

From Commercial to Private
Reported by: Donald V. Gale

Panellists:
Marty Muniz – Knight & Carver Yacht Center, Inc.
Andrew North – AN Consulting International Ltd.

This session noted distinctions between yacht projects and the commercial and military markets and so addressed the challenges encountered by shipyards, naval architects and others accustomed to commercial projects entering the yacht market. Billy Smith, Vice President, Trinity Yachts, cited his company's emergence around 1990 from Halter Marine and their employees' experience building over one crew boat per week and as many as two barges per day prior to building yachts. According to Mr. Smith, military projects bear much closer relations to yachts than do commercial ships. I find this comment most interesting given my professional background, having noted many parallels between the yacht sector and commercial and naval areas including the use of a U.S. Navy type Ship Works Breakdown Structure (SWBS)-related scheme in several yacht technical articles.

As was touched upon in the Project Planning session, commercial parties entering the yacht field tend to under-appreciate the subjectivity and passion of the yacht customer. In his experience, attorney John Broders cited much more intensive personal involvement with a yacht customer than a commercial boat customer. The Owner's expectations must be met, as his satisfaction drives not only the success of the current project but also the prospects for future yacht work. Billy Smith noted that years of favorable reputation can be lost or tarnished with one bad boat. One of the worst mistakes is to underestimate the Owner's intelligence.

Given that the yacht is the object of her Owner's passionate desire, workers in successful yacht yards, naval architecture firms and related businesses reflect like passion for yachts in their work. This shared passion both positively impresses the Owner and enables the yard to put up with what may often seem to be the Owner's whims. Mr. Broders reiterated the prevalence of more change orders on yachts than other boats, with four to five significant change orders per project common. Attitude management becomes necessary in commercial yards endeavoring to succeed in yacht construction as Owner's impressions here can spell success or failure. Design and build criteria and procedures for commercial and military vessels are viewed as comparatively transparent and clear-cut, whereas the propensity for specification and design changes and criterion equivalencies can be uncomfortable to newcomers in the yacht field.

Yards will likely also need to adjust the deployment and level of effort to various aspects of the project and the speed of responses to problems different from customary commercial practice. Trinity Yachts' construction manager Stuart McClure said that yacht project management is considerably more intense than for many commercial projects. As Trinity builds boats according to series but allows significant customization, handling two yachts at a time becomes difficult compared to commercial construction, where, for example, twelve boats may be built to one plan with virtually no variation. Problems can also arise where a commercial yard tries to accomplish both new construction and repair at the same facility, as the urgent

need to assign manpower to a repair job can disrupt continuity in the new build as well as rob resources and cause unacceptable delays.

Commercial yards may find it necessary to accept building several yachts at minimal or negative profit to gain experience and market traction before becoming profitable in the yacht field. Billy Smith referred to one of Trinity's earliest boats selling at a price that barely covered the cost of materials alone. Likewise, skilled labor familiar with yacht work must be secured, or very painstakingly nurtured among existing workers, to ensure meeting a yacht Owner's expectations of fit, finish and quality. Mr. Smith remarked that Feadship has seen many commercial yards go out of business following the yards' claims that they were going to build a yacht "equivalent to a Feadship". Jeff Holland, AlexSeal Yacht Coatings, analogized the situation comparing the expectations of a pickup truck buyer toward the paint finish to those of one buying a Porsche (I would suggest the comparison between the Mercedes-Benz Maybach and the Unimog).