

GULF SUPERYACHT FORUM
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The Operational and Logistical Issues Large Yacht's face in the Gulf

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Chairman ↓ Martin Redmayne

This afternoon's session is basically the next stage of the development if you like, as once you come here and bring your yacht or build your yacht or operate your yacht in this region, one of the issues you face is a huge amount of marina development, a huge amount of potential, but then how do you operate all of the logistical issues when you get here? The panel to my left understands most of this, I think from their experience of the marina world, operational world and even the legal world which I think there's a whole new legal framework over here that needs to be understood. So what I've asked Alex Drinkwater from Al Seer to talk about is his experiences because Alex used to work on yachts, then came over to Dubai to run a whole fleet, is that right?

Alex Drinkwater General Manager, Al Seer Marine

That's correct, yes.

Martin

And is now involved in a whole project of developing yachts build and operational here in the Gulf, so has some very, very first hand experience, then the rest of the panel will give their input once Alex has done his short presentation and will hopefully give you some clear insight into the issues that need to be discussed, need to be focused on. Because the worst thing that can happen in a market like this is it all gets built, yachts start coming here and then it all goes pear shaped. I know there's a crowd of guys to the right hand side of the room that probably have some first hand ... shaking of the head there ... understanding of how mad it can be here. So we'll kick the session off please with Alex.

Alex Drinkwater

Thank you Martin for the introduction. Good afternoon ladies and gentlemen. It's very encouraging to see so many industry leaders here and at the show obviously. So this is a question that many people may ask - why should we come to the Middle East? It's about 4000 nautical miles from the

Mediterranean to the United Arab Emirates, and once you've navigated your way past all the pirates in Somali, what's facing you when you finally arrive here? The conditions here, everyone knows it's very hot in the Middle East, but the conditions here really can be quite terrible. In the winter months, spring, autumn it's very similar to the Mediterranean climate and it's an ideal place to Sorry, I've lost my track.

Martin

It's hot.

Alex Drinkwater

It is hot. Thank you. I'm not used to doing this. It is very hot, but only for very short periods. The rest of the time it's very pleasant. There's a lot of problems with airborne sand and dust, which is very bad. A survey was carried out here in 1971. As regular Yacht Report readers you're all very familiar with the amazing technologies that are available to masters of yachts and obviously this depends on decent navigational information which charts simply don't provide. There are commercial surveys and there are chart updates, but what you find on the navigational packages let's say simply doesn't represent the lie of the land that's out there. These are pertinent to the industry obviously because as boat demand increases and I'm talking now small boats, let's say less than 25 metres, this goes hand in hand with property and marina development.

At the beginning of 2008 we did a very extensive market research study. Every boat builder, broker was interviewed and these figures derived from that study. The darker shade shows anticipated boat demand over the next few years if the planned development at that stage didn't occur and the light blue shows if all the proposed development goes ahead. And I think it's fairly fair to say even with the downturn, there are very little marina projects, some of them, let's say won't be finished. In Abu Dhabi there's ... besides the existing marinas there are more than 5000 new berths. A lot of these are obviously for the smaller yachts up to 25 metres, but with that there are some large berths planned and I think it's very fair to say that we won't have the same overcrowding problem that we currently see around the Mediterranean. I'm sure that there's always problems, but with these types of events we will overcome. Thank you very much.

Martin

Alex, thank you very much. Okay, as a follow up to that presentation from Alex, can I ask the two marina people, Fred and Matthew here to talk about the logistical issues there that may come up in the next five years.

Matthew Bate Director of Operations, IGY Middle East & Asia

I'll start. I think firstly I think as we're all stakeholders in this industry and we're all in this room I think it's a great statement to us all to see that we want to move this industry forward. I also think that we've got a fantastic

opportunity and one of the most unique that exists in this industry on a global scale, but this region we have a blank canvas ... pretty much a blank canvas to create a yachting industry, and I'm talking about every facet of the yachting industry from provisioning to the training of crew and captains to marina design, environmental management, looking at the laws from customs through to visas. So I think this type of event is really what's going to hopefully set us aside from other parts of the world. We've got the ability to sit here as a group like I said with the key stakeholders and master plan our future and not just the Emirate's future, but I see it as the region's future and really try to attempt to become that third real cruising destination within the world.

