

The Superyacht

TRUTH • OPINION KNOWLEDGE • IDEAS AND EXPERT INDUSTRY ANALYSIS



REPORT

BRAZIL & THE AMAZON

A look at what's next for one of the world's emerging superyacht cruising grounds.

Page 30

SILVER LINING

The first sailing superyacht built to class from Thailand, supervised by her owner from day one.

Page 44

HETAİROS

Extending the boundaries of sailing superyacht design and engineering in the quest for sailing performance.

Page 58

ENGINEERS FOCUS

Covering issues at the heart of those on board who have most contact with the yacht's systems.

Page 67



BRAZIL

Looking ahead to the FIFA World Cup and the Olympics, Brasilia is fast-tracking development, giving Brazil the chance to captivate a world-class audience with money to spend. **Don Hoyt Gorman** takes an in-depth look at the nation's superyacht market and provides a guide to what's next for one of the world's emerging superyacht cruising grounds.



“We see this as a time of real opportunity to establish Brazil as one of the prime destinations in the world.”

KLAUS PETERS, DIRECTOR OF DEVELOPMENT FOR BR MARINAS



ABOVE: NICK MARIS, CEO OF CAMPER & NICHOLSONS MARINAS.

BELOW: THE PROPOSED BUZIOS MARINA DEVELOPMENT FROM BR MARINAS AND CAMPER & NICHOLSONS MARINAS.

For superyachts, Brazil is still an undiscovered territory. Berths for 30m+ vessels number less than a couple dozen across the whole country, and the wealthy locals often discreetly keep their yachts or charter in the Med and Caribbean. But with the 2014 FIF World Cup and 2016 Olympics looming, the Brazilian government is loosening its previously restrictive regulations, which has facilitated the privatisation of infrastructure like transport hubs – including ports and airports – enabling new development, which has the potential to open up marina and other waterfront developments and set the Brazilians on course to building a serious large-yacht marketplace.

MARINAS

“Brazil is still undiscovered for a lot of people in yachting,” said Klaus Peters, director of development for BR Marinas, which is working with Camper & Nicholsons Marinas on a series of marina developments in Brazil. “We see this as a time of real opportunity to establish Brazil as one of the prime destinations in the world.”

Right now, between BR Marinas’ two operational sites at Velrome and Piratas – both near Rio de Janeiro – there are 15 slips for vessels over 30m, with a draught of 4.5m. There is a 110t travel lift at Velrome, with plans to expand capacity

to 300t and a 10.5m beam in the near future. Other marina developments in Brazil, like Marina Astúrias in Guarujá, while lavishly appointed, are no larger and cannot yet provide berths other than at anchor for all but the smallest US or European superyachts. Still, Nick Maris, CEO of Camper & Nicholsons Marinas, has signed a memorandum of understanding with BR Marinas to capitalise on what they see as a key strategic moment in the market’s development.

C&N Marinas’ and BR Marinas’ development plans are extensive, with proposed projects spanning the entire coast of Brazil from Santa Catarina State in the south to the Amazon in the north. “The government has been enabling development to build across the whole country,” Peters said, pointing to the recent privatisation of Brazil’s main airports, in preparation for the World Cup and Olympics. “The same expediting of development plans has impacted the entire marine sector, and we’re working with the government to ensure the pleasure boating sector gets its fair share of opportunity.”

One of the local marina features, which visitors will find unique, is the extensive dry-stacking operations, even for larger vessels, in which owners keep their boats out of the water in sheds. According





to a recent British Marine Federation report, the local thinking on storing boats high and dry focuses on avoiding the need for anti-fouling several times a year and keeping vessels safe. “I’ve seen boats from 18m to 36m in dry stack in Brazil,” said Maris. “That’s novel to me, but it’s definitely the pattern.”

The country features some of the most spectacular cruising grounds in the world, including the Amazon basin (read the tipsheet for captains on page 43) and Angra dos Reis, a sheltered bay with hundreds of islands and innumerable beaches, just west of Rio de Janeiro. Much of the domestic yachting culture is centred on Salvador, Rio de Janeiro and the coastline south towards Florianopolis.

Brazil is closer perhaps than most owners and captains may realise: “Brazil sounds very far away,” Maris said, “but if you look at Gibraltar to the Caribbean, it’s about 3,200nm. Gibraltar to Rio – which is not the closest point in Brazil to the Med – is about 900 miles further. From the Canary Islands to Rio, it’s about the same as Gibraltar to the Caribbean.” With yachts now able to enter the country for two years at a time – changed three years ago from six months – it can be a reasonable trip to make, and will be only more so once the services evolve.

