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April 2, 2009

Mr. S. David Freeman
President, Port of Los Angeles
425 South Palos Verdes Street
San Pedro, California 90731

Dear Mr. Freeman:

**RE: Berth 240Z at the Port of Los Angeles, Economic Impact of Potential
Redevelopment**

The Los Angeles Economic Development Corporation (LAEDC) has recently completed an Economic Impact Study on the proposed use by Gambol Industries of the former Southwest Marine property on Terminal Island. The LAEDC study provides important information on the economic benefits of redeveloping Berth 240Z that should be considered by the Port Commission. Further action on filling in the two slips at that site should be postponed pending a more thorough discussion of the property's best use. Gambol Industries proposes to return ship building to the Port of Los Angeles, thereby creating manufacturing jobs which would meet the demand for a shipyard at the Port.

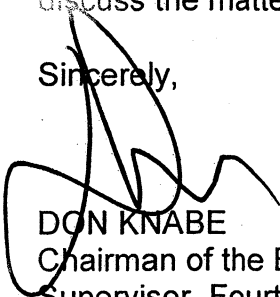
At the April 16 meeting the Port Commission is considering the EIR for a project to fill in the two slips. Once the two slips are filled in, the opportunity to put a shipyard at that site, the historic use of the property, will be lost forever. Gambol Industries has proposed to create green jobs, and to use fuel cells for power, avoiding the contamination of diesel. Furthermore, Gambol has proposed creative ideas for reuse of the historic buildings on the site, their demolition being of concern to the LA Conservancy. As for an alternative location for the dredge spoils that are now proposed to fill the slips, Gambol has made a creative suggestion that could pass all necessary environmental reviews and fit within the current budget and does not rely upon money from the City or Port and would be implemented with private financing, producing jobs almost immediately.



Mr. S. David Freeman
April 2, 2009
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I encourage you to meet with Bob Stein, the Chairman of Gambol Industries, and would be willing to facilitate a meeting if this would help your deliberations. Please contact me or Julie Moore, my Planning Deputy, at (213) 974-4444, and we would be pleased to discuss the matter further and/or coordinate a meeting.

Sincerely,



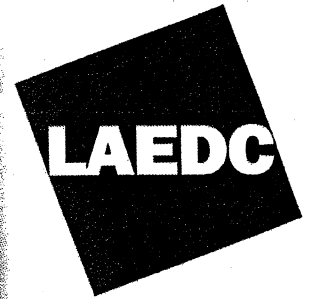
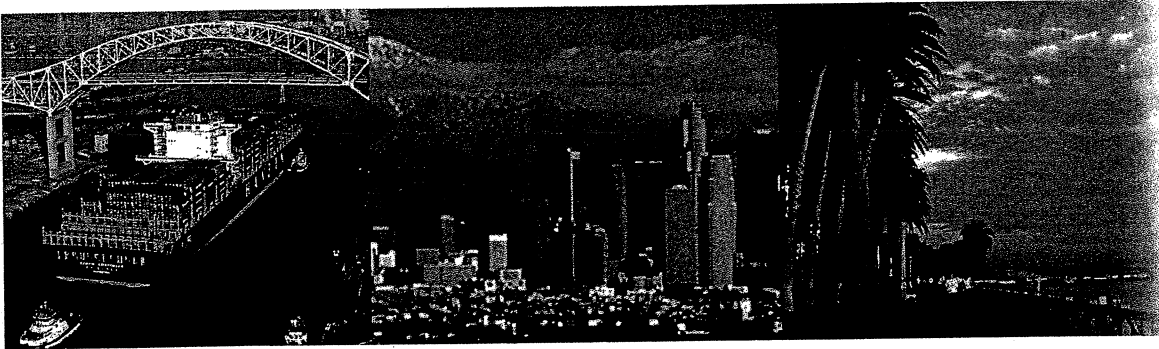
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Enclosure

c: Jerilyn López Mendoza, Vice President, Port of Los Angeles
Kaylynn L. Kim, Commissioner
Douglas P. Krause, Commissioner
Joseph R. Radisich, Commissioner
Geraldine Knatz, Executive Director
Kathryn McDermott, Deputy Executive Director, Business Development

