

The Superyachts are coming to Australia, but are we ready?

Harry Sunarko¹, Matteo Magherini², Jeremy Visser³ and Brad Saunders⁴

¹ BMT, Perth, Australia; harry.sunarko@bmtglobal.com

² Lateral Naval Architects, Southampton, UK

³ BMT, Brisbane, Australia

⁴ BMT, Perth, Australia

Summary

In December 2019, the Australian parliament passed the Special Recreational Vessel Legislation to enable foreign-flagged vessels to be chartered in Australian waters. In 2016, industry report commissioned by Superyacht Australia and Australian International Marine Export Group estimated that this legislation can create close to 12,000 jobs and contribute to around \$1.64 billion to Australia's economy by 2021. Unfortunately, COVID19 has put a brake to the upward momentum that the industry experienced following the passing of the Legislation. Despite the current challenges, the long-term outlook remains positive and visitation numbers are anticipated to increase in the future. However, is Australia ready to take advantage of the anticipated future increase in superyacht visits? In this paper, the authors explore the recent developments and trends in the superyacht industry, which present new challenges and opportunities for the wider marinas and marine industries in Australia.

Keywords: Superyacht, Marina, Harbours, Recreational Boating, Special Recreational Vessel Act

1. Introduction

The superyacht industry in Australia was dampened by regulatory and tax barriers, which were not conducive for foreign-flagged vessels to operate in Australia. The *Special Recreational Vessel Act 2019 (SRV Act)* marks a new chapter for the industry and has the potential to provide economic benefits to Australia both in major and regional cities. The superyacht industry; albeit niche and specialised, can have direct and indirect impact on other industries such as tourism, hospitality, marine services, vessel manufacturing, maintenance, repair and refit.

Prior to COVID19, the outlook for the superyacht and marine industry in Australia was bullish, based on the 2020 Olympic in Tokyo, Japan and 2021 America's Cup in Auckland, New Zealand. These events are major drawcard events that can attract superyachts into the Australasia and Pacific region. Unfortunately, due to the unprecedented impact of COVID19 on human health and mobility, the events have been disrupted and consequently the number of superyacht visitation into Australia is well below the numbers that the industry had hope for. In the midst of global pandemic, the superyacht industry remains alive in Australia and is fortunate to be supported by the following factors: (1) the ability for vessels to enter into Australia to undergo maintenance, refit and be used as charter vessel for the Australian domestic customers, which is not the case for the general cruise industry (2) Owners bringing forward maintenance and refit works (3) some Australian owners relocating their vessels from the Mediterranean to Australia (4) Continuing operation in Tahiti and Fiji, which attract vessels into

the Pacific, making Australia an attractive location for maintenance and refit works.

Despite the low number of visitations due to COVID19, the long-term outlook for Australia and the wider region remains positive. This pandemic and the slow start to life under the *SRV Act* provide the time and opportunity for Australia and the wider region to reassess its readiness to accommodate the future needs of the superyacht industry.

2. Legislative Change

Under previous legislation, a foreign-flagged vessel operating in Australian waters and wishing to be available for charter, must be imported into the country. As part of this import process, it attracted 10 percent GST (Goods and Services Tax) on the value of the vessel. This became a barrier to entry for foreign-flagged vessels and adversely affected the superyacht and wider marine industry.

Over the last few years, superyacht industry bodies have been working with the States and Federal government to consider the benefits that the superyacht industry can provide to Australia's economy. These efforts led to the introduction of the *Special Recreational Vessels Bill 2019*, which was passed on 5 Dec 2019 and received its Royal Assent on 11 Dec 2019.

The *SRV Act* allows granting of temporary licences under the Coastal Trading Act, which in turn enable 'special recreational vessels' to visit Australia for up to 12 months and conduct commercial activities such as chartering without being regarded as imported under customs legislation. Under the *SRV Act*, special recreational vessel is defined as a vessel that:

- is designed to be used wholly or primarily for recreational or sporting activities; and
- is over 24m in length; and

3. Economic Benefits

The potential economic benefits in terms of job creation and expenditure, which filters through the marine industries' supply chain, cannot be overlooked. The types of contribution made by the industry include [3]:

- Berthing expenditure;
- Operating expenditure (both in fixed costs such as vessel survey, insurances, administration, and variable costs such as crewing, fuel and consumables);
- Tourism & crew spending;
- Maintenance, repair & refit; and
- Maintenance, repair and refit. It is estimated that an active vessel spend on average between 10% and 12% of vessel value in maintenance each year.
- New construction market – The estimated cost for construction per linear metre is \$1,784,000. The construction of a superyacht creates jobs for the short to medium terms, which enable the industry to retain its skilled staff for the naval defence industry.

4. What can we do?

Considering the economic benefits to the Australian economy, the Authors argue that it is important for Australia to understand its current limitations and competitive advantages in the superyacht market and will discuss the following three factors that must be considered.

