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ON LOCATION IN SARDINIA AND MONACO

plus
BRAZIL'S GROWING YACHTING CULTURE
AND MOST EXCLUSIVE DESTINATION

SEPTEMBER 2011



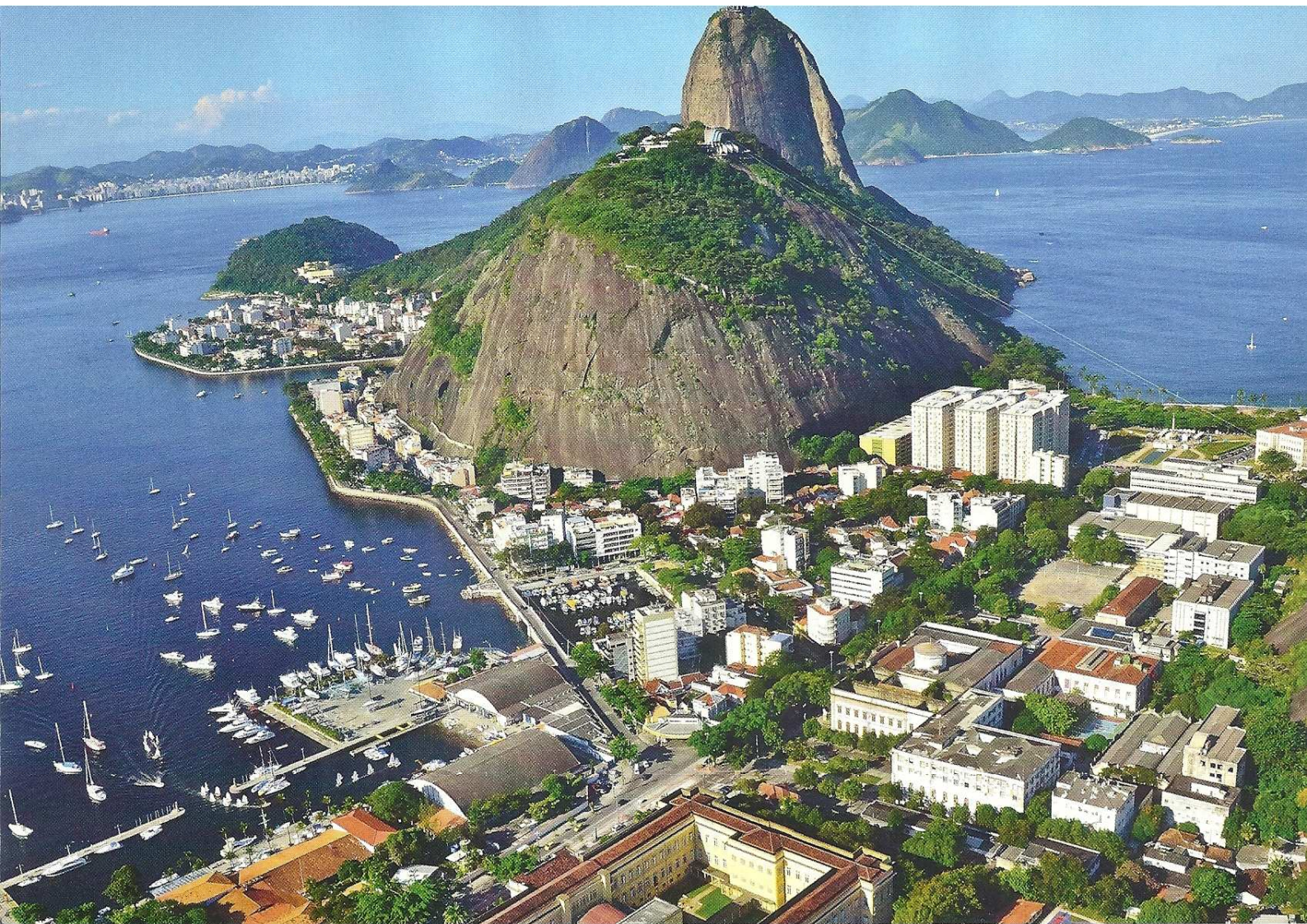
ABOUT INTERNATIONAL MEDIA PUBLICATION

all eyes on BRAZIL



A GLOWING ECONOMY, SOME LOOSENING OF GOVERNMENT PROTECTIONISM AND A CULTURE WITH A GROWING AFFINITY FOR YACHTS ARE HELPING THE YACHTING INDUSTRY IN BRAZIL GAIN A FOOHOLD ON THE WORLD STAGE.

TEXT BY **SHAW McCUTCHEON**



IN LATE 2010, MCP YACHTS of Brazil announced a new contract to build a 140-foot tri-deck motor yacht for a Brazilian client. It was a big moment for MCP and the Chaves family, which owns the company, partly because the contract was signed as much of the rest of the global yacht building industry was still emerging from a severe contraction, and partly because the boat will be one of the largest motor yachts built in Latin America. The vessel, which will be completed by late 2012, is unusual in another respect—the owner plans to keep it in Brazil, and that in itself says a lot about Brazil's transition as a player in the yachting world.

Much has been written about Brazil's glowing economy, the country's rich natural resources (huge offshore oil discoveries being only the latest) and burgeoning middle class. The world's seventh-largest economy grew by 7.5 percent last year (the 12th fastest globally) and the government predicts a 4.5 percent growth rate this year. Like the rest of the world, the global recession affected Brazil, but it was relatively short-lived and shallower than what many