**ECONOMIC IMPACT OF THE REDEVELOPMENT OF
BERTH 240Z AT THE PORT OF LOS ANGELES**



Los Angeles County Economic Development Corporation

Gregory Freeman
Christine Cooper, Ph.D.
Myasnik Poghosyan

March 27, 2009

EXECUTIVE SUMMARY

Gambol Industries Inc. has submitted an application to the Port of Los Angeles to redevelop Berth 240Z as a ship repair and ship building facility.

The Gambol Marine Center will be built over three years. Pier-side ship maintenance and repair activities will commence within the first six months. Drydock-based ship repair and barge and vessel building operations will begin in the second year. Drydock "B" will come online within three years, at which point the facility will be fully operational. Operations will continue to ramp up through the fifth year before leveling off.

The Los Angeles County Economic Development Corporation (LAEDC) estimated the total economic impact of the Gambol Marine Center for each of its first five years. All figures are in 2009 dollars.

Gambol Marine Center: Facilities renovation and construction, along with pier-side ship maintenance and repair, will add the full-time equivalent of 200 workers in the first year. The number of workers will rise as the facility ramps up, and the employment mix will shift from facilities construction to shipbuilding, primarily barges and tugboats. By the fifth year, the company expects to have 860 FTE workers, and annual revenues of \$107.9 million. Based on this projected economic activity, the LAEDC estimates the shipyard will generate the following impacts in Los Angeles County:

- **Total output** of \$18.7 million in the first year, rising to \$219.1 million at full capacity;
- **Total employment** of 440 FTE jobs in the first year with earnings of \$18.2 million, rising to 2,040 FTE jobs at full capacity with earnings of \$79.0 million;
- **Tax revenues** for state and local governments of \$2 million in the first year, rising to \$7 million at full operational capacity. The City of Los Angeles will collect almost \$400,000 annually at full capacity, *not including utility taxes or any incremental increase in property taxes.*

Regional Significance: Building a ship repair and ship building facility in Los Angeles County would recapture in the local economy the economic impact of manufacturing activity that is typically performed elsewhere. A jobs-generator capable of sustaining more than 2,000 FTE jobs would be a welcome addition to a city that has struggled to create employment opportunities for its growing population.

Filming Activities: Based on location filming at the Berth 240Z site since 2006, the LAEDC estimates Gambol Industries' pledge to accommodate such activity will continue to create direct employment of 84 FTE jobs and total employment of 340 FTE jobs annually.

INTRODUCTION

Gambol Industries, Inc., a full-service boatyard located in Long Beach, California, engages in the manufacture of yachts greater than 50 feet in length, and modifies, redesigns and maintains existing vessels. The firm has submitted an unsolicited application to the Port of Los Angeles to redevelop Berth 240Z, the former Southwest Marine Shipyard site, as the Gambol Marine Center, a full-fledged shipyard offering ship repair and building.

The proposal will create two drydocks by partially filling the slips on the Southwest Marine site. Drydock "A" will be 360 feet long (expandable to 480 feet), 90 feet wide, and have a 12,500 ton capacity. Drydock "B" will be 650 feet by 125 feet and have a 30,000 ton capacity, which will accommodate the largest barges and the majority of the heavy-lift, regional break-bulk and coastal tank ships entering the Ports. The marine center will refurbish and use the site's existing World War II-era buildings, and add a multistory parking garage. The proposed layout of the entire 38-acre site includes a 'multi-tenant area' to accommodate the relocation of fish processing, fueling and other activities from elsewhere in the Port of Los Angeles. Other tenants within the shipyard buildings may include marine contractors and sub-contractors supporting Gambol Marine Center ship repair activities, such as service depots for equipment manufacturers and specialized engine and electronics service facilities.