4.1 Infrastructure Planning

To cater for the needs of the industry, understanding of the current and future fleet of superyacht provides a starting point in addressing the market. According to various superyacht industry intelligence reports, the global superyacht fleet has currently surpassed 6,000 vessels and continue to grow. Trends are showing that on average superyachts are growing in length, volume (i.e. Gross Tonnage), and increasing top speed. Interestingly. In recent year statistics report a growing interest for alternative type of propulsions (hybrid, diesel-electric, and others) and in general a more "sustainable" superyacht experience. These global trends shall inform marina and marine infrastructure owners/operators in its infrastructure development and planning study.

With regards to typical superyacht main particulars, Figure 1 and Figure 2, show respectively trend lines for Beam and Gross Tonnage values as function of vessel Length Overall. Trend lines are extrapolated by the Lateral in-house database of Large Yacht

Statistics, which captures a range of data from a combination of Lateral's project work and publicly available information and statistics.

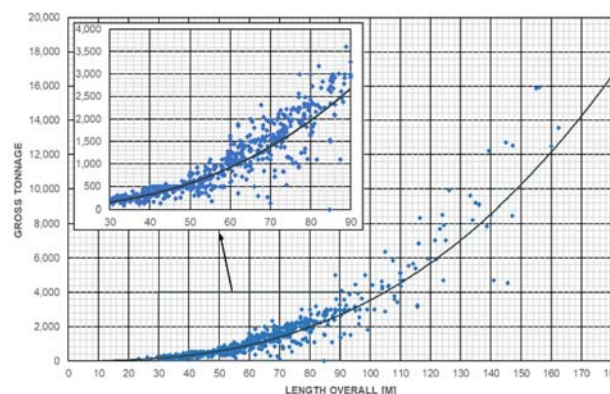


Figure 1: Lateral Large Yacht Statistics (extract) – Gross Tonnage vs Length

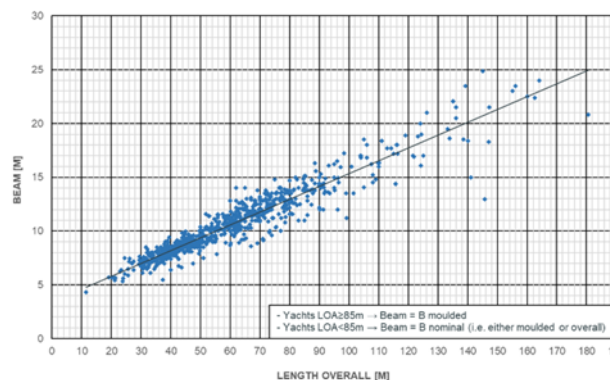


Figure 2: Lateral Large Yacht Statistics (extract) – Gross Tonnage vs Length

As we have more foreign-flagged vessel visitation into Australia, it is anticipated that there will be pressure on Australia's marine infrastructures to be able to accommodate both the size and number of vessels.

This requires Australian marina/harbour owners and operators to rethink its planning and design processes. There are a number of considerations that go into the planning and design of superyacht facility, such as access channel, pontoon size, mooring arrangement, coastal protection, harbour basin design, environmental impact, development of waterfront amenities and security.

4.1.1 Trends for future fleet demands and features

Looking at the future of the global superyacht fleet, propulsion system advancements are of significant relevance in the context of assessing infrastructure needs. This is particularly evident at the larger scale of the fleet. Figure 3 show numbers of new build diesel-mechanical vessels delivered yearly against

any other type of propulsion (diesel – electric, electric hybrid systems, electric system powered by photovoltaics, wind assisted, and others) for the 60m+ segment.

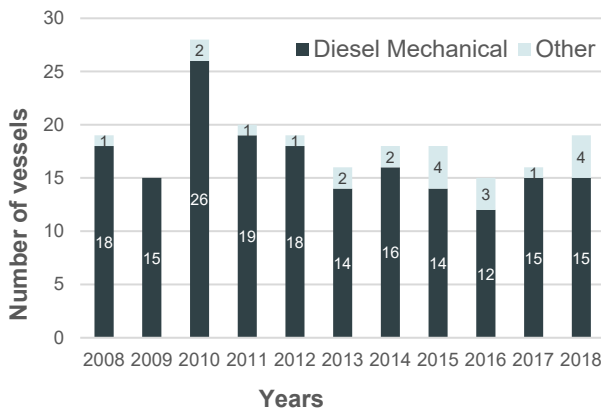


Figure 3: Propulsion type of new build motor yachts (60m+) vs years.

It is evident that the appetite for alternatives to the typical diesel-mechanical vessel is increasing in the 60m+ segment. The reasons for this trend are likely to be diverse, given that large superyachts are the materialisation of each owner’s individual vision. However, it is commonly recognised that superyachts are technologically evolving toward eco-conscious solutions. In addition to alternative types of propulsions, this evolution is further enhanced by continued long term technological improvement in areas such as hull forms optimisation, lighter constructions, integration of waste heat management systems, natural ventilation by design to reduce HVAC power demands, etc.

