

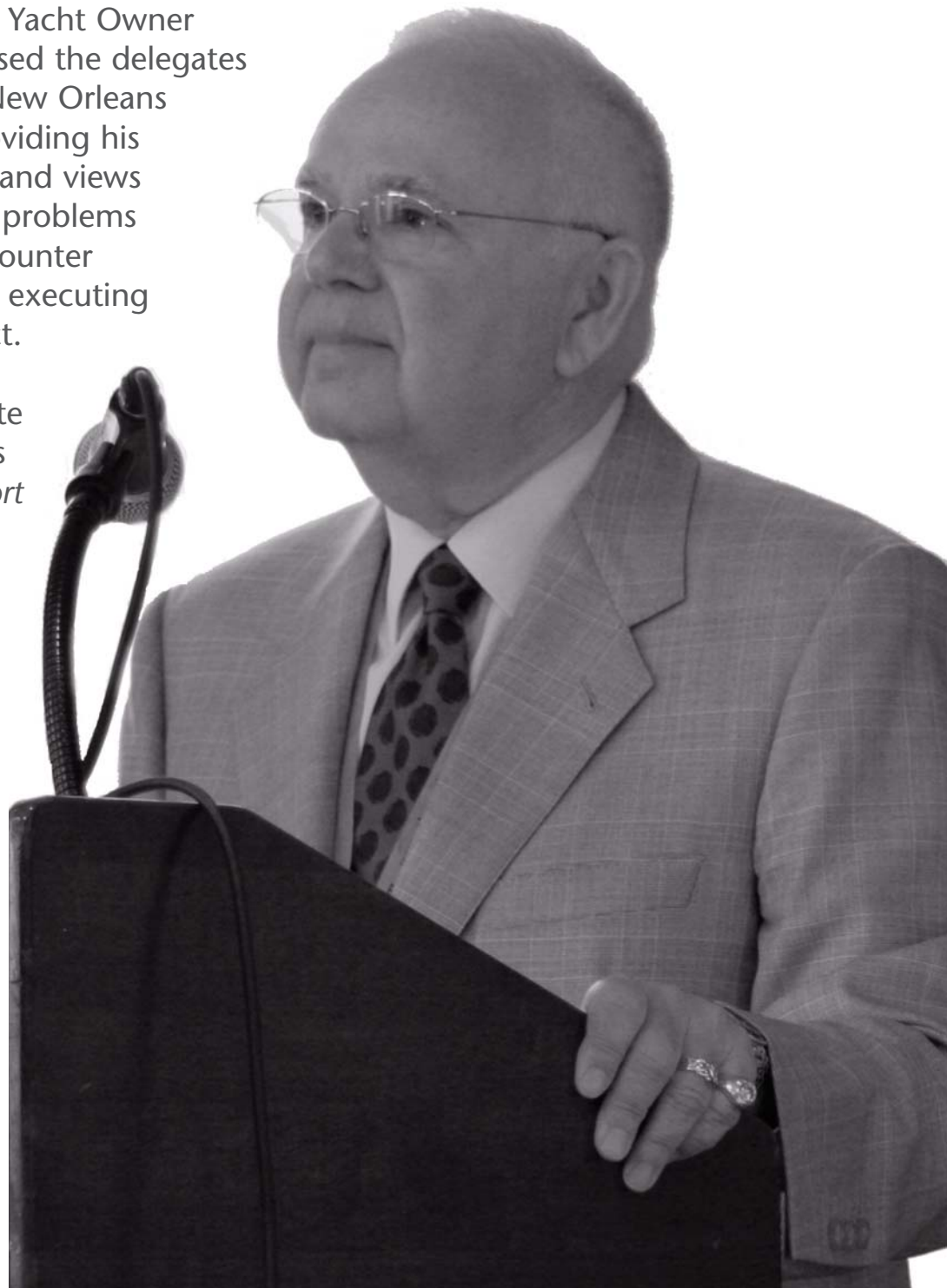
# Stanley Bey

## Man At the Helm

**Stanley Bey**, serial Yacht Owner & Operator, addressed the delegates at **Project USA** in New Orleans earlier this year, providing his unique perspective and views on the process and problems any Owner can encounter when planning and executing a large-yacht project.

