

# Yacht Management

## Slide 1: Introduction

What are we studying today?

Simply put, Yacht Management is the supply of support and advice to owners and their Captains which ensures that the yacht is being maintained, operated and administered to the highest possible standards. Owners are then free to enjoy their time on board, safe in the knowledge that every last detail is being taken care of.

The complexity of yachting in the 21st century; things to consider:

- continuous change
- no two yachts are the same
- needs very different between 20 or 120 meters
- today's yachts are sophisticated and complex
- security; mobility of owners
- operations call for knowledge and skill levels comparable to commercial ship management.

Selection of a Management Company:

- tailored to each owner
- technical knowledge
- experience
- range of packages to suit the needs of the client: the application and thorough understanding of formal codes of practice, rules and regulations, technical expertise, reliable administration, commercial awareness, and the more subjective factors of yachting.
- global presence
- relationships with leading specialists: flag states and classification agencies, insurance brokers, naval architects and shipyards. Carefully established and long-standing relationships ensure the seamless management of every yacht.

## Slide 2: What is Yacht Management?

Objective of Yacht Management:

Reduced downtime and costs as well as effective management and budget controls. Ultimately, giving owners greater safety, enjoyment and peace of mind.

The services that Yacht Management include:

Financial Services:

- Banking
- Annual, quarterly, monthly reports
- Petty cash account

- Issue credit cards to captain and other key personnel if required
- Bill payments
- Crew payroll

#### Administrative Services:

- Spare parts shipping
- Chandlery
- Purveying
- Fuel bunkering
- Advise on the company ownership structure
- Assist with regulatory compliance requirements - classification societies, vessel certificates and licences
- Assess insurance liabilities and coverage, and assist with claims relating to the yacht and crew
- Review status of yacht with an annual survey and prepare a report

#### Logistical Support:

- Flag state
- Classification society
- Insurance
- Supervision of yard time
- Worldwide assistance on spare parts sourcing and procurement
- Worldwide operational support for provisioning, fuel, transport, mail
- Negotiation of pricing through our established supplier database and LYG preferred rates
- Crisis support available 24 hours a day for major technical failure, crew or guest emergency, and liaise with necessary regulators to ensure best case scenario solutions

#### Technical Support:

- Maintenance
- Refit work
- Safety & security
- International Maritime Organization (IMO) guidelines
- Emergency services
- Regulatory bodies
- Maintenance assistance and support by providing professional consultation for trouble shooting, spare parts sourcing and effective cost comparisons
- Establishing and monitoring a planned maintenance program to support the yachts scheduling
- Refit advice, develop objectives and scope of work for bid package to submit to yards, negotiate contracts, monitor progress and control stage payments, coordination of classification society and surveyors
- Assist with regulatory compliance for maintenance upgrades and refit work

#### Crew Administration:

- Recruitment

- References
- Certification checking
- Medical certificates
- Visas
- Contracts
- Payroll
- Background checks
- Drug screening
- Incident intervention

#### New Build Support

- Planning a new build
- Provisional specifications
- Tendering and tender evaluation
- New building contract
- Plan approval
- Site representation
- Trial and acceptance

#### Repairs and Maintenance

- General management of repairs
- Scheduled repair periods and the defect list
- Yard tenders and tender evaluation
- The MCA Code and the ISM Code and their influence on maintenance
- Classification and certification
- Paint maintenance and paint system repairs

### **Slide 3: Important Facts**

#### Crew Costs

The crew required to operate a large or super luxury yacht can number from 8 members for a 120ft yacht, to a complement of 70 for a yacht the size of Eclipse. The crew is made up of a Captain, Chief Engineer, Engineers, First Mate, Officer, Bosun, Chefs, Crew Chef, Deckhands and Stewardess/Stewards. Luxury yachts are maintained by crew all year round but will often scale down to a skeleton crew during the seasons that the owners are not on board and no charters are booked. Most crew members live on board and are paid a monthly salary, with most living expenses covered by the owner. Live on board crews do not pay rent, food, electricity or water bills. All luxury yachts have crew areas below deck, which consist of a crew mess, crew cabins and laundry. Most crew cabins have bunk beds, however, Captains and Chief Engineers who, on the larger yachts, have their own cabins. There are no set hours that crew members work each week. The hours depend greatly on how often the owners are on board, how often it is chartered and on what hours the Captain sets when there are no guests on board.

