# Stern Words

## Fee fi fo fun

photo: Caroline Hillier

I smell the money of a big rich man or so the rhyme goes. The big-yacht industry for years has been tarnished with a money-grabbing image, with commissions and back handers prolific amongst the dealmakers, the middlemen and the contractors. The idea of this giant monster being controlled is little more than naïve and a utopian ideal for the large-yacht market. To be totally frank, we are not alone; the majority of large transactions and deals in all major industries, even small ones, involve the Mr Fix It mentality, the man/woman who gets things done, who makes it happen, the one without whom the deal may not go through. Essentially this is the person whose palm is always greased, the holder of the brown envelope, the one whose hands are invariably at the back.

In many business deals it is rare for incentives and bonuses to change hands, the payment to say thank you, the money to ensure that all works out for the ultimate client. Is this the same as a commission, or a fee that one earns in the course of doing business? This is the burning question that is often asked or commented on when deals come together. A yacht that is sold or ordered for US$75 million or more, that commands a 5% commission, is often questioned by all layers of the market: can this be justified, they ask. How much work has gone into the earning of this gargantuan fee, what individual has the sheer expertise in this modern world to ask for $3.75million, just for bringing a client to the table and closing the deal?

Let's not exaggerate the facts; the idea that everyone in the business of closing sales deals in the large-yacht game commands such astronomical sums is somewhat pie in the sky. In my mind, this is not the big issue, after all in today's world of hedge funds, city deals and dollar values, $3.75 million is small change and for some all in a day's work. If this is what the clients are happy to pay, then fine, so be it. Any client who wants the yacht of his dreams and the associated trappings of yacht ownership is no doubt expecting to pay the extras to smooth the deal, the make things happen and get what he wants. It is fair to suggest that this comes with the territory. How many firms of lawyers and accountants have been cursed for their outrageous use of man hours, the fee structures that ensure all bases are covered and that the deal is fully closed and clean.

I suppose the suggestion is that with today's vast projects being discussed, even the most expert deal maker can potentially find it hard to justify his fee, especially if he/she was selling plastic fast yachts the year before or even running a small yacht for a current client. The point is very clear – if a yacht owner is happy to part with any form of percentage to buy or create his new toy, then life is all fine and dandy. The question is, are they? Also it has been suggested that they are sometimes kept in the dark and are unaware of the scale of numbers changing hands. (It would be good to hear from owners on the subject of fees and commissions.)

Where is all this leading? While I do not condone the payment of bonuses and commissions and fees (to those not directly involved in the deal or working for either owner in a non-broking capacity), it would be nice if we could introduce a level of transparency that would prevent the negative image of individual positive cash flow.

I received a recent press release from a new player in the market, Large Yacht Solutions, who feel they have one solution to the problem of fees and transparency. Richard Orme has taken a brave step in the direction of fixed fees and feels confident that commanding a fixed amount for the process is commendable. Whether this is the start of a new era is yet to be seen, but in principle this makes good sense, providing the process of control allows the fee to be managed according to the workload.

How you define a fee versus the work required is always the biggest headache. In theory, if one man is happy to earn $500k per deal and contract a series of regular deals he is likely to drive a more stable platform than the feast or famine deal maker who concludes one deal every two or three years and lives off the higher number for longer. The other issue that often raises its ugly head is that of fees for people who just get in the way or who demand a piece of the action, just because they are involved indirectly. It is this activity that needs addressing more urgently than the size of fees generated by the well-known professionals. I remember overhearing a conversation whereby an individual who wanted to spoil the party suggested that a deal would not go through unless he received his cut; the buyer would be inadvertently advised that the yacht on offer was not a good price and therefore not complete.

This underhand approach, dare I call it blackmail, creates resentment and mistrust in our market and it is for this reason that I applaud Richard's approach with fixed fee structures. By telling the client what he will pay and that it is capped surely goes a long way to guaranteeing that his interests are at heart and no one is driving the final figure to the highest peak in order to maximise the exit number. A brave move, Richard, and one that may spark a few more sensible solutions for the large-yacht market.

**MHR**

**www.largeyachtsolutions.com**

THE YACHT REPORT (ISSN: 89787820) IS PUBLISHED MONTHLY (WITH JOINT ISSUES IN FEB/MAR, JULY/AUG AND NOV/DEC) BY TRP MAGAZINES LTD AND DISTRIBUTED IN THE USA BY SPP 75 ABERDEEN ROAD EMIGSVILLE PA 17318-0437. PERIODICALS POSTAGE PAID AT EMIGSVILLE PA. POSTMASTER; SEND ADDRESS CHANGES TO THE YACHT REPORT PO BOX 437 EMIGSVILLE PA 17318- 0437.