The Gambol Marine Center will have three lines of business once it is complete: drydocks, pier-side vessel repair, and shipbuilding. The primary market for the drydocks and the pier-side vessel repair will be barges, mainly ocean-going oil and freight barges, in-port "bunker" barges, and derrick/crane barges, plus any accompanying tugboats. The marine center will also pursue vessels that are too large for the existing San Pedro Bay boatyards – Gambol Industries and Al Larson Boat Shop. Neither of these boatyards can handle vessels larger than 200 feet in length or more than 500 tons; nor barges exceeding 1,250 tons. Potential Gambol Marine Center customers therefore include deck, container and trailer barges; chemical carriers, dredges, ferries, and large yachts; crew and pilot boats; ocean-salvage, anchor handling and tractor tugs; as well as fishing, research, U.S. Coast Guard, and spill response vessels. Once the marine center has been up and running and has completed U.S. Navy certification, navy vessels will also be a potential market. The shipbuilding efforts will focus on barges and tugboats.

The Gambol Marine Center will be built over three years. Pier-side ship maintenance and repair activities will commence within the first six months. Drydock-based ship repair and barge and vessel building operations will begin in the second year. Drydock "B" will come online within three years, at which point the facility will be fully operational. Operations will continue to ramp up through the fifth year before leveling off.

In this study, the Los Angeles County Economic Development Corporation (LAEDC) estimates the total economic impact of the Gambol Marine Center for each of its first five years. Gambol Industries has also indicated a willingness to continue the site's current accommodation of motion picture and television production activities. We discuss the related economic activity in the appendix to this report.

METHODOLOGY

We estimate the total annual impact of activity related to the Gambol Marine Center during each of its first five years of operation. Atypically, we commingle the impacts of initial construction and the ongoing operations. We use this approach because Gambol Industries itself plans to undertake as much as possible of the site construction and renovation using its future shipbuilding workforce. The company explains that there is considerable overlap between the skills required for drydock construction and barge building. Indeed, it plans to use the drydock construction as a hands-on training program, gradually transitioning most of the initial construction workers to ongoing shipbuilding operations.

The total economic impact includes direct, indirect and induced effects. **Direct activity** includes the employees hired by Gambol Industries during the construction of the facility and in its ongoing operations. Here we have accounted for construction workers, architects, and engineers who are going to work on the site, as well as all those who will be engaged in ship repairs and ship building activities, and administrative and management personnel. **Indirect effects** are those which stem from the purchases made by Gambol Industries. For example, indirect jobs are sustained by the shipyard's purchases of office supplies, materials and equipment. **Induced effects** are those generated by the spending of employees whose wages are sustained by both direct and indirect spending.

We used projections supplied by Gambol Industries as estimates for direct activity, and estimated the indirect and induced effects using models based on multipliers from the Regional Input-Output Modeling System (RIMS II) developed by the Bureau of Economic Analysis at the U.S. Department of Commerce. All dollar figures are quoted in 2009 dollars.

Full-time Equivalent (FTE) Employment

RIMS II input-output models are based on full-time equivalent (FTE) employment, or one year's worth of full-time work. FTEs measure the amount of work involved, *not* the actual number of *workers*. For instance, one FTE could be two people each working half-time (20 hours a week) for a year, or twelve people each working full-time for a month. Because the work associated with both construction activities and manufacturing may involve term contracts or part-time work, each FTE likely represents several people.

Approach

At the LAEDC, our estimates typically represent the lower bound of probable economic impact. Our results are understated because of data limitations and constraints inherent in economic impact analysis work. We must of necessity rely on estimates for many of our inputs, introducing a level of uncertainty into our results. There can be as much art as science to selecting the appropriate estimates. When faced with a choice among plausible estimates, we prefer to adopt the one(s) that will produce the *lowest* impact in terms of jobs, wages and taxes. Occasionally, we will omit economic activity we *know* exists if we are unable to document a satisfactorily narrow range of plausible estimates. Throughout, our goal has been to solidly establish a baseline of economic activity. Accordingly, the report should be read with an implied "not less than" or "at least" preceding all economic, employment, and fiscal impact estimates.

