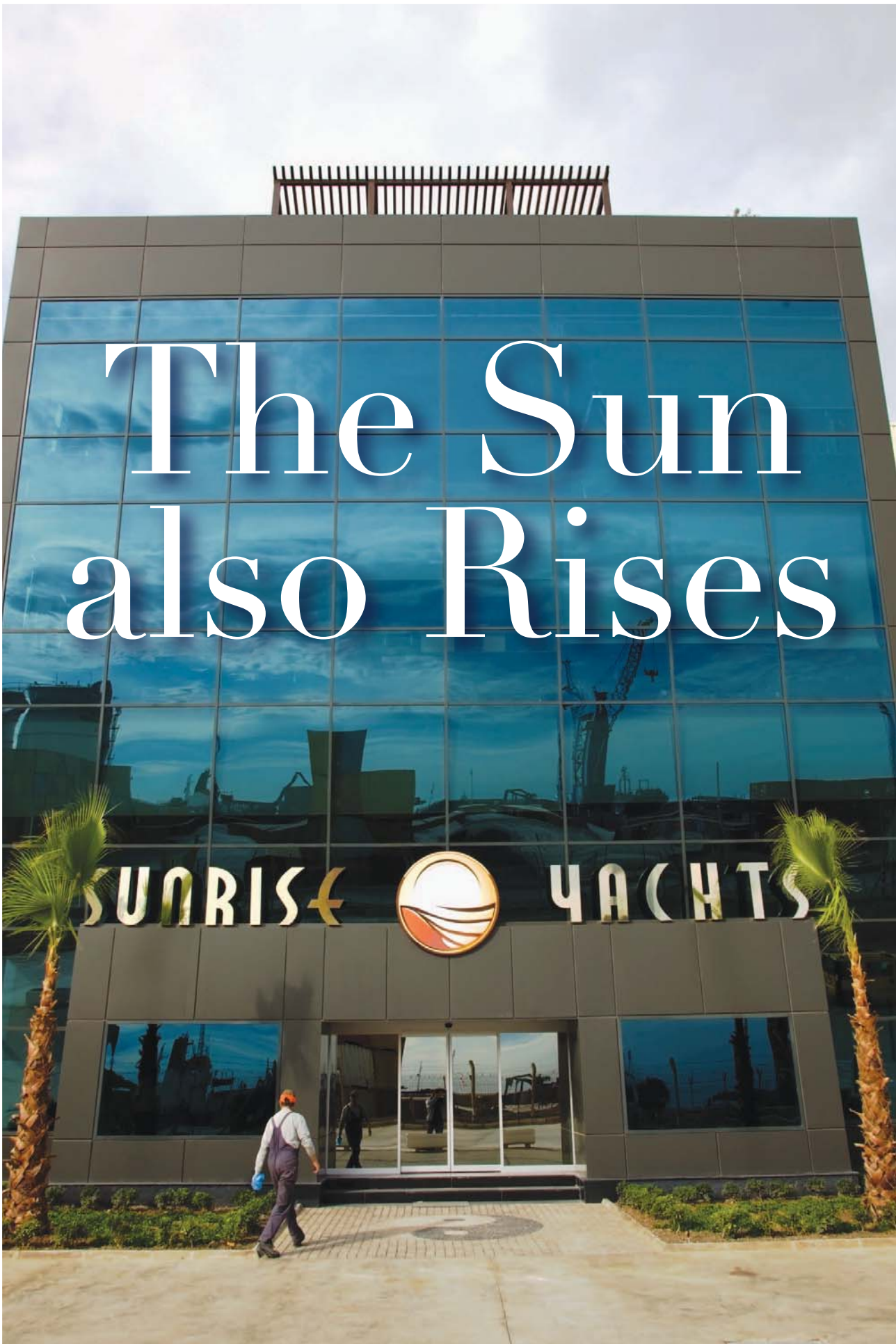


The Sun also Rises

SUNRISE  YACHTS





For the past decade Proteksan Turquoise has reigned supreme as Turkey's leading (motor) superyacht builder, even referred to by some as Turkey's Feadship. That dominance is now being challenged, not only from Tuzla rivals RMK, which is emerging from a renovation programme with a business plan to boost superyacht production, or new kid on the block Dünya with two 72-metre yachts in build, but also Antalya-based Sunrise Yachts set up in 2006 by Herbert P. Baum and Guillaume Roché. In November Justin Ratcliffe travelled to Turkey as the financial crisis deepened to tour some of the leading shipyards and suppliers. In Antalya he interviewed the founders of one of Turkey's most promising new yards.

