

The Superyacht

TRUTH • OPINION KNOWLEDGE • IDEAS AND EXPERT INDUSTRY ANALYSIS



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BIDDING WARS

"Consider the owner, captain or manager who would like to invite all or a select group of contractors to bid on a scope of work and specification, within an agreed timeline. A detailed tendering package could be provided online to allow all shipyards that are interested in winning this work the opportunity to create a bid package and submit it by an agreed deadline. The yacht's team would then have the opportunity to select a shortlist of contractors who have provided the right timeline, budget and, potentially, location for the yacht to secure the right deal. This, in theory, creates a transparent trading and bidding platform without the risk of favoured yards being selected based on financial relationships with other intermediaries and interested parties."

As you can see from the quote above, it was suggested at one of our conferences that a standardised bidding and tendering process for refit contracts could benefit the industry. This has worked well in other sectors, such as real estate and shipping. Obviously, firm tendering packages will depend on a visit to the yacht, but this concept is designed to open the market and create a more competitive market place. Our question to you is simply: what do you think of the concept?



ALBERTO AMICO

ALBERTO AMICO

Founder MD
Amico & Co Srl

The concept itself can be helpful for both owners and shipyard, provided that there is sufficiently clear preliminary design work and a detailed work specification provided by the client covering the scope of each work and technical area. This is currently happening only in the five to 10 per cent of the cases. The bidding process is covered by experienced professionals, experienced in writing and reading technical and refit specs; there should be a third party controlling the process. It's better not to leave all the specification, bidding and contract-finalisation process in the hands of one person. There must be a clear indication on the level of quality, reliability and organisation required.

Quality standards, insurance coverage, safety conditions, warranty terms, etc., must be identified and made clear by the owner's team. The owner should

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also seek out references and background checks. It's common to see clients totally ignoring these fundamental points in favour of obtaining a lower price. ICOMIA Superyacht Refit Group has been working on these issues for a couple of years now, and all the associated shipyards provide to their client a certified level of standards, procedures, guidelines covering the whole refit project, from bidding to the expiring of the warranty terms.



JOAN ROSSELLÓ

JOAN ROSSELLÓ

General Manager

STP Palma

A clearer bidding process would benefit the industry, allowing owners and managers to choose from a wider range of offers, places and prices. We provide technical space where clients can choose from a range of different authorised contractors. This creates healthy competition between all contractors and benefits the client budget-wise, while the yard provides the basic shipyard services such as moorings, haul-outs, hard standing space, power, cranes, forklifts, etc., at fixed rated prices. All works carried out by contractors are invoiced directly to the clients with no mediation from the yard, except the control of all health and safety issues.

FEADSHIP

We only refit Feadships, and each is genuinely custom-refitted. This is an exclusive market and we therefore recognise that we are unlikely to win a tender on price. Our rates are based on the organisation required to build/refit Feadships in sizes from 30 to 100 metres in length – projects that involve the most comprehensive engineering, naval architecture and design.

A standardised bidding and tendering process for refit contracts presumes a degree of similarity between projects and at Feadship that is quite simply never the case. Yes, there are certain factors that hold true for every Feadship refit as each project leverages on the latest possibilities in terms of design, engineering, construction and finish that are the hallmark of all Feadships.

A refitted Feadship will also be refitted by Feadship craftsmen and women, often including some of those who worked on the original build. In addition, the refit team has full access to the comprehensive records and drawings kept of past Feadships, making this process even smoother. We will also be typically frank with the owners as to what is the best way to achieve their refit goals. And our ambition within this partnership will again be the same as with a new build – to create a custom yacht that meets their individual tastes.

Taking all this into account, we could not put our refit bids into a regular system, but we can certainly offer an agreed timeline.

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TOBY ALLIES



JEAN-CHRISTOPHE LENOIR

TOBY ALLIES

Sales & Marketing Director
Pendennis

The range of facilities, resources and approach to refits is so diverse in the industry that it is very difficult to compare on a like-for-like basis. There are some standard comparisons that are made related to hourly rates, haul-out and drydocking costs etc., and a number of captains, owners' reps and management companies do produce tender documents for yards to quote against. In our experience, structured and prepared refit specifications have a direct impact on the outcome of the project, including meeting client expectations.

