

ISSUE TWELVE  
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# The Superyacht

TRUTH • OPINION    KNOWLEDGE • IDEAS    & SUPERYACHT OWNER INSIGHT



# OWNER

## MAGIC CARPET<sup>3</sup>

Sir Lindsay Owen-Jones on building his ideal yacht and playing to win.

## SILVER CLOUD

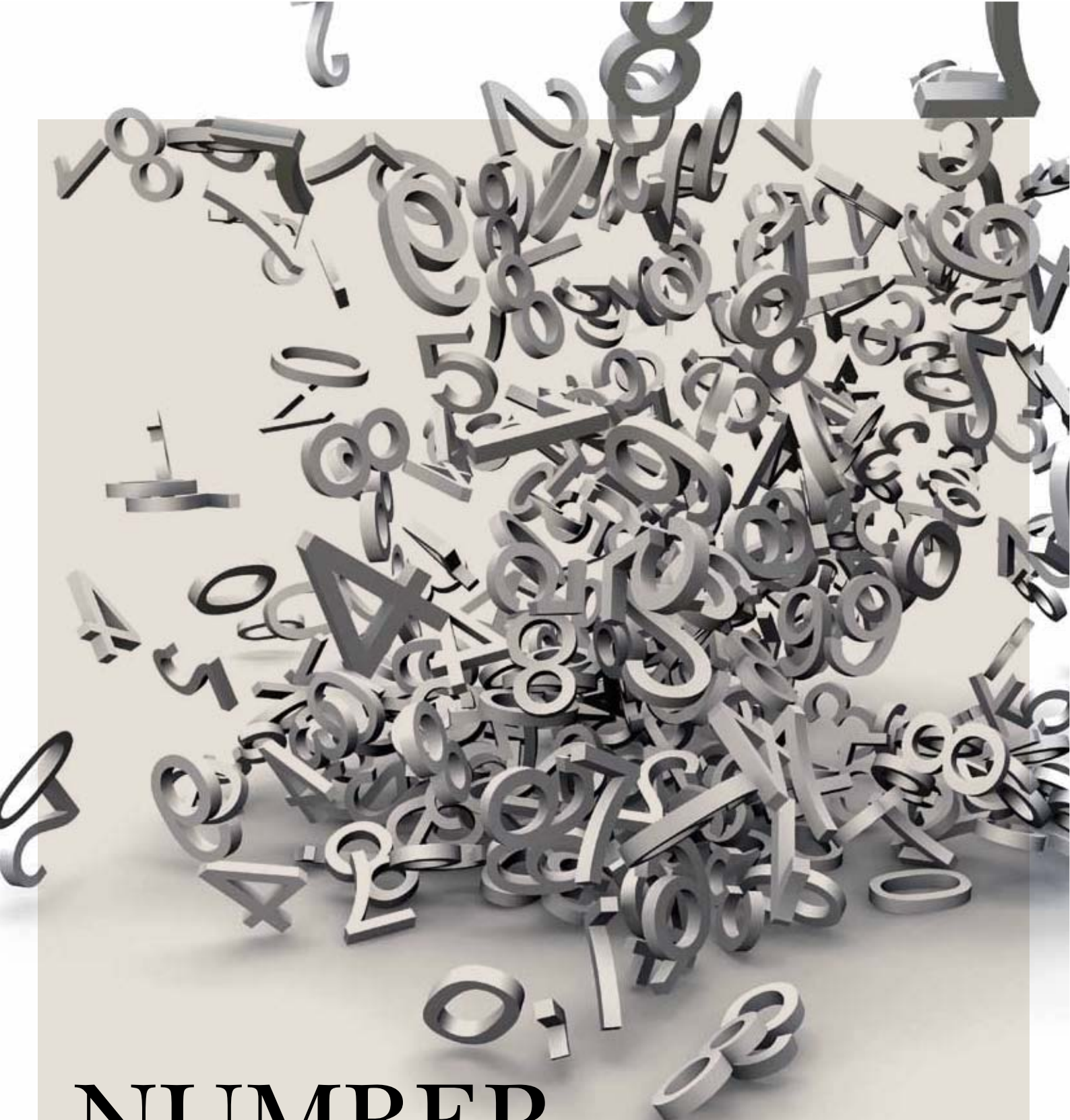
The ownership journey of technologist and boat lover Alex Dreyfoos.

