

The Superyacht

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Enter MarNav...

A new and detailed plan to entice yachtsmen into fleet ownership is being offered by Werner Trotz. Called MarNav, how will his vision for it take off? How does it work and does superyachting need this kind of option? **Don Hoyt Gorman** reports.



If one were to start from scratch, considering what yacht owners want and need, what kind of company could be built to serve them? Werner Trotz, a former superyacht captain and private fleet manager for BVI-based company Petronome, figured he had a good idea. “In principle, if you set up co-ownership of anything, it should get cheaper,” Trotz said when we met in London this summer. “But how does it get cheaper, by how much, and how much sense is there to it? It took us a year to figure out the mathematics of how it could work. We settled on the optimal scenario of nine shareholders with equal access to five yachts.”

Since we met, Trotz has been on a dedicated, clearly rigorous campaign to bring all the component parts of his plan together. Contracts need to be signed and, most importantly, the inventory of yachts needs to be assembled. However, there is a bit of a chicken-and-egg scenario going on. The MarNav plan provides for current yacht owners to join the programme with their yacht and, when all the yachts are in place, have access to all five for less than the cost of owning and operating one. The challenge is how do you attract either non-owner clients or yacht owners to join?

From the outset, I was persuaded by some of the key benefits of MarNav as they were theoretically laid out – the shared access to a fleet, the low running costs, the clever warehousing and the global positioning of the fleet – but I wondered how the system would get up and running. At the time of writing, Trotz is still working on finalising the arrangements. In the meantime, here is what I understand of what may be one of the smartest new ideas in yachting.

THE PROPOSITION

Trotz has the sort of calm and patience about him that come from years of managing other people’s assets. From his experience as a captain, Trotz said that he was able to spot how some of the recurring issues that superyacht owners contend with could be solved by having access to a centrally managed fleet. He is confident clients will love having access to a consistent and caring crew and the cost savings afforded by advance, bulk purchasing. He believes, like him, they’ll understand the value proposition and will gain that feeling so rarely achieved in yachting: that of cleverly saving money while enjoying all the luxury that holidaying on board a superyacht brings. He seems motivated by a belief in the value of good ideas and careful planning; profits will come, but they’re not unreasonable given what’s being offered.

The business offering combines yacht ownership with corporate shareholding and a fleet management agreement to run the whole operation.

OWN FIVE YACHTS

Trotz gave me early access to the MarNav Program in order to understand what it does and how it works. The idea of fleet ownership isn’t new, but Trotz’s twist involves two nested companies: one (MarNav BVI) consists of nine owners who own five yachts, the other (MarNav Malta) manages the yachts and operates the programme. The business offering combines yacht ownership with

corporate shareholding and a fleet management agreement to run the whole operation.

Realistically, any fleet ownership programme is only as valuable as its least luxurious yacht. In MarNav’s case, at the time we went to press, the fleet was not yet disclosed, but the idea is to attract current and potential yacht owners in the roughly €6-12 million market. The whole fleet of five yachts will be valued at about €40 million. The idea itself is simple: for less than the cost of buying and running your own €8 million superyacht for a year, MarNav investors will buy a share in a company that owns five yachts with an average value of €8 million and, instead of having access to only one yacht, will be able to make use of all five yachts.

The five yachts will be run and managed by MarNav Malta, with a simplified network of dedicated service providers. Bulk advance purchasing is as simple an idea as any in business, and yet, for some reason, it has not been applied as it might have for fleets. (Why, for instance, have commercial yachts under one central agent and based along the French riviera, say, not banded together to negotiate fuel bunkering for a season?) It’s because most yachts are operated proudly as independent entities, as idiosyncratic extensions of their owners’, captains’ and managers’ combined thinking on how best to run a yacht.

