

Pieces of the same puzzle?

AS BOATS GET BIGGER AND SHIPS SMALLER, PRODUCTION SYNERGIES ARE INCREASINGLY APPARENT, BUT FLEXIBILITY IS VITAL IF YOU WANT A PIECE OF THE LUXURY MARKET

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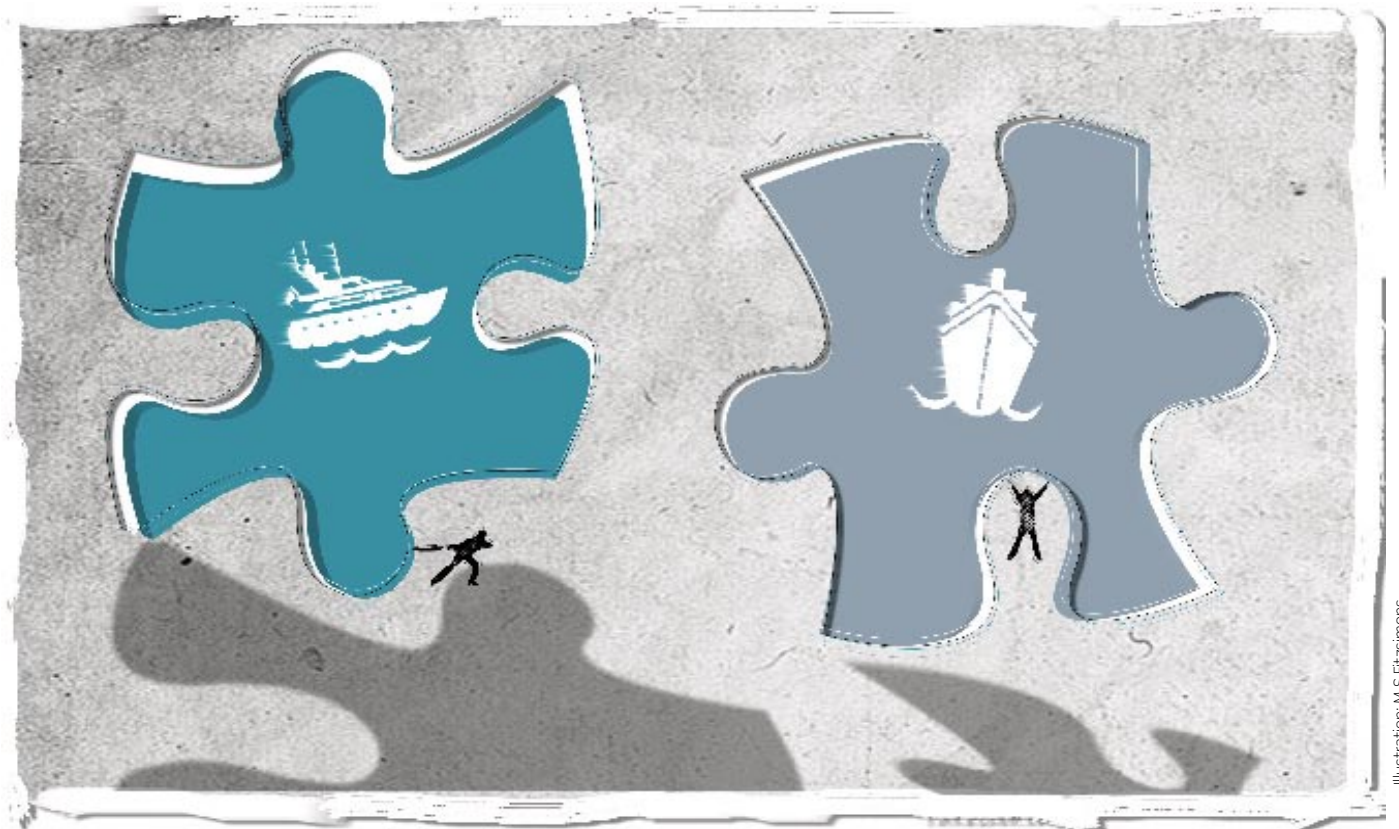


Illustration: M.S. Fitzsimons

Making the puzzle fit: As yachts have become longer and cruise ships smaller, clear parallels in their construction have become evident

A quick look at any list of the world's yacht builders shows that most superyachts are built by companies who build nothing else. Yet there are three notable exceptions — Fincantieri, Devonport Yachts and Lürssen.

Each has enjoyed a healthy history of military and commercial contracting, yet they have had varying degrees of fortune with their forays into the construction of superyachts.

It throws up the interesting business question of how much synergy there is — potentially — between building warships, commercial ships and superyachts.

As yachts have become longer — and cruise ships have become smaller — clear parallels in their construction have become evident. And there is a strong overlap with warships as well. At a recent superyacht conference, a speaker representing a well-known builder of both military and luxury craft observed that a superyacht and a

destroyer are virtually identical — except for the final 20 per cent of the build. And — if we are to believe that anti-missile systems are now being incorporated into some of the latest yachts — that percentage differential becomes even smaller.