countries experienced. The inflation rate has hovered between about four to 6.5 percent over the past few years (most recently at the higher end), and free-market-oriented governments have helped stabilize the economy, resulting in a huge growth of people moving into the middle class. The upper end of the social strata has expanded also, and the notion of yachting as an affordable activity is feeding a growing marine services industry.

Yet for all of the country's economic stability and growing wealth, Brazilians aren't quite sure how to handle the implied opulence of yachting as a national pastime.

Huge import duties are imposed on foreign-built yachts, protecting domestic builds. Full-service marinas are very scarce, and despite having

below
 Ferretti's yard near São Paulo can build 120 vessels a year up to 83 feet long. Building in Brazil means dealers can avoid the exorbitant import duties on new yachts.





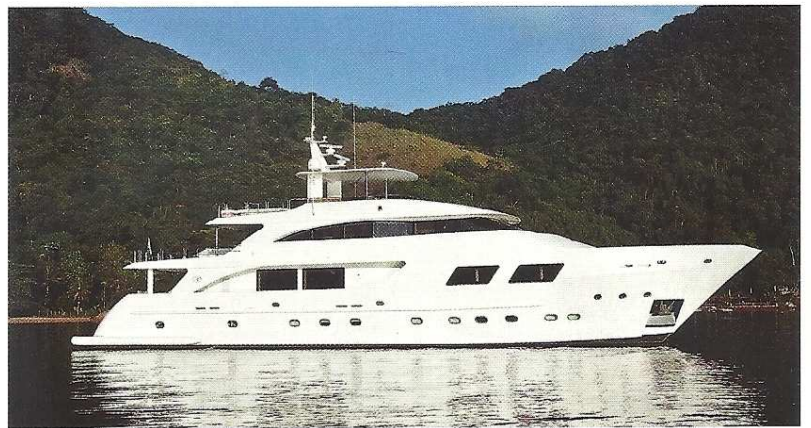
MCP'S 140-FOOT *HEMISPHERE* WILL BE KEPT IN BRAZIL UPON HER COMPLETION.

nearly 4,700 miles of mostly vacant shoreline, developing new ones means overcoming opposition from powerful environmentalists. Chartering is virtually non-existent, partly because Brazilian yacht owners typically have an aversion to letting strangers sleep in their staterooms, partly because few crew are well-trained in the niceties of charter service. Neither does the government seem interested in fostering the charter trade: a foreign vessel wanting to charter in Brazilian waters must pay a prohibitively expensive monthly tax of one percent of the boat's value.

