

# SHIPYARDS SEE SUPERYACHT PURSE STRINGS LOOSEN

DEFERRED MAINTENANCE, MILITARY CONTRACTS KEEP SKILLED EMPLOYEES BUSY

BY ROB LUCEY

PHOTO COURTESY OF JARRETT BAY BOATWORKS

Construction is in progress on Blank Check, Jarrett Bay Boatworks' largest new build to date at 77'

Shipyards along the East Coast have felt the sting of the down economy since 2008, but many report signs of an upswing in business. While new construction of superyachts remains slow domestically, the market for refits and maintenance has seen strong gains.

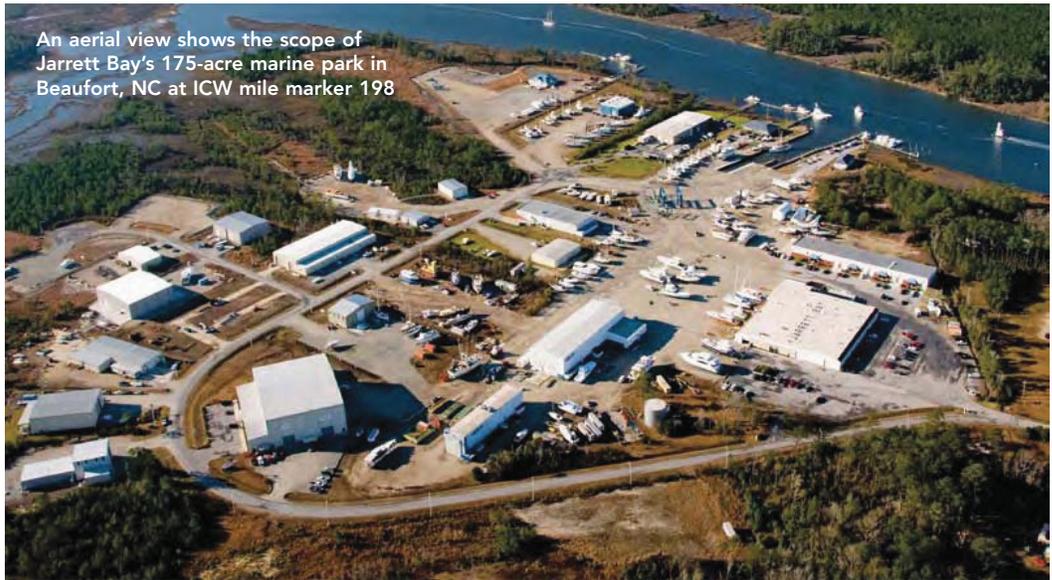
"You can only defer maintenance for so long," said Vance Hull, Director of Yacht Services at Colonna's Shipyard Inc. in Norfolk, Va. At 137 years old, the company has seen more changes in the marine marketplace than any other family-owned, private shipyard in the nation. Building upon its long history of work on commercial and military vessels, the deep-water yard began servicing large pleasure craft in the late 1990s.

"We transferred our skills to the megayacht community because most of those are built out of steel and aluminum and they have systems very similar to the commercial ships we've always worked on," Hull said. "Early in the decade, when the bull market was really raging, there was a great run on new construction as well as taking older boats and modifying them. That waned in 2008 and 2009."

But now Colonna's and other yards report an uptick in business with a continuation of the long-term trend toward larger megayachts. Some of their projects include structural modifications of existing megayachts, such as mid-body insertions and stern extensions.

"The boats are continuing to be built and they're getting a little bit larger," Hull said. To better serve those larger vessels, the yard expanded into 10 acres of vacant land adjoining the main shipyard two years ago and added a 1,000 metric-ton capacity Marine Travelift—largest in the world—to complement its two existing floating drydocks with 2,800-ton and 16,000-ton capacities.

In nearby Portsmouth, Va., the 20-acre Ocean Marine Yacht Center (part of American Marine Holdings) has also grown into the megayacht service business, specializing in re-fits, repairs and painting in its mega sheds. The 25-year-old yard works on all sizes of boats from run-abouts on up, but a growing segment has been the more than 300 megayachts it has serviced in the past decade.



An aerial view shows the scope of Jarrett Bay's 175-acre marine park in Beaufort, NC at ICW mile marker 198

PHOTO COURTESY OF JARRETT BAY BOATWORKS



Thunderbolt Marine recently installed a climate-controlled, latest design paint booth in Savannah, GA.

