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Ron Baker	Merrill Stevens Yacht Services

Chairman—Martin Redmayne

Good afternoon everyone. The good news is we're past the ½ way point; the bad news is we have some stand-in rookies on our refit panel.

Tork

But they're substantially sized!

Martin

Careful, careful. Seriously folks. We're very very appreciative that Michael Murray, Andrew Cosgreave and Ron Baker have stepped up to the plate, as they say in America, to discuss the subject of refit planning from a shipyard's perspective—the things that go wrong, the things that need to be thought about before you arrive, like how much work you have got to do on the boat and then how much work you're going to do on the boat when you get there. Obviously the key thing from my point of view is that refit is a big big topic for us in the future; the fleet has got huge and it's getting bigger. The problem now is how many yards are available to do all the service work, who can cope with the big stuff. It's a major topic for the future, I think. Refit is going through a boom time in the next three to five years; there's so much capacity needed so if you've got a big shipyard with refit capabilities regardless of what the guys from the business summit said the other day I think the future is pretty rosy on that market.

Right, Alfonso is going to give a little power point introduction setting the scene from Amico shipyard and then we'll get the three wise monkeys to come on and talk about the refit market.

Alfonso Postorino Amico Shipyard

Good afternoon. I work for Amico; a refit and maintenance shipyard located in Genoa, Italy. First of all I would like to apologise for the absence of Mr Alberto Amico, who was supposed to give this speech but due to unexpected problems he could not come to Amsterdam. I'll give you a brief on the activity of maintenance and refit shipyard like ours.

We will talk about superyacht refit and service, project manager, planning and control. Let's give a look at the players. We have the owner's team and the yard team. The owner's team is a composite usually of the owner, captain and crew, management company, technical superintendent, independent consultant. Luckily not

all at the same time. The owner is not always directly present on the scene, this happens solely for smaller yachts when the yacht is managed directly by the owner or for larger refits involving interior modification for instance. It is quite important that this is very clear from the beginning who is the owner's representative; who takes the decisions in order to avoid interference, in order to avoid delay in the decision making. The yard team is always led by the project manager and it is his responsibility also to take care of the other component of the yard team such as the production manager, the different managers of the yard departments and also the administration department for accounting and invoicing. Due to the complexity of a refit project the two teams should work as one single team and this is possible only if all roles are clear and covered by competent people. Let's see now the differences between a yacht refit and the new construction. Whilst on a new construction you have a technical certification and a complex set of costed drawings already approved by the owner's representative and the time frame is often around 24 months if not more; in refit we only have a few weeks to perform the work, and quite often it happens that the original work and planning must be revised, even daily, due to unforeseen problems generating a new physical interference on board, compatibility and safety problems, delays caused by decisions and actions coming from the owner or third parties. The single work and planning could change daily, sometimes even many times a day. Each work request generates a loop; there is work analysis, then a discussion, inspection, solution designing, technical specification to be agreed, a quotation to be accepted, work planning, for sure there will be an impact on other works to be taken into consideration, there is the necessity for order confirmation and then the work of problem solving, commissioning and finally acceptance of the work, for any single work. A typical refit job for us is for a yacht ranging between 40-50 metres in length with a work list amounting to €1million in total, hand worked items in just 40 days of time. Usually the yacht arrives with only 25-50% of the work already specified, quoted and agreed. The rest of the work is subject to being inspected when the yacht arrives, to be specified and quoted, agreed and ordered during the works. Quite often it happens that, especially during the peak of the season, that for us is the Winter in the Mediterranean, quite often it happens that we have between 20 and 35 other projects going on at the same time in the yard and there will be interferences to and from other projects that will cause a variation in the yard reaction time, problem solving capability and resources availability. The starting point of any refit project is the definition of the scope of supply—that is made through the agreement of a specification, the price list and quotation, preliminary planning and delivery date. The delivery date has become an essential point for the client and this will have a big impact on the yard work planning. The yard must know at any time if they will be able to complete the requested work in time in order to accept to perform any new additional work only if it is possible to do it within the given time. The owner will not accept any delay, so this is a must for any refit shipyard. The two teams must follow the same rules, that must be clearly indicated in the contract conditions, including the quality standards, very important to avoid discussion at the end of the work; and the change order procedures. The tools utilised by the project manager include an integrated and sophisticated software to facilitate internal communication inside the shipyard and communication towards the owner's team, accounting, etc. And periodical meetings, weekly, or even daily, to interact with the owner's team, the yard departments, and the sub contractors. Despite every effort we may have some problem caused by lack of confidence between owner's team and yard team, lack of clear work specification, lack of clear contractual conditions, lack of dedicated project management and technical knowledge on both sides and clear roles among the owner's team members, this is a real problem, lack of yard management procedures, information processing and accounting systems. Everything depends on the competence and experience of all the people involved. All these potential problems

