more overnights, two day trips, and that opens up marina berths for transients from other marinas and from outside the GCC to bring their boats in. The marinas under our operation operate on a network approach where if you know somebody is going out and you know somebody from one of your other marinas is coming in they get first priority for a berth, so you can guarantee people that they could have a mini circuit for a couple of days and go to a number of locations. I think this is the next generation of this marina market.

### **Martin**

But also tracking things like the information on the very 5 or 6 star resorts in the Indian Ocean? 30% of the clients that go there are from the Gulf region. So is that a cruising destination you think they'll look at?

### **Michael**

Oh very much so. Kostas mentioned that earlier. That's the expansion of the region and I think we've done a lot of work on the Asian market as well, certainly the Indian Ocean and India as a whole I think is the first burgeoning part of the expansion of our Gulf market into that area.

### **Martin**

Karl—would you like to comment on the other part of the question by Peter about regulation?

### **Karl**

Sure, regulations for gigayachts carrying some hundreds of persons on board instead of twelve passengers. That's a completely different ballgame. We will give information and release some new yacht code when this project at Abu Dhabi MAR is complete. Because we are doing that development there in parallel with that project. Just to let you understand the difference. Today a yacht manufacturer is perfectly happy to provide the deep tray and a grey water tank or a black water tank. In the port deck they have had the regulations for plans to take on board waste from yachts. In Turkey yes. And still they haven't managed to get that in place. So I will pass the word back to Michael and say if it's international legislation, take a cruise liner. A cruise liner, the only thing they bring to land is some plastic bags with metal, some plastic bags with glass, and some plastic bags with ashes. And what they discharge is only distilled water. So you can see in the port that the water becomes cleaner when they discharge something. There are legislations coming now that every washing water you use for commercial vessel shall be treated as grey water. Because we don't like to dirty the waters. So the yacht industry for the gigayachts have to in fact lift all results by the hair and see what we can do, unless Michael can deal with the problem in the ports.

**Michael**

I think one comment I'd like to make in response to that is that we're fortunate in the Middle East that marina basin opportunities that are brought to us by and large are Greenfield venues. In the Mediterranean we get far more brown-field venues which have been fishing ports or high density population ports where you inherit an environmental baseline, which is nowhere near as good as the environmental baseline we get in our facilities in the Middle East, which are by and large virginal marina opportunities. So if you start from a very good environmental baseline the challenge then is to make sure you maintain it, you're not trying to undo the history of fishing boats and European communities using the sea as a dumping ground. So our Middle East marinas start better and of course you have to have a well run and well managed marina with plans in place to deal with any emergencies that will control anything that might happen. So I agree with you, it has to be done, but it's a very aggressive part of our planning process and all of our Middle Eastern clients have such a strong respect for the water, for the ocean, that they place it as a priority as well. So we're not trying to challenge or educate our clients who want to keep a pristine environment. I always use the boring metaphor—that all my people in the audience will shudder—it's like a taxi driver who doesn't look after his taxi. If you don't look after your main commercial mechanism and keep it in a pristine condition you're going to be out of business very quickly.

**Peter**

With regard to the regulatory regime for gigayachts and that's why I asked has a code been developed. Code meaning this time not class rules, but a code for equivalence to the international conventions that would apply to passenger ships. In other words a slight watering down perhaps of passenger ship rules as applied to yachts.

**Karl**

I'd like to say that this yacht industry should in fact have far better regulations than what you have today. It's a pity that it's outside the international legislation and it's almost a shame that you have to go and operate on the cargo ship exemption certificate. Because that gives the port authority the legal right to disagree with you. But it's not easy. Perhaps today it's outside the convention and last time I made an attempt on changing the international legislation in IMO, that was the high speed craft code. And I worked with that for 5 years on behalf of the Bahamas. And you have to do it in a rather tough way. And I have to tell a story about the tough way, because we built a high speed car ferry in Australia outside regulations and the Bahamas was brave enough to issue certificates on that and this yacht crossed the Atlantic and took the Blue Ribbon with this large ferry, and there were congratulations, and a letter from Margaret Thatcher. And when we arrived in Portsmouth it was lined up with 25 port state inspectors in yellow suits and we were arrested, all of us. So it's been through that kind of tough actions that is needed together with some tough flag states to get standard which can be world recognised in IMO for the large yachts. So for today we are working on documentation and we'll start on that and then invite the flag states to take it from that.

**Peter**

Will this be something that will be taken up by UAE?

**Karl**

We would invite some flag states to join that.

**Peter**

So you're drafting a code privately and then will invite member states of the IMO to adopt it?