BORN IN BAVARIA AND EDUCATED IN MUNICH, GERMANY, HERBERT Baum (right, above) was the co-founder of the ITG group of companies, one of the leading international logistic and transportation solution providers in Europe, which was sold to DHL in 1981. Looking for a new business challenge, he founded Southwest Florida-based Michelangelo Homes in 2004. A keen yachtsman who currently owns a Moonen 84, he now divides his time between the US, Germany and Turkey.

Of French and Scottish descent, Guillaume Roché (left, above) was practically born on a sailboat. As an adolescent he circumnavigated the globe with his family on a 45-foot steel ketch. A mechanical engineering graduate of The University of Massachusetts in Boston, he later studied naval architecture at the Westlawn Institute of Marine Technology in Connecticut. He has been based in Turkey for 13 years.

JR: How did the two of you meet up and decide to set up a shipyard together?

Guillaume: I used to be a partner in a shipyard in Tuzla,

but diverging opinions with my associates on where we should be going meant I sold my shares and went back to consultancy for a couple of years. Just before I sold up I met Herbert, who was looking to build a new boat, and we hit it off straightaway. That was some four years ago.

Herbert: After meeting Guillaume in Tuzla a year passed by and when I finally called him up he told me he was no longer with the yard but working as a consultant supervising a build in Denmark. I went over there and that was the first time I saw the inside of a shipyard.

Guillaume: When Herbert came to see me at Aarhus Shipyard in Denmark I was working on a yacht that was about the size he was thinking about and we struck a deal. But I told him that if he wanted to build it in Turkey, I didn't want to build a cheap boat. This was totally in tune with Herbert's philosophy and when we got on the plane together to go back to our respective homes in Germany and Istanbul, he asked me what would be the most economical way to build the boat. And I said the best solution would be to build two. That's how Sunrise Yachts got started.

Herbert: Always the same story – you look for a boat and end up building it yourself! I had already been talking to the late Paolo Scanu at this stage, but I eventually decided not to go ahead with the boat as I had moved to Florida after setting up Michelangelo Homes and had very little free time to go cruising.

JR: Luxury homes and luxury yachts – is there a connection?

Herbert: Actually, there is. Our homes cost upwards of five million dollars. In fact, I market Sunrise in combination with Michelangelo and try to build the same chic-ness and exclusivity of our yachts into the homes. A lot of the furniture production done here in the yard is also shipped to Florida to furnish the homes.

Guillaume: The idea originally was to sub-lease a shipyard, but we couldn't find a decent one. We came across this plot of 10,000m² in the Free Zone and decided to build our own...

Herbert: To have the baby we had to first build the hospital!

Guillaume: ...Everything suddenly became more serious. Instead of just building two boats we decided we would have a full engineering and marketing department as well. We built two halls, 100 metres long, 16 metres wide and 17 metres high. Finishing is very important, so we have a fully acclimatised paint shed, which was one of our bigger investments. We wanted to do it right and a lot of thought went into how the shipyard would be run. We both agreed that it should be structured as an assembly line, rather like the car industry – you have to have an industrial approach to this business nowadays.

JR: Why the Free Zone?

Guillaume: Leasing land in the Free Zone is cheap and we don't pay duty on imported equipment and materials as long as the final products are exported. Besides the tax benefits, the Free Zone has become a hub for yacht building with real synergies among builders, which have generated a dense network of suppliers and sub-contractors. On the other hand, in the Zone we say the only really free thing is the air you breathe! Every time you bring something in or out you have to go through a complex customs procedure, which can be incredibly bureaucratic. Even your waste has to be exported.

