

THE YACHT

report

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THE BROKERS

report

News, Comment, Interviews, Updates and
Reports from the Brokerage & Charter Industry



Robert Moran

Heavyweight Broker pulling no punches

Captain Michael Howorth catches up with the straight talking Robert Moran of the Moran Yacht & Ship Group who doesn't hesitate to share his thoughts on the direction the current brokerage industry is going.

Getting Robert Moran to sit down and grant me an interview is like trying to tow an iceberg to Arabia; perfectly feasible, highly desirable, just at any particular moment somewhat impractical. He is a man on the move, forever attending the needs and desires of his clients. His fiercely loyal staff of twelve, made up mostly of his own family members, protect this very private man from the likes of me representing the marauding press. Moran is a plain-speaking, no-nonsense type of guy. His London accent tells you he hails originally from Great Britain and almost hides the fact that he has lived in Florida for nearly two decades. He now heads up the Moran Yacht & Ship Group in Fort Lauderdale, a company he started in 1988, and one which has demonstrated year-on-year growth ever since.

When I did finally manage to arrange the interview, he told me: "I love the yachting business and have always done – from when I started as a deckhand, all the way up through the ranks to captain, and now my present position as Company President. Yachting has provided me with a great opportunity to meet and represent some of the most gifted and talented people in the world; and when I get to represent a fair and honest man, I do

everything in my power to provide him with an unsurpassed level of service." Our conversation strayed into discussing business in general terms and touched on the subject of ethics. Suddenly he said; "If the Mediterranean Mafia carries on as it is, creating a bureaucratic nightmare of excessive rules and regulation, then the wonderful resurgence that our industry has enjoyed over the past 10 years will be undone and lost for ever. For those of us in the business for more than just the money, this would be a disaster."

That was the second time in ten minutes that he had used that derogatory term so I decided I would ask him about the phrase later in the interview. Initially, I prefer the safe path and asked him firstly about his clients and his firm's activities over the past twelve months. "We represent clients wishing to build, buy, sell or charter yachts, anything from 60 feet up to 500 feet overall." He continued, "Everyone in our company has had the experience of working on board yachts we represent. This experience provides our clients with an unrivalled level of professional service and knowledge that cannot be provided by other brokerage companies who employ individuals

who have never been to sea. It is this that has helped us over the past twelve months to sell, amongst others, three Lurssen yachts: *Falcon* at 67 m (220 ft), *Ariel* at 64 m (208 ft) and *Capri* at 59 m (192 ft). We also sold *D'Natalin* 46 m (151 ft) from Delta, and the similar sized *Hakvoort Flamingo Daze*, along with the 32-m (106-ft) *Aqua Cat* from Westport and the 38-m (123-ft) *Palmer Johnson Big City*." He added: "I believe that 2004 will be another exceptional year for the yachting business. Moran Yacht & Ship will again break all their new construction, sales and charter records. We expect to secure at least three new build contracts, two of which will be in excess of 65 metres."

I asked him how important chartering is to him. "It would not be fair to place a percentage against the business that is achieved by that department given the high proportion of new build work we are engaged in. Even so, every year I give my sister Carole Moran, who manages the Charter Division, a goal to achieve. The target for 2003 was 72 weeks and she and her team produced 106 weeks. When I talk about charters, I mean those that are produced in house and not those from corresponding brokerage houses," he said. "Our Management Division was set up as a service to our clients. We run it as a non-profit-making department. Unlike competitors, we do not believe it is fair to levy fees and extra charges on crew placement, supplies, fuel, crew uniform, and insurance. When we have built or sold a yacht to a client, we believe that this type of service should be provided to him as a courtesy and serves as a good future business platform." He added with a mischievous grin, "If I wanted to make money on selling stores and crew uniform, I would have opened a corner store in Fort Lauderdale."

We turn to brokerage and I ask Robert what the secret of his firm's success is. "There is no magic formula to selling a yacht," he said. "Every vessel needs to be marketed at a price that is achievable. So many times I have witnessed owners listen to a broker who promise them that they can achieve an unachievable price for a yacht so as to secure the central listing on the vessel. By accepting such poor advice, their vessel is doomed to be on the market for several years and the longer the yacht remains for sale, the lower the final selling price will eventually be. I prefer to place a realistic asking price on a yacht, which will permit my company to sell the vessel within a sixth-month period. Scan any yachting magazine and you will find a huge amount of yachts that have been for sale for several years. All of these vessels will, eventually, have their asking prices lowered dramatically before they sell. The problem is that the experts who advised the owners of the yachts in the first place have a difficult time explaining to the client that they originally duped them into signing their Central Listing Agreement at an inflated price."