can be avoided by competent people working in close relationship with clear rules and proper management tools. Thank you for your attention.

Martin

Alfonso, thank you. The rest of the panel, any comments on the world of refit at the moment?

Ron Baker Merrill Stevens Yacht Services

No I don't have too much else to add to that other than that I think one of the most important things that most people should do before they come to the yard is have a full understanding of what they're going to do. Be fully prepared. If you're going to do a major refit you should have an architect look at the job, make sure it's feasible to do it, get your decorator, interior man, whoever, involved early on so that you can iron out any problems that may come up from that. I think they should also choose a man for their side that is a good people person, is well rounded in a lot of knowledgeable areas and then I think they should examine the yard's contract, the standard contract that the yard uses, and if it's not to their liking they should discuss it with the yard and see if it can be modified and try to come to terms on that. They should also, from these meetings, develop a set of specifications of the type of equipment that they want to use, and I think that spec should probably be put out in a manner so that more than one yard could bid on it, so everybody's looking at apples and apples. And I think you need to be able to choose the yard in a way that you can examine their past. I think you should ask for references, maybe ask for 5 or 6 of the last refits that they've done, I think you should ask if they delivered on time, did they deliver on budget, did they resolve their disputes with you fairly. I think all those questions are important to ask before you take on a shipyard for your project.

Martin

Is the planning process realistic though?

Ron

Yes it is. I think so many of us are compressed with duty and pressures for charters and things that you don't get an adequate amount of time and I'm not talking about the yearly maintenance thing necessarily. I'm talking about if you're going to do something major—repower the boat, put an extension on it, gut all the interior—those things should be pre planned. You shouldn't just show up at the door and say listen, I've got 6 months, let's get this done. It's not going to happen.

Tork

For new builds this morning we've already been talking about the rush to contract. I get the impression it's even worse in refit. Would I be right?

Ron

It is. It's one of the biggest mistakes that I think people make. Because in the end you want this to be a good outcome. It should be pleasurable for everybody. The captain should have a good time with this, the yard should enjoy doing it and the owner should have a good result at the end. And I think if you take the time and do it up front you can get it right. And I also think in addition to that, once you choose the yard, I think you should have daily meetings, communication is of the utmost

importance in this whole thing. Everybody has to be on the same page, you should have your production meetings in the morning, I think you should have a meeting with the owner's side, the captain or their project manager that same day and say this is what we're going to accomplish today, and then I think at the end of the week you might have a review of what was finished, what the hours were and then every couple of weeks get the billing done and I think you will have a very good outcome.

Martin

So how transparent is the process in terms of —Tork's just mentioned costs plus to me—how often is that an option within the whole process?

Tork

Yes that sort of came out of the blue—well, I was referring to a refit that we wrote about which was a repaint job and actually the way that it was done was that the whole management company in charge of the yacht and the yard sat down together and they agreed on a cost plus formula, and together they would choose the sub contractor involved in a particular aspect, and once they settled on the right choice of sub contractor that sub contractor would then do the job and the yard put an agreed upon percentage on top of it, the invoice came in, they both looked at it, they paid it. It was a totally transparent arrangement.

Ron

I agree, that's a good method of doing things. But I think you also consider how much the yard is going to use sub contractors; I think that's a real issue in some cases because where is the responsibility going to lie when something goes wrong, and you have to tie all these people to something and if you're dealing with a yard that has mostly all its own employees I think you're better off.

Martin

You talk about well rounded knowledge. Andrew, what's the management perspective?