PHOTO COURTESY OF THUNDERBOLT MARINE

Vice President of Sales and Marketing Thomas "Charlie" Petosa said the yard saw that business drop off during the economic slump. "We've had activity, but a lot of the major refits have been deferred," Petosa reported. That meant putting their 60 skilled employees to work on other projects.

"Fortunately we have the ability to do military work for the Navy and Coast Guard," he said. "We like big yachts, but we don't have to have them to remain viable. We didn't do any layoffs during the recession. Our owner believes strongly that we need those employees when things get busy again in the future."

Petosa predicted that future growth may not be too distant. A 164-foot Westport was in the yard for maintenance in April and the 204-foot luxury charter yacht *Fortunato* recently had new generators installed and other work done. "Inquiries have picked up," he said. "We have some exciting projects coming up."

There is, however, some risk going forward with political uncertainty. "Some people are flat out scared," Petosa

said. "Just like when we had luxury tax, people still had the money. They just didn't want to spend it out of principle."

While few superyachts call the Carolinas their homeport, transients do stop in to take advantage of the convenient mid-coast ship services. The yards in the Jarrett Bay Marine Industrial complex outside of Beaufort, N.C. on the Intra-coastal Waterway accommodate vessels up to 200 feet with a 220-ton travelift.

Jarrett Bay Boatworks yard manager Jeff Fulcher said the shipyard saw an 18 to 20 percent downturn in 2008 and 2009.

"In 2010, business came back well and 2011 was a good year," he said. "If we continue what we're doing, 2012 will be a good year. With the price of boats lower, people spent less on purchases, so they spent the money they saved fixing them up how they like them. Also, people who deferred maintenance for a few years realized they needed to get caught up or lose their boats."

The yard is widely known for its construction of custom offshore fishing vessels. While that business dropped off

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PHOTO BY JUSTINE AVILA

Bob Roscioli, left, consults with project manager Manny Meulener while installing a custom hard top on a 155-foot Christensen during a refit project at Roscioli Yachting Center.

during the slump, the yard has re-started construction of its largest project to date: a 77-foot sport-fisherman named *Blank Check* that was begun for one customer but recently purchased by another. A May 2013 delivery is anticipated.

Fulcher said other boatyards in the region have suffered with the dearth of new construction. "The boat builders who had repair facilities to fall back on tended to fare a lot better," he observed.

The Beaufort marine park has four other yards including Moores Marine Yacht Center, which specializes in restoration and repair of classic wooden yachts such as Trumpys. The 18-acre shipyard, which also has a South Florida location, includes a shop large enough to work on 90-foot vessels. Employees reported that business has been steady with an even split between refits and routine maintenance projects.

In Georgia, Thunderbolt Marine President Ralph Heil also sees business rebounding primarily on the upkeep side. "We're finding that people initially reacted to the economic downturn quite severely and cut back on maintenance," he said. "But now we're seeing that these relatively high-worth individuals realized that they had expensive assets and they needed to maintain them or watch them deteriorate."

Heil said that—as in the housing market—many owners have struggled after seeing their boats' values slide well below 2007 prices.

"They're being discriminating about what work they do," he said. "There's more calculation involved. We're seeing more cosmetic work than structural refits." But Heil said the slowdown has hit their smaller customers harder than their larger ones.

"During this economic downturn, we recognized the relative stability of the repair and refit market in large yachts,"

Heil said. "Particularly in the Bush years, the rich people still had money."

With that realization, the yard took advantage of lower commodity prices and a cheaper labor market to build a new 240-foot by 300-foot building with four bays including a fully ventilated spray booth. Now the company can better compete on paint jobs for vessels up to 180 feet, since they no longer need to include the cost of scaffolding in their quotes.

"With the uncertainty in Europe, the dollar exchange rate against the Euro is my biggest concern," Heil said, recognizing that a falling Euro could make southern European and Mediterranean yards more competitive. "But, in general, I think things are recovering and our workload is picking up."

In South Florida, the epicenter of the U.S. Superyacht industry, yards are reporting strong seasonal business and an overall uptrend in business. After five decades in business, Bob Roscioli of Roscioli Yachting Center in Fort Lauderdale said he now has more business than ever.

"The past couple of years have been punishing," he said. "But right now our facility is slam packed. We couldn't fit another boat. We have more over-100-foot boats in our yard than ever before." Two boats are in the yard for major refits, including a 157-footer that has been out since for seven months, but Roscioli attributed the current crush of business to deferred maintenance.

"Most of the work right now is to get bottoms done and shaft work," he said. "A lot of people have put it off for the last year and a half. They're going to start traveling now. We have boats in all eight sheds and four boats outside on the hard, and we have six or seven more scheduled for next week."