THE BUILDERS

By all accounts, Brazilians are competent boat builders. Their commercial and offshore shipbuilding business is booming. The top yacht manufacturers include Inace, Intermarine, MCP, Schaefer Yachts and RioStar. Superyacht building can’t be said to be a developed industry in Brazil, though with a handful of custom yacht projects over 30m underway at Inace, MCP and RioStar at the moment, experience and confidence are growing.

Brazil also manufactures automobiles and airplanes. “That’s the profile of a country that can produce top-quality yachts for the international market,” said Luiz de Basto, superyacht designer and native Brazilian. “Sooner or later, we’ll see someone investing in a yard to build yachts here on the scale of Oceanco or Lürssen – because it’s absolutely possible. Perhaps we’ll see Inace or one of the others rise to the occasion.” De Basto has two current 30m+ projects underway at Inace. “Inace has a good reputation of building good quality, seaworthy vessels with commercial experience,” he said, and “with these two yachts, we are helping them to bring their interior quality finish to an international level.”

Ferretti and Azimut Benetti have driven the European push into the domestic market by manufacturing within Brazil, although their focus remains firmly on the sub-30m market.

ABOVE: INACE EXPLORER YACHT THE 36.5M *FAR FAR AWAY*, LAUNCHED IN FEBRUARY 2012.

BELOW: RENDERINGS OF THE MAIN SALON & OWNER’S STATEROOM OF THE SECOND INACE EXPLORER, THE 38.4M *M/Y BATAI*, CURRENTLY UNDER CONSTRUCTION FOR DELIVERY IN JUNE. THE EXTERIOR IS SIMILAR TO THE 36.5M, EXCEPT THE AFT DECKS ARE ENLARGED TO INCREASE THE OUTDOOR AREAS.





ABOVE & BELOW: FERRETTI BRAZIL'S NEW FACILITY IN SÃO PAULO.



Marcio Christiansen, the director of Ferretti Brazil (formerly Spirit Yachts), has been a business partner and friend of Norberto Ferretti for over 20 years. When Ferretti decided to make the formal move into Brazil, they acquired Spirit, renamed it Ferretti Brazil, and built a new facility in São Paulo with a current capacity of 60 boats per year from 15 to 25m in length. They are aiming for 100 per year in the next couple of years, still in the same size range.

“Brazil is an interesting market,” said Alessandro Diomedi, the Ferretti area manager for Central and South America. Diomedi understands the unique challenges of developing markets: having previously been Ferretti’s man in China, he set up the offices in Singapore and Shanghai. “You have the wealth and the spending capabilities, the branding and the lifestyle which is very similar to the one which we enjoy in the Mediterranean and the Caribbean. They love to go cruising with their families. So you don’t have to create that culture. It’s not like China.”

The dutch engineering firm Vripack has worked in Brazil with both yards and private clients on yacht projects. “The yards we have been fortunate to work with – Inace and MCP among others – have the high-end know-how in construction and assembly of both

metal and wood,” says Marnix Hoekstra, sales director. “That is one of Brazil’s big differences with regard to the other BRIC (Brazil, Russia, India, China) countries.”

Still, the culture of yachting in Brazil remains firmly below 30m, although the sizes are increasing. “A few years ago a 15m boat would have been considered big by most people here,” Peters said. “Now it’s one of the smallest in our marinas.”

“The Brazilians love their boats,” Diomedi added. “They like a huge sound system, and they prefer a different use of space.” One of the largest yachts currently lying in Brazil is the 35m Pershing 115 belonging to the Brazilian billionaire Eike Batista. Diomedi sold him the yacht. “They’re not buying vessels over 30m in any significant numbers,” he says, smiling, “yet.”

CHARTER AND CULTURE

There is no charter culture in Brazil whatsoever. As in China, the concept of buying a yacht to rent to others hasn’t emerged yet, as most locals see yachts as a private investment for themselves and their families. And also, there are so few yachts large enough to build a superyacht charter business from in Brazil that the market simply hasn’t taken off.