JR: I know boat builders in Turkey tend to rely more on sub-contractors than other European shipyards. How does it work at Sunrise?

Guillaume: I've learned through experience that the only way to control your sub-contractors is to have them working on site. So when we built the shipyard we included workshops and offices for them. Our approach is that whoever wants to work for us we can sign a long-term agreement, but they have to work on site. In some cases we may even invest in their company to have more control. Because what we don't want is that they take on more business than they can handle and come up with cash flow problems, as has happened to me and other companies in the past. At Sunrise, the sub-contractors don't pay rent and they can solicit work outside the company.

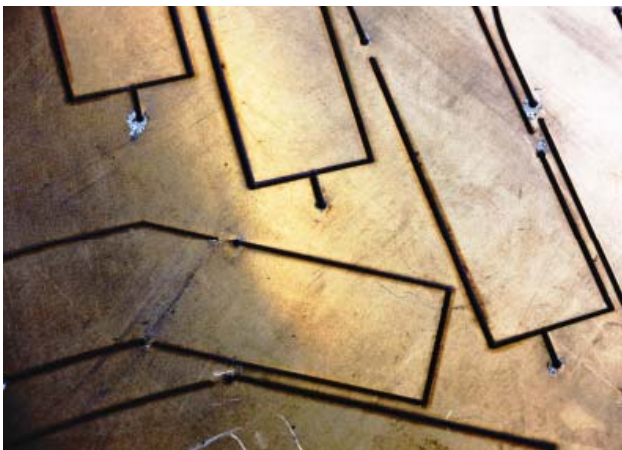
JR: Is there a ready supply of skilled sub-contractors?

Guillaume: This country is full of skilled workers. But yachting is still a fairly recent industry here and what is sometimes lacking is management and planning skills and the education of workers into the culture required to meet the expectations of the luxury market. Our workers are not familiar with luxury goods, whereas all Italians know good quality when they see it. Luxury means looking good on the outside and the inside – and that takes time to teach. It means we behave a bit like our own owner's reps much of the time.

Herbert: One other very important thing for both of us is that we want to have fun – in a responsible sort of way, of course [on the back of their business cards they have printed "Life is Good" – Ed]. Enjoying what you do encourages creativity and pride in your work. We're serious, but we don't take ourselves too seriously. I think I'm very un-German in that sense!

JR: There is no national yacht builders' association in Turkey – do you think the industry would benefit from such an organisation?

Guillaume: Definitely. Of course, we would have to set standards, perhaps based on output, but we don't want to be too exclusive. In Turkey there are three groups or classes



of yacht builders: A, B and C. The A's are trying hard and are, or will be in a few years, European standard or better. The B's build a good value for money product, but fall short of European quality. And the C's are the rest at the bottom of the ladder – they cause the A group harm by negatively impacting the image of the country as a whole.

Herbert: We're working hard to be part of the A group Guillaume just mentioned and to create consistent quality throughout our projects. We're now starting on our third hull over 40 metres and, hopefully, a fourth will start in 2009. If we do something we want to do it right. One way in which we differentiate ourselves is how we treat our people, because we believe that a good boat is the product of a good team. It's people who build yachts, not machines.

Guillaume: We decided from the beginning that we wanted a good environment to work in with good facilities. Herbert's phrase is that we want to be an "attractive employer" – we want people to want to work for us. So we do a lot of internal public relations. Among other things, for example, we've built a big tea garden here at the shipyard where we organise barbecues with all the workers and they're families.

JR: One of the attractions for owners thinking of building in Turkey is the price – how do costs compare with Europe?

Herbert: I would say we are very competitive price-wise. We currently position ourselves about 20–25% less than Italy, but equal in terms of quality or perhaps a little higher. And I would say 50% less than Holland.

