



The Future of the International Yachting Industry in Cyprus

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Appendices

1. *Record of Correspondence related to VAT and duty*
2. *Example of duty-free fuel purchase in Greece*

Presented on 22nd October 2019
To Mr Savvas Perdios, Deputy Minister of Tourism



Creating the Destination

- Cyprus remains a new entry into the international and superyacht markets – we are not yet an established international yachting destination and must follow a defined strategy to become one.
- All industry stakeholders & authorities must come together to meet this objective.

Key drivers of success:

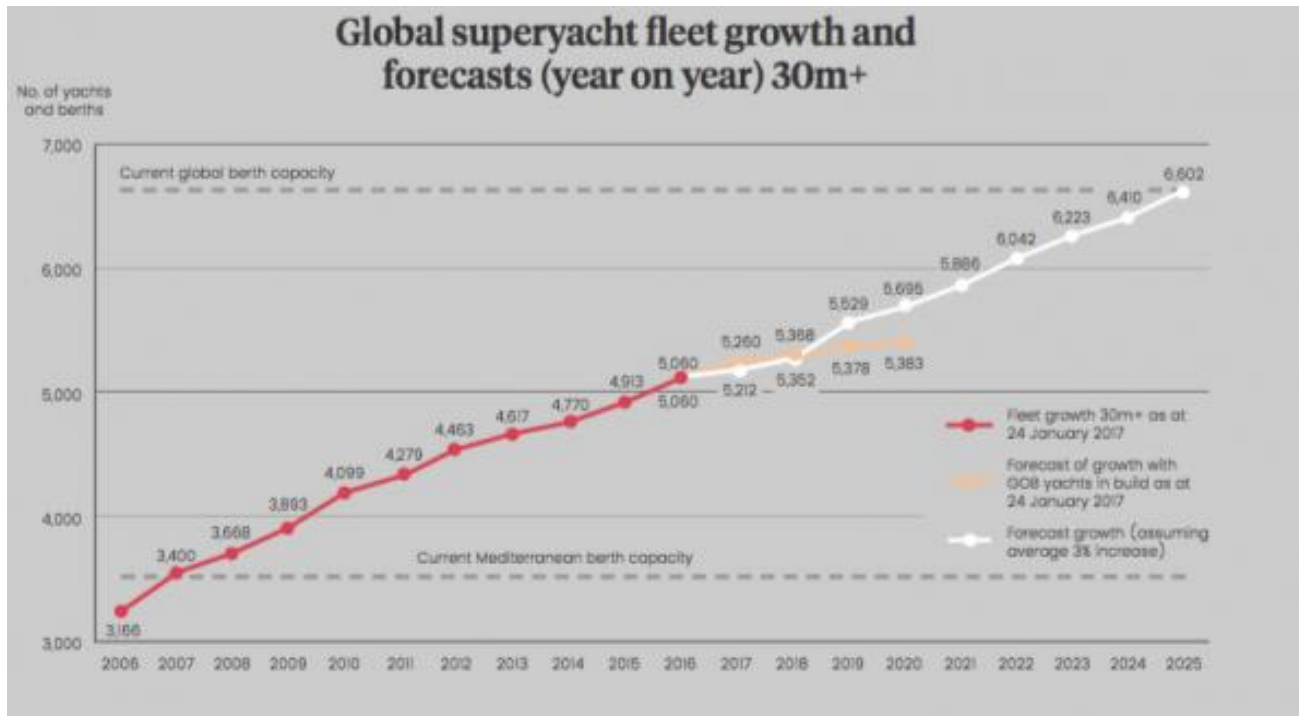
- Implementation and protection of favourable economic conditions is vital for attracting the superyacht industry. (The playing field must be level with our EU-based competitors).
- Continued expansion and development of berthing infrastructure and supporting industry services and facilities.
- Clear, consistent and collaborative communication to the industry about the advantages of Cyprus as a yachting hub, and generally about the tourist product.





Industry Insight The Mediterranean Market

- The competition is fierce – many Med-based countries, both in and outside the EU, are targeting this industry and investing in berth capacity along with regulatory strategy in order to attract international yacht traffic, particularly superyachts, away from the West Med.



“despite the spread of the superyacht fleet to further climes in recent years, the growth in worldwide berthing capacity has far outstripped the spread of the yachts themselves.

As evidenced by the ‘global fleet growth’ graph, current global berth supply for yachts over 30m will not be met by fleet inventory until 2025, by which time, it is fair to say, the number of berths worldwide is likely to have increased markedly.

Yet, there remains a pronounced supply/demand bottleneck, driven by the fleet’s preponderance with cruising in a concentrated region within the western Mediterranean.

According to data sourced by [The Superyacht Intelligence Agency](#), 75% of the global fleet is located in the Mediterranean during the northern hemisphere’s summer months, while during winter months, this figure only falls nominally – to 56%.

When one considers that the entire Mediterranean is equipped with 3,287 30m+ berths, this concentration of vessel demand (3,796 vessels in summer months) clearly represents an existing supply/demand disparity.” *Superyacht News, 2017*



Industry Insight The Mediterranean Market

➤ **Med-based berth capacity is increasing.**

In line with the continued expansion of the global superyacht fleet, continued growth in the average size of superyachts and the consistent statistic that between 56% and 75% of the fleet remain in the Mediterranean, significant berth expansion within the Mediterranean has also followed in order to attract and accommodate these vessels.

➤ **Competition is therefore increasing.**

Such expansion is creating new capacity for the sustained, strong demand in the west Med, while creating new and more popular cruising and winter destinations in the central and east Med, all competing to attract the superyacht traffic. (Spain, Italy, Greece, Croatia, Montenegro in particular have all experienced significant capacity growth in recent years).