German builder Lürssen is an extremely successful builder of warships with military work now accounting for around 60 per cent of its turnover. Indeed, near its Bremen yard — which shelters some of the world's biggest and most luxurious yachts — it's quite

usual to see naval vessels being fitted out for any one of the world's navies.

Meanwhile in Italy, Fincantieri — which has been building ocean-going vessels for two hundred years — can boast of commercial clients including several cruise companies such as Carnival. At its Mugiano yard, Fincantieri can be found building superyachts beyond 130m (426ft) alongside highly sophisticated commercial craft, warships and submarines.

Then, in the UK, there is Devonport Yachts, now no longer taking on new-build orders but still finishing off luxury contracts while its parent company builds nuclear submarines alongside.

Lürssen see no real difference in any aspect of this diversification.

Transferring disciplines

"Marketing our naval service is very similar to how we market our yachts," says Michael Bremen, Lürssen's sales director. "We use trade magazines and attend shows."

Devonport are also very experienced at capturing lucrative defence contracts.

"Dealing with large-scale projects, both in

complex project than a superyacht.

"This is mainly because of the public responsibility for the money," says Bremen "There are personal and private emotions involved in a yacht — but there are no such emotions in a warship."

The contracts also need to take into consideration how any delays are dealt with.

"For a cruise ship, time of delivery is vital," says Rollo, "Quite simply the ship must be on time for the cruise season."

And from conception to acceptance, yachts again seem to share more with warships than they do with passenger ships. Indeed, in the context of the three-year contract required by Chantiers de l'Atlantique to build the new 345m (1,132 ft) 150,000 tonne *Queen Mary II*, it would seem that the only thing that drags on longer than a superyacht project is a new class of naval vessel.

This is because of the propensity to change requirements or design during the build.

"With superyachts it is sometimes difficult to define the detail, so there may be more modifications and with the modifications come modification prices," observes Rollo. "For a cruise ship, modification is almost

delivery is linked to the latest technology, sometimes you must wait for technology or for a new system."

Delays can wreak havoc with superyacht project managers as well. But here the cause of the problem is not just in the changing wishes of the owner but also the influence — even interference — of advisors, friends and special friends.

"The type of equipment going onto the superyacht being of an aesthetic nature, means a very different approach by the workforce," says Smith, "Protection against damage is crucial on the yacht build as is the programming of work to avoid damaging or affecting finished areas."

But at the end of the day surely for any vessel — ferry, yacht or cruise ship — except for those luxury finishing touches — putting it all together basically must be the same?

"In fact, the entire build process for all three is basically the same but the approach is different," says Rollo. "We might need sophisticated tools such as welding machines, docks and cranes. For mega yachts, the coating or paint, dictates an extremely high quality environment for application."

Project management

"Cruise ship owners are always well prepared, they know everything about the vessel, and how she is supposed to be used," says Rollo. "They are very close to the design and function. This makes the build easier because, when you have an expert involved, discussion is easier. An expert knows the details."

"A yacht owner on the other hand is making a personal commitment which is not objective, so you have to adjust the approach for the unique variables because the owner is not an expert even though technically the project is, perhaps."

And all profitability comes down to a vital aspect — good project management.

But for project managers superyachts can be a challenge. In times past the yacht owner's representative was often the owner's own trusted captain whose unquestioned social and nautical skills might not actually extend to understanding the nuances of sophisticated project management.

"Fortunately as yachts get larger, they are employing more sophisticated project managers because with the construction of yachts there is a great emotional influence, and an otherwise competent yacht captain could be out of his depth," says Bremen.

So, in the end it comes down to adapting construction processes to the craft's function.

"It's a matter of being flexible," muses Rollo. "While we all like pizza, we like champagne as well." ●

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terms of physical size, expertise and financial value, is something that naval builders have as inherent parts of their repertoire and skill set," explains Devonport's marketing manager, Dean Smith.

"Transferring this knowledge and infrastructure to large bespoke superyacht construction gives yards with naval experience a distinct advantage and of course the financial stability often associated with naval yards is very attractive to the superyacht market. Superyacht clients look to shipyards for security, confidentiality and discretion — all assets expected from the naval yards."

When it comes to drafting contracts superyacht clients are less cautious than clients in other sectors.

"The contracts for all three are basically the same," explains Piercecipriano Rollo, vice president of business strategies at Fincantieri. "The details, of course, are different — but it is usually just a matter of emphasis."

There is also the matter of complexity. No one would deny that a warship is a more

never required. Usually there is a good solid contract along with a good design quite simply because changes in price affect return on investment."

In other words because the objective of a cruise ship owner is to make money, post keel-laying changes are undesired costs.

For warships, delays are usually caused by advances in technology running foul of the project's critical path. After all, it would be less than sensible to pitch up for a sea battle with out-of-date technology just because that crucial weapon system was developed after the build started.

So, for builders this means that success in the business of building warships requires patience, and often finding another stream of cash flow while you wait.

"You have to be patient to do business with the naval service," muses Bremen, "We once signed a contract for a new ship and then 21 years later — after discussion, government changes and mission changes — construction actually began."

Fincantieri's Rollo agrees: "Naval ship