#### Operating Costs

10% of the initial purchase price or 10% of the replacement value.

Yacht and Crew Certification (latest news from the Crew Report)

The 2010 amendments to international standards for seafarers

Following years of discussions and preparations, the International Maritime Organisation (IMO) created a set of amendments to the Standards of Training, Certification and Watchkeeping Convention (STCW), known as the "Manila Amendments", during a conference in the Philippine city this June. The changes to the Code, which was originally created in 1978 and first revised in 1995, are wide-reaching and affect seafarers from all areas of the maritime world, not just yachting.

**A LONGER, STRONGER FOUNDATION?**

Some of the amendments address training requirements for professional yacht crew at the first stages of their careers, including increased security-related issues on three levels: security awareness training that will take a couple of hours and a marine and environmental awareness lecture (both of which will likely be tacked onto the Basic Safety Training (BST) course modules) plus security familiarisation training required on the yacht. The likely addition of the first two to the five-day BST course may increase its duration to six days, which could be a concern to training providers and future students as the course gets pushed to more than one working week and additional accommodation costs etc increase the overall expenditure for an STCW BST qualification.

**DECK DEPARTMENT CHANGES**

Other areas addressed by the amendments include electro-technical officer training and certification requirements (for larger ships rather than being obligatory large yachts, though it is available to yachts), which is being considered important enough to integrate into the legislation for training standards of seafarers as vessels become more reliant on electronics. Revalidation for electronic chart display information systems (ECDIS) training will be required for some and the future looks likely to include further training in this area. At present, says the Maritime Coastguard Agency, those with licences from approximately 1997 onwards, will not need further training in electronic charts. There is also consideration for able seaman courses (though it is not obligatory for any ship to carry someone who has taken the course).

**REVALIDATION REFRESHMENT & DISTANCE LEARNING**

Revalidation of certain short STCW courses - the 'hot' and 'wet' courses for firefighting and personal survival respectively, as taken by all crew of commercial yachts within the current five-day BST course - will also be necessary every five years. Although the IMO does not demand it, the MCA will also require certain crew in positions of responsibility (the master and medical person in charge) to refresh their first aid certificates.

It has been reported that there is the possibility of amalgamating Y1 and Y2 engineering exams, though this has yet to be decided.

The IMO has also acknowledged that modern training methodology has evolved to give options with distance and web-based learning, and in the future there may be adoption of this, though firm decisions for which modules and when have yet to be made.

**FORCING OUT FRAUD**

At the recent YachtInfo crew seminars in Fort Lauderdale, TCR asked USCG representative Petty Officer Brandon Ward and the MCA's Captain Roger Tower whether they see falsification of certificates regularly. PO Ward remarked that it is an issue, with certain countries more than others, notably the Philippines (because there are so many seafarers compared to other countries) and Panama (because there are so

many vessels registered there), but this is not restricted to yachting and is for the entire maritime industry. He also remarked that in some cases seafarers procure falsified documents over genuine ones simply because they are easier to get hold of, rather than because they would not be able to pass the exams.

Captain Towner said that a recent Cardiff survey showed that ten per cent of seafarers had or knew someone with some form of falsified documentation (from medical certificates upwards). He noted that there has been a recent reduction in the identification of forgeries with the certificates sent to the MCA, but that this could possibly be because the forgers are getting better.

Resolution 5 of the Manila Amendments addresses the concerns about attempts to use falsified and fraudulent certificates of competency. It recommended that the various administrations "take appropriate steps to: establish electronic databases to assist in verifying the authenticity and validity of certificates of competency and endorsements they issue; and respond appropriately and in a timely manner to any request from other administrations for verification of the authenticity and validity of certificates of competency and endorsements."

#### WHEN ARE THE CHANGES HAPPENING?

According to IMO News, these amendments are set to enter - ie start to - come into force on 1 January 2012. There will be a transitional period between 2012 and 2017, during which time licence renewals will need to move over to the new system as per the Manila Amendments. By 1 January 2017, the transitions need to be complete.