➤ **High quality destinations are becoming widespread.**

New marina developments are large, multi-use leisure destinations and luxury property development projects – expectations of these ‘destinations’ are higher than ever.



Industry Insight The Mediterranean Market

- **Superyacht travel itineraries are increasingly driven by economics.**

Superyacht owners rely more and more on the expertise of their management companies, lawyers/financial advisors and Captains to ensure that they take advantage of financial incentives and operate as economically as possible.

- **Tax incentives, qualification for duty exemption etc. are therefore an increasingly vital part of the 'package' that attracts the international yachting market to a destination.**

- **The need for joined-up strategy.**

To become a Superyacht destination in its own right and attract the growing Superyacht fleet, Cyprus must compete against major competition that have successfully combined favourable economic conditions along with high-quality infrastructure development and world-class services.



Industry Insight

Cyprus' Competitive Disadvantage

➤ **Duty exemption on fuel for commercial yachts under charter – not available in Cyprus.**

This would attract significant transit superyacht traffic to Cyprus – we are currently being bypassed as boats travel to countries where they are not charged duty on fuel. (Including EU countries such as Greece that interpret EU directives favourably and non-EU countries in our region such as Turkey, Montenegro, Albania).

➤ **VAT/Duty exemption for importation of spare parts to qualifying yachts – not available in Cyprus.**

This is a barrier to choosing Cyprus for technical visits, winter berthing and use of the support service industry.

➤ **However, these conditions do already exist to support Cyprus' shipping, oil and gas industries.**

Cyprus has become a world leader in these industries due to successful alignment of infrastructure and national strategy through regulation, policy decision and stakeholder collaboration.

➤ **VAT Yacht Leasing Scheme – not currently operating in Cyprus.**

This was previously a substantial driver of superyacht traffic to Cyprus – this is no longer the case, the boats are going elsewhere – especially Malta who maintained their scheme despite recent scrutiny. This results to a substantial loss to the Cyprus government.

➤ **Cyprus has a fledgling support service industry and high travel cost.**

The majority of the international yachting market is focused in the West and Central Med due to its long-established support service industry and infrastructure close to traditional cruising grounds. We must develop the supporting industries – shipyards, contractors and service providers and 'sell' Cyprus as a new alternative destination and worth the extra cost of travel.



Industry Insight Case Study: Malta

- 1st to initiate the VAT yacht leasing incentive scheme (established the Malta flag as an industry leader).
- Invested in repair & maintenance facilities to offer the 'whole package'
- The economic benefit to the country is recognised and they create the right conditions to attract the market.
- Long-term view & strategy rather than short-term gain.
- Political direction to guide employees of the authorities – personal involvement from Ministers.
- Big presence / impact as a nation at international events e.g. boat shows. Coherent strategy and collaborative approach.

Comparison:

Malta – 316 km² vs Cyprus - 9,251 km²

Malta – 460,000 population vs Cyprus – 850,000 population

Malta – 175 superyacht berths vs Cyprus – 83 superyacht berths (30m and above)

In 2015, the superyacht industry in Malta generated:

Direct economic value to economy – €67.1 million (industry service providers)

Indirect economic value to economy – €96.4 million (peripheral services and wider economy)

€163.5 million in total

Malta Institute of Management, 2016





Superyachts – The Economic Impact

70m Superyacht Case Study

<u>Beneficial Industry</u>	<u>Revenue Source</u>	<u>Monthly Spend</u>
Tourism Hospitality + F&B Retail	<u>Crew (25+)</u> - High earners, high disposable income - Sociable and active – willing to travel	€20,000
Yacht sector Food (provisioning) Maintenance Utilities services	<u>Technical</u> - Berthing - waste disposal & other - Fuel - maintenance contractors - Power & water - Interior & provisioning	€188,000
Hospitality + F&B	<u>Management</u> - Business travel & hospitality	€ 10,000
Hospitality + F&B VIP services	<u>Owners</u> - Ultra High Net Worth Individuals (UHNWI's)	€ 25,000
	<u>Total approx. monthly spend</u>	<u>€243,000</u>



Superyachts – The Economic Impact 70m Superyacht Case Study

In many cases...

Government services Business services	<u>Tax & legal</u> <ul style="list-style-type: none">- Payment of VAT under leasing scheme- Financial & legal support services	One off payment of approx. 4% of the value of the vessel
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In addition, if the vessel were to stay in Cyprus and opt to pay the VAT here through a scheme such as the yacht leasing scheme, a significant additional revenue stream is created.





Strategy for Growth and Sustainability

All stakeholders and authorities must work together to establish Cyprus as an international yachting destination.

- **Attractive and efficient regulatory and legislative conditions are essential.**
 - Favourable interpretation of certain EU directives, in line with other EU countries.
 - Clear policy messaging from the 'top-down' within the authorities.
- **Economic incentives are essential – e.g. VAT Yacht Leasing Scheme.**
- **Joined-up, collaborative approach from all stakeholders is essential.**
 - Marinas.
 - Agents / management companies.
 - Cyprus Authorities.
 - Cyprus Government.
 - Deputy Ministry of Tourism – develop & implement nationwide marketing & comms strategy.
- **Continued development of facility and service infrastructure to attract the international yachting market - attract foreign investment to support this.**
 - High quality product and services combined with environmental best practice.
 - Favourable economic terms to drive development – reduce/eliminate VAT on leasehold property, increase property leases to min 250 yrs.
- **Political will and direction is key.**





Thank you for your time.

Cyprus Marinas Association
Cyprus Chamber of Commerce and Industry

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