I asked him whether owners really get value for money when they use brokers to sell a yacht. "Most yacht brokerage companies believe that the way to sell a yacht is to place an advertisement in certain yachting publications, which is paid for by the yacht owner, and then wait for the telephone to ring," he said. "They are wrong," he continued. "There are also companies which rely solely on the central agent share of the commission of yacht sales to survive. They rarely sell the yachts for which they are the central agents, but survive by collecting the 30%-50% of the total sales commission earned." He added, after a pause to reflect, "If it is done the right way, the broker initially invests a huge amount of time and money. Here at Moran, we aggressively market the vessels that we represent for sale. While we are committed to working with the majority of other yacht brokerage companies, we invariably sell the majority of the yachts that we represent as central agents ourselves, within a six-month period. The yacht brokerage business is a high stakes

game with high rewards. The majority of owners we are involved with are already at the top of their profession. They expect results; if they feel that they have been misrepresented, they correctly move on."

This may suggest that the market provides a poor service to clients of the large-yacht industry. 'Generally, yes,' he said with a sigh. "We work in a big buck industry, but some of the participants are so greedy, when a company has made a huge commission selling the yacht, why should they then expect to extort additional fees from him to find a captain and crew. Why charge him extra for fuel, dockage, supplies, crew uniform, and insurance? Surely this service should be provided free of charge." He warmed to his theme and went on to say; "The basis for our success is simple – 'we do what we say'. If we make a promise or commitment to a client or a fellow broker, 'our word is our bond'." He leant back in his chair and turned to look me in the eye. "Competition is what we thrive on. Several years ago, the owner of *Gallant Lady* contacted the top eight

yacht brokerage houses in the world to select a company to sell his yacht. After an exhaustive interview process, Moran Yacht & Ship was selected for the task. We sold his yacht within six months as we promised. If every owner of a large yacht conducted the same type of interview process before listing his vessel for sale there would be fewer brokerage houses around. When we talk with clients they realise that we know what we are talking about. Our experience gained

working on board and building quality large yachts cannot be matched by those who do not have a marine background."

He started to relax, like a confident trader who has laid out his stall, put all his goods on display and is waiting for me to buy. Time for me to draw my sword! "I heard, somewhat maliciously, that your company applied to become members of MYBA and were refused membership. Is this true?" Moran's back becomes ramrod straight. "We have never applied to join and do not intend to. Why should we? There is enough bureaucracy in the world as it is; why do we need to encumber ourselves with more?"

He looked at me accusingly and said: "It was your magazine that recently published the article in which certain individuals suggest that there is a war going on between captains, managers and brokers. This person suggested that there are many dishonest captains about. These statements were both very unfortunate and, I believe, completely untrue. I personally know at least 100 captains. If even one of them is dishonest I would be surprised. These captains earn an enormous amount of money, and rightly so; they often work 18-hour days, 30 days a month. Why would they place such a high-paying job in jeopardy for the sake of taking a kickback? It would not be worth it. The job of a captain on board a major yacht is that of managing director of a company. A good captain can and should take care of every facet of running a yacht, from the hiring of crew, managing the resources, accounting, cruise planning and navigation. I believe that the published statement is untrue and uncalled for. Many management companies attempt to stir up such fears with owners to justify their reason to manage the yacht. Why should an owner pay a management company a huge fee to run his yacht when he already has a qualified yacht captain who can produce better results? Why should a yacht owner pay a premium to a management company on every item that is purchased for the yacht? I know for a fact that some of the managers are extremely jealous of the salaries that are earned by the crew on board large yachts today; why I do not know. If you insisted that the heads of these companies complete an ocean passage as part of their qualifications to manage the yacht, most would turn green and throw up.

"The Moran Yacht & Ship Management programme is designed to work in co-operation with the captains and not as their enemy or auditor. There is no way those management companies, which are merely offshoots of

"I cannot understand how any potential yacht builder or purchaser does not conduct a thorough investigation of every yacht broker they consider hiring to represent them."

the larger brokerage houses, can offer sound advice to their client in view of the enormous conflict of interest that exists. The only reason that the majority of these companies want to manage yachts is so they have an opportunity of establishing a relationship with the owner of the yacht. Invariably the first thing on their agenda is to replace the existing captain with one of their own hand-picked loyal candidates. I do not see any reason for them to be involved in the link between the owner and the captain. If a captain needs to talk to his boss, he should be able to call him directly, not first to have to ask the management company for permission. I know many of these management companies have close associations with shipyards. They are, therefore, obliged to steer any potential client towards these associates. Some of these management companies have even taken their insidious involvement with new construction projects to a new level, by insisting that sub-contractors pay them a fee for having their equipment installed in a yacht. This is a gross dereliction of their position and duties as a broker."