A little under 15 years ago I left engineering and went into the scary world of marinas. There was no real career path and the biggest yacht back then ... I remember Rushcutters Bay in Sydney, the late Rene Rifkin had, I think it was about a 35 metre boat and it had a little helicopter on the top of it. It was on the front pages of all the papers. It was huge. Five years ago you then see the next generation which is the whatever we want to call them – megas, gigas – we're talking about a whole new ball game. The difference between this region and other regions is that whether it's the Med or the Caribbean, or even Australia, they've had the ability to evolve. They started off with small boats. They started thinking 12 metre boats were large, then they went to 15, 25 and the industry grew around that demand. In this region I think we're going from ... if you look at Abu Dhabi which is ... if you do an audit of the marinas, most marinas can only accommodate a majority of 12 metre boats. We're missing the middle bit. We're missing that evolution stage and we're jumping straight up into one of the hardest parts of the industry to manage and that obviously brings its problems. It also provides massive opportunities for us all, and I think that's why as a group and again not just as in Emirate, but within a region, we have to combine forces, work as one to really set new standards globally. But I think there's probably four to five key issues that we will face.

No matter what part of the industry you're in, again if you're provisioning, if you're making boats, if you're repairing yachts, if you're building marinas, our end product is the environment. There'll be no yachts to manage, there'll be no yachts to fuel up or put flowers on if the environment isn't pristine and if we don't become that third or fourth cruising destination within the world. So I think managing the environment, managing the development which is a very aggressive ... obviously the development around this region is very, very aggressive.

I think we need to remember that we have to take that environment into consideration and that's something that might not necessarily be within our control as a group of stakeholders, but it's something I'd like to think we can become quite influential, it's something that we can educate governments on educate regions on, is that we don't need over development, we need to create natural destinations, we need to create built destinations. And I think it's those destinations which, again will create an industry and create a

transient market for us all, but I think there's definitely an educational process not to over develop.

If we do look at the environment of this region there is some spectacular cruising grounds. If we just take Oman and Sudan, that is truly spectacular and there's not many regions in the world that you can experience that type of landscape. It's truly amazing. And then you've got the natural islands of Abu Dhabi. And then you've got the built environment, The Palms, The Pearl, Lusail in Qatar and some of the great built developments that they're doing in Abu Dhabi as well. So I think from an environment point of view I think it can be managed. I think we need to educate people, but I think it's one of the big draw cards, but before we create this we've got to make sure we've got the product and that product is the environment.

We've then got all the regulatory issues, and I probably won't go into it too much because it's not my specialty, but in this industry with it being new, we really do need to get together as a group and educate governments. We're not creating something that hasn't been created before. We should be able to learn from other regions' mistakes and pick the good things and obviously identify the negatives for cruising yachts and home port boats, but I think it's going to be a huge challenge. I think crew visas always for transient vessels can be a very, very big issue, especially when yachts want to start chartering. Fred's going to probably touch on that a little bit as well.

One that we haven't really talked about is educating the customer. Again we've got a blank canvas. We've got the ability to really direct, I don't like using the word manipulate, but we can educate the client to a number of different things to enhance the industry and help grow the industry. Again it's going back to protecting the environment, different types of ways of boating. What type of yachts should they be buying? Because we want our customers to use their boats. That'll support the yards, it'll support the provisioning. If they've got a 20 metre vessel and they use it and use and use it then the next period, within a couple of years they'll go to a 30 metre vessel and a 40 metre vessel. So we need to help educate this market because it is quite an immature market, to how to best go yachting.

The last is getting into infrastructure and I know we've touched on it, but I honestly believe what attracts yachts to this region and what enhances the usage patterns of yachts is the destinations, but it's the environment, but they've also got to have the ability to maintain that asset. We can build as many marinas, you know, we can do the 30,000, 50,000 and if the market bears it, fantastic. But from a master plan point of view I think we need to sit down again as a region and look at refit facilities. I know Abu Dhabi MAR are looking at a good facility in the Mena Zayed area. You've got D&C up in Dubai which is a fantastic facility, but we need multiple facilities. Yacht owners and captains and crew and management companies want to have the ability to pick where they want to go. It provides fantastic competition and it will continue to raise the bar in the industry for yacht repairs and maintenance, but I'd have to go out on a limb and say if we're trying to attract the market - whether it be a home port market or a transient market - you have to have that repair, maintenance and refit facility here otherwise there is a risk involved of

coming here. You have to be able to haul out your boat. You have to have that expert trade, not just in the manufacturing sector, but in that repairs, maintenance and refits sector as well.

So I think that's probably the four key issues that we're going to be facing and I look forward to expanding on it.

Martin

Matthew, thank you. Fred please follow that.

