

RUNNING COSTS

By Martin Berman, Go Earth

One question we often get asked is – “How much will it cost me to run my boat?” Sometimes people are even afraid of the costs, talking about costs being like a hole in the ocean into which you throw money. That, of course, is complete nonsense.

A sensible approach to understanding and managing costs leads to a sensible level of costs, just as in many other areas of life.

This article provides a hopefully useful framework for managing your costs. Just like having a car has some running costs, so does boating. The secret is to understand and manage them so that they stay comfortably within your budget.

RULE OF THUMB

It is sometimes nice to get a simple answer to the cost question. If you want a simple, answer, we would say budget between 6% and 10% of the purchase cost for annual running costs (excluding depreciation). This is, frankly, an over-simplified answer, but maybe it's a good starting point. In a

nutshell, if you can afford the purchase price, you can probably afford the running costs.

If you want a method of getting a fuller, more accurate answer, then read on. . .

CATEGORIES OF RUNNING COSTS

Of course, you are interested in the level of costs. However, we recommend that you also categorise your costs by two criteria, which we call predictability and controllability. These are

related but different; and this article looks at these two factors.

Predictable cost are costs that you know with a reasonable degree of certainty in advance.

For example, berthing costs are typically so much per metre per year. You know the size of your boat and you can do the maths, and so these costs are highly predictable. They are even predictable for several years in advance, as berthing costs are likely to rise only by about the rate of inflation.

Many other costs fall into this “predictable” category, such as insurance costs etc. Some other costs may have only a medium degree of predictability. Fuel costs per litre are one example. They may certainly rise or fall, but are unlikely to double - or halve - overnight.

Controllable costs are – unsurprisingly – costs that you can control yourself.

Total annual fuel costs are a good example of this. You can get them down to zero by not going out in your boat; although this is not an approach we would recommend!

The nautical miles you travel and the speed you go at (and hence fuel consumption) are all fully controllable by you. Their predictability





depends on how certain you are about how far you will travel in the coming year. (Therefore, in the table below, they are shown in each of High, Medium and Low Predictability.)

On the other hand, your annual berthing costs have, at best, medium controllability. Given the size of your boat, the marina will charge you their rate, and there is not much you can do about it if you want to stay at that marina.

Telling fibs to the marina about the size of your boat doesn't work – they know the size of most boats - sorry folks! However, you do have some control, as you could move to a cheaper marina, change to a mooring instead of a berth or even (if a small boat), move to a trailer.

Some marinas even offer a park and ride system, whereby boats up to a certain size are dry-stacked out of the water – this is typically at a much lower cost than a traditional berth.

If you think about your costs in this way – predictability and controllability - you will have greater understanding of how costs could behave, and therefore be able to much more easily manage your budget.

On this basis, let's look at a few example costs and see how we could categorise them.

Looking at the table, you can see that "Unexpected repairs" have low predictability and low controllability. In a sense, these are the costs we should be most uncomfortable about (depending on their level). So, what can we do about this?

A large part of the answer is to buy your boat wisely in the first place. At Go Earth, we spend a lot of time with our clients understanding their requirements and helping them buy wisely. We can pre-visit boats on their behalf to rule out unsuitable boats (particularly useful for our clients who are busy), get good surveyors

who will do a quality detailed report, and most importantly we can handle the negotiations on the purchase price. The discounts we achieve through negotiation can even easily cover the first few years running costs. Contact us for details.

THE NUMBERS

Of course, you now need to know the specific numbers to attach to the various costs. These are so variable as it depends very much on the type of boat.

PREDICTABILITY

		High	Medium	Low
CONTROLLABILITY	High	<ul style="list-style-type: none"> Total annual fuel costs 	<ul style="list-style-type: none"> Total annual fuel costs Desired upgrades 	<ul style="list-style-type: none"> Total annual fuel costs
	Medium	<ul style="list-style-type: none"> Berthing, mooring and trailer costs 	<ul style="list-style-type: none"> Routine maintenance costs Crew costs 	
	Low	<ul style="list-style-type: none"> Annual insurance costs License cost (e.g. if on a canal) 	<ul style="list-style-type: none"> Fuel price per litre Remediation costs if work required following a Boat Safety Certificate exam 	<ul style="list-style-type: none"> Unexpected repairs

For example, a superyacht probably has crew recruitment, selection, retention, salary, and various on-costs to take into account. For the typical boater, this is not an issue – other than the need to supply the occasional G+T to willing volunteers who assist with berthing and other crewing activities.

At Go Earth we can help you draw up a realistic budget for running cost for any proposed boat.

SPECIFIC COSTS

Be aware that certain types of boating have specific costs associated with them. In particular boating on a canal or river typically requires an annual license and a Boat Safety Certificate every four years. Also, steel hulled boats require blacking; and fibreglass boats require anti-fouling if kept in the water.

Sailing yachts have rigging costs that obviously do not apply to powerboats. These rigging costs depend in part on how energetically the yacht has been used and the stresses on the mast.

DEFRAYING COSTS

However, there is another way in which you can reduce costs even more.

At the high end, for a superyacht, you can charter your boat out. There are many agents that will manage this process for you. Go Earth can recommend suitable managing agents and give you an estimate of the possible income.

Indeed, if you charter the yacht out a lot, you can even cover all your running costs; and still give yourself plenty of time on the boat.

However, all is not lost if your boat does not qualify for the title of 'superyacht'. You can rent your boat out via agencies such as Beds on Board (<https://www.bedsonboard.com/>) and AirBnB (<https://www.airbnb.co.uk/>).

The deal here is that people stay on the boat as an alternative experience to a hotel; but do not take the boat out. The boat stays in the berth.

For example, our company boat (a Jeanneau Prestige 34) is on both these sites, and is a very popular choice. Go Earth can advise you on the pros and cons of this option if you are thinking of buying and then defraying the running costs in this way.

CONCLUSION

Boats do have running costs – but they are in essence no different from the costs of running a car and with a bit of common sense are easily manageable.



Martin Berman is a Director of Go Earth Ltd, holding a variety of boating and other qualifications.

He has written a series of articles for Boat Trader that are intended to be genuinely useful to the boat-buying public.

Go Earth services division help clients into boating by providing valuable advice and training; searching for the right boats; and helping clients buy them more economically.

Our website is www.boatsearch.earth



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