## THE MULTIVERSE GUIDE

An owner's guide to what makes the unique world of multihulls so appealing.

## NUMBER CRUNCHING


How to create a realistic operating budget for your yacht.



# NUMBER CRUNCHING

– WORDS BY LULU TRASK

Investing in a new build, an educated owner will be aware of exactly where his money is going and how costs will evolve alongside the build. But informed owners also know that budgeting doesn't end with delivery. Lulu Trask shows the importance of getting involved in creating a realistic operating budget for your yacht.



A yacht's running costs should be a yearly, even seasonal, consideration for owners. While a competent captain and well-established management company should have the skill set to undertake this task of their own accord based upon their own historical figures and experience of running yachts in the past, having an owner who truly understands the broken down cost centres and variables of his or her own yacht's budget will not only ease the process for captains and management but will lessen the chance of an owner being met with unknown costs and barriers to enjoyment.

"It is important to stress to owners that budgets are not there to guarantee maximum expenditure, but should be seen as a tool to identify additional or excessive costs and understand the reasons behind them," says Anita Griffiths, manager corporate and trust services at Döhle Corporate Trust Services Limited. "Some owners want a budget set at the start of the year or at the time of purchase of the yacht, which they tend to use as a guideline during the year to check areas where spending is much higher than anticipated, or even to see how cost savings were made over a period of time against the budget. Other owners do not consider a budget necessary at all, while some implement one after a particularly costly season. These tend to be the most difficult budgets to set as they can come into play at a time that the owner has experienced a negative reaction to the expenditure suffered during a set period."

It's not always the captain encouraging

**"THE CAPTAIN'S WORRY IS THAT THEY WILL BE HELD TO ACCOUNT FOR ALL OUTLAYS EXCEEDING THE BUDGET, TAKING UP ALL THEIR TIME AND THUS INTERFERING WITH THE DAILY RUNNING OF THE YACHT."  
- ANITA GRIFFITHS, DÖHLE**

the owner to set a budget, however; sometimes an owner has to urge his captain to establish a budget and the struggle is reversed. "The biggest battle is when captains prefer not to have a budget as they are worried that their owner will be so fixed on this budget that it'll be used as a bible," Griffiths says. "The captain's worry is that they will be held to account for all outlays exceeding

the budget, taking up all their time, thus interfering with the daily running of the yacht."

In an industry that is becoming increasingly business focused, particularly within the growing constraints of VAT, charter, berthing and employment regulations, there cannot be any doubt that a budget is paramount to the successful running of a yacht. As is keeping the budget realistic. "The process of developing a budget requires proactive collaboration and consultation between the captain and the owner, management company or owner's representative," stresses Captain Malcolm Jacotine. "It will be important to know the cruising plans and use of the yacht, crew and employment conditions, condition of the yacht and standard of maintenance, along with such factors as preference for economy or speed, marine or anchorage and food and drink."

Captain Jacotine's experience of creating a yacht's budget has led him to suggest that, irrespective of size, crew costs will always comprise the largest sector of a yacht's budget. For an annual overview of a 50m-plus superyacht, Captain Jacotine believes crew costs comprise 38 per cent of the budget and when on board a yacht of 80m-plus this figure rises to 41 per cent. Interestingly, he believes on a 50m-plus yacht the second costliest sector is operating costs (25 per cent), followed by periodic maintenance (22 per cent) and fuel and port costs (14 per cent). However, on an 80m-plus yacht, he believes fuel and port costs take second place at 31 per cent, followed by operating costs at 21 per cent and owner and guest costs at seven per cent.