We felt it appropriate to share these views with *The Yacht Report* readership as part of the general education process that is so often required by inexperienced Owners who enter the market for the very first time.

Mentoring, Knowledge Sharing & Information Exchange is something we would like to develop between not only industry sectors, but Owners too.



## The Background

You are all probably a little curious of who I am and what qualifies me to address you today. I started my boating career with a toy sailboat around the age of nine. This passion is almost 60 years long. We lived in a central New Jersey waterfront town about two blocks from the local Yacht Club and only one block from the Raritan Bay. They had wonderful junior programs and so forth but it all may as well have been in Siberia since my Dad had an unbelievable fear of the water since boyhood and he could not swim. I was forbidden to go there. But I did sail my little sailboat on a string out into the Bay without his knowledge, and was really in my mind on board that boat doing everything it took to keep it sailing.

Eventually, when I turned 25 I bought an Owens 25-foot inboard built in Baltimore, Maryland, made out of what then was new: marine grade plywood. She had a Flagship Marine inboard and probably did 25 knots on a good day. The only safety features we had was a marine radio telephone and a compass. Well, that lasted all of two and a half years and marriage and the first baby came along to take its place. Four years later, after poking around many boat yards, my wife suggested I get a small sailboat (14 to 16 feet) to use on our local Navesink River. I came home with a 29-foot sailboat and have rarely been without a boat since. Of course I got the racing bug and sailed in the IOR and Cruising Club of America events and the sailboats kept getting bigger. A sailing accident (a crew member fell out of the mast onto my head) eventually led me to powerboats and cruising as the result of a serious neck injury that limited my ability to handle the winches and direct steering of our racing boats.

This was still during my pre-retirement years and I then had a series of cruising boats from a Grand Banks 42 to a Hatteras 58 Long Range Cruiser. Then we fished all over the Bahamas and south Florida and New England

in a Hatteras 55 Sport Fisherman. And these were considered large enough boats in the '70s and '80s. A very large yacht at that time was a 100-foot Burger or Broward and they were rare at the docks in Bahia Mar or Piper 66. Feadships were virtually unheard of and really unknown to most boaters.

My retirement from active business in June of 1989 gave me two opportunities: I had the time and the capital to pursue my love of boating on a grander scale. Immediately by September I found an 85 Broward that I thought fit the bill perfectly for us and we headed for the Bahamas and the Caribbean. She quickly proved too light for the job, being a semi-displacement boat, and did not carry sufficient stores, crew and fuel for the kind of wandering we wanted to do. At the Broward yard there was the largest Broward ever constructed, 40 metres, on speculation and just having the hull completed and it didn't take me long to make a deal. That boat took us everywhere with sufficient range and crew and an excellent turn of speed. We visited France and Italy and Alaska, and the entire East Coast and West Coast of the US aboard her. She was known as *Pegasus* and we sailed her for six years and over 50,000 miles. What was really interesting about that boat was it was the first boat we had been involved with the construction. We had a project manager and when he started to disappoint us we took over the project ourselves.

I have to admit we did a lot of learning, but the people at Broward showed us the way and built us an honest boat, but she was still a semi-displacement vessel. The last seven months we were there almost every day from morning till night, trying to be helpful sweeping the decks after everyone went home and admiring the day's progress as the sheds were closed up for the evening.

Up to this point we had never owned a true displacement yacht. I kept hearing about how well steel hulls rode compared with aluminum and I really

## One also has to set a building budget that has some relationship to the size and scope of the project

wanted to know more about this. An older Feadship came on the market built in 1970 with a magnificent canoe stern and a reasonable draft of seven and a half feet. Length over all was 115 feet and she had made over 10 transatlantic crossings on her own bottom, usually with a crew of three or four according to her logs. She was originally built for the Amway Corporation totally in steel and was extremely well kept for her age with original generators and mains still working very well. By now *Pegasus* had been sold and I just had to try a Feadship that required a relatively small investment. After a minor interior remake we put her to work as both a great family cruising boat as well as a busy charter boat.