GAMBOL MARINE CENTER

Facilities renovation and construction at the Gambol Marine Center will take place over three years. Pier-side ship maintenance and repair activities will commence within the first six months. Drydock-based ship repair and barge and vessel building operations will begin in the second year. Drydock "B" will come online within three years, at which point the facility will be fully operational. Operations will continue to ramp up through the fifth year before leveling off. For each of its first five years, we have estimated the total (direct and indirect) employment and earnings related to all of these activities at the Gambol Marine Center. Our output estimates, on the other hand, are based on the direct and indirect business revenues related to the ongoing vessel maintenance, repair and construction only. Because Gambol Industries itself proposes to undertake the drydock construction and as much as possible of the facilities renovation (with only limited use of contractors), we were unable to estimate the business revenues (output) related to this activity. *If we had been able to include these revenues, the output estimates for years one through three reported in Table 1 would be much higher.*

Economic Impact

The company projects employment of several categories of workers, among them welders, steel fabricators, pier construction workers, engineers, plus office and clerical staff. In the first year, the company anticipates creating 200 direct FTE jobs with earnings of \$9.8 million. The company projects growth in employment and revenues as the ship repair and ship building capabilities reach capacity. Based on the projected direct economic activity, the LAEDC estimates that the Gambol Marine Center will sustain the economic activity described in Table 1 during its first five years of operations

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Output (\$ million)*	\$ 18.7	\$ 112.1	\$ 183.2	\$ 208.9	\$ 219.1
<i>Direct</i>	9.2	55.2	90.7	102.8	107.9
<i>Indirect</i>	9.5	56.9	93.0	106.1	111.3
Employment	440	1,480	1,920	1,850	2,040
<i>Direct</i>	200	640	820	780	860
<i>Indirect</i>	240	840	1,100	1,070	1,180
Earnings (\$ million)	\$ 18.2	\$ 58.0	\$ 73.6	\$ 71.3	\$ 79.0
<i>Direct</i>	9.8	30.5	38.6	37.5	41.5
<i>Indirect</i>	8.4	27.5	35.0	33.9	37.5

* Output estimates based on projected maintenance, repair and construction of vessels only.
All figures in 2009 dollars.
Sources: Gambol Industries; LAEDC

In the first year of operation, we estimate the Gambol Marine Center will sustain 440 FTE jobs in Los Angeles County with earnings in excess of \$18 million. When the shipyard reaches full capacity, we estimate that it will generate total annual economic activity of over \$219 million and sustain 2,040 FTE jobs in Los Angeles County with earnings of \$79 million.

This total economic impact will spill across industries in Los Angeles County through the indirect and induced effects. The 'Year 5' column in Table 2 shows that Gambol Marine Center will sustain \$219 million in output, \$133 million of it in the manufacturing industry.

Table 2
Industry Breakdown of Annual Output Impact of Shipyard Activities

Industry	Output (\$ million)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Agriculture	\$ 0.0	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3
Mining	0.0	0.2	0.4	0.4	0.4
Utilities	0.3	1.7	2.8	3.2	3.3
Construction	0.0	0.3	0.4	0.5	0.5
Manufacturing	11.4	66.3	109.3	126.5	133.0
Wholesale trade	0.6	3.8	6.2	7.1	7.5
Retail trade	0.5	3.0	4.8	5.5	5.7
Transportation and warehousing	0.4	2.4	4.0	4.5	4.7
Information	0.3	2.1	3.3	3.8	4.0
Finance and insurance	0.7	4.3	7.0	8.0	8.4
Real estate	1.1	6.7	11.0	12.5	13.1
Professional, scientific, technical services	1.1	8.5	13.1	13.2	13.5
Management of companies	0.5	2.9	4.7	5.5	5.7
Administrative and waste management	0.3	1.6	2.6	2.9	3.0
Education services	0.1	0.6	1.0	1.1	1.2
Health care and social assistance	0.5	3.2	5.3	6.0	6.3
Arts, entertainment and recreation	0.1	0.6	1.0	1.1	1.1
Accommodations and food services	0.3	1.8	3.0	3.4	3.5
Other services	0.3	1.9	3.2	3.6	3.8
Households	n/a	n/a	n/a	n/a	n/a
Total**	\$ 18.7	\$ 112.1	\$ 183.2	\$ 208.9	\$ 219.1

* Does not include output (business revenues) related to one-time facilities renovation and construction.