"Local Brazilians, for boats in local waters, top out usually at sixty to seventy feet," says Mike Lovatt, head of Aqua Marine, a brokerage specializing in Brazil. "They can afford much bigger boats, but they don't want to be seen in megayachts in their own waters.... Everyone with money there is aware of security."

And not just protection from the bad guys. No one wants government attention, either. "[Brazilians] don't like to be the center of attention," says John DeCaro, an American broker who represents the country's largest yacht builder, Inace. "A yacht is a yacht, and it's a very glitzy thing to own. A one hundred-thirty-foot boat, it's kind of looked on as outrageous to own a boat that size." A Brazilian who wants a megayacht will simply build it and keep it offshore. What makes the 140-foot MCP tri-deck interesting is that despite these concerns, the owner still wants to keep it in the country. Local yachting proponents are hoping that if enough large yachts show up in local waters they'll stop being a curiosity and become a source of income.

The paucity of marinas and repair facilities sometimes results in yachts that appear aged beyond their years. "The level of care in these boats isn't what we're used to seeing," says George Jousma, an American broker who attended the Rio Boat Show representing Sanlorenzo yachts, adding that Brazilian owners "are not as seasoned" as Americans or Europeans.



MOTU WAS THE FIRST PROCIÓN 110 LAUNCHED BY RIOSTAR.

Instead, many hire captains to run and maintain their boats, and many yachts, even the smaller ones, have spaces for one or two crew.

The best cruising ground in the country is a spectacular mountainous coast extending about 200 miles from Rio de Janeiro to Santos, a port city south of São Paulo. There are more than 300 islands along this calm, protected coastline, dozens of beautiful beaches and quaint fishing villages, but relatively few docks or facilities that can cater to itinerant yachts. The prime area is Angra dos Reis and here BR Marinas operates two full-service properties. Interestingly, the common practice here is to dry-store yachts—even 100 footers—under cover between cruises, says Klaus Peters of BR Marinas.

Gunkholing yachts generally anchor out, and self-sufficiency for overnight cruises is necessary. Brazilians "know that support on shore in South America is not always available," notes Manoel Chaves, CEO and founder of MCP, "so they want trouble-free vessels with everything they can have inside, to go on shore only to lay down on a deserted beach."

The most popular style is the sexy, sleek, go-fast yacht, and most of the domestic production builders and European entrants (among them Sunseeker, Princess, Fairline and Sanlorenzo) are catering to this market. "It's a strong market for euro-style products," says Jousma. A Ferretti spokesperson notes, "The flybridge range is always the first choice in a tropical climate due to the bigger indoor space, with air conditioning and the possibility of driving from the top as well." She adds that "many Brazilians have a soft spot for speed," and that Riva and Pershing are consequently drawing some interest.

The Rio Boat Show, held at a local Rio de Janeiro marina in late spring of each year, is indicative of these positive trends. In 2011 the show drew more than 50,000 visitors, nearly 50 percent more than 2010. Organizers for what is billed as Latin America's largest boat show constructed a special floating pier for the first time to help house 120 exhibitors, and they reported the show generated \$150 million in new business. Major Brazilian builders, including Intermarine and Schaefer Yachts, plus a hefty influx of European builders headlined by Ferretti and Azimut, filled the slips, and most reported rising sales. Noticeably absent were any American builders, although local dealers do offer brands such as Sea Ray as very expensive imports.

Both Ferretti and Azimut have entered the Brazilian market in a major way, while other European builders such as Sunseeker, Princess and Fairline are opening up dealerships for imported products.