After three years we knew that displacement vessels were ideal for us especially in steel with a low centre of gravity. Also, our family of four kids started to get ever larger with marriages and grandchildren (there are eight now). We needed a larger boat. We visited many designers and shipyards throughout the world over the years and developed a sense of what we needed. A chance visit to the Hakvoort Shipyard in Monnickendam, Holland allowed us to see a 43.5-metre vessel in progress known as *Lady Duvera* and we knew we had found our ideal boat. She was an ocean-going steel-hulled, aluminum superstructure, large-volume vessel holding 16,000 gallons of fuel with easy transatlantic range. We were worried about building overseas, the language barriers, the currency issues and the ability to be as hands on as we always were on our previous boats.

Our trusted Captain of 10 years' service moved over to Holland and we all pitched in with Diana Yacht Design and Andrew Winch Interiors and got the job done and built the best boat we have owned. She

has logged over 70,000 miles to date and is still under the helm of Captain Rusty Allen; however, she is no longer owned by us. We received an offer we could not refuse and by now my wife and I were boat builder-operator junkies.

You may be curious about the title of this paper – 'The Joys and Horrors of Building a Yacht'. Let me put the first premise forward to you: a boat on paper is worth a lot less than a boat constructed, sea trialed and run in to take out those little kinks and prove she is as seaworthy as we had all thought. That may well be the joy! The rest can be one big horror unless you are knowledgeable, have a strong support system, a strong will to maintain the budget in a sensible way, the time to oversee all this, and the will and money to make it happen. Producing a sound vessel is no mean trick when you consider all the variables that can and do occur. So this leaves us with the question of why build a yacht when you could just go out and buy one and use it just as it is or modify it to your own needs?

I think the real answer is in the creative urge that is in so many of us to have our own very special pride and joy that we made happen. I know a lot of owners and often their simple answer is: I want it built my way; I'll know what I'm getting, I want a brand new boat, I want the latest and greatest of the technology. Simply put, it's mine! Forget that they have used naval architects, interior & exterior designers, project managers, captains, the shipyard and even brokers and lawyers to get the job done. Let's be sure of one thing here today: nobody needs a yacht. Without us – the customers of many of you here today – there is no yacht industry

So let's assume one has this creative burning desire to build a yacht. In my mind the first thing that should be considered is the mission of that vessel. Should she be a white yacht or an expedition type boat? Will she be built strictly as a family vessel or a charter boat? Will she generally have a coastal mission or be







expected to cross oceans and spend extended periods of time at sea or in remote areas? Are their draft and length limitations the owner would like to impose? One also has to set a building budget that has some relationship to the size and scope of the project and allows for the level of quality one would like to see in his own boat. Where do you start?

There are many starting points and none of them are truly incorrect. It's all a matter of how you slide into a project. For me it has always been working with a really good broker. I have been fortunate enough to have worked with the same one for the last 14 years. He is my sounding board and arbiter of good taste after all these years and has become a good friend. I remember once standing on the Marriott Dock in Fort Lauderdale looking across the New River at Pier 66 marina. We had been involved earlier in the day seriously discussing an Expedition Vessel project. The day was ending and across the way at the Pier 66 docks lying next to each other were two 50-metre vessels. One was an explorer type boat and the other a beautiful Feadship of near vintage. "OK Stan," he said as the sun was going down, "which is it, the yacht or the Yug?" I didn't have to think but a moment and blurted out, "the yacht." That ended the Explorer project.