So, once bought in to MarNav BVI for €4.44 million (one ninth of the value of the fleet), owners then pay a €1 million maintenance fee up front to MarNav BVI for the operational costs of running the fleet. They then book any of their guaranteed

minimum 10 weeks aboard any of the five yachts. The yachts never need to cross an ocean to switch seasons, and the owners get access to five areas of the world. In the second year, the maintenance fee drops to €500,000. "Purchasing into MarNav is basically the same as buying one yacht, but you have use of five," Trotz said. "They're not listed as part-owners on the certificate of the yacht – MarNav BVI is the owner, and they are buying shares in their own company. So, when one person joins, he or she owns 11.11 per cent of the company for a maximum of nine owners. So they own shares and can sell them. There's no boat selling in the usual sense."

Trotz said that operating one 35m yacht costs €260,000 more per year than cost-sharing the operation of five yachts through the MarNav Program.

MarNav BVI buys the yachts in exchange for shares in the company. So owners who may want to sell their own yacht but who want to continue to go to sea might see MarNav as a way to diversify their yachting options while retaining some of the rights of ownership. Others may join without yachts to add to the programme, but all will pay the same amount. Where an existing yacht owner, who may have had his yacht up for sale, decides to sell his yacht into the MarNav Program and join himself, the yacht will be valued according to a negotiated agreement between the owner's surveyor, MarNav BVI's surveyor, and the insurance documents, and the owner will receive whatever value over €4.44 million back

as a purchase price minus the entry fee for the yearly operating costs. If the yacht is agreed to be worth €10 million, MarNav will buy the yacht from the owner for €4.56 million (that's the yacht's €10 million value minus €4.44 million buy-in to the MarNav Program and the first year maintenance fee of €1 million) and the owner will then become a part owner of MarNav BVI with access to the fleet. If the yacht is one of five vessels in the fleet, he will have sold his yacht in exchange for the use of five yachts.

With €40 million, Trotz expects to be able to assemble a fleet of five yachts that combined should offer a wide variety of cruising experiences. The five vessels categorised would be: a 35m semi-displacement motoryacht based in Malta, a 50m long-range explorer in the Pacific, a 40m semi-displacement in the Eastern Med, a 45m fast semi-displacement in Asia and another 50m displacement whose charter region is listed as "worldwide".

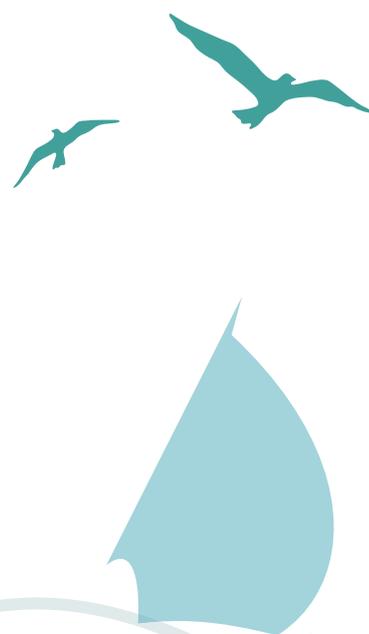
MarNav Malta would derive its income purely from set management fees. All operational profits from the fleet are passed back to the owners. Trotz said that operating one 35m yacht costs €260,000 more per year than cost-sharing the operation of five yachts through the MarNav Program.

"In order to keep the cash flow steady, and based on transparency, we've decided to hold an annual shareholders' meeting where owners will receive an annual report," Trotz explained. "At that time all of the maintenance funding is paid one year in advance into their operational account. It puts the operational side in credit and generates quite a bit of interest to the benefit of the owners."



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WERNER TROTZ



THE SUPPORTING BUSINESSES

Trotz, who managed a fleet of four yachts while with Petronome, learned that once you begin to think of a fleet of yachts, centralised purchasing starts to make sense. “The cost savings all come from centralised, volume purchasing. We’ve hired a logistics firm on an exclusive contract, and all of the supplies that are not in reserve on the yachts – linens, dishes, glasses – are stored in our dedicated warehouse. Crew will have nothing but an order list, and we can ship within 24 hours pretty much to anywhere in the world.

“The company operates a clean, efficient warehouse, has trucks on the road, and overseas shipments can be made by sea or air,” Trotz said. As contracts were still being signed, he could not yet reveal their name and also, Trotz explained, he wanted to present this information at the official launch of the programme. What’s more, the directors of the logistics company, as well as the heads of the other supporting businesses, have a further role on the advisory board for MarNav Malta.