Guillaume: Our goal from the beginning has been to place ourselves between Italy and northern Europe. It makes no sense for us to chase northern European quality, because those people who really want it are prepared to pay for it. We can match it, but then we would only be perhaps 10% less costly and at that stage owners will stick with Holland or Germany. This may change in time. But we certainly don't intend to be the cheapest yard in Turkey.

JR: It seems that the yachting media in particular and the industry in general is already very aware of the Sunrise brand, even though you haven't actually launched anything yet. How have you managed that?

Guillaume: A cornerstone of Sunrise Yachts is our awareness of the importance of promoting the brand and marketing. Regardless of what people might say, 90 per cent of people who buy yachts are interested in the status it confers, so marketing and branding are extremely important; not only for us, but also for our clients if the yacht is to retain its value. We've put a lot of faith into this and so we hired a marketing specialist in Jean-Claude Carme.

Herbert: This represents a huge chunk of our investment.

We do a lot of direct mailing and Jean-Claude has over 2,000 brokers on his database, so we try to build up close relationships and in just one year we've achieved a level of recognition that is remarkable considering we don't have a product yet. We've set the bar very high, so now we don't want to stumble.

JR: Let's talk about the yachts themselves... By starting with a semi-custom 45-metre range, does that mean you're going head to head with the likes of Feadship?

Guillaume: To an extent, yes. On our current 45-metre we use the same MTU engines and have very similar specs as the F45, such as the Quantum stabilisers and Glass Bridge integrated bridge system. But the base price of the Dutch yard is practically double our fully equipped price. Things have evolved so much and so quickly from when we decided to build two boats, the products are probably not what we would have built with if we were starting now. We purposely went conservative, middle of the road, and 45 metres is a bit of a niche size as there are not that many of them out there, but it's still attractive and high volume. We also wanted to promote European quality in Turkey so Paolo Scanu was an early choice and we brought in Franck Darnet, the French interior designer. The main systems engineering was done in Holland with Peter Valentijn, while electrical engineering and PLC systems and monitoring control were done in the South of France by Actys. We've even developed our own PLC monitoring system based on commercial ship systems. For the first two boats we also decided to build the electrical boxes in France, but this will be transferred to Turkey. So the conceptual and development stage was very Euro-centric.

Herbert: Like the F45 we also have the choice of various interior styles, in our case they are Shetland, Capri, Mustique, Catalina [hull no. 1], Manhattan and Melody [hull no. 2].

Guillaume: We're especially proud of the two-tier engine room. We decided to move the water-makers out to free up space and put them where they're most needed on the bilge deck under the guest accommodation. There is a separate generator room to keep the engine room cooler and reduce noise. The cupro-nickel piping was sourced in Switzerland and is Lloyd's approved and joined using crimping so there's no need for messy grinding and welding in situ. The AC system is water chilled with fancoils – rather than centralised – as I don't believe in ducted air for anything under 60; it makes no sense when you're trying to gain interior space. Although not required, the whole boat is B-15 insulated with rock-wool sandwich panelling.

JR: What sort of equipment, if any, do you source locally?

Guillaume: Most of our equipment is sourced abroad and we're lucky in having Herbert in Florida and his associate in Frankfurt so we can source where the currency is most

favourable. The downside, of course, is that we have to ship further than our European competitors. But we get most of our hydraulics in Turkey and employ the same guys who build cranes and passerelles for European suppliers. We also buy from the same company, Murat Marine, that supplies shell doors and custom stainless steel hardware to the top European shipyards.

JR: And now there's the new range designed by Espen Oeino.

Guillaume: He's designing a 47-, 55- and 65-metre series for us using, for the 47-metre, the existing hull and restyling the superstructure. We've already bought the steel and aluminium for the first 47 and we'll start cutting steel in early 2009. Espen latched on straightaway to the concept of building 'pocket' superyachts with a big boat layout by putting all the services on the lower deck, eliminating the galley from the main deck and bringing up the four cabins from below – never the best place to be – and the owner's cabin on the upper deck. I remember feeling frustrated when Feadship came up with a similar layout, because I hadn't been able to convince anyone to build a boat like that! The idea is that the 47 and 55 will be under 500gt, which is quite a challenge and implies that we have a lot of sliding glass windows and doors that don't need to be watertight because they are rated as open space tonnage wise. Schottel pod-drives and dynamic positioning will be fitted as standard.