Andrew Cosgreave

Merrill Stevens Yacht Services

Thank you Martin. Both for the quick talk and the abuse. Well, folks I think we heard yesterday Steve Rattner said there's a huge influx of big walletted people coming in but how every day we hear about great owners getting out because of the pains and the issues that they go through with yachts. It's supposed to be a pleasure, yachts, and there seems to be very little pleasure for most of us in this; we all seem to have got grey and old, even editors. But I think the old adage of three times the money and twice the time—I was a captain for 15 years so we used to treble the money and double the time and hope we got out with our pants still on, so the boss didn't start screaming at us two months into the whole refit. Just to get back into—knowing the full scope, our regulatory qualms, well not so much qualms, but as they come more into our industry and the requirements for planning maintenance programmes and for all the different maintenance on the vessel, that should be quite easy to conjure up a worklist for the refit from that. You'd be surprised how you can walk onto some of these behemoths and the guys kind of remember what they did next week or what the rotating engineer walking off last week did. And it all falls back to the communication. So there should be some sort of requirement that these planning

maintenance programmes, both at the end of the day when you're standing up in front of the dock in front of his honour explaining why the boat did this and that with twelve lawyers chartering your boat, it can also help you with that. Another note I wrote here is, I'm a firm believer in employing a full time project manager. There are so many of us that have done this for 15-20 years and the wives have put a gun to our heads and we've come ashore and we've all picked up some sort of shoreside work. And there's a huge knowledge pool out there and as we all know, this is probably the most stressful time of a captain's career, is going into the refit. I think the owner thinks it's us swinging in hammocks and drinking pina colodas and having a great time, but if they actually knew what we went through and the angst—so I'm a full believer in a full time project manager. And then also if the engineers are on rotation in the whole planning process you must ensure that your planning ensures that the chief engineer is on board through the planning, and then through the initial start of it. So often you've got the junior on board and then he comes in half way through and then the change of order requests really add up and from the shipyard side that's the money, right there, we love it when you guys do that. As well also, the captain and the mate must really only just run the crew, and let the project manager get on with the sub contractors and the shipyard. So often there's that—who do I report to—and there should be a finite split between the two of those. Also the crew must be realigned for the refit mode. So often there's so many people out there with the emphasis on getting your sea miles up. So they all go sure sure sure then they get in and realise that it's a year refit and how the heck am I going to get my master's 3000, whatever, in a year's time. So these guys all jump off and then you all stand there—when you've got a crew of thirty the attrition can kill you because you lose that little division guy that knew that area of the boat. So the crew must pretty much be planned as well. The whole putting the boat away, and then the steward must then become the accountant, the deckhand that shows a propensity for engineering should be assigned to the engineer to go and do the winches. You know, little things like that, you'd just be surprised at how people step up into different modes. Another part of the crew is that owners really expect the crew costs to decrease through the refit period. And they really honestly think—I head up the yacht management at Merrill Stevens and a whole bunch of other things, so how many times have I sat there going yes, sir, your salary bill has been €125,000 for the month and it's probably going to go to €135,000 for the next 6 months in the refit. They don't realise that the scope of work for the shipyard billing out at €85 per hour is yea much, but also the stuff that you don't want to start putting an €85 per hour person onto is then relegated, well not relegated, but is then shifted over to the crew for them to swing the wrenches and do the small stuff. And there's a hell of a lot of work and that's one of the biggest problems I find is that the owners want to cut down to next to nothing. And they go well, my safe manning says I can get away with this and they don't realise in essence that they really need to think things out.

Another point is lead times—so many of you guys especially in the OEM side of things are so backed up and these owners think that they can click their fingers, as with everything, and no offence to anyone but that everything will just pop up and they don't realise that you're sitting there twiddling your thumbs waiting for important parts to arrive and the projects all bottle neck around that. Also the shipyard—a lot of the people are remiss in realising right now that insurance companies are playing a huge part in your attendance at a shipyard. We have to submit the shipyard's contract, we have to submit the insurance, we have to make sure that if any hot work is on the programme that all the safety contingencies are in place, so—one of the things is, the captain gets in and thinks oh great, refit, no problem. Then suddenly the insurance guys are saying well sorry mate, you're not going there, we've had two claims from these guys, they're sub standard for us, you need to move. So just little