4.2 Infrastructure Investment

As more foreign-flagged superyachts enter the Australian market, there will be additional pressure on the marina services and marine infrastructure. Marina owners and operators need to start planning for the increased widths, lengths, drafts, heights and utility demands, such as electrical power, water, sullage and fuelling. With the passing of the *SRV Act* and the trend, which shows that the average superyacht vessel size continues to increase year on year, these factors will in turn put upward pressure on the existing infrastructures. To address this growing trend – strategic investment into recreational boating infrastructure will be required.

Most of the existing facilities had been designed before *SRV Act* and at times when large yacht fleets were much smaller or have only sufficient large commercial berthing for local tourism ferry operations and demand at peak times makes berthing access even for short term destination stays difficult.

It shall be noted that the use of AS3962:2020 [1] is limited for vessel up to 50m in length, in order to accommodate the superyacht vessel, marine facilities shall be designed to AS4997:2005 [2], and PIANC Report no. 134 [6]. Access channel and basin shall be designed in accordance with relevant industry standards such as the PIANC channel design guidelines [7].

4.3 Public Policy and Strategic Plan

Existing economic and planning studies [3], [4] highlight the business case for marine infrastructure expansion to accommodate larger superyachts, plus additional berths to keep up with the growth in the domestic market in key recreational boating and superyacht homeport/destination locations. However, infrastructure expansion projects remain challenging and capital intensive for individual marina and infrastructure owner and/or operator due to a variety of reasons and constraints such as regulatory approvals, cost of capital and risk appetite.

In terms of public policy, investment and incentive, the Authors encourage a more consistent approach across the states and territories level. The only state that has published its superyacht industry strategy is Queensland, with a vision to increase Queensland’s share of the global market by 10% and be recognised as the key superyacht hub in the Asia Pacific region [4]. Based on this vision, the Queensland government has taken steps to grow the industry by investing in infrastructure improvement, such as \$5.5 million to dredge the Gold Coast Seaway and the north and south channel” [8]. The government investment complements the investment made by private sector and local associations/yacht clubs to attract superyacht to the Gold Coast, such as \$100M expansion of the Gold Coast City Marina, \$8.3M Sanctuary Cove expansion [11], the \$9M for construction of 135m superyacht berth at the Southport Yacht Club (Gold Coast) [9] and \$200M planned expansion by Rivergate Marina and Shipyard [10]. Furthermore, Superyacht Industry Development Fund has also been set up to support the superyacht supply chain in acquiring internationally recognised industry certification and accreditation. With this, the supply chain’s appeal to the overseas market will be enhanced, as well as boosting business development and marketability.

No published information is available for the other states and territories. However, based on stakeholders consultation and discussions, the Authors understand that the NT Government undertook a scoping study for developing the superyacht industry in Darwin, coupled with the development of Darwin’s Ship Lift and Marine Industry (SLAMI) project. The NT Government is

PIANC Asia Pacific 2020 Conference – Fremantle, 2-3 Dec 2020

The Superyachts are coming to Australia, but are we ready?

H Sunarko, M Magherini, J Visser, B Saunders

actively working to establish Darwin as a marine industries hub for the Northern Australia region.

5. Conclusion

The *SRV Act* enables Australia to attract superyachts into the region and into Australia for undertaking commercial activities, chartering activities, as well as maintenance, repair and refit works. Based on this regulatory change, the opportunities for Australia have never been greater especially as the trend for new experiences. With greater awareness, market understandings and strategic investment into the marinas and marine infrastructures, Australia can excel as a world class superyacht destination and hub.

References

[1] Australia Standard (2020), AS 3962:2020 Marina Design

[2] Australian Standard (2005), AS 4997: Guidelines for the Design of Maritime Structures

[3] AEC (2016), Economic Impact of the Superyacht Sector on the Australian Economy. Report prepared on behalf of Superyacht Australia and the Australian International Marine Export Group.

[4] Department of State Development, Manufacturing, Infrastructure and Planning (2018), Queensland Superyacht Strategy 2018 – 23.

[5] Parliament of Australia. Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017, https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/

[6] PIANC (2013), Design and Operational Guidelines for Superyacht Facilities, Report nom. 134 – 2013.

[7] PIANC (2014), Harbour Approach Channel Design Guidelines. Report no. 121 – 2014

[8] Queensland Government (2020). Media Statements - Multi-million dollar investment supports local jobs and Gold Coast waterways access, <https://statements.qld.gov.au/statements/90759>

[9] Queensland Government (2020). The Spit Master Plan implementation projects, <https://www.statedevelopment.qld.gov.au/infrastructure/implementation-projects.html>

[10] Rivergate (2020). Plans Unveiled for \$200M Rivergate Superyacht Hub, viewed 25 Nov 2020 <https://rivergate.com.au/news/plans-unveiled-for-200m-rivergate-superyacht-hub>

[15] Sanctuary Cove (2020). Stage One Complete of Multi-Million Dollar Marina Upgrade, viewed 25 Nov 2020 <https://sanctuarycove.com/2020/05/21/stage-one-complete-of-multi-million-dollar-marina-upgrade/>