Herbert: As a semi custom builder, we want to offer different combinations. So instead of the owner's suite on the upper deck, we can keep the same bulkheads, but substitute it with a sky lounge and an open deck terrace to provide a massive lounging area. In this case the master cabin is moved to the main deck. But instead of putting the two guest cabins it replaces back on the lower deck, we realised that the sundeck lounge can be a closed or open, formal or informal, dining room so we don't need the dining area on the main deck.

JR: What has been sold and what is being built on spec?

Guillaume: The first two hulls are being built on spec and the first Espen design also. Our first hull has been sold and is called *Africa*. We intend to keep on building on spec, but not to the same extent. The idea is to have one yacht available for delivery before every summer season and to bring the delivery time down to 18 months max. Clients could come in as late as 10–12 months beforehand if they require any significant changes. We can take on five projects at the same time, so our goal is to have all five slots filled at different stages of completion and deliver two boats per year. And from the start we've limited production to maximum 65 metres and not smaller than 40 metres.

Herbert: All the boats are full Lloyd's and MCA. We set the bar high and it's costing us a lot of money and time, but it's



a question of pedigree. We're also providing a customised Harley Davidson [Herbert has a collection of 41 Harleys!] as standard with the name of the boat airbrushed onto the fuel tank. We've devised a crane system, engineered in Tuzla, that lifts it out off the lazarette and puts it on the dock. *Africa's* owner has also requested two Vespa scooters.

JR: Everyone's feeling the pinch right now, but how do you see yourselves and other boat builders in Turkey in, say, five years' time?

Guillaume: It's crystal-ball gazing, but I think companies like ours, and leading Turkish Builders Proteksan and RMK, will have a better market share in the short term than our European counterparts. There are always very rich people who will go to Holland and Germany, but there are others who are looking more carefully at what they get for their money. I think we have a splendid future despite the financial turmoil. America will emerge from the crisis first, which will open up one of our prime markets where we already have a foothold. I think for us the market will bounce back late 2009 or early 2010.

JR: And what's in the pipeline for after then?

Guillaume: We're looking into green technology with a potential project we are currently working on. It will require major funding, but I think in five years' time Sunrise Yachts will be able to build a carbon neutral boat using fuel cell technology. We already have efficient fuel cells that allow us to burn used liquid fuels such as diesel. Regardless of what happens with fuel cell technology, it's going to take a hell of a long time for it to penetrate the superyacht industry as the main engines will remain diesel due to the high power demand. But for everything

else – electricity and hotel services – we can do something. A German University has developed a system for converting diesel fuel to methane and a fuel cell engineer friend of mine has developed proprietary technology using carbon nanotubes to improve fuel cells, which works best with methane. The point being, if you take diesel to produce electricity with generators you are only 23 per cent efficient per litre of fuel, but if you take that same litre of fuel and convert it into methane and run it through fuel cells, you are then 92 per cent efficient. A fuel cell produces electricity, but also a lot of heat and steam – so we can use the steam to heat water or condense it to make fresh water. There is also technology perfected in India to use absorption cooling for A/C. So all of a sudden you're generating efficient, clean power and you eliminate the most important sources of noise and vibration on board – generators, water-makers, AC compressors, etc. We can't get away from diesel main engines for now, but what you then do is go away and buy yourself some carbon credits and you have a carbon neutral boat.

Images & text: Justin Ratcliffe

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TYR would like to thank 777 yacht group and their CEO Charlie Baker for arranging transportation and logistics for Justin's visit. 777 are actively involved in promoting Turkey as a superyacht building location. They also are helping three new yards set up operations there as well as acting as surveyors and technical consultants for Owners with superyachts in build in Turkey and Northern Germany.