It was clear that he was frustrated by some elements of this industry. I asked why that was. "Firstly, I cannot abide unqualified individuals who claim to have the knowledge and background to sell and build large yachts. There is one individual who is always making grandiose claims as to his experience and expertise in building large yachts, when in truth the only yacht whose construction he was ever involved with was delivered a year late, with enormous cost over-runs.

"Secondly, I cannot stand the audacity displayed by certain individuals and companies who put their own personal interests ahead of those of the client or yachts they represent. These hypocrites, once they become the management company or listing agent for a yacht, act as if they are the owner of the vessel and then place obstacles at every opportunity in the way of other brokerage companies selling or chartering these yachts. As an example, it is not uncommon for these companies to block out prime time dates for the yachts that they represent and refuse to accept charter contracts during these periods, in their selfish hope that they will be able to produce charter clients of their own and by doing so keep the full charter commission fee. This tactic is a blatant abuse of fiscal responsibility by the management company. I am also aware of numerous occasions when these tactics have backfired, and a particular vessel was left without any charter work without the owner being aware that the management company had refused other charters from competing companies.

"Thirdly, this type of action is frequently repeated by these same companies when they offer their services to the owners for the purpose of selecting captains and crew. I know of numerous situations where captains who have applied for a position on board a yacht that is managed by one of these companies are told, at the interview, that they were not being hired as a captain for the owner of the yacht, but as a captain for the management company. These companies even go to the extent of forcing the successful captain to have to have his contact information printed on the management company's business cards.

"Fourthly, I cannot understand how any potential yacht builder or purchaser does not conduct a thorough investigation of every yacht broker they consider hiring to represent them. I have witnessed extremely smart, well-informed captains of industry select a yacht broker to make what is without doubt a major capital investment, whose previous experience may have been selling boots in Denver or working as a knitting machine mechanic in Turin or as a bar tender in Fort Lauderdale."

Robert stood up to make his next point: "If I were buying a plane, I would want a salesman who could fly. If I were buying a car, I would want a salesman who could drive. If I were buying a yacht, I would want a salesman who had been to sea in one. If I wanted to knit a woolly sweater, I would contact a knitting machine mechanic."

I asked if he was suggesting that brokers have influence over clients when they jointly inspect a yacht for sale. "Unfortunately, yes," he answered; "in many cases an enormous amount of influence. Last year, I was inspecting a recently launched 48-metre vessel offered for sale by one of our competitors. After inspecting the engine room, I made a

comment to my client that I was concerned with the condition of the pipework of the yacht, because it had been built using a huge amount of dissimilar metals. This comment caused the central listing broker, who is recognised as being one of the leading yacht brokers in the world to ask me: 'What is dissimilar metal; is it like copper nickel?'

"There was another incident when we had a 43-metre Feadship for sale that was being shown to clients by one of our competitors. The broker duly arrived at the yacht and proceeded to inform his client that Feadship build the finest fibreglass boats in the world, yet as everybody knows, Feadship do not build composite hulls. There is another self-styled leading member of the yachting community who cannot leave a dock on board a yacht for fear of becoming seasick. Tell me, Michael, how can you be an expert if you throw up every time a yacht hits a two-foot wave?"

A captain colleague of mine has been quoted as saying, "Brokers should be the very last people to advise owners where to build their yachts." I asked him whether he agreed. Robert thought for a moment and said, "In general, his comment is correct. Most yacht brokers could not tell the difference between a yacht and a truck. My company is one of the exceptions to this rule. We have qualified ex-yacht captains who were involved in new construction projects when they were at sea, and have subsequently been involved in numerous new construction projects since they came ashore. Most yacht brokerage companies hide behind a team of so-called experts if they are lucky enough to persuade a client to build a yacht. These various consultants bring very little to the table yet enable the yacht broker to collect his fee while maintaining their distance from the project. If there are mistakes made during the project, the broker can then blame the shipyard, the consultants or the surveyors.

"We do not subscribe to this course of action," he continued. "We have employed the same building plan with every project that we are involved in. We compile the technical specifications with the captain of the project and with one additional marine surveyor, whose services we utilise on every project. We do not hide behind a committee of experts. The results speak for themselves. Consider some of the yachts we have been involved with: *Iroquois*, *Battered Bull*, *Excellence*, *Capri* and *Flamingo Daze*, to name a few. All of these vessels are outstanding yachts that were built on time and in budget. There have been times when we have made small technical errors on some of our projects. On those few occasions where such a situation has occurred, we paid for the mistake ourselves. We did not blame the shipyard or hide behind the paid consultants.