**Karl**

Yes.

**Martin**

That's the way it works here, Peter.

**Peter**

No it doesn't !! But we're talking about internationally accepted and recognised codes of equivalence to convention standards.

**Wim**

We're looking for business potential in the Gulf, yes?

**Peter**

Oh, so it's domestic, it's not international?

**Karl**

And you're welcome to support a submission when you see the document that we're doing.

**Peter**

Oh yes, I have a very close interest.

[From the floor]

My question is specific, relative to in previous discussions with the superyacht forum, the size of the market and the penetration having been fairly low, and we look in this region and I'm sure that penetration rate for client investment is even lower. And the opportunity is even greater. So what my question is, and it relates to the previous discussion, a world wide market we look for security and things like ISO 9001 codes that cross over the builders, you talked about sharing workforces. How does that get answered in this region? That type of security in the future of the yard, and the standards by which the yards are conducting building?

**Kostas**

If I understood the question, the question is about safety standards in our building processes? Yes. Whenever I have visitors from Europe in our facilities I'm afraid that they're expecting to see a bunch of marauders banging around their hammers somewhere around 1000s of numbers. That's not true. Not only our facility but a lot of facilities here they comply with international standards. As a company we comply

with ISO standards, we have other standards already, we are in the process of getting ISO 14000, we have recently received the ETS award for Safety and Health so don't expect that the Middle East is a place where anything, all the rules are broken, and anybody can do whatever he likes. On the contrary, I would say. I will tell you a very funny story. While I was trying to develop a consciousness of yacht building in some members of our group, our principals, I took a senior member to Greece and we went to Peramaila, it's a street with little shipyards one after the other, sometimes when the size of the vessel is very large the bow overhangs over the road and the bus has to go around it. OK. Then I visited this small yard which didn't have, it was not much larger than this room, or a couple of times this room, where they were developing a 55 metre yacht. While we were talking with the owner of the yard scaffolding material was passing over our heads and people with flip flops and cigarettes were just passing by doing their job. Then we climbed a ladder which hung over the sea, then a ladder to get on board the yacht and there were a number of people there from carpenters and electricians and painters and you name it but they were working on the ship, it was July, and the yacht was about to be delivered to the Monaco Yacht Show for the show. And you wouldn't believe that this yacht would ever be finished. Indeed in September I saw it at the show. And I realised that the owner, who procured this yacht in this little yard, he made about 50% on his capital as a return. And the yacht building process took 17 months. So I think that you can see that in Europe, also I've been in other places, in Italy, or Germany, the standards vary a lot. Now if you consider this area here, the regulations are strict, and inspectors are strict, and inspections are often, and people who violate some kind of regulations face severe penalties. You know in Greece we invented democracy and it was very badly used by the rest of the world. In Athens for instance, when somebody became very influential, he could drive the thinking of the people. What we did is that we exiled this person for 5 years. So his influence could go away. In modern times in democracy, when somebody is too influential he becomes the Prime Minister. So it's a completely different ballgame now. And I believe that the way that we handle things in Europe is sometimes very cumbersome and very how can I say it—maybe against the good of the common people. I mean there are people who pay their taxes and they suffer more than anybody else, if I may say so. Now I would like to touch on another point, which is not relevant to your question, it is just to add to this discussion. We have to understand that our product in the yacht building industry is not ship building. It's not even a luxury fashion industry, because once in one of my presentations I had a Luis Vuitton bag in the water, and I said that our business is to design and construct designer bags that float. Well it's not even that. I would say that our product is time. We sell time. Everybody, especially the people who are very successful, have understood that time is the most important asset that we have in this life. Today is the 12<sup>th</sup> and no matter how much money you have, tomorrow you cannot buy the 12<sup>th</sup> back. You are one day older. Right? What we sell in this business is we sell good time. We sell moments, really good moments. This is what we sell. And this is the way we have to see our product and our business. This is what we sell to people, good moments. Concerning the Indian Ocean and the local and regional market I'd like to argue the following. Next door to us here there is a great big big nation which is India. Allright, you might say that 80% of the taxes of this nation are being paid by Mumbai, which has only 20million people, so you would say that the affluent people of India are only 30million. But it's growing a lot, and some of them are really rich people. And the UAE is the Monte Carlo of the region, if you wish. And it's a Monte Carlo for all these people. Monte Carlo is full now and cannot accept many more people. We offer the same benefits here and the same lifestyle and the same tax advantages. So don't consider this region as the Gulf only, consider it also as the Gulf and India, which is next door.