things like that can really get you. And just to hark back—Tork, you said about the rush to contract—so often in new builds we do shiny models and GAs that barely compute into a working model. And so everyone starts signing and the contracts are done and the brokers are all smiling and walking away with a couple of million bucks, and then they throw the keys to guys like us and then go—well now, build it. And quite often it's a square peg in a round hole. A lot of these guys out there know what they're doing, but really it's amazing how often these guys will sign on the dotted line and it's night and day, so we have to do the tap dance. And I just wrote here as a note—the communication—we all spoke about the shipyard back and forth with the project manager, the big thing that people forget is communicating with the owner. All he knows—and her, excuse me—the big behemoth is in the shipyard and they're not going to get it for a year and then after you've gone past €10million they want to know what the heck, and they blow up and stop things and it becomes a bit of a nightmare. So we've found that doing photos or even an online presentation for them and keeping them very much in the loop, making the accounting transparent and making them very aware of where, what and why actually aids the process more than anything. Because when you do hit that stumbling block they're cognisant and you don't have to back up three months and start doing the tap dance again.

Last point is we do this quite a bit—we do a condition report. Quite often people have agendas, the owner wants to come ashore and his wife's killing him for not being around so they want to extend things a little bit and they come up with extended work lists, quite honestly some people just want to get in and out, and they shouldn't. They should be spending that extra 3 months and doing the extra work. So we've found a very good thing is to bring in an independent contractor, like a surveyor and these guys that have come ashore and do a condition report prior to the refit, and that really helps in once again working out your work list, but also that when the boss starts screaming at you as a captain you go well sir, I respect that but you know Mr X here is a very well respected surveyor and he told us this and per class and per flag we have to do this and we'll do the best we can. So that's mitigated a lot of the nightmares down the road. Thanks.

Martin

Andrew, thank you. Michael, so you want to say anything?

Michael Murray Atlantic Marine

No problem. I wrote down a bunch of notes here but everybody's mentioned bits and pieces—

Martin

Anything they haven't mentioned? OK well let's get straight to questions ?

Tork

I've got one here for Alfonso. This is from a legal firm. Do Amico use their own contract form for refits or do you use, or adapt, the BIMCO repair con?

Alfonso

We have developed our own contract, our own standard contract that is accepted by everybody so far. Sometimes it is requested to ask to do slightly modifications that we do with amendments to the contract.

Tork

I have another here which came out of the captains' forum on the very first day. This comment here, I would guess, refers to yachts in excess of 80metres or thereabouts. And one of the issues that was raised by one of the captains on the list was: The lack of a decent yacht refit and repair yard for large yachts. A minimum stay of 3 months is unacceptable in the commercial world, we should demand the same. And dry docking fees. Panel?

Michael

Well I'll speak for Atlantic Marine because we do handle both commercial and ships and yachts. It's really an issue of apples and oranges. I mean yes, we can get a dredge barge in and out in 3 months, they don't care if it's rusty and nasty when it leaves but the same thing can't happen for a yacht, and people have to understand the extra care and extra time it takes to do work to yacht quality. That would be my answer to that. Of course it's a for instance case as well, what's being done.

Ron

Well with us we're getting ready to expand our operation. In the next 24 months we should have at least a 2400 ton synchrolift in operation; we plan to put on at least a second shift and in the near future once that's built we do believe that turnaround time is very important, especially for charter yachts, time is money, and if we can get it done quicker and faster and stay on budget all the better.

Tork

I've got another email question. This one starts off: The gentleman from Amico mentioned that the delivery date was unforgiving but at the same time that the entire refit process is subject to continuous change—And from this he derives two questions: question no. 1): Do the yards on the panel use critical path analysis to plan refits and is it generally widely used in the business? 2): If only 20% of the work is agreed before the vessel actually arrives, when is the crucial path first done? 3): Are they really able to update it as the ongoing changes referred to are made—i.e. how vital do they feel that CPA is to a project manager ?