To get around the high import duty, which can top 100 percent, Ferretti, through its Brazilian partnership Ferrettigroup Brasil, has built a shipyard near São Paulo, which can build 120 vessels a year up to the 83-foot Ferretti 830. Using vacuum infusion, the modern facility produces 11 Ferretti models, two Pershings and one Bertram. A Ferretti spokesperson said the Rio show was "very satisfactory" and they sold around 10 boats from seven models on display. Ferrettigroup Brasil expects to sell 70 percent of its production locally in the São Paulo area.

For its part, Azimut maintained a strong relationship with Intermarine for years and through a licensing agreement was building several Azimut models at the Intermarine plant. That relationship ended, however, in 2009 with the death of Intermarine's owner in a helicopter accident. Since then a group of Intermarine dealers called YachtBrasil has been selling imported Azimuts. The company recently opened a factory in Itajaí, in the state of

Santa Catarina, to produce a 43- and a 58-foot model. When fully operational the yard will produce up to 100 boats from six different models. So far Azimut has sold more than 100 imported vessels for domestic use.

Intermarine introduced its own range of yachts at the 2010 Rio Boat Show, which includes its new 85 flagship designed by Luiz de Basto. Intermarine also has partnered with international design studios BMW Group DesignworksUSA and Fernando de Almeida Yacht Design to create the new product range.

For decades the face of Brazilian custom yachts to the outside world has been Inace, based in Fortaleza, a city of 2.5 million people on the coast of northeastern Brazil. Inace has found a solid niche building custom aluminum and steel vessels between 50 and 135 feet. But of nearly 30 yachts built since 1988, only five have been for Brazilian clients. "There is some local market, but the majority (of sales) is foreign," says DeCaro. Inace markets its yachts to foreigners using price and quality as the major lures. Both Inace and the country's other custom builder, MCP, say they can produce a yacht for up to 30 percent less than comparable yachts built elsewhere, largely because labor and certain materials are less costly. (The current high value of the Brazilian real against the U.S. dollar has reduced that advantage somewhat.) Moreover, Inace has been building hardy commercial vessels for decades, and that experience has translated well into the yacht division. Currently the yard has five yachts between 83 and 135 feet under

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INACE YARD, FORTALEZA

construction. It recently delivered *Boundless*, a 100-foot traditionally styled motor yacht to American owners (see feature, page 42).

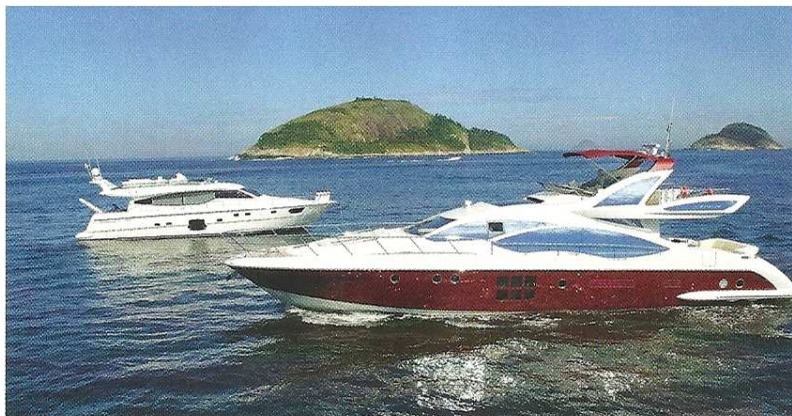
MCP, which also began as a commercial yard in Santos over 30 years ago, has a more domestic clientele. It began building yachts around 1983 and recently added a second yard with a 150-ton Travelift capable of handling yachts up to 140 feet. Since 2002 it has built 12 yachts between 76 and 100 feet, seven for Brazilian clients. Currently under construction, besides the 140, are two 76-foot motor yachts, both for Brazilians. Business has been so good that the company plans to double its workforce over the next year.