** May not sum due to rounding.

All figures in 2009 dollars.

Source: LAEDC

Similarly, the employment and earnings impacts will affect virtually all industries in Los Angeles County. Table 3 shows the employment impacts by industry and Table 4 the total earnings impacts.

Industry	Employment (FTEs)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Agriculture	1	4	5	5	6
Mining	0	1	1	1	1
Utilities	1	5	7	7	7
Construction	57	104	74	6	6
Manufacturing	105	503	720	745	823
Wholesale trade	10	38	51	49	55
Retail trade	31	98	123	114	127
Transportation and warehousing	10	37	49	48	53
Information	7	22	29	29	32
Finance and insurance	11	38	50	48	53
Real estate	10	34	45	44	48
Professional, scientific, technical services	50	105	123	125	138
Management of companies	22	67	89	93	104
Administrative and waste management	42	137	173	164	180
Education services	7	23	30	29	32
Health care and social assistance	24	84	109	107	118
Arts, entertainment and recreation	8	25	33	33	37
Accommodations and food services	28	95	125	122	135
Other services	14	49	65	63	70
Households	3	12	15	15	17
Total	440	1,480	1,920	1,850	2,040

*May not sum due to rounding
Source: LAEDC

Since we classified each activity separately at Gambol Marine Center, its workers are spread across several industries. The construction industry employment, for example, rises during facilities renovation and building, and then drops as these workers are transitioned to shipbuilding. By year five, the shipyard accounts for almost three-quarters of the 823 FTE manufacturing jobs the Gambol Marine Center will eventually sustain; an additional 220 FTE jobs will be supported in other manufacturing industries throughout Los Angeles County.

The shipyard, with 23 jobs per acre, would be comparable to existing activities at POLA, which averages 17 direct jobs per acre. Using POLA's estimate of *all* jobs in Southern California related to the port raises the job count per acre to 123. In LA County alone, the shipyard would support 54 jobs direct and indirect jobs per acre, plus four additional

categories of employment not included here. These are: (i) filming at the site (discussed in the appendix to this report); (ii) fish processing and other jobs relocated to the site from elsewhere in the port; (iii) additional maritime contractors supporting the shipyard that can reasonably be expected to co-locate; and (iv) the indirect jobs sustained by (ii) and (iii). The shipyard would be less tied to the number of containers moving through the ports, diversifying the employment base.

Table 4 shows similar patterns among earnings. By the fifth year of operation, the Gambol Marine Center will sustain additional earnings of \$79 million to employees throughout Los Angeles County, with almost half of this earned by workers in manufacturing firms.

Industry	Earnings (\$ million)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Agriculture	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Mining	0.0	0.1	0.1	0.1	0.1
Utilities	0.1	0.4	0.6	0.6	0.6
Construction	2.5	4.5	3.2	0.2	0.2
Manufacturing	4.6	22.3	31.7	32.9	36.3
Wholesale trade	0.5	1.8	2.4	2.3	2.5
Retail trade	0.7	2.0	2.4	2.2	2.4
Transportation and warehousing	0.4	1.3	1.6	1.6	1.8
Information	0.4	1.2	1.5	1.5	1.7
Finance and insurance	0.7	2.1	2.7	2.6	2.8
Real estate	0.3	0.9	1.1	1.1	1.2
Professional, scientific, technical services	2.8	5.7	6.3	6.5	7.2
Management of companies	1.7	4.8	6.3	6.7	7.6
Administrative and waste management	1.4	4.5	5.6	5.3	5.8
Education services	0.2	0.5	0.6	0.6	0.7
Health care and social assistance	0.9	2.9	3.6	3.5	3.9
Arts, entertainment and recreation	0.2	0.5	0.6	0.6	0.7
Accommodations and food services	0.4	1.3	1.7	1.6	1.8
Other services	0.4	1.1	1.5	1.4	1.6
Households	0.0	0.1	0.1	0.1	0.1
Total*	\$ 18.2	\$ 58.0	\$ 73.6	\$ 71.3	\$ 79.0