Alfonso

I would like to give an answer that will reply to the three questions. It is very very important that any additional work that is requested after the contract signing is specified and detailed in a change order. And we have a change order procedure for that. And every change order will state the new delivery date if this is applicable, so at the same time we update the planning and we reschedule the delivery of the yacht so there will be no surprises and no contentions at the end.

Michael

A critical path is established at least for Atlantic when the quote is delivered. And again that is a thing that changes as the change orders come in and as the scope of the work increases it also changes. We try to make it available for the clients, so that

they can review it with us like Andrew said, during the refit, as often as they want to, to try to make sure that everybody understands that once the change orders get too excessive that the delivery date will change.

Andrew

But actually just on that note there's too many shipyards out there—I mean, let's just say especially when new construction has been so busy over the last 2 years so that's a poor analogy, but yards really need to keep their capacity up so they will pretty much underbid both the money and the time just to get the job. So people will come in and sign, and so often, I mean I just got through so many refits—the price was rosy, everything was fine, but once we got into it everything we did, we mentioned let's take lunch at 3 o'clock instead of 2, and it was oh, well that's going to delay your project by 3 days. I mean everything we did they were just out there to extend and extend. It got to the point where it was just asinine, that everything we did, was just the wrong way to go about it. So I just push everyone as much as the critical path planning and there's some really good software out there at basic, you know—microsoft project manager we're having a lot of luck right now with Groove, and we know how to follow things. But yes, unfortunately, everything is in such a sequential tap dance, they're trying to slot people in and when people are changing their minds it can really be crazy, and then when the shipyard gets better invariably they move their capacity over to the projects that are going to pay more, and they can be payrolled on the Thursday night more readily. Yes, so from both sides, everyone has to be on the ball.

Tork

Using critical path analysis software, I mean I've used it in the past and it seemed to be like many other software, there's a certain breakpoint below which you're spending more time driving the software than you are actually planning the project. Is that also the case?

Andrew

We just had a refit now with a captain who got ensconced in a project manager programme and barely left his hotel. He spent all his time at home driving the software and coming up with all these fandangled coloured charts and progress plans and everything, but failed to be standing there and looking at things, touching and feeling and smelling them and realising that the project was getting out of control. So yes, very much so. And also the technology is there but then people don't know how to use it so they use a very small finite part of it, they don't realise how much it can do so there should be one dedicated person just for that.

Martin

Do you have that person in your organisation to drive that for a project ?

Andrew

Actually we do, we just brought in a great fleet manager that is very cognisant of all of that so it's always great just to step back a little bit from the whole goings on, because people just get so stuck in the present, they become so myopic, that invariably you need somebody just behind them with a nice little duster just to make

sure that everyone's looking a few more steps ahead than they are. Because it's the busiest time.

Tork

So in fact the project manager shouldn't be driving the project management software, he should be driving the project.

Andrew

No, there should be an assistant, someone that is very familiar with it, that can keep it all going, and then I mean as much as you can make pretty pictures, people need to use this stuff.

Ron

I think I should make it clear that when Andrew says he's talking about shipyards he's talking about a variety of shipyards that he uses worldwide. But I think if you do your pre planning you will have very little change orders. I just came over here this afternoon from Van Lent, a friend of mine is building a beautiful yacht over there—he's had maybe two change orders in the two years. I think that's remarkable. So it can be done.

Martin

OK. I've got a question for you here. But before we do that, I've been remiss in introducing the rest of the panel. Sorry, I assumed that people knew who they were. To the right of Alfonso is Ron Baker from Merrill Stevens, to his right is Andrew Cosgreave from Merrill Stevens and at the far end is Mike Murray from Atlantic Marine. I'm sorry.

Eric, do you have a question? And I've got 3 text emails here.

Eric Goldring Goldring & Goldring

Well two points, and they both just got touched on. One, I think that from the project management side the critical path software I think is a nice toy. It doesn't get a project done, the idea of a project manager being on site, actually getting involved in what's happening I think is essential. I think having the crew not cut to the bare bones and having them assist but stay out of the way is also critical, but the other point that was brought up about the change in the delivery date. I'm tending to find that in more European yards than in American yards you have more fights over when it's going to be delivered than what the price is to get the work done. And I think the focus from my perspective, and I was wondering what your perspectives are, you can't tell what a particular change order or addition is going to add because that guy is working on piping, that one's working on electrical and somebody's doing some work on aluminium and you say well it's going to take more time. How can it, when you're working with different trades on a refit and it's not time line construction as it would be on a new build?

