

# The Industry View

## The Machinery



In this issue's "The Industry View" we asked leading figures involved in the machinery four relevant questions; the answers follow here. As ever the comments we received were also posted on our Synforum, so feel free to participate in the debate online.

### Mike Perkins Quantum

1) Do you see superyachting entering a boom/bust cycle like shipbuilding and how (or will) this affect your business and lead-times?

Is there anyone who is awake in this industry that can deny the fact that we are now in the contraction phase of a 'boom/bust' cycle? Our industry has enjoyed an unprecedented growth cycle for the past eight years and anyone who has been around for a couple decades had to suspect that the party would wind down sooner or later. Will this affect our business – certainly! I do not know of any sector in our business that is immune from the contraction that is now global in reach and has impacted on practically every industry and all market sectors. The destruction of wealth on such an unprecedented scale has had a predictable impact on the megayacht business. Just two to three years ago it was pretty common for an owner to sign a new-build contract with the certitude that the contract could be resold at quite a handsome (some would say obscene) profit. I used to tell people that we in the yacht industry were nothing more than underpaid investment bankers. Unfortunately, like our better-paid brethren, we will invariably have to take our hits as well.

This contraction, assuming it comes to an end in the next 12 to 18 months as many pundits predict, will have some positive benefits for the industry. It is well known that many, if not all, of the industry players were becoming overextended in terms of capacities in terms of both production ability and personnel. That led to some egregiously late deliveries by suppliers which snowballed right through to the prime contractors (the builders) and resulted in many late deliveries of vessels. On top of that there was a remarkable inflation in terms of raw materials, components and personnel costs that drove the price for the end product to unsustainable levels. If (that's a big one) the contraction can be contained in terms of time and magnitude, the industry will have an opportunity to regroup and restructure to prepare for the next 'boom' cycle. One would hope that there have been some valuable lessons learned and that the next cycle, whether boom or return to normalisation, will see that the excesses we allowed to infiltrate into our businesses will be better contained and managed.

For our business the slowdown will definitely have a positive impact on lead-times in the near and intermediate term. Long term there is a good chance that the deflation in global commodity prices will result in lower supplier prices



across the board and a return to some normality on finished product pricing. In both the new construction and second hand markets we have seen some pretty dramatic pricing adjustments that will ultimately start to attract buyers again. In closing I would like to repeat the old saying, "If it doesn't kill you it will only make you stronger".

### Rick Thomas Nautical Structures

1) Do you see superyachting entering a boom/bust cycle like shipbuilding and how (or will) this affect your business and lead-times?

We do see many sectors of the large-yacht industry moving into an economic downturn. We are fortunate to have available diverse product lines with high-end offerings to the small yacht sector (20m-30m), large-yacht sector (40m-60m) and the very-large-yacht sector (70m+). This has allowed us to reallocate our manufacturing resources as necessary and continue into 2009 with the majority of our workforce intact. We expect to maintain our current production schedules and anticipate little negative impact to our lead-times. With some of our more standard products we may even see lead-times being reduced.

2) There is an increasing trend of complexity resulting in manufacturer-only, non-user servicing in Prime Movers; do you see this trend expanding to other machinery? Perhaps in some types of machinery this is inevitable. The design and manufacturing philosophy of our company is to deliver equipment that can be kept in service anywhere in the world with a minimum service cycle. Ideally equipment that goes to sea should be serviceable by the ship's engineer and not dependent upon a direct service link to the manufacturer.

3) Machinery space has always been at a premium on superyachts; do you believe new technologies will reduce your equipment's size and footprints?

We have been developing new load-bearing technologies with a few of our key suppliers in an effort to reduce both the size and weight of our equipment. This collaboration coupled with new manufacturing processes has resulted in greater performance provided in a more compact system-package. This is an on-going engineering initiative which is constantly challenged by the industry's demand for larger and more complex tender-handling systems.

4) Greening yachting mainly requires increased efficiency – in five years how much more efficient can the machinery you manufacture be (or how much can it contribute to overall efficiency) and using what technologies?