*May not sum due to rounding
All figures in 2009 dollars.
Source: LAEDC

Fiscal Impact

The new business activity sustained by the shipyard will generate tax revenue from a variety of sources. We have estimated some of the taxes; specifically, the income taxes collected on

the earnings of workers, both direct and indirect, as well as the related unemployment insurance and disability insurance taxes. The barges and tugs made by the Gambol Marine Center most likely will not be subject to sales tax, as California exempts marine vessels of more than 1,000 tons if they are sold by the builder. The materials and equipment used in building the vessels, on the other hand, will almost all be taxable, as will similar purchases for drydock-based and pier-side repairs. Further, the direct and indirect workers will make taxable purchases when they spend their earnings on consumer goods and services in the local economy. The LAEDC has estimated the sales taxes on purchases linked to activity sustained by the shipyard. Separately, we have estimated the gross receipts tax that the shipyard will have to pay to the City of Los Angeles. Our estimates of fiscal impacts by type of tax and by level of government are shown in Table 5.

Table 5					
Annual Fiscal Impact of Proposed Gambol Marine Center					
	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Tax Revenue by Type of Tax (\$ million)					
Sales tax	\$ 1.0	\$ 2.5	\$ 2.5	\$ 2.4	\$ 2.6
State income tax	0.8	2.4	3.1	3.0	3.3
CA SDI and SUI	0.2	0.7	1.0	0.9	1.0
Gross receipts tax	0.0	0.1	0.1	0.1	0.1
Total *	\$ 2.0	\$ 5.8	\$ 6.7	\$ 6.4	\$ 7.1
Tax Revenue by Level of Government (\$ million)					
State	\$ 1.7	\$ 5.0	\$ 5.9	\$ 5.6	\$ 6.2
County (includes Metro)	0.2	0.5	0.5	0.4	0.5
Local government (cities)	0.1	0.3	0.4	0.4	0.4
Total *	\$ 2.0	\$ 5.8	\$ 6.7	\$ 6.4	\$ 7.1

* May not sum due to rounding
 All figures in 2009 dollars.
 Sources: Gambol Industries; LAEDC

We estimate that sales taxes generated on all purchases related to the ongoing operations of the Gambol Marine Center will reach \$2.6 million in the fifth year of operation. Direct and indirect workers will pay more than \$3.3 million in income taxes and almost \$1.0 million in state disability and unemployment insurance taxes. Gambol Marine will pay gross receipts taxes of \$132,000. In total, we have identified almost \$7.1 million in tax revenues will be generated annually by activity driven by Gambol Marine Center once the facility is operating at full capacity.

Annual tax revenues are shared as follows:

- The state of California collects all payroll taxes (including income taxes, state disability insurance, and state unemployment insurance taxes), and seven percentage points of the 9.75 percent sales tax on purchases;
- The counties share one quarter of one percentage point of the sales tax revenue, with an additional 1.5 percentage points allocated to Metro; and
- The city of Los Angeles will collect the gross receipts tax of \$132,000 and a share of the \$2.6 million in sales tax revenue (which depends on the spending patterns of local direct and indirect wage-earners).

We have *understated* the total tax revenue that will be attributable to Gambol Marine Center each year. At a minimum, state tax revenue will be higher due to corporate income taxes. Locally, we have not accounted for utility taxes and incremental property taxes that will increase once the drydocks have been built and the existing structures have been renovated. The shipyard will also pay rent to the port, which we have not included here.