“The local yards – Ferretti, Azimut, Intermarine, Schaefer – could build bigger boats, but the buyers don’t see the benefit of charter as a way to mitigate costs,” said Marcelo de la Cruz, a private yacht industry consultant who returned to Brazil from the US in 2008. De la Cruz and his business partner, Steven Buckley, an American who has a long history of working in Brazilian yachting over decades, see a simple solution: “Let foreign flagged yachts charter out of Brazil!” Buckley said, emphatically.

“Build the understanding, let the local guys see how it works, and within a few years, the locals will want to buy up to a 30m yacht and charter it out.” However, the current legislation in Brazil makes running a charter with a foreign-flagged vessel all but impossible. “Charter is legal in Brazil,” Buckley said, “if you’re willing to pay one per cent of the value of the yacht, and after three months, 30 per cent of your crew has to be Brazilian. It’s structured for commercial work on the oil fields, not for yachting.”

There are industry associations and groups working for the broader marine industries, but there is no formal superyacht association in the country. ACOBAR, the Brazilian Boatbuilding Association, represents the marine industry interest at federal and state level, covering technical regulations and industry tax structure. But there

is currently no active superyacht association.

“The term superyacht, as we know it, doesn’t apply in Brazil,” Buckley said. “We wish that there was some intelligent effort to embrace a plan that would balance the interests of foreign yacht companies and Brazil’s domestic interests. A couple of years ago a group of like-minded individuals such as myself, de la Cruz, some government representatives, marina developers and yacht builders met at Marina Park Hotel in Fortaleza (Inace’s home) for the 1st Brazil superyacht meeting, as it was dubbed. Although everybody generally agreed on a need for Brazil’s authorities to get out of the way, nothing resulted from the effort. Considering the World Cup and the Olympics, I’m not aware of any centralised effort to plan for the need to accommodate foreign flagged superyachts that may want to visit.

“There is a very rapid change taking place in Brazil,” Buckley continued. “The middle classes are coming up, and the very wealthy – or perhaps the children of the very wealthy – are now starting to want flashier things. They’re wanting bigger, nicer boats. Don’t forget that just over 25 years ago, they came out of a military junta situation here, and everyone’s still finding their feet. Things will change, but it’s taking time.”

ABOVE: THE LARGEST YACHT IN-BUILD IN BRAZIL, THE 43M HEMISPHERE PROJECT IS UNDERWAY AT MCP IN SANTOS, BRAZIL.

As in China, the concept of buying a yacht to rent to others hasn’t emerged yet, as most locals see yachts as a private investment for themselves and their families.

The extensive paperwork and bureaucratic – and sometimes legal – hurdles that must be overcome are simply part of the cost of getting a desirable American or European product into the country.

“The different associations are constantly working with the government as advocates, but it’s a very slow progress,” says Christina MM Norris, CEO of interior designers Oversee Yachts, who is working on the largest yacht in build in Brazil at the moment; the 43m Hemisphere project at MCP (see the rendering on page 35). “In Brazil, the expedited way is still through a private, influential person who is interested in investing in a new project in the marine industry.”

Both the Rio de Janeiro and the São Paulo boatshows have garnered more attention in recent years – again the comparison with Asia, as the Hainan Rendezvous has drawn new potential customers to the market; but the stock available, while high quality, is universally below the 30m mark. “I’ve been watching the shows grow for years,” Buckley said. “The average size this year was 34ft.”

TAXES

The main problem in Brazil is the taxes. Everyone says it. Jorge Nasseh, vice-president of and technical adviser to ACOBAR, and owner of Barracuda Composites, reports that, for example, the same cup of Illy double espresso that he pays £2 (€2.37) for in Chelsea [London] costs R\$14 (€6.17) in Rio de Janeiro. A year ago, with the high value of the Brazilian real against the lower value of the dollar and euro, a Brazilian could import a yacht from

the US or Europe, and deal with the 70 per cent taxes on the import. But a new luxury import tax has raised the overall tax on importing a yacht to roughly 100 per cent, depending on what state it’s being imported into; and the real remains strong against the dollar, euro and pound, virtually erasing any benefit there was in utilising Brazil’s considerable domestic capacity to build and deliver a yacht for export.

The drawback system has enabled foreign owners to take advantage of the quality of boat building in Brazil by enabling them to sidestep taxes on all of the projects’ imported products and materials. “That’s how the boats that are built at Inace for all the foreign clients work,” said John DeCaro, North American sales representative for Inace. As in other countries, Brazilian tax law allows a yard to import parts for a vessel that they will assemble and export and avoid paying import duties on the components. In Brazil the timeline is 18 months, although this can be extended. “Almost all equipment for yachts that we build at Inace for export are imported: the engines, the HVAC, bathrooms, electrical systems, etc. The government updated the system just over a year ago, [so] that makes it a little less cumbersome – it’s still difficult, because any time you deal with customs and importation, there’s difficulty, but it’s a lot less difficult than it was, say, three years ago.”