A good broker will help you define the mission and then he will have a sense of where to guide you. A good broker will allow you to literally taste the market for new builds. By getting an understanding of what is being built and the various pricing levels from country to country you can develop what I call the cost – quality-size ratio. Or the quality-cost size ratio or the size – cost-quality ratio. See what I am driving at? It truly varies all over the place and one man's bargain is another man's junk. So it has to be refined into what you, the guy who is paying for all of this, really want to end up with. And that my friends can be a very difficult choice unless you have unlimited funds and superb tastes. Even if you are building your second or third vessel, the probability is

that they will each be quite different and generally the projects as one continues through its boat building cycle also get bigger and more complex. The challenges get ever greater as the technology in boating develops ever further.

So let's say you're one of those individuals who started the process with a broker. How do you arrive at the right person for this job? He has to know the market for both new and pre-owned vessels so that a determination of value in the present market place can be established in relation to the discussions the two of you have had. This sounds like a very formal process but it need not be. A lot of dock walking and shipyard visits are required to truly develop that understanding. After that your man has to be a talented negotiator who understands the fine points of yacht construction and the ensuing contracts that result. Usually he will introduce you to the right admiralty lawyer for you and the right surveyor who will also be engaged for the project.

### **Make sure the yard has built to the classification you have specified and understands the latest rules of MCA**

While you're doing all of this there are several other things that should be done in parallel. A designer must be engaged for the interior and exterior and a general accommodation plan developed. A hull design must be established with a naval architect. This is the point at which a really good project manager should be engaged to develop and verify the specification of every detail as far as possible of the yacht. This all has probably been fun up to now and is really relatively speaking the easy part.

Now we can speak of the horror part that can suddenly emerge its head. You have unilaterally engaged all these professional and truly knowledgeable individuals. They all have their own ideas and leanings and as the owner it suddenly may

become your job to get all this working like a well-oiled machine and you haven't even put the yacht out for tender nor had any serious discussions with a shipyard to actually build this boat! To put it mildly, there is a lot of sorting out to do and maybe even some changes of the team members as the group learns to work together. You and your broker will work overtime at this point.

### **Picking A Yard**

The first question in today's market is when your next slot is open and what would be the delivery date for this type of vessel. To save a lot of aggravation just add six months to that delivery date automatically. Once those questions are answered it pays to visit the two or three of the yards you will seriously consider. Things change quickly in this industry and what once was a prestigious name may now be on hard times because they took a job too cheap or they didn't perform well and cut a lot of corners trying to catch up financially or sold out to a conglomerate that doesn't have a clue about fine boat building. A walk around a shipyard with some of your key people tells a lot very quickly. Are there boats in progress? Is the yard neat and orderly? Is there plenty of backroom staff or not enough? Do they own their woodworking shops? To what extent are the various trades subbed out? Are the sheds modern and well ventilated and large enough? How do they get the boat into the water? Try to get the names of owners who have gone through a recent build for a reference on the yards service, quality and ethics.

Yes, I did say "ethics" because only so much can be written into the contract for boat building and an awful lot of good faith must be relied upon between the owner and the shipyard. Spending all your time reading the fine print and trying to decipher the language of the contract is not conducive to building a great yacht. Neither party will establish an upper hand and animosity will reign king. Probably the owner will not get a great boat and the yard won't

make any money either. The lawyers will prosper, I guarantee.

Rather than tendering various yards to get the lowest price, I have in the past picked the yard I thought at the time that would do the best job as close to the delivery time I would have liked. I then start a process of negotiations with them. I always bring my broker in especially at this point and make sure he earns his money. Fortunately, he spent many years owning a shipyard and building yachts. This eliminated the opportunity for the yard to muddy any water. This also involves a good opportunity to clarify the specifications so there are no misunderstandings. By being involved in this negotiation you get a chance to see how the representatives of the yard handle themselves. This reminds me of the Italian yard that said you don't need that extra fold-down berth in one stateroom because the dining table seats only ten. We all know this is a business about what the customer wants. The goal of all involved is to satisfy that wish in a safe and responsible way. Make sure the yard has built to the classification you have specified and understands the latest rules of MCA.