Regional Significance

In an emergency, the Gambol Marine Center would provide the capacity to haul a fully-loaded barge or small ship, thus providing immediate environmental protection for the ports in case of a damaged vessel. Once the shipyard is at full capacity, it would sustain more than 2,000 direct and indirect jobs with earnings of almost \$80 million during normal operations. Annual tax revenues for the state and local governments would exceed \$7 million.

The job creation is particularly important considering the demographic profile and trends in the City of Los Angeles. The city has for years added many more people than jobs. Since 2000, the population in Los Angeles has increased by more than 315,000 while fewer than 80,000 jobs have been added. The current recession has pushed unemployment past 12%.

The direct jobs at Gambol Marine Center would pay decent annual wages: office and clerical workers would earn an average of approximately \$40,000; the average for facilities construction, pier-side repair, drydock workers and shipbuilding workers would range from \$42,000-\$56,000; project management, marketing, customer relations and engineering positions would each average in excess of \$60,000; senior management would earn more. And Gambol Industries' plan to use the initial facilities renovation and construction as an on-the-job training program for its future shipbuilding workforce would allow some workers to add the skills necessary to move into better paying work.

Whether these economic impacts will come to fruition hinges on Gambol Industries' assessment of market conditions and demand for shipyard services in San Pedro Bay.

The conventional wisdom suggests that Gambol Industries may be overly optimistic. An informal canvassing of knowledgeable people in the maritime industry reveals the belief that while there is demand for the services that would be offered by the Gambol Marine Center, it is not enough to support the establishment and ongoing operations of a shipyard at the

Port of Los Angeles. Evidence cited in favor of this opinion is the failure of the last shipyard located on the very same site in 2005.

Yet, conventional wisdom is often wrong – a point illustrated every time an entrepreneur spots an unmet market need and successfully steps in to fill it. Gambol Industries points out that the previous shipyard closed when its owner consolidated operations in San Francisco and San Diego after decades of underinvestment in Los Angeles. They believe the cost savings offered by redeveloping the existing site, particularly the reuse of the existing shipyard buildings and the avoidance of dredging for new drydocks, will allow them to enter the market with competitive pricing. Further, the company has a powerful incentive to get its market research right: the firm stands to lose an investment of millions of dollars if the Gambol Marine Center were built only to fail.

Some market indicators include:

- There are at least 100 barges operating primarily from POLA and POLB subject to regulatory requirements for drydock visits (haul outs). These and visiting barges also need periodic maintenance, emergency repairs, and scheduled refits. Most barges are paired with a long-haul tug, and these also need service.
- There are at least 15 deep-draft escort and docking tugs in the ports, each subject to regulatory inspection periods of between 12 to 24 months. The deep-draft tugs are too large for the local boatyards, and the number of these tugs will increase as more hybrid diesel-electric tugs come into service.
- The Maritime Exchange, which tracks vessels entering POLA and POLB, recorded at least 550 named ocean-going vessels less than 650-feet in length entering the ports during 2008 that could be served by the shipyard's drydocks. Most are smaller coastal container-cargo feeder ships, heavy-lift ships, and product tankers. Other potential customers include ferries and large yachts; crew and pilot boats; fishing, research, U.S. Coast Guard, and spill response vessels; plus, after completing U.S. Navy certification, navy vessels. The Gambol Marine Center is hoping to capture just a small fraction of these vessels.
- All of these vessels need service, and the Gambol Marine Center could recapture some of that work in the regional economy, chiefly by lessening the cost to vessel operators in downtime. Barges, tugs and other vessels too large for the San Pedro Bay boatyards would not have to travel to San Diego, San Francisco, or the Pacific Northwest for service. Moreover, the shipyard would be configured to allow haul-out of a barge and its accompanying tug at the same time during a visit, shortening the duration of the visit.
- A forecast from OSG America, LP, the largest provider of U.S. Flag transportation services for refined petroleum products, suggests that demand for ocean going oil barges serving US coastal traffic will exceed supply by 2012. Gambol Marine Center intends to build barges for this market.