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JEAN-CHRISTOPHE LENOIR

Consultant

Other Angle Yachting

Eight years ago the yachting industry was booming, with orders for new builds everywhere; at the same time, existing refit shipyards were making the necessary efforts (investments in people, facilities and tools) to anticipate the flow of new yachts for service and repair. In addition, new players appeared, setting up new service shipyards along the Med coast (France, Italy, Spain, Greece, Turkey, Malta and even Tunisia). At that stage, the refit world was collapsing: what was the point of a new yacht owner buying an old yacht and spending so much

money to get her refitted when he could get a brand new boat built through spec at a fair price and accommodate to suit his wishes?

Beforehand, a 60m yacht was a serious stock boat owned by a serious owner, who intended to do what was necessary to maintain her, respecting of the rules of the game with the right approach to the right people who were maintaining the yacht. Today, a 60m yacht is the first size yacht to sell in this market and it happens as soon as the owner's business shows some sign of success.

However, all those yachts are still under class (Lloyd's, ABS etc.) and they need to be maintained annually to keep class until she is sold to another owner.

Some owners are not keen to spend more money than absolutely necessary, except to keep the class to maintain the yacht. These owners send out their intermediate people to find a yard where things can be done for just about nothing, but, as you know, if you give nothing, you get nothing.

My opinion today could be slightly different from tomorrow's, but I hope that our business will never become like the those of real estate or shipping.

Years ago, we did invest a lot in order to satisfy owners' requests and to ensure they were satisfied. We are humble people with a great depth of knowledge, but we also bear a great load as well (facilities, workforce, insurance, etc.) and it was very frustrating to find out that we were being selected, appreciated, even judged by everyone in the new light structures made of different consultants of I do not know what ...

I do understand that the business that is already online could be set up in a better way. We did answer a few months ago to an RFP of X million euros to service a 100m+ motoryacht in 2013.

DAVID HICKS

COO

Arista Marine Group

I feel the idea of an online portal where industry players can see and bid on packages is a very valid concept, and one our company would support. There is one interesting aspect that affects the industry generally, and that could be addressed very well by an online bidding process. The issue is how new companies are received on the market. A big concern is that these very high value projects need to be delivered reliably to very discerning and demanding owners. Therefore there is a natural tendency to lean towards reliable, established companies.

However, our industry is shackled to its past and tradition, and to prosper and develop beyond the 3,500 owners that currently participate in yacht ownership, the industry should be more keen to embrace technology, new ideas and new participants.

"An online bidding portal as proposed could make owners more aware of new innovations, thus allowing them to choose how far they wish to embrace these new ideas and concepts and indeed the associate risk potential."

Many participants who are new to the yachting industry have excelled in other disciplines often with higher professional standards than we see in yachting, and so the level of suspicion exhibited by the yachting establishment is sometimes self-serving and unwarranted. At the very least, new offerings, wherever they come from, keep the established companies on their toes. Complacency and repressive activity should have no place in a dynamic industry. An online bidding portal as proposed could make owners more aware of new innovations, thus allowing them to choose how far they wish to embrace these new ideas and concepts and indeed the associate risk potential.

The Superyacht Group so often repeats the message that as an industry we have not been very good at attracting new owners to the joys of yachting, I can't help thinking that a more open-minded attitude to new ideas and new companies would stop the

industry feeling stale and might really help attract increased interest from the 'new world' economies.

The external view of yacht ownership is obviously not that attractive as it stands, otherwise more of the world's wealthy would be coming into our business. There is little historic precedent for Indian, Chinese and Brazilian yacht ownership; add to that the fact that the new wealth in these countries and regions is often being created by younger people, the European/North American preoccupation with its tradition and heritage might become increasingly irrelevant to these new markets. Just look at how the influx of Russian buyers has moved the yacht design business forward.