#### Charter Income Projections

From a yacht owner's perspective, chartering is the chance to turn an investment in leisure into an opportunity to generate revenue; truly the best decision you can make after purchasing your yacht. Placing your boat into charter service can substantially reduce the cost of ownership, while also enhancing its re-sale value by establishing a favorable reputation in the global charter marketplace.

#### **Slide 4: Keep in Mind**

##### Ever Changing Legal Requirements

It's now a well known fact that yachting, especially with regard to large vessels, can no longer be considered the exclusive interest of one single country. Certainly considerations of a national character may be a reason for pride, speaking in terms of production, and in this sense the figures achieved by famous brand names in international boat building are common knowledge. But the superyacht phenomenon, for reasons that will be highlighted below, must be considered in planetary terms, also with regard to regulations.

This is universally acknowledged and was recently maintained by Carlo Agliardi of Fraser Yacht. The superyacht world today is characterised by an indisputable internationality, and from a business viewpoint the easy movement of these vessels is

the best vehicle for selling them. However, all this should come about without problems or obstacles. These statements also evidence the need for international regulations.

#### Flag state selection

When you purchase a yacht one of the first actions of your purchase team is to register the vessel with a suitable maritime authority for your situation.

Choosing the right flag state is essential as this defines the primary set of rules under which the vessel will be operated.

Legal jurisdiction is determined primarily by Flag state, then Port state (the laws of the country in which the vessel is traveling) and finally, to a lesser extent, the nationalities of your crew, guests or charterers.

The selection of the flag state is very important as it may have significant legal and financial implications for the yacht owner.

For example certain flag states do not maintain commercial registries so would not be suitable should you wish to charter in an area which requires commercial documentation of your vessel.

Some of the most popular flag states are:

#### United Kingdom

The UK flag is the most instrumental in the development of new rules and regulations for the yachting industry. Since their development of the first Code of Practice for large commercial yachts this has been the flag state that others follow. Due to their "parent" status to other British registries, such as Isle of Man, Bermuda, Cayman Islands and British Virgin Islands, most yachting tonnage follows some sort of UK regulation.

#### Marshall Islands

With a proven track record and very large commercial fleet the Marshall Islands registry has entered the yachting market and developed significant market share in the past few years. Where this registry excels is their practical approach to applying the commercial codes and for many American beneficial owners this is becoming the flag of choice. An example of their accommodating approach is their interpretation that a vessel is not operating commercially unless it is generating a profit. Therefore for a vessel which charters occasionally and does not wish to maintain the commercial certificates this registry offers a cost effective solution should you just wish to undertake a few Caribbean charters.

#### United States

The US flag is one of the most restrictive flags for yacht registry and despite the large number of US beneficial owners, due to it's restrictive nature the US flag is not a popular one in yachting. Some examples of the limitations for US registry are - Must be a US citizen, restrictions upon nationality of captain and crew, Vessel must be US built or US federal tax paid, commercial rules are very prohibitive for chartering in US waters (with more than 6 passengers).

### Cayman Islands

The Cayman Islands flag is probably flying on more yachts than any other single flag. With a large registry and government support this flag has a very pro-active and complete approach to assisting yacht owners comply with Cayman and international regulations. The registry is classed as a Category I UK registry and it is held in high regard around the world. The Cayman Islands shipping registry maintains offices staffed with surveyors on both sides of the Atlantic.

### Bahamas

The Bahamian registry took an interesting approach to yachting in recent years and currently requires all yachts in their fleet to carry all of the certification necessary for commercial activity but does not allow commercial activity. If you are looking to maintain your private yacht with first class certification then the Bahamian flag may work for you.

### St. Vincent

The St. Vincent registry has been very popular within the yachting industry but with the development of the commercial codes of practice was seen as a little slow to respond and as a result has lost market share to some of the other registries. The St. Vincent authorities do now have a commercial code of practice and a complete network for inspection and survey for compliance in many major yachting centers.