Once the negotiation is concluded successfully and the specification accepted there is no doubt in my mind that a review by an experienced marine contract lawyer is of vital importance. But also keep in mind that the contract is only as good as those individuals engaged in it and the will of those individuals to follow the contract. Substitutions and how they may occur must be carefully spelled out in the contract. It is been my experience that some yard substitutions were better than that previously agreed upon in the contract, so as you can see it can go both ways and one must be prepared to have an open mind.

You also have to review a financial statement from the yard's accountants, and have the yard provide current copies of the insurances they carry and be sure they are sufficient to cover your project. The

## owner profile

yard should provide a list of sub-contractors that will work on the boat. Once this is approved by the owner there should be no substitutions without owner permission. And finally the payment schedule has to be agreed upon with certain benchmarks triggering the release of money to the yard that correlates to the yard agreed upon building schedule.

## Hull Design

You have already settled on the mission and that usually will dictate the hull design to be displacement, planning or semi-planning hulls. Often today, the yards are offering what I call series boats that have the same platform or hull. If it is a proven design there should be no need for tank testing; however, a new design should have a contractual responsibility for the builder to engage in this evaluation at the yard's expense. The design of a special hull can be furnished either by the yard or as part of the bid package from the owner. I have typically allowed the yard to develop the hull with the naval architects they generally work with. This has resulted for me in excellent sea-keeping vessels built to extremely high standards with a tremendous volume.

At this point we have to have an exterior style and this in some cases requires an exterior designer and possibly another designer for the interior. I have managed to avoid this possible pitfall. My choice of designers has allowed the interior and exterior designs to be created by one individual. The result for me has been a more harmonious blending of the interior and exterior look of the boat. Can you imagine having to add one more member to the team than you have to? Here we are at least four to six months later, and we haven't cut one piece of metal as yet! However the contract is signed and we have done all our due diligence and our team is assembled and working together. Now the really tough part for the owners starts.

The yard should immediately immerse themselves in hull design if necessary and tank testing by an agreed-upon third party. Ideally, the interior is constructed off the boat as the hull is being built and the designer for the interior must now translate that General Arrangement (the GA) into a working design that fulfils the look and functionality required by the owner. One of the greatest pitfalls I have found is the designer who has spent little time at sea. He or she may have a great eye for style and

design, but often do not quite understand the intricacies of functionality at sea that should be built into the overall design of the boat.

An example would be typically a leaf for the dining room table. Where do you store it? It is quite large and easily damaged and yet no one seems to worry about it until the end of the project when someone states where should we put this? My answer to this is to put into the project a highly experienced build captain in place at the yard. He will, all along the way, ask those tough questions of the designer and builder. His job is to review function and practicality as much as possible and to blend his seagoing experiences into the mix.

## The Owner Trap: Builders' Allowances & Change Orders

Over the years through experience you learn to work with or without builders' allowances. My preference would be to have none. Usually the allowances are used as piggy banks against which you purchase things such as galley equipment, carpeting, wall coverings, and various finishes or special effects such

## owner profile

as marble or wood floors and are charged against the amount allowed. Are they ever enough? It depends on the amount you have negotiated and the collaborative taste of you and your designer. It is an opportunity to go off the deep end and get a fat bill upon completion of the yacht.

You do risk the possibility of what I call the "why nots syndrome". The wheel house electronics package and the audio visual package I have always contracted on my own, using no allowances for these areas of construction. This gives me total control of suppliers and results. Fortunately, I have used the same two suppliers with very good to excellent outcome over the last four projects.