THE RIO DI JANIERO BOAT SHOW 2011 AT MARINA DA GLÓRIA CREDIT: RIO BOAT SHOW





“Sooner or later, we’ll see someone investing in a yard to build yachts here on the scale of Oceanco or Lürssen.”

LUIZ DE BASTO, SUPERYACHT DESIGNER & NATIVE BRAZILIAN

Local builders also pay very high taxes in Brazil. “I’d say half of the price of any boat sold in Brazil is tax,” Nasseh said. That’s the taxes the manufacturers pay and pass along to the buyer in the cost of the yacht, and the taxes that the buyer pays. “A Brazilian wanting to buy a large yacht, say 30m, will pay roughly the same, whether they import or build domestically, depending on which state they’re in,” Nasseh said. The extensive paperwork and bureaucratic – and sometimes legal – hurdles that must be overcome are simply part of the cost of getting a desirable American or European product into the country. “The quality of the boats built in Brazil is very good,” Nasseh said, “but over 30m it still makes sense to import a yacht.”

To buy a boat overseas and bring it into the country, the final import taxes are calculated by including the FOB price (freight on-board, which includes the loading of the product onto a transport vessel), insurance, sea freight, inland freight and customs fees. “Then you have import tax,” Nasseh explained. “On top of import tax, you have state tax. On top of state tax, you have industrial taxes, and two other federal taxes. There’s a poverty tax. It just goes on and on and on.” All together, the full taxation comes out to be on average 100 per cent of the value of the yacht; and the government recently approved another 15 per cent increase in the federal import tax. It’s important to note that these tax structures are not specific to yachts: it’s all part of the Brazilian government’s efforts to stabilise its currency, which is undergoing inflation.

“What needs to change is the mentality in Brasilia,” de Basto said. “The country

needs to see yachts as products that the country can develop as high-end finished-product exports, generating jobs and wealth here in Brazil. They’re not just toys for rich people. If we hammer enough, they will get it. In Italy and Holland and England, this kind of thinking is accepted. We will get there.” “The present government doesn’t want to be seen as being nice to wealthy people,” DeCaro added. “Giving them breaks on their taxes on their boats is seen as a bad thing. What they still don’t understand is the tremendous number of jobs it creates.”

“Brazilians like yachting, and they’re growing up in size,” DeCaro said, but traditionally, the ultra-wealthy Brazilians have looked outside Brazil for superyachts. For Inace, it’s a slowly growing market. It’ll continue to advance, but it’s taken a while to develop because of the taxes, plus there hasn’t been anywhere to put a large yacht.

“It’s an interesting country,” DeCaro commented. “They can build superb aeroplanes, they build almost any type of car you can think of and they have very sophisticated markets. Brazil’s commercial building is booming because of all the oil and military work. Every commercial shipyard in the country is flat out; and they’re building infrastructure like crazy to support the World Cup and the Olympics.”

THE SUPPLY CHAIN

“Brazil is a big economy,” de Basto said. “For interior design, we can buy the same things in Brazil that you can buy in Europe or the US. All the big companies have representatives there. But there are also Brazilian companies that export globally, so there’s plenty of choice.”

Brazilian wealth	Net worth Individuals	Total wealth
\$1 billion	50	\$305 billion
\$750 million to \$1 billion	30	\$26 billion
\$500 million to \$750 million	140	\$88 billion
\$250 million to \$500 million	300	\$113 billion
\$200 million to \$250 million	430	\$97 billion
\$100 million to \$200 million	630	\$95 billion
\$50 million to \$100 million	1,220	\$92 billion
\$30 million to \$50 million	1,925	\$77 billion
Total UHNWIs in Brazil	4,725	\$893 billion

Source: Wealth-X

30M+ BERTHS IN BRAZIL

LOA (m)	30-35	35-40	40-50	50-60	60-75	75-100	100-150	150-500
Beam (m)	8.5	10	12.5	14.5	17	22.5	27.5	35
Berths	15	5	6	1	0	0	0	0

Source: Camper & Nicholsons Marinas 2011

Brazil is a producer of teak, aluminium and steel. "What's lacking," de Basto offered, "is big engines. They have small engine production, but not big engines. So everyone imports Caterpillars and MTUs and others.