### MCA and ISM/ISPS Regulations

#### The Maritime and Coastguard Agency

#### The International Safety Management (ISM) Code

Compliance with this Code is compulsory for all passenger ships including passenger high-speed craft, oil tankers, chemical tankers, gas carriers, bulk carriers, cargo high-speed crafts, other cargo ships and mobile offshore drilling units of 500 gross tonnage and upwards, engaged on international voyages. The Code applies also to companies managing any of the above ship types. It may also be applied to any vessel and offshore unit on a voluntary basis.

International Safety and Risk Management (ISRM) is able to develop your Management System to meet the requirements of the ISM Code, ensuring that the process for the approval of your Management System is as smooth as possible.

International Safety and Risk Management's (ISRM) Maritime consultants are fully qualified ISM Code auditors, with experience in running vessels under the Code and preparing them for audits by the applicable classification society.

#### Develop Management Systems that meet the requirements of the ISM Code

Audit vessels for compliance with the ISM Code in preparation for classification society auditing

Train personnel in the requirements of the ISM Code

#### The International Ship and Port Security (ISPS) Code

Against a background of potential threat to maritime shipping and ports, IMO's Diplomatic conference on Maritime Security in December 2002 adopted new regulations to enhance maritime security, through amendments to SOLAS Chapter XI. Chapter XI has been split into two chapters, where Chapter XI-1 ("Special measures to enhance maritime safety"), has been expanded to include additional requirements to Ship Identification Numbers and the carriage of a Continuous Synopsis Record. Chapter XI-2 ("Special measures to enhance maritime security"), addresses mandatory requirements - such as the provision of a Ship Alert System - and refers to the ISPS Code.

International Safety and Risk Management (ISRM) has the experience and knowledge to develop your Ship and Port Security Plans and assist your company in complying with the ISPS Code. Our consultants can conduct security risk assessments, and develop ship or port security plans for submission to the relevant flag state or contracting government.

Conduct security assessments and surveys of vessels and ports

Prepare ISPS Code compliant security plans

Conduct audits of the facilities to ensure they comply with the ISPS Code

## **Slide 7: Yacht Management**

What do clients want from yacht management?

Within the world of yacht owning there is a great diversity of tasks requiring specialist attention. These specialist requirements range from practical aspects such as design, construction, surveying and maintenance to the less tangible, but equally important tasks, such as ownership structures, management, registration, finance, VAT and Tax issues. All these requirements need to be considered and combined effectively to produce a quality product.

Many yacht owners do not want to be burdened with the huge task of co-ordinating the various aspects that are required to make a successful yachting experience. They simply want to outline their requirements and be presented with a simplified product that meets their needs.

They want to be free to enjoy their yacht with the minimum of inconvenience.

## **Slide 9: Why is Impeccable Yacht Management Critical?**

Unattainably expensive machines

Homeport

Safety

Security

Costs of berthing

## Maintenance and services

### Captain & Crew

- Crew structures and sizes
- The Role of the Captain
- Crew character and qualification requirements including STCW
- Recruitment, training and retention
- Career progression
- Contracts of employment, terms and conditions, ships articles
- MCA and qualification requirements

### Insurance

- Different types of cover - Hull and machinery, Protection and Indemnity, crew medical, crew personal effects, loss of charter hire etc.
- The different insurance markets available, policy wordings and meanings. The advantages and disadvantages of different wordings and types of cover
- The role of the insurance broker (producing and placing), the lead underwriter, following underwriters, the underwriting agent, the claims manager, the loss adjuster and the recovery agent
- Managing a Superyacht Insurance

### Interior Management & Catering

- Hotel management
- Interior housekeeping
- Stewardess training
- Guest services
- Relations with owner and guests
- Catering, food and beverages
- Stock control and rotation
- Inventory control
- Operations and procedures
- Health and Safety

## **Slide 11: Trends**

Asset Light Organization

All-in-one Service

High Expectations

## **Slide 12: Conclusion**

Case Study: Camper & Nicholsons

Sale & Purchase

New Construction

Charter

Management

Crew

The 2011 Superyachting Index by CNI

Technology

Tenders and toys

Speed (growing superyacht regattas)

Management tomorrow.