

BOATYARD ANALYSIS
A Review of Boatyard Market Demand Data

January 2012



Prepared by the Business Development Bureau

BOATYARD ANALYSIS REPORT

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1 EXECUTIVE SUMMARY

The Port of Los Angeles (Port) currently has sufficient capacity to accommodate most of the commercial vessel services within the Port. There is limited capacity to accommodate demand from recreational vessels berthed at the Port, but these vessels do have access to boatyard facilities elsewhere in the region. For those commercial vessels that cannot be accommodated by boatyards within the Port, there are no comparable facilities within the local region. As future demand for commercial boatyard service increases, the existing capacity at the Port will become increasingly strained, and so the Port should identify sites for potential boatyard expansion. This capacity can also be used to accommodate market demand from local recreational vessels.

2 BACKGROUND

As part of the Terminal Island planning process, this report provides a general overview of the potential demand for additional boatyard capacity. The Los Angeles Harbor Department (LAHD) has been directed by the Los Angeles City Council to identify potential boatyard sites on Terminal Island; in addition, the Port Community Advisory Committee (PCAC) has asked the LAHD to examine existing boatyard capacity. In response, LAHD staff have reviewed data from the Marine Exchange and the U.S. Coast Guard and interviewed shipyard and boatyard operators both locally and throughout the West Coast.

3 COMPETITIVE ENVIRONMENT

The Port currently supports one large ship repair facility with the ability to haul out vessels up to 250 feet and service vessels in-water up to 450 feet, Al Larson Boat Shop. There are two smaller repair facilities that service ships under 100 feet: Colonial Yacht Anchorage and Wilmington Boat Repair. In addition, Gambol Industries has a facility in the Port of Long Beach with the ability to haul vessels up to 150 feet and service vessels in-water up to 350 feet. There are also smaller ship repair firms that provide in-water service, including Oceanwide Ship Repair in Long Beach and Dockside Machine and Ship Repair in Wilmington. Al Larson submitted an application to the LAHD in June 2008 to expand and upgrade their existing facilities, which would increase the capacity for ship repairs in the San Pedro Bay, provide jobs and potentially reduce costs for larger ships seeking repairs outside of their normal schedules. Consistent with the LAHD's Leasing Policy, LAHD is working with Al Larson Boat Shop, an existing long-term tenant, on their proposal.

In addition, the U.S. West Coast is home to 2 major shipbuilding yards and 12 major repair yards. San Diego is a major ship repair location; the shipbuilding and ship repair industries support 10,000 jobs in the San Diego region. Approximately 70% of the shipbuilding and ship repair work is performed for the U.S. Navy. As the U.S. Navy's demand for ship services has declined since the 1990s, San Diego's facilities have moved into civilian shipbuilding and ship repair. General Dynamics/NASSCO in San Diego is currently building 9 double-hulled PC1 Product/Chemical Tankers.

4 MARKET HISTORY

The shipbuilding and ship repair industries in the San Pedro Bay have been closely tied to the presence of the U.S. Navy. Without the presence of the U.S. Navy, the amount of work available was not sufficient to sustain the ship service industry at San Pedro Bay's historical levels. In 1983 the Port reported 6,018 workers employed at shipyards and boatworks. By 1986, that number had fallen to 4,034 workers. In 1991, the Port of Los Angeles' employment survey showed 1,164 full- and part-time workers in the shipbuilding and repair industries. By 1993 this number had fallen to 300 workers. In 1995, Southwest Marine exited the shipbuilding and repair market. Since that time, full- and part-time employment in the remaining boat repair industries has remained steady at about 400 full- and part-time workers.

5 MARKET DEMAND

The Marine Exchange records data for all ocean-going vessels calling at the Port, including their flag registry, size, previous port, previous foreign port, and destination. A review of one year's data showed 811 commercial vessel calls between 200 and 650 feet in length. Of these calls, 592 were performed by vessels that either came from or were going to another port not located on the North American West Coast. These ships presumably have easy access to lower cost foreign ship repair facilities. Only 219 calls, or 27% of the total number of calls, were performed by ships that were engaged in the coastal trade, (i.e., ships coming from and then going to another North American West Coast port). For most of these, their routes take them past the major shipyards of Portland or San Diego.

In addition to vessels engaged in the coastal trade, the market for commercial vessel boatyard services includes tugs and barges that are homeported in the San Pedro Bay. Ten barges larger than 270 feet currently travel to San Diego or Portland for servicing; however, 90% of the barges in San Pedro Bay are below this size and are currently served by existing ship repair facilities in San Pedro Bay, including Al Larson Boat Shop.

Interviews with West Coast shipbuilders and ship repair yards (in Seattle, San Diego, and Portland) indicated that U.S. shipbuilders face strong competition from foreign shipbuilders, and are operating on very tight profit margins. U.S. Navy requires that vessels be serviced in their homeports limits growth in areas with little to no naval presence, and foreign commercial ships are serviced in lower-cost foreign facilities. The only market for growth in boatyard services for commercial vessels appears to be barges and tugs. Such sized vessels could be serviced in-water or at the Al Larson facility assuming the company's expansion proposal is approved.

Besides commercial vessels, the Port is home to over 3,500 recreational vessels berthed at its 18 marinas. While some repair and maintenance work can be performed in-water, recreational boats also need the services of a dedicated boatyard facility. Existing boatyard facilities have limited slots available to

perform haul-out work, and scheduling conflicts can arise. Unlike commercial vessels, which can only find comparable boatyard facilities in San Diego, Northern California, or the Pacific Northwest, recreational vessels have access to regional boatyard facilities.

Existing boatyard facilities currently have capacity to accommodate the majority of the commercial vessels operating within the Port, and this capacity can be increased through existing proposed expansion projects. For long-term planning purposes, though, an estimate of capacity and demand needs to incorporate future growth projections. Cargo volumes through the Port may triple over the next 30 years. Because the average vessel size is also expected to increase over this time period, it is not the case that the need for barges and tugs at the Port will also triple over the same time period. However, the number of barges and tugs operating within the Port is certain to grow over the next 30 years, and boatyard capacity will need to expand to meet the resulting demand in boatyard services. Barge and tug services, and the repair facilities that sustain them, are essentially a support system for the movement of cargo through the Port, and long-term development plans should provide for the growth of the support system alongside the growth of the cargo terminals to avoid any future impacts to the Port's ability to provide competitive and efficient goods movement.

While the development of recreational boatyards is less central to the Port's strategic goal of remaining the nation's predominant ocean cargo gateway, and therefore has a lesser claim on the Port's limited land resources, the large number of recreational vessels at the Port provides an additional local market that could support an expansion of future boatyard capacity.

6 CONCLUSION

To accommodate marine support services in the future, as well as potentially improve the boatyard service levels available to the recreational boating community at the Port, the proposed Terminal Island Plan should designate additional land area for boatyard expansion. This land area should be considered to be an "opportunity site"; when market demand grows great enough to support boatyard capacity expansion, this additional land area will be available for this use.