Alfonso

I think that is just a matter of agreement. If we think that a work request will mean that to perform that work we need more time, we simply ask the owner's representative for a delay in the delivery. It is a matter of agreement; we sit at a table,

we have weekly meetings and we discuss the points. For sure competent people that know each other, quite important this, that they're confident in each other, we will find a solution. And we always find a solution. It is a matter of fact.

Ron

Just to add to that, Eric, if you do your homework and ask about the company you're dealing with, check their record. See what they do. Do they deliver on time? It's the best way.

Martin

Eric, are you happy with that?

Michael

One more thing for Eric, and I think I'm accurate in saying this, that every yard represented here uses project managers, dedicated project managers. And while they use those tools, they are also on the deck plates almost every day on hand, so that everybody has the level of communication and really it all comes back to communication.

Martin

OK, I have—sorry, Enrico ?

Enrico Sala Monaco Marine

I work for Monaco Marine. A colleague of these gentlemen on the panel. My question is, seeing that project management is such an important part of these refit projects, and seeing that the refit projects are very competitive on the market and the margins are getting lower and lower, should project management in itself be an item in the quotation and in the invoicing or not? Do you think that the owners will accept, or the captains?

Andrew

Funny you say that because I've just been through that one. No, we're all professionals here, and if the shipyard is presenting a person for a superintendent to oversee your project then they should have those, for lack of a better word, sunken costs, with then the hourly charges you're getting. So if you're coming up and—I mean I'm talking from the management side, because I'm also the guy pounding the shipyard trying to get the prices squared away and at the end of the day if you're quoting a price you should factor in the hours for the project manager when you give the price, and if it's TNM then you should get down dirty before and say look here guys, we're going to throw in our project manager, he's a specialist in this manner, and you guys are going to pay for it. But no, I think as a line item, no. It should be in the cost for the hourly charge.

Martin

Any other comment?

Michael

I exactly agree.

Martin

You're like twins, aren't you.

Michael

Very close!

Ron

But if you've got a good one, it's worth every cent.

Enrico

So that includes also the cost of all this fancy software like critical path analysis and so on, and somebody sitting as an assistant behind, running this kind of software and everything, all in the sunken cost? See the problem becomes then when you're discussing the prices and you know the whole refit project with the client, be it the management company or the captain himself or the owner on very rare occasions, then they do go down the line and say well, this is expensive, too many hours, and this is—and so on and so forth. And wouldn't it be better just to say well, you expect the project to be run professionally and with these characteristics and there is a cost involved, and this cost is in this line item right here.

Ron

Well, our yard builds it into the cost of the labour rate, so it's already in there. When we estimate the job, that is all part of the job.

Andrew

Well if you just use our shipyard and how it's growing in the next 3 years as an analogy, I mean look at our industry guys, we're talking 140 metres here today—we haven't painted it, we haven't built it, we're going on to it. It's just where our industry is at, we've got a huge growing curve ahead of us and all of us come from diverse backgrounds, but I think you're going to see a lot of maybe project managers, certified project managers, coming in. But the problem is if you've never been on a boat or worked on a boat and you start talking some of these terms, it's like talking to the owner's secretary and trying to get the hieroglyphics sorted out. So out of our industry, maybe the captains coming ashore or the engineers, that maybe there's a market there for the guys to get in and actually do this, as much as they may not be huge technology and project management inclined, get out there and start putting together a industry like that, because if you don't understand yachts, I'm sorry, I don't care how certified you are you're not going to be able to put that thing together.

Martin

Yes. Another question here, which relates to the—you talked about the competitive nature of the market at the moment. This question relates to the actual, enough refit space to cope with the demand in the future. What's the situation there, will we see new facilities on a big scale ?

Michael

I don't know about a big scale, but I know Merrill Stevens is expanding, Rybovich is expanding, Atlantic is big—we've seen a few yards close down but there's also a few that are popping up. So I do think we'll see expansion.