Two other yards, Sunboats and Riostar, also produce yachts, but on a smaller scale. According to Fernando de Almeida, a Brazilian yacht designer who works with Riostar, the company has been around since 1987 and builds yachts up to 120 feet from its factory in Rio de Janeiro, and there are plans to build a 170-footer soon. Most of its past production focuses on yachts between 28 and 80 feet, intended mainly for the domestic market. Sunboats is a small division of a huge Brazilian conglomerate, run by two family members who own the parent business. Sunboats has focused on building large catamaran motor yachts for the global market. The first yacht, a 120-foot model, is nearing completion after several years under construction in Santos and is scheduled to be presented at European and American boat shows this fall. The company hopes to build a variety of models ranging between 83 and 155 feet.

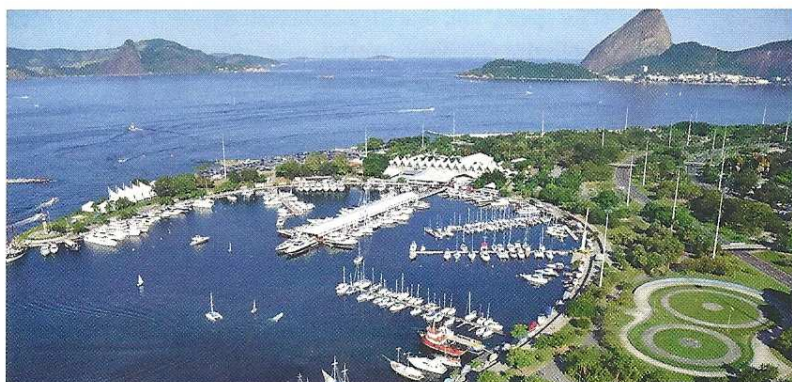
The big wild card in the growth in Brazilian yachting is the attitude of the government, which is fiercely protective of the domestic industry at the expense of foreign builders. Besides the huge import duty on new boats, bringing in used yachts from outside the country is totally prohibited. Duties are also imposed on foreign-built parts such as engines, even if the rest of the boat is built in-country. (The builder gets a credit if the vessel is sold overseas, however.) Moreover, the relationship between the central government and the various Brazilian states varies state to state, and brokers report different states can impose their own sets of rules, taxes and duties.

The recent oil finds offshore also have given the central government another lever to boost domestic marine builders. Nautical supply companies servicing the offshore rigs are required to use Brazilian-built vessels, and that's caused an avalanche of demand for commercial supply boats. Both Inace and MCP are building several supply vessels for the oil industry (one reason MCP is doubling its workforce), offsetting the vagaries of yacht building in the present global economy.

What is surprising, however, is the government



AT ITS NEW FACTORY IN ITAJAÍ, AZIMUT BUILDS 43- AND 58-FOOT MODELS.



MARINA DA GLÓRIA, SITE OF THE RIO BOAT SHOW, IS BEING REDEVELOPED BY EBX GROUP, HEADED BY BRAZILIAN EIKE BATISTA, HIMSELF A PERSHING 115 OWNER.

response to the charter industry, which has been tepid at best. In late 2008, Inace, MCP, Sunboats and a number of yacht-related businesses met in Fortaleza to form Super Yachts Brazil, meant to act as a lobby and marketing tool for the builders, both internationally and with the Brazilian government. At the conference one of the hot topics was how to foster a thriving charter industry, especially given that Brazil will be hosting both the World Cup in 2014 and the Summer Olympics in 2016.

After the conference a delegation met with government officials to present the case for changing the rules concerning foreign vessels. Among the issues: loosening visa restrictions for foreign crew more experienced in charter work than domestic crew (there is still no crew school in Brazil). The group also urged the government to set uniform regulatory and taxing standards, so yachts aren't subject to widely varying rules as they move from state to state. Mostly, they wanted the exorbitant monthly tax of one percent of the yacht's value eliminated. After the meeting the group was encouraged; government officials sounded receptive and promised positive changes. Since then, however, little has changed, aside from a loosening of the visa restrictions for foreign crew. But the builders remain optimistic. A new industry is developing, part of the larger equation of what Brazil is becoming as it emerges from its third-world history into a first-world future. ■