MARC OVANESSION

General Manager

ITM

It is not difficult to see why this sort of approach to tendering might appeal to a client looking to make a numerical comparison of the budgets proposed by different yards. If all budgets are constructed around an agreed framework that is transparent and accessible – a 'tendering package', if you will – then the client has very little analysis to complete on his side, and need only compare the totals to pick the cheapest yard. Simple. Some captains are already practising this technique and using this kind of tool. However, as we all know, the yachting industry is all but standardised and therefore rarely simple. This sort of model may have been applied successfully in other fields, and even in other aspects of maritime affairs. But the nature of our clientèle and their requests mean that it is often challenging to translate them on to paper and into budgets.

No project is like another, ideas and requirements evolve all the time – including at the initial tendering stages – and it is the role of the shipyard to think outside the box in order to construct a proposal that is both realistic and cost effective (especially in the current economic climate). Could – or should – this be condensed into an online trading platform?

Furthermore, it almost goes without saying that choosing the yard with the cheapest budget does not equate to choosing the best value for money and quality of service for your yacht. On the contrary, creating an artificial 'bidding war' situation will almost inevitably result in some yards cutting corners to shave off a few pennies here and there. Not so serious on paper perhaps, but



DAVID HICKS



TODD ROBERTS

this will, of course, have an influence on the end result.

Finally, whilst favouritism based on 'financial relationships' should certainly not be encouraged, you cannot put a price on trust.

There are certainly some things that we as yachting professionals could improve in our approach to tendering in order to facilitate the comparison of quotations (the use of common vocabulary, for example, when it comes to logistics or tax, or a standardised order of presentation to minimise page turning), but a bidding platform may be taking things to an unnecessary extreme.

TODD ROBERTS

Vice-President

Marine Group Boat Works and Fifth Avenue Landing

The concept has significant merit to it. It takes financial relationships out of the process, but more importantly, bidders are 'singing off the same sheet of music', which, in the end, is most beneficial to the yacht owners, captains and/or their representatives. With contractors bidding off the same work package, the yacht's team is in the most ideal position to compare and contrast proposals. It is equally important that the scope of

required to operate within restrictive guidelines mandated by the funding entity, which remove objective, selective options that a private party wouldn't experience.

While my initial reaction is that the process described runs somewhat contrary to the general mission of intent of our company, I will admit that seasonal fluctuations in our business could make the concept more interesting to pursue at certain times, and that there are definitely benefits to be found in a standardised business format.

The most obvious advantage of the suggestion derives from the fact that the vessel requesting such bids is compelled to give thought to organising a work package in advance of arriving in a yard. If the next step is taken in providing drawings and engineering, hopefully with class approval, time spent in the yard can be very efficient. Like many yards, Thunderbolt Marine has had successful experiences with taking reference dimensions aboard vessels and utilising drawings and 3D models to construct components prior to a vessel's arrival. The logic extends to ordering materials with long lead times, design and engineering development and technical review. One of the biggest challenges one

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work doesn't change during the bidding process. If it must change, the changes should be documented and circulated to all bidders.

Understanding it is time consuming to put together a detailed specification package that includes photos, drawings, etc., that may be a service that an outside specialist can offer – 'specification creation' – and could easily be a fast-growing market segment in yacht management.

RALPH HEIL

President, COO

Thunderbolt Marine, Inc.

One frequently encounters a bidding process similar to the method you describe in government and institutional work in the US and our firm is accustomed to the practice. In those bids, the soliciting parties are generally

encounters in yacht repair and refit work is in ascertaining and satisfying clients' expectations. The most problematic scenario yards encounter is to have a vessel arrive for a 'yard period' with concepts about a budget and schedule better defined than the work they want to undertake. To the extent that a standardised format would assist and encourage clients to initiate and to a degree be responsible for developing bid specifications, benefits can be found in the concept.

A secondary but very real advantage of the suggestion would be the functional realisation they confront in developing the bid request that might cause vessels' operators, management and owners to realise they are approaching the repair yard because they 'need' the services they identify. To the degree they are

able to judge the thoroughness and professionalism of bids they receive, together with vetting the performance history of a yard in consideration perhaps yachts can be more assured of receiving fair value, and yards can offer more competitive rates in the knowledge they are dealing with realistic and achievable expectations.

GARETH TWIST

Managing Director
Yacht Solutions Co Ltd

The creation of a standard bid package is a good idea and would help the tendering process as well as helping to level the playing field between competing yards and contractors. It would make the process more accurate, comparable and speed up the tendering process.

