

**Navigating Troubled Waters:  
The Shadowy Depths of Yacht Surveying, Refitting, & Refurbishing Fraud**

**Mitigating Measures To Eliminate This Corruption**

The yacht refitting and refurbishing industry, synonymous with luxury and opulence, is increasingly becoming a hotbed for sophisticated frauds and scams, leaving many yacht owners navigating through the treacherous waters of financial loss and betrayal. The allure of the high seas comes with its own set of perils, not all of which are natural. Among these, the menace of fraud in yacht surveying, refurbishing, and refitting is particularly insidious, preying on the trust and lack of specific technical knowledge of yacht owners.

This article sheds light on the murky underbelly of this glamorous industry. We will explore the various avenues through which fraudsters are making waves, ***while offering measures to mitigate and eliminate unethical and criminal behavior, preserving your investment and peace of mind.***

**Surveying**

At the onset of a yacht purchase process, the brokers involved should suggest a thorough inspection of the vessel by one of x (3) independent yacht surveyors. While it is beyond the scope of this article to address the myriad of circumstances influencing the scope of such an inspection, suffice to say, there exists, all too often, an inadequate scope of the inspection, and consequently, omitted information regarding specific aspects and conditions of the yacht, which may translate into a significantly higher refitting price tag, and ultimately higher purchase price.

As an example, while aluminum has a good strength-to-weight ratio versus steel, an aluminum hull must be de-scaled, on the hull bottom, as well as within interior bilges, holding tanks, and cofferdams, to facilitate visual inspection for structural integrity-compromising corrosive pitting. Such an inspection would include sea chests and piping manifolds, as well as bilge suction, fuel transfer, and fire water related piping.

**Overcharging and Phantom Services**

A common scheme involves overcharging for services or billing for work never performed. Yacht refitting projects, known for their complexity and the bespoke nature of the tasks involved, offer a fertile ground for unscrupulous service providers to inflate prices or charge for high-end materials while installing substandard alternatives. Owners, especially those who might not be present during the refurbishment, can find it difficult to verify the authenticity of the work cited on their hefty invoices.

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**The Ghost Crew Con**

Another prevalent scam is the hiring of ghost crews or subcontractors. Owners are billed for the wages of workers who either do not exist or were never involved in the project. This type of fraud not only inflates the project cost but also delays the completion timeline, as the actual workforce is significantly smaller than what is paid for.

**Warranty Woes**

Fraudsters have also been known to offer extended warranties for work done or parts replaced, charging a premium for this assurance. However, when the time comes to claim these warranties, owners often find that the service provider is unreachable, out of business, or the warranty terms were so narrowly defined that they offer no real protection against defects or failures.

**Counterfeit Parts and Materials**

The use of counterfeit parts and materials is a particularly dangerous form of fraud. These substandard components can not only affect the performance and aesthetics of the yacht but also pose serious safety risks. From fake branded engines to low-quality teak wood masquerading as high-grade material, the range of counterfeit items being used is vast and often difficult to detect until it's too late.

**The Shell Company Shuffle**

A sophisticated method of defrauding owners involves the use of shell companies. After securing a contract, a service provider might funnel funds through various shell companies, complicating the financial trail. In many cases, these entities declare bankruptcy or dissolve before the project is completed, leaving the owner with no recourse for recovering their investments.

**Non-Existent Document Version Control**

Upon request to submit written estimates, bids, or quotes, toward specific tasks and/or scopes of work, vendors submit untitled, or ambiguously file named documents. If the estimate, bid, or quote is approved, and an invoice of retainer or deposit is requested, another untitled, or ambiguously file named document is submitted. This document may, or may not, denote the deposit amount, or reflect a new balance due.

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This is repeated throughout the project, to address change orders, labor and materials overruns, and ultimately final billing. No two documents share the same file name, file names that provide no indication as to the content of the document. The documents may contain repeated dialogue run-ons regarding services and labor hours provided; this dialogue can be redundant and overlap other dialogue in unrelated documents.

**Non-Existent Tradesmen Licensing and Certifications**

The yachting refit and repair industry has no governing body that *requires and ensures* trade and technical competency of workers that service, repair, or modify luxury motor yachts. Some vendors do in fact enroll employees in courses created and conducted by the AYBC (American Yacht & Boat Council). However, an individual with no previous experience can enroll in and pass such certification courses. This of course does not qualify them to perform technically related tasks. As an example, very few electricians know how to establish an Electrically Safe Working Condition (ESWC) per (NFPA 70E).

**Non-Existent Graduated Labor Rates**

Vendors in the yachting industry typically charge a flat labor rate for every worker that is assigned to your yacht, irrespective of whether they are in fact tradesman, have tradesman experience, licensing, and certifications. These rates can range from \$75.00 to \$250.00 per hour.

**Mitigation Measures**

Protecting oneself from these fraudulent practices involves a combination of diligence, education, and professional assistance. Yacht owners are advised to:

- Identify through references from yacht management firms, and fellow yacht owners, several PM candidates.
- Interview, and vet PM candidates through fellow yacht owners.
- Conduct thorough background checks on PM candidates, and vendors, with references.
- Ask if candidate utilizes PM software that provides transparency to guest users.
- Establish accounting methodology for petty cash, charge cards, and invoicing.
- Maintain an on-site presence through trusted representatives or invest in third-party oversight during the refurbishment process.

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**Mitigation Measures** (cont'd)

- Demand detailed contracts and documentation for all work performed, including itemized billing and photographic evidence of progress.
- Use escrow services for large payments, releasing funds only as project milestones are satisfactorily reached.
- Invest in independent inspections of the work performed and materials used, ensuring compliance with contractual agreements.
- Establish Document Version Control: Utilize a document file name methodology.
- Establish Graduated Labor Rates: Laborers / Apprentices / Journeyman / Tradesman (Does the contractor have an apprenticeship training program?).
- Require Work history and certifications of tradesmen.
- Require State Contractor Trade Licensing.
- Establish a project-specific QA/QC Officer.
- Utilize skilled day labor force to offset costs and reliance upon contractors.

The yacht refitting and refurbishing industry, with its high-value transactions and bespoke services, will always be an attractive target for fraudsters. However, by taking informed and cautious steps, yacht owners can navigate these murky waters safely, ensuring their floating paradises are both beautifully refurbished and financially secure.

***For more information about yacht purchasing, selling, refitting, and refurbishing services, please contact me by phone at (954) 762-1977 or by email at [john@johnfrancisinternational.com](mailto:john@johnfrancisinternational.com), or visit [www.johnfrancisinternational.com](http://www.johnfrancisinternational.com).***

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