



COVID-19 and the superyacht industry – where are we, how did we get here, and where are we going?

By Dominic Bulfin, Senior Associate

Keen followers of Bargate Murray social media will already have seen our recent articles in which we set out to help various stakeholders in the superyacht industry navigate the uncharted waters that are the COVID-19 outbreak, and very keen followers may even keep reading as we publish further articles over the coming days and weeks.

In recent weeks, we have been incredibly busy working with our clients to ensure that projects in the pipeline progress with the minimal disruption possible, resolving issues arising in ongoing works, and finding the solutions required to keep day-to-day operations running with some sense of normality.

So what issues are we seeing arise during this unprecedented time?

Disruption to Shipyards

We are seeing disruption to shipyards on a scale probably never experienced in the superyacht industry. Whether you are engaged in minor repairs, major refits, survey works, new-builds or conversions - expect delays. Italy, as it has been for much of Europe's experience of COVID-19, is the canary in the mine for the superyacht industry.

What started in the tail end of February as a feeling of mild discomfort and uncertainty soon evolved into a state of moderate panic as the country started grinding to a halt.

As areas of northern Italy entered total lockdown, we were mostly considering largely untested questions as to whether individual crew members could refuse to work in Italy? Could those already on duty in the country insist on repatriation? What happens if a crew member tests positive for COVID-19 while on duty and who is liable if a family member catches the virus from an individual who had been on duty in Italy and succumbs to the virus? Some of these questions now seem ridiculous in a pandemic, but the situation was very different only a few weeks ago when cases

were capable of being traced to individuals who had been in China during the initial outbreak.

As time has gone on, and localised outbreaks morphed to epidemic hot spots to pandemic, questions turned from liability for individual instances of the virus, to concerns about larger scale disruption to day-to-day life.

And it didn't take long for two words so often found only in the un-turned pages of a textbook to step into the limelight – “force majeure”.

And it hasn't just been lawyers getting excited about these words, followers of The Economist may have seen the recent graph posted to their Instagram page showing the 1000% increase in web searches for the term force majeure – these two words will define 2020 for many. This isn't the place to delve into force majeure, but be sure to take a look at Quentin Bargate's [recent article](#) on the subject.

These issues are no longer confined to Italy, of course. We are seeing significant disruption at yards in Spain, the Netherlands and Germany to mention but a few.

We have grown so accustomed to living in such a well connected world that it was taken for granted that in any one project there may be consultants, subcontractors and suppliers from more countries than you can count on your fingers – and normally this works, especially intra-EU. But COVID-19 has done more to damage free movement than Brexit or any other similar movements within the bloc ever could manage. It is this inability for people and goods to move freely which is really crippling shipyards.

Many have the local workers available and willing to work, but their supplies are stuck all over the world, unable to make it to the final destination.

Whilst many yards technically remain open, we have seen the situation in Italy cause the outright closure of yards such as Amico in obedience to Governmental decrees, I am glad to say Amico is back up and running, but as with the rest of them, can they get supplies and materials?

With supply channels worldwide stuck in gridlock and delays to projects mounting up day by day the situation is not going to resolve itself overnight, and what happens when existing lines of credit expire and businesses who have managed to survive the worst of the outbreak are unable to get paid in a few months time – we will likely see a time lag with many businesses failing once the world appears to have turned back to normal.

The situation at the yards will likely get worse before it gets better – what effect might this have on your project?

Crew Issues

Step onboard any large yacht and the chances are you'll find people from more countries than you can count on your fingers. The superyacht industry is reliant on the ability for people to fly from any corner of the Earth to another – but right now that is not possible.

Captains worldwide are facing difficult decisions as to whether or not they should lay off their crew to limit the financial damage until the situation settles down. This is coupled with the natural instinct for people to be at home during a time of crisis, or wanting to get home while they can in case flights aren't available when they are due to fly home. We have been working hard with clients to find ways to keep going without leaving their crews in potential financial dire straits. I am pleased to say that on the date of publication, no crew member on the yachts we work with has lost their job as a result of the COVID-19 outbreak, but this is not the picture we are seeing across the industry as a whole. Just as many of us across the UK have been finding new ways to work, as have many crew members who may be on garden leave at home, for example, until they can return to work.

The situation is ever-changing, and seafarers in the superyacht sector should not count their chickens, or assume their Principal has bottomless pockets – nobody is immune to the effects of COVID-19.

Movement of yachts and access to safe port

Finally, it is a common misconception that superyachts can go where they want, when they want, but the COVID-19 outbreak has shown that this could not be further from the truth. In fact, superyachts are conspicuous assets which simply cannot come and go invisibly or without the knowledge (and permission) of numerous authorities.

Whilst many charters are being marketed as an opportunity for the wealthy to escape COVID-19, we have seen first hand how difficult it has been for yachts to obtain clearance to enter port, and even heard of yachts being turned away from a safe port having earlier received clearance.

Right now every nation is looking out for itself, and understandably so, but this risks being at the expense of seafarers worldwide who are stuck in international limbo until they receive the necessary clearance to enter a safe port.

Concluding remarks

So what does the future hold? Well the one thing we know is that under the cloud of COVID-19 “normal” no longer exists, and the disruption around the world is going to get worse before it gets better.

We would hope to see movement of people improve again in the coming months, but the bigger factor is confidence – to fully recover, owners and charterers alike need to be confident that their time onboard is not going to be negatively impacted by lockdowns, illness, or a lack of supplies. Until that happens, we can expect to see a continued downturn in activity in the superyacht sector.

Build and refit projects may yet have several months of delays ahead of them as the international movement of goods and materials slowly but surely recovers. What effect the COVID-19 outbreak will have on the order books of Europe’s first-class yards remains to be seen; we anticipate a downturn in the largest new builds over 100m in length for some time to come.

Dominic Bulfin, Senior Associate

Further information

For further information or advice, please email:

dominic@bargatemurray.com