A detailed tendering package would be an extremely valuable tool to have available in the superyacht refit industry. However, along with the bottom line, the relationship history between the yard and yacht, the contractors' portfolio and reputation will always play a part when an owner/captain is considering which yard to go with. The location of the yard is also extremely relevant, as is the season, and where the yacht is and where it's going will be always be considerations when choosing a yard.

can be a significant portion of the work or risk those providing the pricing. A cheaper option yard may not accurately anticipate the unforeseen element of the scope and the client's good yard options accordingly gets rejected based on a higher bid price, although their extensive experience shows a realistic contingency cost. If the cheaper yard does not also tick the experienced box, I would be wary; any cost savings can soon evaporate as the project reveals the real 'surprises' that the experienced yard foresaw. Unfortunately, the client usually does not discover this until they have gone too far and have few options to reverse the situation.

Our industry lacks many genuine opportunities to compare like-with-like refit costs, in terms of overall project cost to demonstrate this factor as clearly as it should. I have been involved in superyacht refits for longer than many people's whole yachting careers and, yet, I still learn valuable lessons every day. Refitting is a discipline where experience counts. Prior to working in the superyacht world, I worked in the commercial maritime sector where all maintenance was very timeline driven, down to the hour, not the day. The only way this was ever achieved was by careful forward planning and being very realistic



GARETH TWIST



MARK WIGHTMAN

"The biggest challenge for the refit yards is for the client to provide specific and detailed enough in the scope for this to be quoted accurately and compared fairly among bidding parties as suggested."

MARK WIGHTMAN

Managing Director
Integrated Marine Group

I have been involved in superyacht refits for the last 18 years, on large refit projects numbering into the many hundreds. In that time, few, if any, projects have been identical, even when we have worked on the same vessel. The work-list and challenges have varied on every occasion. Sometimes clients say that: "The refit yard has done this hundreds of times and must know the cost off the top of their head", but it is certainly not that simple. In fact, it is extremely difficult and very costly to a company or contractor to price to the high level of accuracy required, factoring the unforeseen or unseen issues, which

about what could be achieved in the time allocated coupled with a robust working relationship between the shore crew and ship's crew. Even back then, it was a very well-oiled machine and taught me valuable lessons to utilise in this industry. The biggest challenge for the refit yards is for the client to provide a specific and a detailed enough spec for this to be quoted accurately and compared fairly among bidding parties as suggested. The skills required of an adept refit yard are very different from the skills required in a highly competent build yard, to get price and timeline right in refit you need to engage a competent team through every step of the process. Do your homework on the people, not only on the price.



JIM BENTO

JIM BENTO

President & CEO
Ocean Marine, LLC

I would very much be in favour of standardised bids. They are typical in government solicitations such as navy and coastguard contracts. It seems to be a fair and transparent way to handle the bid process. One benefit shared by both the yards and the owner is the basic scope of work is well defined and will give both parties a good baseline for projected cost. Additionally, all increases in the scope of work found during ship visits are then shared with all competing yards and bid revisions are then submitted. This also applies to questions submitted by all bidding yards. The questions are answered by the yacht and supply the answers to all bidders. Again, this would be very favourable to owners as the scope of work is much more clearly defined. The main concern in any type of bidding is the yacht management team must keep all bids confidential during the process for this type of information sharing to work. While all definitions and specifications should be very transparent to all, bids and pricing should not be exposed.

ROB PAPWORTH

Director of Projects
Compositeworks

Since the decline in orders in the new building sector in 2007 and 2008, an increasing amount of focus has become centred on the growth of the refit sector. Many assumed that owners unwilling to (or to be seen to) make the investment in a new vessel would in the meantime rebuild or refit their existing vessels. During the mid '90s yachting boom new builders and refit yards were appearing all over the world, many of them had little or no credentials and were simply attempting to jump onboard what appeared at the time to be a very exciting industry. Unfortunately this led to many

yards that had little structure or experience trying to attract work by offering ridiculously low prices in 'loss leader' strategies to lure clients away from more established yards. Over time this led to an alarming increase in stories of terrible quality of works, horrific delays and ridiculously inflated final invoices becoming commonplace in the refit industry.