**Martin**

We talk about potential business in the Gulf. According to Platinum and the Abu Dhabi MAR there are not just Gulf related clients that you're focussing on and even Russians I would have thought have looked at the Gulf as being a destination because it is a very popular location for them. Do you ever have clients talk about new builds, or stuff in the Gulf?

**Kostas**

Yes, we do have discussions with people from Russia and they are people that are easy to talk with and have discussions with and they understand and also require the best. They are very demanding. And indeed we have had several talks with them—we never had a client that went through with a project but we do have talks.

**Martin**

But do you think the psychology is that they're going somewhere new to build something or to operate their boat is to get away from the typical lifestyle of the Med which is alien to them anyway? With the Indians, the Gulf region and the Russians? Whenever you go to the Indian Ocean, all you see are Indians, Russians and people from that sort of region.

**Kostas**

Yes, the Indian Ocean is a very nice place. Very interesting place to cruise. Of course you're relying very much on your yacht, there are no facilities. But I would say the same of Greece, for instance, which is in Europe. There are no facilities. The governments were enough competent that the environment was protected from development so I would say that the same happens in the Indian Ocean right now. And so it's a virgin destination, you have to rely a lot on your yacht.

**Martin**

So that almost dictates size as well, with new builds.

**Kostas**

Oh yes, I would say that generally this region the larger the better, this is how people think. And I would say that due to the fact that one of their cruising destinations is primarily Indian Ocean, size really is essential, as opposed to the Mediterranean, where even the smallest yacht, like my boat, was 9 metres, I could go anywhere. I mean you had plenty of destinations to go with a small boat.

**Wim**

How many new clients do we have at the moment?

**Martin**

I mean in your history.

**Wim**

In the region? 4.

**Martin**

Tell me about them. What are their sort of needs?

**Wim**

I wish I knew. You ask me questions that are difficult and I'm not prepared to answer.

**Martin**

No no I'm just interested in that once you've got this potential number of people in the Gulf region and they choose to buy something, do they really understand what they're buying it for?

**Wim**

I think they're buying it for using it somewhere else, not here. The people that I talk with are buying it for another place.

**Martin**

Where is that place? The Med?

**Wim**

Yes.

**Martin**

Do you think as this develops here they'll use them domestically?

**Wim**

I don't know.

**Martin**

OK.

[From the floor]

60 metre motor yachts. I'm wondering if the belief is that there is a client base in the Middle East for say 40 to 60 metre yachts or is it really just the gigayachts?

**Kostas**

I believe that there is a clientele for each size and to be honest I do not agree with Wim that the people here buy the yachts to use them elsewhere. We have built 3 yachts and one escort vessel and so far all of them are cruising this area and the Indian Ocean. They have never been to the Mediterranean. Also I was involved in Analies and Alicia in my previous occupation and I see that one of them was sold here, it's called now Thelma, ex Analies, you see that the vessel cruises in the Mediterranean but also it cruises here, very often in the Indian Ocean as well. And I can see also the Katari boats spend a lot of time in the region. I think that the use of

the vessels is mixed. Yes, people do tend to go to the Mediterranean or sometimes they just go chartering there, but also the charterers are developing a desire to cruise in this region and in the Indian Ocean. Concerning the size of the yachts that you said, this is an ideal size to do this kind of cruising here and I believe that there is quite great potential. Just yesterday I developed a presentation for a 65 metre for a local client.

### **Wim**

I spent an evening last week with Mohammed Al Shaali, the owner of Gulf Craft, and he knows the reasons—it's too bad he's not here because he could have told us something. But yes, he is marketing a boat for 40 metres and that would be your competition. I looked at the boat in Dubai, he puts it on the market for just barely over €10million. And it's not completely comparable to what comes out of your yard but he has invested in boats, so he wouldn't have done that if he would not expect that there would be a market. And I do know that he is talking about building bigger boats, bigger motor yachts. 50 or maybe even over 60 metres. So based on that one would think that there would be a market here.

### **Michael**

.....six because obviously our planning is a very dynamic exercise, because we did a master study of the overall market, that each time a marina is brought on line and each time we get demand for the berths we modify our study based upon what's the emerging demand. And the one thing we've found is that there has been a lesser demand for what we call the small boats, you know, the 10s to 14 or 15 metre boats, there's been a lesser demand than we expected there, and a greater demand for the mid sized boats, being the 20 to 40 metre range. We talked a lot about the megas because they're major revenue earners and it's very glitzy and glamorous but if you looked at pure berth numbers the depth, the extent, of the market is in what we call the mid boat size. That's where we've had to increase our provision and our planning for that boat size.