Martin

And that will obviously change the competitive aspect of the market—is that a good thing or a bad thing?

Andrew

He's talking from the American side more so; I mean here along and French and Italian coast you've got an extremely finite area—I mean, heck, I'll go and buy marinas more than I'd buy shipyards right now. But at the end of the day it's a matter of where you're going to go, and there's so many of the commercial entities that have tried to put their toes into this luxury yacht industry and after two or three projects and having owners changing their minds and project managers and all the egos, they just get out of it and don't want to deal with it. So no, there definitely has to be a realignment. Maybe the floor can come back and tell us what they think. But certainly Monaco—you guys have got a nice facility and there's just a lot of places everywhere that have to up the ante. I mean we just got a boat into MB92 and it's a parking lot out there trying to get in. Thanks Alex.

Alfonso

We at Amico are enlarging our capacity—we are completing the building of a new technical marina so very soon by the end of the year we will be able to work also with the yacht in the water not only in the yard but we are not the only one in the Mediterranean; you mentioned Monaco Marine but there are also big travel lifts coming into the market. This is a way to answer to the increasing demand.

Andrew

Just to add to that we can build dry docks all day, it's just the people you throw on board. You know when we're growing now, the biggest problem we have was we have up to three generations of workers in the shipyard and when the oldest of them is about to retire you're losing a huge brain drain. So we're setting up the Merrill Stevens Technical Institute in the sense that we're bringing in the kids out of high school, and they must start realising that there is a career in painting, carpentry, metal work, etc, and that you can make a pretty good wage doing this. Because I mean we can all do whatever we want but without the right warm bodies we're all going backwards.

Martin

I've got one little quick comment. I think Eric have you got a microphone again? AJ Anderson, having been to all three yards, will be pleased to recommend all three, thank you AJ. Positive comment there. Ron, what do you estimate as a percentage is unplanned work?

Ron

We don't usually find it too high, maybe 20% would be a high number for us.

Alfonso

For us it's much much higher than that. For us the percentage of work that is not specified is much higher than this. As Ron said before, it is quite common now that the refit is not planned enough. It is not planned in advance enough. It happens to us that the captain decides to come to the yard only a few weeks before, with a few weeks' notice, with a short worklist that will increase as soon as he arrives in the yard and talks with us and clearly tells us what he has the intention to do.

Tork

This is an email question and basically they're asking how do you track billable hours to avoid over billing. What's your best way of doing that, in your separate experiences?

Andrew

Well I'll start with that one. A \$2500 a month deckhand is a perfect recorder of time. We just did a \$10million refit and unfortunately the shipyard felt that we were paying for everything and they were billing us through the yazoo. So we just brought on two extra deckhands with sheets and then every worker walking on we took the worker ID, the job number they were working on and then at least we had some sort of idea—then the guys went well, the guy does half the work in the workshop. Well great, so we know what's going on up in the shed. And the welding, or if they're painting the remote of the boat. So we had a pretty good idea at the end of the week when we were walking in to sign the cheque how many man hours we were going to get. And it's just that whole touch, feel, smell—having someone police that, not in a wagging your finger way, but actually just being there and verifying that the people are on board, otherwise you tend to carry the overheads.

Ron

With us, the way we track it is our payroll is done from the daily hours. So every day the yard and the man have recorded the hours that he's put in on it and it's available for the captain if he wants to look at it, and if he doesn't want to look at it we insist that he does every two weeks. So that we can resolve any issues while it's still fresh in everybody's mind.

Martin

OK. Mike please ?

Michael

Yes, we do a pretty much similar thing. We have custom software that we use to record the hours and do progress meetings so that there are no issues and we try to do it as often as possible, to avoid any conflict.

Alfonso

It is the same for us, we record daily the house and we present weekly to the owner's representative. I want to make a correction to what I said before regarding the work not planned. What I said was more specific for refit not managed by a management

company, but managed directly by the owner or even by the captain. It is just a matter of time available, the captain and much more the owner, is so busy with many things that probably has not time enough to plan in advance the refit. It is quite a different story for a refit managed by a management company.

Martin

OK, gentlemen, thank you very much for stepping up and taking control; the plan worked in the end and we'll see you later on for a drink. Thank you.