"Brazil exports marble," de Basto continued. "You don't need to import from Italy. There are some really nice, different marbles we've found here." De Basto has two projects underway for non-Brazilian owners at Inace, a 38.7m and 36.5m project. Both of these boats have requirements that aren't easily found in Brazil – engines and generators, Italian leather flooring tiles, for instance – so they're importing them. In that case, they're using the drawback system.

"I work a lot with Intermarine, and they are completely vertically integrated," de Basto said. They produce all their metalwork and woodwork in-house, even the cleats, hatches and handrails, because they don't want to have to deal with suppliers.

NEXT STEPS

Abraham Rosemberg, a naval architect and marine engineer and sales manager at Superyachts Brazil, assesses the superyacht scene in Brazil simply: "There are extremely high taxes even for the units made in Brazil, extremely high import duties for the units made abroad, very low infrastructure for yachts over 24m and bad charter policy for foreign flagged boats."

"Brazil hasn't put out the welcome mat to foreign interests with respect to any potential growth or expansion of the luxury yacht business," said Buckley. "The players down there are happy to continue with the status quo because it's good for their protected domestic boat industries, so they think. However,

the costs of boat ownership in Brazil are nearly twice what other areas around the globe are used to and no politician down there dares do anything that would appear to give the wealthy a break."

Buckley's sense of things is tempered by the great sense of potential and possibility that permeates every conversation about the future of the country, perhaps even more so now, with the World Cup and Olympics arriving shortly.

Still, Brazil is a country that has significant challenges. During the course of the research for this report, two buildings collapsed in Brazil, and rumours circulated that FIFA were considering pulling out of the country for the 2014 World Cup if significant and fast developments weren't made in the country's airports and football stadiums. Brazil is a mad rush on any given day: it is only more so now that the pressure to perform for the world is upon its leaders.

Without question the country will make every effort to live up to the hype. But it's unlikely this will benefit the superyacht market for another several years, and only then, only once local awareness of superyachts and demand for them and the products and services that support them has evolved. Brazil is still very much a high-risk investment and a wait-and-see opportunity, but either way, it's still as dazzling and exciting a place as there is. ■

Images: Luiz de Basto, BR Marinas/Camper & Nicholsons Marinas, Christina MM Norris, Corbis, Ferretti Brazil, Michaela Harris and Justin Ratcliffe

To comment on this article, email issue132@superyachtreport.com with subject: Brazil

SEE THE FOLLOWING PAGES FOR A CAPTAIN'S ACCOUNT OF A RECENT SUPERYACHT VOYAGE UP THE AMAZON. AND READ A PREVIOUS ACCOUNT INVOLVING CUSTOMS IN BRAZIL IN OUR SISTER PUBLICATION *THE CREW REPORT*, ISSUE 52, OR ONLINE HERE: THECREWREPORT.COM/CAUGHT IN THE CROSSFIRE

"The quality of the boats built in Brazil is very good, but over 30m it still makes sense to import a yacht."

JORGE NASSEH, VICE-PRESIDENT OF & TECHNICAL ADVISER TO ACOBAR

BRAZIL SNAPSHOT

- Brazil has overtaken the UK to become the world's sixth-largest economy.
- Population: 191 million, 81 per cent of whom live along the Atlantic Coast.
- Portuguese is the official language, with business people generally understanding English.
- Strong economy in part comes from their natural resources (iron ore and oil) reserves.
- Economist Intelligence Unit forecasts growth at 4.6 per cent annually 2011-14.
- Brazil has almost 9,000km of navigable coast, and 35,000km of navigable rivers and lakes.
- ICMS taxes in Santa Catarina state recently dropped from 25 per cent to seven per cent to encourage business to relocate there.
- Ferretti Brazil has opened a showroom in the exclusive Cidade Jardim mall in São Paulo.
- Charter tax is based on charging, for every month a yacht is in Brazilian waters, one per cent of the import tax due (70 to 103 per cent of the value of the yacht).
- The Brazilian government requires 30 per cent of charter crew to be Brazilian after three months.
- Foreign flag yachts cruising the country's waters must be registered with Brazilian tour operators.
- The real – R\$ – is the currency:
£1 = R\$2.72
€1 = R\$2.27
\$1 = R\$1.71