Fred Carr Project Director, Aldar Marinas

Yeah, good afternoon everyone. Thanks for inviting me here. I have a slightly different perspective on this and I want you all to know that that perspective comes with limited experience in the UAE. I've only been here for nine months, but in that very short period of time I've had a fantastic opportunity to get deeply involved in these issues. I'm a Project Director for Aldar's Marina Division and as a result of my legal background I was delegated to act as a liaison to the Abu Dhabi government, basically for all things maritime. As I'm sure you all know ... and this is not a pitch about Aldar, this is just what's happening in Abu Dhabi. Abu Dhabi's a leading property developer here, both landside and on the marina side. We have responsibility for better than 50% of the market share of those 5000 berths we're talking about, so it's very important to us, all of these issues that we're talking about, the environment, regulation, destination, yachting, all of those things are critical to us. I agree with Matt completely, we have a clean slate here. There's an opportunity frankly to get it right and in Abu Dhabi I'm very, very pleased to report that the government feels strongly about getting it right, they've dedicated the resources and the manpower to do it. So that's some of the good news.

Some of the bad news in my perspective ... well actually I should say the challenges, not so much bad news, but challenges. I don't think that the regulatory system here currently is as streamlined as it could be and that's based upon anecdotal information I've received from yacht captains, both super yacht captains, small boat operators and quite frankly my own experience out on the waterways. When we're talking about customs issues as I'm sure some of you know, there's a 5% customs duty for all vessels that are transported as cargo into Abu Dhabi. That 5% duty is non-refundable unless you can prove that the boat is essentially going to be trans-shipped; it will not be sold or maintained in Abu Dhabi. 5% of the then current value of these significant yachts is no trifling sum of money. That's a challenge. Frankly it's an impediment to developing a yachting culture in Abu Dhabi.

Another issue that we have here in Abu Dhabi is the navigational permits that Alex was talking about. There is a very serious approach taken to security for all the right reasons. There's a marine police presence on the waterways, very polite, well trained, polished individuals doing routine checks of permits, registration and paperwork, which is normal anywhere you go in the world. The challenge here is that there's not clear communication between various

patrol boats. So you could go around one point, get checked, go around the next point, get checked, go around the next point and get checked, and being stopped by the police - as polite and as delightful as they - being interrupted in your cruising three and four times a day takes the fun out of yachting. So those are some of the day to day challenges that I see here.

The good news and I come back to my opening statement, the good news is that Abu Dhabi government is truly dedicated to changing all of that. The Department of Transport has actively commissioned two studies to address these issues. They are in the process of developing an overarching maritime strategy for the Emirate that will address all of these issues. The big ticket items – security, environmental sustainability, economic development, public safety, etc, etc, just the big ticket items. They have gathered experts from around the world to consult with that. They intend to impose international best practices and then improve upon them, so that they're better suited for UAE. They have assembled working groups represented by senior members of every governmental agency that has anything to do with the waterways in Abu Dhabi. They have also invited public sector personnel, on behalf of Aldar to participate in those working groups to act as the spokesperson for the recreational sector in the maritime district, if you will and they're on a fast track to do it.

As Michael was talking this morning, we all anticipate and pray for an explosion of recreational boating in the region, better to get it right now. If you go out on the waterways now you'll see very little recreational activity. Abu Dhabi and the Emirate as Matt has pointed out and Alex as well, has a very strong maritime heritage here that they're rightfully very proud of and they want to continue that. Not only do they want to continue it, they want to preserve it and promote it, so with that the Department of Transport and the Marine Security Executive Council is putting together this global or overarching strategic plan to address these issues, it's being fast tracked so that each objective within those goals, if you will, will be prioritised and the ones that we can do quickly with a limited number of resources will be implemented immediately. Others that will take additional resources to set up will be put in a list of priorities if you will.

So while I agree that there's a fantastic opportunity here to get it right, I somewhat disagree that things are as seamless for the yachting sector as they could be, but the takeaway here as far as I'm concerned is that there's truly an immense effort underway currently, and a very sincere dedication on the part of the Abu Dhabi government to promote this industry in the immediate term, not long term, immediate term. So that's very, very encouraging.

Martin

Okay Fred, thank you very much. Michael Day please

Michael Day

Solicitor, Trowers & Hamlins LLP

Trowers and Hamlins who are a city of London law firm, though we've actually been practising in the Gulf for over 40 years now, so we've seen a lot of change here in the time we've been based out here. Owning and operating a super yacht, as I'm sure you've already heard from what I think everyone on the panel so far has said, does require a large degree of understanding of the legal perspectives involved as well. Right from the offset of the sale and purchase agreement, to the corporate structure and whom you own the vessel with, to commercial documents you might enter into such as chartering agreements. And then of course there's the maritime regulations and tax considerations. But what are specific to the Gulf region? Well, taking the UAE and Abu Dhabi particularly as an example, here the maritime law as Fred's touched on, is not totally in step with the current reality here, it may be said. In fairness the law that is in force at the moment is the maritime law of 1981. Obviously a lot has changed here in 28 years and nobody 28 years ago probably predicted that there would be this many super yachts here now. And also in the region's defence they have been very good at signing up to international conventions and keeping up with international standards in that time. And also as Fred alluded to already, there is a new move for bringing the legislation into step with current requirements. In fact the National Transport Authority insist you must get coastguard permission which requires faxing backwards and forwards

Martin

Michael, do you have anything to add to all that?