"In a recent article, it was suggested that management companies levy a fee of \$500,000.00 for each new construction project. This is ridiculous and obviously a remark made by an uninformed individual. When Moran Yacht & Ship sign a new construction project with a shipyard, the client pays us nothing. We oversee the project completely free of charge. Why? Because when we make a promise to a client that we will oversee the construction of his yacht from the signing of the contract to the launch, we mean it. The client does not even pay our expenses. We visited the Lurssen shipyard on 26 occasions during the 29-month building period for *Capri*. We always fight the fight for the owner of the yachts we are building, with the captain at our side. We have never, and never will, sacrifice a captain of a yacht to save our own face with an owner. While some shipyards may not like the way we fight for our clients' interests, they ultimately know that we have a huge loyal client base, and that, as a result, we will produce future new build clients. They know we have an owner's recommendation list that is second to none. The shipyards also are aware that these owners will listen to our advice and will build yachts at the shipyards we recommend."

"I take it then," I said, "that you do not agree with the recently published comments about captains." "No, I do not," he said, banging his fist on the desk. "Make no doubt about it; the guys who bring new clients into our business are the yacht captains and crews. You can forget about all of the baloney that is spouted by those holier-than-thou hypocrites who preach the virtues of sound yacht management making yacht owners

happy. Invariably these owners were originally charter guests. These new clients' first experience was when they chartered a yacht and experienced the superb service that is provided by a professional and experienced crew. These are the guys out there in the trenches preaching the gospel of yacht ownership every day. These crew members should be praised and respected instead of being criticised and made scapegoats by the self-appointed yachting hierarchy."

I ventured to suggest that over the years the attitude and perhaps style of owners and clients have changed and I asked Robert his opinion. "Some have, some have not," he said. "There can be no doubt that the owners who have been involved with yachts for a number of years are an extremely well-informed group due, in part, to the wealth of information that is provided by publications such as yours. Unfortunately, the newcomers to our fabulous business can be taken advantage of by the unscrupulous members of our industry who like to baffle them with baloney."

We began to discuss changes and trends in the industry and so I asked Robert Moran if he could predict market trends. He replied, "Years ago, the average size for a large yacht was 42 metres. By 1992 this average size had increased to 46 metres. During the period 1995-98 this size increased to 50 metres. I believe that the new size for the

average yacht is now 61 metres. These figures may lead you to believe that the trend of yacht sizes is going up, but you would be wrong. Do you know, Michael, that in 1905, forty-seven members of the New York Yacht Club owned yachts which were in excess of 61 metres, the largest being Margarita at 107 metres? I believe the market for large yachts grows or contracts with the economy in the USA. As 2004 looks like being a good year for the US economy, I believe that it will be a good year for the yachting business. Look at the order books for all of the large yacht builders – 70% are for US clients. I firmly believe that US clients will continue to lead the way for large-yacht purchases. There is no doubt in my mind that all aspects of the industry will continue to grow, yet there is one area that I wish would contract and that is the management section of our industry, but the Mediterranean Mafia have managed to put into place this new concept and now we all must comply with it.

"I believe that the main role of the brokerage community is to provide for its clients honest, unpolluted, unbiased information on shipyards and yachts that are available for sale throughout the world, regardless of their alliances. There are several companies in the yachting industry which are trying to create a monopoly for the large-yacht market. I think

they are doomed to fail. Independent companies such as ours will continue to outperform these dinosaurs. We have built and sold more large yachts than any other company in the world. Unlike many of our competitors, we prefer to keep our success confidential, but due to our remarkable achievements in the past several years, maintaining this level of secrecy has proved to be difficult."

I sensed our interview was drawing to a close. Mr Moran became restless; there were phone calls to make, clients to meet and a plane to catch to Saint Maarten that night. "Robert," I said, "you have been very frank and upfront with me, but why not put names to the brokers you cannot tolerate?" He replied, "I can if you like, but I would prefer to provide you with a list of companies and individuals who I like and respect rather than name those companies we will not do business with. There is one that we will not do business with because of their past shenanigans. They have one or two stand-up guys working for them we will actively work with, but not the rest. I am not interested in working with individuals or companies who do not follow the same commandments. As for naming them," he laughed, "you name them. You know who they are; we all know who they are."