“The captain, chief engineer, stewardess and the owners will always deal with the same person,” Trotz said. “There’s no stranger at the other end. It’s an established system. If you need something, you will know who to call.”

Trotz has engaged Nice-based Etablissements Conso as his fleet engineering firm with the mandate to centrally manage all communication between chief engineers and any spare-parts suppliers. Conso, which will also warehouse the MarNav fleet’s on-shore spare parts, is a certified Caterpillar dealer and appears to have broad experience across marine and transport sectors. The logistics company will handle shipping any parts to the yachts.

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The fuel, too, is being negotiated with a well-established central contractor. Trotz said that he’s negotiated a similar deal previously. For MarNav, he’s approached one of the industry’s leading fuel suppliers, which operates its own refinery and transport.

All contracts will be on-going with three-month notice periods for withdrawal. Cleaning supplies, crew uniforms, whatever is needed, all work on the same principle. It also applies to insurance. One insurance company (no broker is used) is under contract (confidential before the launch date) to supply complete yacht insurance including crew medical. “Again, we’re dealing with one person,” Trotz said.

“It was a lot of fun putting this deal together to provide a service on a

different level,” Trotz said. “The idea is to make the package as complete as possible. The owner knows he can’t get a better deal because we’re buying the volume for five superyachts so we get discounts, which, of course, are all passed on to the owner.”

THE CREW

Trotz’s plan for crew rotation sounds like it could attract plenty of interest as well. When the fleet’s five captains have annual leave, instead of temporary crew replacing the permanent crew, two fleet captains, who otherwise will manage the fleet, will go aboard for holiday cover. “It’s one team and they will all come to know one another. Another advantage of the fleet approach is that captains can circulate around the fleet so that they can do one season in the Med, another in the Caribbean and the next in the South Pacific or Asia without moving their present yacht.”

RAMPING UP

From the beginning, Trotz has imagined that the programme could eventually comprise 10 yachts with 18 owners. He would replicate the programme for a second set of nine owners and have two yachts in each location. His planning, preparation and set-up of all the paperwork and procedures to make MarNav a reality is impressive – we’ve reviewed all but the final documents and spoken with a number of the companies with which MarNav is currently negotiating exclusive contracts. However, there remain a number of questions. (Such is the complexity of the programme that I would need five times as many pages to cover all of the points, including some of the clever tax benefits of the BVI and Malta arrangement, owner preferences and refit plans.)

MarNav could face a situation where owners don't pay their annual dues. Trotz said the model can manage up to three owners breaching their contractual obligations to the company and still be able to operate at full operational capacity for a year.

As with the normal commercial operation of yachts, ownership would not preclude payment for charter – it's a legal requirement. So MarNav will generate charter profits from both the company shareholders, as well as commercial charter via central agents. Trotz needs to persuade potential clients that buying in for €4.44 million and paying €1 million operating costs up front offers more in return than simply chartering a few yachts a year.

What's also stymied me, and I suspect what would normally present the barrier to entry for anyone with a similar idea, is how will the business get from zero to full throttle? I keep imagining one of those street buskers

who juggles a chainsaw, a football, an orange, a bowling pin and a bicycle wheel ... in terms of complexity and

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difficulty, once it's all up and flying, if handled by disciplined experts, it should work fine. It's when a new piece is put into the system or one leaves that things get ... complex.

I suspect that valuing the shares after they're sold could be an issue for the shareholders as well, as the value of MarNav BVI is only the combined value of the fleet. Will the shares

depreciate? If so, by how much? Are profits actually conceivable?

Trotz's response is that he believes, in time, the MarNav name will come to mean value, continuity, quality and transparency. "I'm known in the industry for paying my bills, for operating honestly," Trotz said. "I do what I say I'm going to do. As a fleet manager, the classification societies and surveyors know that if something needs to be attended to, I will do it when I say I will. The charter central agents know we run a tight system, and they're happy to chat with us about bringing whichever yachts we acquire into their charter system. These yachts will be kept for the enjoyment of the owners to a very reliably high standard. Imagine the kind of confidence that could provide a charter broker." ■

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