### **Martin**

What we have to understand is as the region develops more and more people will bring their boats into the Indian Ocean because I think the Caribbean is losing its allure in some ways. It just really has to be understood that when they bring their boat this way, what you're able to do locally here with it, and that's obviously this afternoon's session. But it's very very important to realise that this region is growing so fast and creating so much wealth, I think the World Wealth Report said there's 10,000 new multi millionaires in the Gulf region developed in the last 5 years. So there's incredible wealth growth, it's just actually making sure we educate this region, try to understand what they can do. I don't think they're all going to buy 90 metre plus boats, it's just impossible to believe that. I mean the 40 to 60 metre I think is the perfect size boat. That's the region of sort of typical cruising requirements. The actual order book potential is far greater in this region than probably anywhere else. So I wouldn't discount, just by what they're saying about the gigayacht market—

[From the floor]

I don't know where we've been going here. I understand that this show has been mostly by invitation only and where do you think the wealth of the people that have been invited would place them in terms of yacht size? Are we again still talking giga,

or do we believe that the people who would be attending this show would also be in that maybe even 30 to 60 metre range? Any ideas?

**Wim**

I would hope that we would attract the people above that 30 metre range because in Dubai we really only attracted people that—we attracted—well witnessing what the public that walked around there, were maybe on average 3 metre boats. We had two days there, it was a weekend, or little day trippers, people who had no hope of ever owning a boat. And I think that people who would buy the larger yachts would not mingle in actually crowded situations sometimes and then look at a boat. Maybe this is a better venue. We hope so.

**Martin**

I think it's hard to tell here. My gut instinct would suggest that knowing the organisers of the whole show and their access to the databases within the region and the royal patronage they've got, you match that with the fleet of boats on the water ranging from 24 metres upwards, that's clearly where they're targeting too, so I'm very confident that people like Benetti, Azimuth etc and all these other various well connected organisations, they don't mind people from the 24 metre range all the way through the scale to get volume, basically. Any comments?

When you said about selling to new clients, in your experience in your set up? You've obviously got some long experience of how the Middle Eastern or the Gulf clients use their boats, how much time do they actually spend on board, in a typical sort of scenario, if there is such a thing?

**Kostas**

I think that you can make statistics with that, but there are people that are always living on board, really they use it as a second home, and there are people that send their boat to Cannes and they rent a whole floor apartment and they live there. So I think it's difficult to say how much it's used and how it's used. There are some Middle Eastern owners, the ones that Wim said, that they want interior spaces mostly, air conditioned interior spaces and large volume. Like for instance the yacht that we have here, this conversion that we did, that's what it is, a huge volume vessel with a lot of interior space. And there are people that are there more for the Mediterranean style of yachting. People here, they tend to understand the yacht as a villa, or a palace, on water. They're not the nautical people, the people that would just be involved in mooring of the boat, enjoying a really accurate manoeuvre while berthing, you know, the typical thing that some of us enjoy just drinking a beer and just watching someone trying to berth a boat. Making comments all the time on the way he did it, and other disasters. No, the people want to have—and this is my understanding at least—they want to have a comfortable life on board which will give them all the amenities, privacy, a change of environment.

**Martin**

OK.

**Kostas**

There are a lot of local boats and they need to refit, re-spray, interior change, whatever, mechanical works. And the region offers this possibilities for every kind of yacht, almost for every size. So this is a different market. And a few words—just two comments about the financial crisis in our industry. OK I believe that analysts are a waste of time, most of the time. We saw that a few months ago they talked about \$200 a barrel, now we're at about \$40. So I believe that nobody can foresee the future. I started as a mathematician so I can tell you that although it's a deterministic world the parameters are so many that you can never calculate the future, even if you have the computing power. My opinion is the following—now that everybody has discovered that a lot of the money that we thought there was around was actually entries on computer screens and not real money, the governments will raise to print as much money as possible and throw it with helicopters around the world in order to cover this gap, which means that assets with value will increase in price in the future. So in my opinion the buyer that will now secure contracts for yachts will find out that at the end of the building period they will have an asset that in money terms, not in value terms, but in money terms will command a much higher number. So a yacht of 100 units now will have a price of 150 units in the future. And this deflation period that we witness now is only the aftershock period that every time happens in such a crisis, that due to the fact that we need to print money in order to cover this non existent money on our computer screens we will face inflationary pressures very soon, and commodities will go higher. And so our yachts as well will do so. I think it's a good time to buy.

Martin thanks panel and announces Lunch.

End of session 1

---