The change order is a whole subject unto itself. It is my understanding the both the builder and the owner would be both better off with no change orders whatsoever. However, since this is to be regarded as a living developing project, I do not see that as a possibility since usually at least two or three years are involved and ideas and equipment possibilities change. If you want to build to the best state-of-the-art, then the final product should be allowed to take advantage of changing equipment

## owner profile

and ideas as the project progresses. I do not simply believe you can lock up the design and specification and walk away from it and achieve the best possible boat that way. That just happens to be my understanding of getting the most product from the build. So, I see change orders as a reality that has to be controlled. The best way to do this, of course, is in the original specification. It has to be reviewed several times by very experienced professionals to be sure that everything we wanted and most importantly expected is spelled out in the contract language. Your project surveyor can be very helpful with that review. When the builder hands you a 30-page specification that is the time to be wary. Using that as your base, define what the builder's standards are and spell it out to the last detail in the contract. Have as many meetings as possible to define the interior before you get a final price from the builder. He needs to know the types of finishes involved such as high gloss versus satin finishes and the type and intricacies of the marble work.

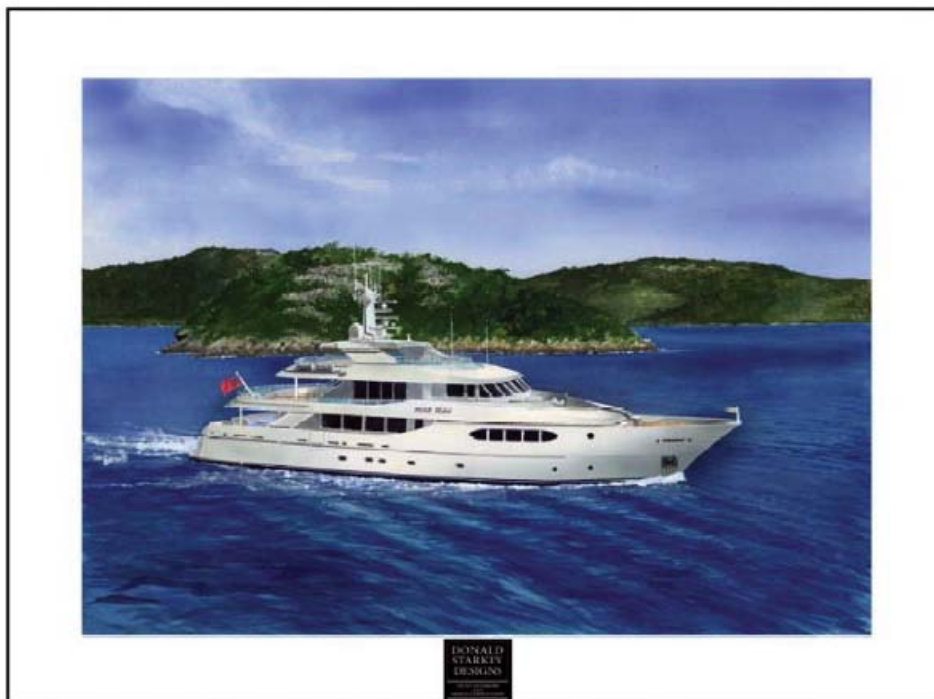
Too often we have rushed into a project without taking the time and consideration it needed in our effort to get another boat rolling out of the shed. I have tried to rush this process and it doesn't work to anyone's benefit. Invariably I have paid for it dearly.

We have talked about change orders and builders' allowances. There is a third item that must be carefully considered into the build factor: Owner's Supply. Generally this is all the loose items that go into a boat and can range from the dining room chairs, exterior, chaise lounges, chairs and cushions, Isenglass work, towels, crew dishes, glassware, china, and you name it that adds up in dollars or euros real quick. If you planned it right, all these things will have a place in your boat. Heaven help you if you don't and that's where a lot of yachts get short changed. And needless to say, the budget can easily be trashed if you weren't careful in estimating these out of pocket start-up costs that should include the necessary spare parts and supplies down to the sugar and salt and pepper to get a boat on its way. I believe the dollars and cents work can be delegated to the team, but in the end it is the owner's responsibility to verify and understand all these different cost that go into

getting a boat ready to cruise. Very often they are not quantified by anyone in the project and they can come as one heck of a surprise to the unwary owner.