"Annual costs may range from two million euros for a 50m yacht and up to twenty million euros for some of today's bigger yachts," he expands. "With such substantial expenditure it is essential to have financial controls in place and one of the most valuable tools available is a well-monitored budget. I am sure there are owners that have been surprised and disappointed with costs that are significantly higher than originally expected and have left the industry as a consequence."

Knowing where to begin can be difficult, and every yacht is different, but dealing with a plethora of yachts' budgets has allowed Döhle to establish some base figures that can be a starting point when it comes to setting a yacht's budget. According to the management company

PIE CHARTS FROM CAPTAIN MALCOLM JACOTINE BASED ON BUDGETS FROM REAL YACHTS



FOR A 50M+ A FEW YEARS INTO OPERATION:

- 38% - crew costs
- 25% - operating costs
- 1% - owner and guest
- 14% - fuel and port
- 22% - periodic maintenance



FOR A 80M+ DURING FIRST YEAR OF OPERATION:

- 41% - crew costs
- 21% - operating costs
- 7% - owner and guest
- 31% - fuel and port

FIGURES FROM DÖHLE:

- €1 million+ – crew wages for a 50m yacht with approximately 12 to 15 crew
- €6,500 per day for exclusive Mediterranean berths
- Less popular berths still €450 a day
- €2,500 an hour – the fuel costs of a 70m+ on the go at 15 to 22 knots
- Regular annual maintenance estimated at 10% of a yacht's purchase price if new build

a safe rule of thumb is to expect routine maintenance to account for approximately 10 per cent of the purchase price on an annual basis. But Griffiths agrees with Captain Jacotine that crew costs will cut into a major portion of a yacht's budget. "A 50m yacht, for example, will have approximately twelve to fifteen crew on board with monthly salaries ranging from fifteen thousand euros for the captain to two thousand euros for the lowest paid deckhand," she explains. "This results in an annual wage bill of over one million euros. Add to this the recruitment fees, repatriation costs for off-signing crew and insurance costs, and the amount rises quickly, especially if crew turnover is high."

Berth and mooring costs and fuel prices also come into play, particularly for those yachts involved in charter. The most expensive berths in the Mediterranean can cost up to 6,500 euros per day, regular spots still setting you back 450 euros per day, excluding amenities. The rise of fuel prices in the context of a growing fleet means a 70m-plus yacht with its engines running but not moving consumes on average 500 litres of diesel an hour; if it were to move, Griffiths notes, it will cost in the region of 2,500 euros an hour, based on cruising speeds of 15 to 22 knots.

While owners do not need to be aware of the exact figures, understanding approximate numbers will mean no nasty surprises for an informed owner. Onboard

communications is another area that is surprisingly costly. "In our experience owners find it more difficult to reconcile huge outlays for intangible items like communication and crew costs," reveals Griffiths. "We presented a budget to an owner who was surprised to see that the communication cost was so high on an annual basis." She explains that because the cost was outlined early on, the captain had already negotiated with the supplier to have Wi-Fi and other communication services reduced at times when no charters or guests were on board. "This saved over fifteen thousand euros that year," says Griffiths.

Knowledge is power and an owner's involvement with the budget will inevitably help them understand how their yacht is run and ultimately run it better. "We have had another situation where a budget was prepared and the owner was adamant that the expenditure was too high," recalls Griffiths. "We had to chop and change the budget until he was happy with the figures, despite our warnings that the budget did not reflect reality in certain areas. It was a learning curve for the owner who had to make choices on reduced services and quality during the year to keep the expenditure down, ultimately realising that it is costly to run a superyacht."

Plan as you may though, it is always important to remember the variability of a yacht's budget. A yacht's budget is,

after all, being placed upon a floating business in an industry based upon the luxury of spontaneity. "The budget is a dynamic document and will need to be continuously reviewed and improved upon over time, and changed as circumstances dictate," concludes Captain Jacotine. "If done properly, a budget provides an owner with a valuable tool in understanding and controlling costs, minimising financial shock and improving the ownership experience – something that is in the interest of the whole industry." □



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