Michael Horrigan CEO, IGY Middle East, Europe & Asia

Thank you. I think I will add a couple of comments if you don't mind. Matthew by far is more of an expert on this afternoon's topic than I am, but in the course of the lunchtime break after the first session, I had the opportunity to talk with a number of the residents of the Emirates, those of us who live here and work here and two topics from this morning came through to me as a result of that. One is from the questions and some of the exchange backwards and forwards. There was a lot of talk about us being a new and emerging market and we certainly are a new and emerging market, but that doesn't mean that what we're doing is raw or not well done.

In my 35 years in the industry the environmental and quality and safety standards that we're achieving here in the Emirates, which is a result of that clients' attitude, is probably amongst the best I've ever achieved anywhere I've worked in the world. I've worked in North America, Asia, Europe. So we're privileged to work on some very amazing projects here, so we may seem to be a new market, but there is some really very good stuff happening.

And the trend to talk about how real is the market here, how real is the statements of 35,000 berths, 50,000 berths, where are the boats coming from to fill them, where are the people coming from? We're a very unusual demographic here in the Emirates and you really have to live here to understand it. Many of the larger developments that are done have 75% foreign ownership, being mixes between Russian, Europeans, so when you

address the market here, you don't just address the market for the Middle Eastern cultures, you address it for the foreign nationals who are choosing to have seasonal homes and holiday homes here.

So there's a strong trend for things such as dry stack storage for seasonal ownership, for people to be able to take their boats out of the water and keep them when they're somewhere else. There's the ability for people who can't afford to have any chance in London or Frankfurt to - if Frankfurt's on the water, I'm not German - to own a boat and to use the boat

Martin

It's a river I think.

Michael Horrigan

Okay. So a lot of those people will come here for their second homes and they'll be a boat owner that they won't be in home ports. So for those who don't live in the Emirates and who sometimes look at us with our ski fields in the desert and our mile high towers, we are an unusual place, but it's very exciting, but things are very, very well done here. So understand the market and understand that although we're emerging, for IGY the Dubai up until the third quarter of last year was expected to be our largest market within two years, larger even than the Caribbean where we've been for seven or eight years. So it's a very interesting place. So I hope everyone gets a lot out of the boat show towards being part of that opportunity.

Martin

Michael, thank you very much indeed. All right, the panel's had their say. Any more comments before we open to the floor?

Matthew Bate

I might make one comment, I think it's more into the charter market and this is just my perception. I keep referring back to the home ports and boat versus the transient. Within this industry you'll find even the home port boats are going to want to travel. The market will change and the customers, the local customer or the local owner's expectation will change, and that they will start to move more out of the region. I think what you'll find as a trend is that until as a region we are seen globally as that third destination or that fourth destination, is that you'll see a lot of chartering occurring. Like I said you've got the natural beauty of some of these areas. So I see that there is the potential for a lot of home ported boats which will actually be chartered and I think what that will do is create the interest in the region and you'll find once we start talking more about security and we start evolving more, is that you'll start to tap into that cruising pattern and people will come into this region. So I just think that's an interesting spin on what the current market's doing.

Martin

Right Matthew, thank you. Fred, yes.

Fred Carr

If I may I just wanted to pick up on comments that both Michael and Matthew made as well as what I heard this morning from you in the morning session in terms of why would people come here? Why would yachtsmen come here? It's such a long way to go, huge expense, risk of piracy, etc, etc. This isn't destination yachting. Well you might feel that way right now, but I can tell you with a great deal of certainty and confidence that the developers here, the IGYs the the Aldars, the Al Seers, all of them recognise that, and they're building destination yachting right into the programme. What we really are trying to do here is to build a recreational yachting culture from the ground up, from the six metre boats all the way up to the super yachts and have a culture where there's things to do, there's places to go, there's upscale restaurants and down home restaurants, there's fantastic places to go drop an anchor for a picnic. There is reciprocity between marinas so you can get a guest berth at one of the sister marinas and have a place to stay for the weekend and set up base somewhere else. So that culture is truly in its infancy now, but very much part of the programme and very much being fast tracked.

Martin

Okay, thank you. Alex any comment on that? You've operated here.

Alex Drinkwater

From a legal point of view I think it sounds on the surface very alarming, but to my knowledge I think every large yacht has been able to stay here for as long as they want to stay here. They've had dispensation.