## Working With The Designer

A good designer will have had at least two or three sit downs with you to discuss the interior look and its relationship to the General Accommodation plan. By now he will have several proposals for you and the yard to review and part of this process is to make sure you are within the yards proposed budget. This is a potential major source of disagreement in my opinion. All the yards I have encountered are wary of the designer. Some yards



will offer designer services as part of the contract. That to me means the designer is working for the yard and not you. My preference is to pay the designer and control his work product as it relates to the proposed budget. Yes, there are some people who can hire a designer and say call me when it is finished. I believe there are very few of those types around. Your design contract should include full fitting-out of the vessel down to accessorising. The contract should also state when the designers' job is complete. Using time-date-oriented completion references or man hours for the job is a shaky way of determining the actual conclusion and can result in substantial overage charges from the designer and he will be within his rights to do so.



Another thing one must be wary of is that the designer produces timely drawings and sketches for the yard. It also should be decided in the original contracts who are producing the shop drawings for the cabinetry. Do I need a designer? It would be like trying to represent yourself as a lawyer in a trial, extremely difficult and very foolish. Boats are and can be built without interior designers. When this happens, they tend to look like it. There is always added value to the project to have a good designer's name on the boat. Well, the months have gone by and the plumbing, electrical work are installed, the insulation and sound attenuation devices are employed, engines and generators are hooked up and we are getting toward the final fitting-out.

The woodwork is off the shop floor and is being fitted to the hull and final finishes such as ceilings and floors are going together. We always insist in our contracts that all ceilings be removable so that repairs and inspection to the plumbing and piping can easily be accessed. Frequent inspection by various members of the construction team is vital at this point to make sure that everything is coming together as planned. A photo record of what is in the walls can be very helpful five years from now should a repair or change be required and no one remembers just what is in there. As built drawings should be supplied as part of the contract with the builder at the conclusion of the build.

Here we are. Today is launch day and it is cold and rainy as usual in Holland, but we are all excited and warmed by the prospect that she will finally be out of the shed and floating properly on her lines. The work is not over yet for the team or the builder. First order of the day is dock trials. That means getting the generators going and working properly and then turning over the main engines and check for leaks in the plumbing and alignments of all moving equipment. After everyone is satisfied with the dock trials we are ready to journey out to the North Sea to do the first sea trials.

Owners typically do not participate in these, although I have on two occasions. Let me say they are not fun and represent a very long and tedious day at sea with a lot of perfectionists, and some are sea sick having been at the yard for too long. Usually the classification society will have representatives aboard to confirm the work and tests performed. Then it's back to the yard to compare notes, make final adjustments, final finish out the interior and move the crew on.

**Your contract with the builder should be very specific about the warranty period, where it may be performed and how it will be determined what is and what isn't warranty work. Any defects noted by the crew to the captain should be immediately conveyed in writing to the shipyard for future or immediate remedial action and a copy to the owner or owner's representative.**

Yes, I said "the crew". For the last two months the Captain was slowly building up the crew required for the vessel. First to come on are the engineer for a final familiarisation from the yard and the head steward or stewardess to get all the towels, linens, crockery properly stowed and, most importantly, accounted for in the ship inventory.

Generally the rest of the crew comes on one or two weeks prior to the launch schedule. Yes, your Captain is a very busy man at this point. He has probably rejected one or two chefs after an interview and has probably misjudged a few crew members and has to replace them immediately. This is all part of the trial and error of building a crew and it is clearly a related expense of building a boat. I try to give my Captain plenty of latitude in his choices of individuals, but I also understand that there will be a revolving door for a while until things settle down and we have a working compatible crew.

It is hand-over day. The final payment is to be wired to the builder and all of the certificates are verified by your lawyers and bankers. Everyone is eager to leave the dock and head for the first destination for this brand new boat. There is but one last umbilical cord that the boat will have for generally one year, the warranty period.