The surge in business is helping him to recoup his investment in completely rebuilding the center over the past 15

years. Once the seasonal maintenance rush abates, Roscioli predicted that the pace of business going forward may depend upon the winds of political fortune. "They're talking about punishing people who have been successful and made some money, and that's not good for our industry," he said.

Another boost could come from an ongoing effort by the Marine Industries Association of South Florida. Roscioli is a big proponent of the association's campaign to regain the title of "boating capital of the world." "Over the next five to 10 years, we're pushing to bring as many megayachts to South Florida as we can," he said.

One challenge he foresees is finding enough workers to support resurgence in the industry. To replace some of the workers who were lost during the economic downturn, he has been actively recruiting returning veterans. "These men and women have been fighting for our country. Now they're returning and they need jobs," Roscioli said. "They're disciplined workers, and we owe them our thanks."

Elsewhere on Fort Lauderdale's Marina mile, Universal Marine Center Shipyard is planning to add a new travelift to capture some of the renewed market. Before undergoing a change of ownership a few years ago, the facility lost its synchrolift.

"All my work is in the water at this time," reported General Manager Butch Risker, referring to the three giant covered wet slips and 30 megayacht berths. "We're just marking time. Once we get our travelift, we'll be marching forward."

The project is still in the planning stages as experts look at potential loads on the finger piers and shoreside pavement. Risker said he hopes the lift will be "as big as possible," up to 300 tons. That will enable the yard to make full use of the six acres it has on shore by serving the growing megayacht market.

"Across the board, business is showing an upswing," Risker said. "It's not what it was before we had the economic crunch. It will take a couple of years before we get back to that level. But the size of the boats is definitely increasing." UMC is sandwiched between Cable Marine on the east and Rolly Marine Services to the west, both of which are bustling with activity, according to Risker. "We work together a lot," he said. "We're good neighbors and the increase in business is good for all of us."

Jim Parks, operations manager at the nearby Lauderdale Marine Center, also reported brisk business. "We've been pretty near capacity since January and last fall," he said. "In the last year, the seasons have started earlier, and we've been at capacity and putting boats into overflow spaces."

The yard supplies cooling towers full of water to enable owners to run their air conditioners and generators while on the hard. Parks said all 25 towers were in use and he had just ordered four more at a cost of \$8,000 apiece. He said all

19 covered sheds are full as well. In mid-May, the yard had up to 40 boats in the 100-foot-plus size being worked on.

"Half of those are having some kind of refit," Parks said. "We've seen the number of boats in the yard increase. The large boats came back first. Maybe a year later we started to see the owner-operated boats come back strong. Man-hours in the yard may not be back to 2007 level yet, but people are beginning to do the maintenance that they may have put off in recent years."

He said further growth will hinge on an increase on the brokerage and new construction side of the business.

"Boat sales drive a lot of yard repair work. Typically new people will come on board and want to upgrade this and upgrade that," he said.

Kevin Wilson, director of sales and marketing for BAE Systems Southeast Shipyards, with facilities in Jacksonville and Mayport, Florida and Mobile, Alabama, said he has seen some increase in large yacht purchases in the past year.

"What's happening is a lot of them are changing hands, and when that happens the new owners want to put their signature on it," Wilson said. "New owners are purchasing boats and wanting to put stern extensions, helodecks and other upgrades depending on the boat. Plus they have to do their standard drydockings to meet the needs of their classification." Prior to the recent increase in yacht business, BAE relied more on commercial and military projects to get through the slow years.

"We're a commercial shipyard, yacht shipyard and government shipyard," he said. "We do all three segments, and I have all three in the yard right now."

William Smith III, vice president and partner of Trinity Yachts, is one of the people who hopes demand for new superyachts continues to improve. (*Editor's note: See more about Trinity and Smith's take on the current state of the industry elsewhere in this issue.*) The company began as in 1988 as the yacht division of Halter Marine Group and was purchased by a group of partners in 2000. When Trinity's custom built superyacht business waned and a non-compete clause expired in 2010, they began work with military and commercial vessels as well to keep their workforce busy at their shipyards in New Orleans and Gulfport, Miss. Smith blames the slump on politics.

"I think the President has done a great job of killing off the business," said Smith. The money is out there. People are afraid to spend it. We don't need the politicians scaring people off. They always go after the rich guy, but it's the guy in the shop who gets hurt." 

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*Rob Lucey is a former newspaper and magazine editor who spent three years cruising along the East Coast and exploring the Caribbean with his wife in a 38-foot sloop.*