



LUXURY TOYS

Ed. Note: "Biz" by Kathy Finn, recently won first place in the Business writing category at the Press Club of New Orleans' annual awards ceremony. Congratulations to Finn for her insightful business reporting.

Yacht builder positions to catch the next wave

BY KATHY FINN

Given a history that's deeply intertwined with the business of waterborne commerce, New Orleans is no stranger to shipbuilding. Yards throughout southeast Louisiana bustle with activity year-round as workers turn out vessels of all kinds, from inland river barges to offshore oilfield supply vessels to technologically advanced ships for the U.S. Navy.

One segment of the local boat-building business, however, tends to operate under the radar. That rather low-key sector is yachts.

New Orleans is home to one of the largest builders of luxury yachts in the world. From a yard along the city's Industrial Canal, Trinity Yachts LLC turns out large, amenity-laden boats fit for royalty – literally. The builder's recent clients include members of a Middle Eastern royal family, along with a sprinkling of other billionaires from around the globe.

In recent years, the super-wealthy have lined up to place orders with Trinity for powerful, stunningly designed yachts that range in length from 120 feet to

more than 200 feet and carry price tags as high as \$80 million. The boats are equipped with powerful engines that propel them at speeds of up to 30 knots.

On the inside, they're imbued with luxury. Sprawling living quarters and entertainment areas scattered throughout several decks are richly outfitted with top-of-the-line features, from laser-cut inlaid marble floors and exotic wood paneling, to high-end chandeliers, splendid staterooms and bathrooms and state-of-the-art home theater systems.

Luxury market analysts say a buyer needs a minimum net worth of about \$350 million to be able to afford the purchase, operation and upkeep of a mid-size "mega-yacht."

What draws such buyers to Trinity? In recent years weakness in the U.S. dollar has helped attract them from Europe and Russia, among

other foreign locales.

In addition, the precision engineering Trinity brings to the table has helped clinch deals.

Trinity's roots reach back through the decades to the Higgins Shipyard, which built the landing craft that put troops ashore at Normandy and other battlegrounds during World War II. Later, the yard took up commercial vessel construction, along with military contracting.

About 20 years ago, in an effort to diversify its business, Trinity launched into a new life as a builder of yachts.

"The skill requirements for building military vessels and yachts are comparable," says Trinity

From a yard along the city's Industrial Canal, Trinity Yachts LLC turns out large, amenity-laden boats fit for royalty – literally.



President and CEO John Dane III. "Military specs are very precise, and so are yachts."

Having the capability to turn out such tightly engineered, technically sophisticated vessels enables Trinity to rotate both types of work through its yards - a valuable asset at the moment.

When Hurricane Katrina slammed New Orleans and closed business down at Trinity's yard, Dane and his partners - Billy Smith and Felix Sabates - went shopping for space in Mississippi. The company opened a new yard in Gulfport, Miss. Later, after re-opening its New Orleans yard, Trinity maintained parallel operations in the two locations.

Six boats are currently under construction in the New Orleans yard, and Trinity has delivered three yachts from the city so far this year. Altogether, the company expects to deliver eight mega-yachts from the two yards during 2009. "That's by far more than any mega-yacht builder in the world," Dane says.

He says the "silver lining" in the Hurricane Katrina cloud was that disaster forced Trinity into expansion mode. Adding the Gulfport yard enabled the company to build up its workforce and construction capacity at a time when worldwide wealth was soaring and interest in luxury goods was high. Trinity's backlog of work soared from 11 boats to 24 boats on backorder, and the work force burgeoned to more than 1,000 employees. "We more than doubled the size of the company after Katrina," Dane says.

Trinity appeared to be on a remarkable growth track. But then, a different type of storm blew up.

The national economy, which had been gradually turning sour, took a debilitating tumble in the fall of 2008. Financial markets went into a tailspin and caught many investors without a parachute. Trillions of dollars of wealth vanished.

"Business inquiries literally stopped through the third and fourth quarter," Dane says. Two buyers who had boats under way at Trinity defaulted on the projects; the company now is helping them find new buyers for the yachts.

The other boats that were in development before the financial crash remain on schedule, however. And Dane says new business inquiries are beginning to trickle in once again.

As the company whittles down its backlog, it's unlikely that Trinity will build more than four yachts in 2010. But the partners say their ability to take on military work along with the luxury vessels should enable them to retain most of their highly skilled work force until the economy regains its strength. Trinity recently won a subcontract to build 10 patrol boats for the Navy. "That's the equivalent of two-and-a-half mega-yachts," Dane says.

Meanwhile, the market for luxury goods may begin to climb. According to the 2009 World Wealth Report, published by Merrill Lynch and Capgemini Consulting, while the total wealth of the world's ultra high-net-worth individuals plunged in '08, it should begin to recover in '10 and subsequently grow at an annual rate of 8 percent through '12.

Trinity's owners hope that as serene harbors in places like Nantucket, Monaco, St. Tropez and St. Barts begin to fill once again with luxury yachts, the appetite of the wealthy for bigger, newer and finer things will draw them toward a builder on the Gulf Coast.

"A lot of our business comes from repeat customers, so it's imperative that we do a good job," Dane says. In other words, every owner of a Trinity yacht must be very satisfied with his very expensive toy.

"It has to be an enjoyable experience, because nobody needs one of these things," Dane says. "Nobody needs a yacht." ❀

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