Warranty is a subject near and dear to my heart because no matter how good a builder you have worked with there are thousands of parts in the boat he did not make and invariably some of them will not be perfect and might fail in the first few months. Your contract with the builder should be very specific about the warranty period, where it may be performed and how it will be determined

what is and what isn't warranty work. Any defects noted by the crew to the captain should be immediately conveyed in writing to the shipyard for future or immediate remedial action and a copy to the owner or owner's representative. During periods of warranty work it should be made clear who is responsible for dockage, electricity, water and sewage hook-up in the shipyard that is doing the repairs. It should be made clear to the builder what the yard rates are and that they approve that this particular yard can do the job. If it is something serious, your contract should read that a surveyor be employed by the builder to ensure that the boat is put to original standards. There should also be a very clear clause in your contract outlining responsibility of the shipyard to immediately pay all repair yard bills. I prefer to see a certain amount of warranty money set aside at the final payment in escrow with the bank or lawyers just for this purpose. At the end of one year the funds that are left are released to the builder.

Approximately 3% of the contract build should be a fair sum to protect both parties. I regard the warranty period as the worst horror of the construction period. The problem is if your boat is

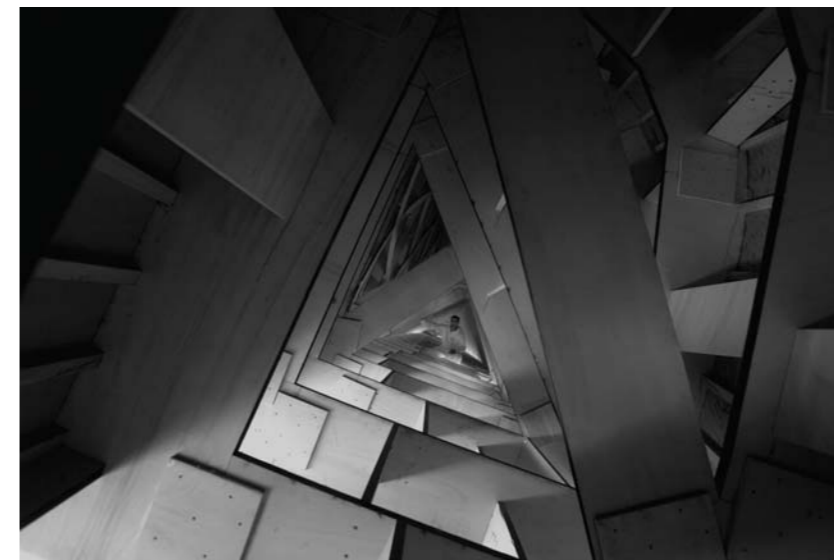
tied up for 30 or 40 days you are not reimbursed in any way for lost charters or your inability to use the vessel. This adds up to a lot of money real quick, but I know of no situation in which the yard has indemnified an owner for this as yet.

I have tried to cover what I regard as a very lengthy subject in a relatively short period of time. I have not covered all the details it takes to get the vessel constructed, but rather have chosen the highlight areas that one should be aware of when undertaking such a project.

**The pictures featured in this article show the progress of *Perle Bleue*, one of Stanley Bey's builds.**

*Ed's comment:* We would like to invite other Owners to share their thoughts and experiences through *The Yacht Report*. If you would like to offer your views and vexes send us a quick e.mail to [martin@theyachtreport.com](mailto:martin@theyachtreport.com). They can be published anonymously or conducted in the form of an interview or published unedited as a personal report.

## Photographic Competition



The Yacht Report and Camper & Nicholson's International play hosts to a unique photographic competition that honours the world's leading superyacht photographers.

Entries will be judged on their ability to capture the beauty, artistic detail, craftsmanship and true emotion and energy of the superyacht.

The winner of the competition will be announced on the eve of Monaco Yacht Show at a private party in the Yacht Club de Monaco and will be awarded a splendid Hublot timepiece.

Show visitors will have the opportunity to see the winning image and nine highly commended photographs, as both The Yacht Report and Camper & Nicholson's International will display the impressive and inspiring images at their stands (QE17 and QE27) and on the Miramar terrace.



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