Based on these considerations and the estimated economic impact the market potential for a shipyard in San Pedro Bay seems worthy of further exploration.

APPENDIX

ECONOMIC IMPACT OF MOTION PICTURE FILMING AT THE BERTH

Motion picture filming is not an activity typically associated with ports and airports. Filming is not mentioned in the Port of Los Angeles Master Plan. Yet, in Los Angeles, the mayor and city council have directed city departments to cooperate with production companies in an effort to keep filming and the related jobs and economic activity in the city. Thus, the Port's Wharfinger Division maintains a list of insurance requirements for filming and routinely approves permits issued by FilmLA, as does the Los Angeles World Airports, which has a film office. The program has been a success.

At the port, Berth 240Z has become a popular site for motion picture production, particularly for television series and commercials. Gambol Industries proposes to continue accommodating this activity, which might otherwise be forced to move to other locations, possibly outside the City of Los Angeles or California.

The LAEDC prepared a rough, order-of-magnitude estimate of the economic activity generated by the use of the Southwest Marine site for filming. Our estimate is derived from our previous work estimating the economic activity associated with various types of motion picture production for the California Film Commission. We also drew on our estimate of the activity related to on-location filming at airport properties for Los Angeles World Airports.

Our initial estimates started with actual production budgets from various projects. For on-location filming, we included only spending that took place during location filming, such as set preparation, shooting and teardown; location-related expenses such as equipment rentals and catering; salaries of the cast and crew; and a pro-rated portion of the salaries of the director and producers. Pre-production and post-production spending was excluded, as were overhead costs such as accounting.

Table A-1 (on the next page) shows the number of location days for different production types over the period from April 2006 through February 2009. We also include estimates of the total spending by these productions during their location shoots at Berth 240Z. The \$76 million estimate for on-location productions should be treated as a rough indicator only, since location spending can vary tremendously from one production to the next.

There were 394 days of on-location filming at Berth 240Z during the 35-month period. More than a third of these days were spent filming episodic television. Feature filming accounted for an additional third.

Table A-1
Filming Activities at Berth 240Z
April 2006 through February 2009

Type of Production	Total Number of Location Days	Estimated Direct Spending (\$ million)
Motion picture (large budget)	38	\$ 16
Motion picture (modest budget)	102	26
Television show	137	17
Commercial	109	13
Music videos	8	5
Total*	394	\$ 76

* May not sum due to rounding
 All figures in 2009 dollars.
 Sources: Gambol Industries; LAEDC

The length of time each production spent at the berth varied considerably. Time on location includes “prep days” (building sets), filming days and “strike days” (dismantling the sets and cleanup). Some productions, such as commercials, spend just a single (although often long) day on location, while others, such as feature films, sometimes took several weeks.

Based on estimated spending of about \$76 million, the LAEDC estimates that filming at Berth 240Z sustained the total economic impacts shown in Table A-2.

Table A-2
Economic Impact of Filming Activities at Berth 240Z

	6/06 - 2/09	Annual Average
Direct Economic Impact		
Direct spending (\$ million)	\$ 76	\$ 26
Number of employees (FTEs)	245	84
Earnings (\$ million)	\$ 43	\$15
Total Economic Impact		
Output (\$ million)	\$ 219	\$ 75
Employment (FTEs)	990	340
Earnings (\$ million)	\$ 128	\$ 44

All figures in 2009 dollars.
 Sources: LAEDC

In all we estimate that filming activities generated \$219 million in economic output in Los Angeles County over the 35-month period, or approximately \$75 million per year. It sustained 990 total direct and indirect FTE jobs with total earnings of \$128 million, for an annual average of 340 FTE jobs with earnings of \$44 million.

Tax revenues generated from this activity is estimated to have been as much as \$10 million over the 35 months, with the majority of this being income taxes on the earnings of all direct and indirect workers and sales taxes on purchases of goods and services. The local government share of the taxes was approximately \$400,000.