"We believe that any bid platform should only be open to shipyards that enable the client to be properly assured of the requisite level of professionalism that is required on most superyacht refits."

It was as a direct result of these practices that, under the banner of ICOMIA, a group of the leading refit yards got together to form the Superyacht Refit Group. The aim of the group was to offer to clients the certainty of professionalism in what up until this point had been a completely unregulated industry. A code of practice governs its members which covers important items including contracts, shipyard insurance and management obligations – important criteria which can often be overlooked in the shipyard tendering process. Competition in the refit industry is currently fiercer than ever, with all clients demanding the best possible value for money and the shortest timelines. Almost without exception, every client asks at least three shipyards to bid and some seven or eight; however, at this point like-for-like comparisons become difficult. We believe that any bid platform should only be open to shipyards that enable the client to be properly assured of the requisite level of professionalism that is required on most superyacht refits including:

CHOOSE YOUR PARTNERS WISELY
LOOK AROUND. COMPARE. DECIDE.





TIMOTHY S HODGDON



VINCENT LARROQUE

Experience – for all but the most basic refits, a shortlisted yard should have been in business at least five years, if not 10, to offer a real indication of their long-term sustainability;

Insurance – At least €10m of ship repair liability should be on offer; even more for larger vessels;

Management – a commitment should be given from the shipyard to provide sufficient experienced managers commensurate to the magnitude of the project;

Financial stability – published accounts or other acceptable proof to ensure that monies spent by the client will be safe;

Suitability for the works – has the yard conducted these types of works before or worked with vessels of a similar size?

Ultimately, the choice of the shipyard may be taken according to the bottom line of the quote, but probably the most important stage of the yard selection is the creation of the shortlist where the criteria for inclusion should quite simply exclude any yard that does not offer the owner the certainty that they would expect in other better regulated industries.

irrational criteria. The personal relationships between seasoned key people (from captains to brokers, architects and project managers) will still exist and be in the background for many decisions involving ship repair and refit. However, the growing importance of management companies and the higher complexity of yachts and regulations are key factors to justify having from the onset a clear and well structured bidding process. Today, some of Monaco Marine's customers go through a complete bid process starting from a detailed specification of works, a detailed planning, a set of conditions to be met and allow a boat's visit under defined rules so that all bidders will get the same opportunity to ask questions and check technical points to work their proposal. They also define in their bid process, additional work lists which may be tendered to different companies or done by the crew. This working method is used today more for commercial vessels than for yachts, but we would be pleased to operate more under this scheme which would require more effort from the captains/management companies to set a detailed and clear specification.

“Going through such bid processes will be more time demanding on the owner's side and on the shipyard's side but we believe that for large projects, it can finally save time and money to everyone.”

TIMOTHY S HODGDON

President

Hodgdon Shipbuilding

In general, I think it is a worthwhile idea. Standardisation, transparency and a level playing field are all elements of the bidding and business relationship we as an industry should be collectively promoting. To do so will benefit all of the parties. To get there, however, requires more work in the manner with which we define the scope of work in the first place. Refits, by definition, raise many unanswerable questions regarding scope. Allowing competitors to respond to those uncertainties from a level playing field is an important aspect of the bid process.

VINCENT LARROQUE

Sales Director

Monaco Marine

We will encourage and promote every initiative that increases transparency and professionalism in the industry. Our industry has a complex decision process involving several intermediaries, and interested parties and decisions were usually taken on very

Captains and yacht managers often ask different shipyards about price on a given task, for example rework on the chain door. The shipyards visit the yacht and prepare their quotes, but may answer with very different technical solutions to the same problem, making the comparison more complex to the captains/yacht managers. Going through such bid processes will be more time demanding on the owner's side and on the shipyard's side but we believe that for large projects, it can finally save time and money for everyone as repair jobs will be better clarified from the beginning, allowing for the owner's side to have a clear definition of works and technical solutions to be implemented and for the shipyard to better plan its load and its procurements. The bid process should also plan for some flexibility as we all know that additional works may arise once the vessel is in the shipyard. It must then include defined rules on project management and reviews between the owner's representative and the shipyard. ■

To comment on this article, email issue131@superyachtreport.com with subject: Bidding Wars