

Sustainable Supply Chain Advisory Committee
Zero-Emission Funding and Resource Prioritization Recommendation
January 2023

The San Pedro Bay Ports Sustainable Supply Chain Advisory Committee (SSCAC, or Committee) submits the following recommendation for reducing air pollution and greenhouse gas emissions at the San Pedro Bay Ports to the Mayor of Long Beach, Rex Richardson; the Mayor of Los Angeles, Karen Bass; the Executive Director for the Port of Long Beach (POLB), Mario Cordero; and the Executive Director for the Port of Los Angeles (POLA), Gene Seroka.

This recommendation aligns with previous SSCAC recommendations made in support of the joint ports' Clean Air Action Plan (CAAP) for achieving emissions reductions across the San Pedro Bay Port (SPBP) complex.

Committee Research and Findings

The Queen Mary, a historic ocean liner, has been owned by the City of Long Beach (the City) since 1967. Over the last 55 years, managing the Queen Mary has proven to be a high-risk and low reward effort. Between 1988 and 2022 it has challenged the management abilities of Walt Disney Co., RMS Foundation, Save The Queen LLC and Urban Commons; the vessel's ballooning maintenance and repair costs led all enterprises except Walt Disney Co. bankruptcy.

In early 2022 the City asked the POLB to accept a transfer of ownership of the Queen Mary. While discussions are ongoing, the POLB's 2022-2023 Budget, as adopted by its Board of Harbor Commissioners (Board), did not include any costs associated with Pier H and the Queen Mary.

A recent financial analysis revealed that the POLB may need to spend an estimated \$354 million over five years if it accepts the responsibility of owning, operating, and maintaining the Queen Mary as well as the surrounding property on Pier H. In order to meet this obligation, the POLB noted that it may be required to increase its borrowing by up to \$500 million over the next ten years. These additional borrowing costs could negatively impact the POLB's ability to finance other beneficial capital projects.

Moreover, the POLB is currently assessing the Queen Mary's structural integrity and financial needs, with support from Lloyd's Register and AqualisBraemar LOC (ABL) Group. A report will be submitted to the POLB and its Board for consideration. It is expected that the report will include updated financial estimates on what may be required to upgrade and maintain the Queen Mary on an ongoing basis. These costs could potentially exceed the \$354 million already estimated.

In June 2017, the mayors of Los Angeles and Long Beach committed their ports and cities to a zero-emissions (ZE) future. Within the goals of the Clean Air Action Plan (CAAP), both ports aim to achieve ZE from all container handling equipment (CHE) by 2030 and all drayage trucks accessing the ports by 2035. Accomplishing these goals requires extensive upgrades and expansion of fueling and electrical infrastructure. Typically, the ports collaborate with stakeholders and provide capital support for these larger-scale improvements.

The 2017 CAAP estimated the cost of electric infrastructure for ZE CHE in the POLB at more than \$580 million, while POLA infrastructure is estimated to exceed \$1 billion. Since that time, unique events

including the COVID-19 pandemic and Russia's war in the Ukraine have led to unprecedented levels of inflation. The Committee observes that these costs have not yet been included in the POLB's annual budgets and therefore remain to be adjusted for inflation and accounted for in the ports' financial plan.

Due to the high cost of nearly all port infrastructure projects, the POLB and POLA have repeatedly stated that internal and external funding sources are necessary to achieve the goals of the CAAP. The timing of making these investments is also relevant, as achieving the CAAP goals will take many years to accomplish. Therefore, placing additional stress on the POLB's annual budget and borrowing capabilities via the transfer of the Queen Mary to the POLB will only further complicate meeting the goals of the CAAP.

Committee Recommendation for Port Action

Accepting a transfer of ownership for ongoing maintenance and operations of the Queen Mary will undoubtedly come with substantial financial commitments on behalf of the POLB. Furthermore, it is apparent that such a financial obligation will impact the POLB's ability to invest in other capital projects. Given the importance to local communities, including West Long Beach, of meeting emission reduction goals, as well as combating climate change, it is imperative that the POLB maintain its current commitment to achieving these goals. Diverting funds from the POLB's Budget for the ongoing maintenance and repair of the Queen Mary will negatively impact its ability to achieve the goals of the CAAP. Therefore, the SSCAC strongly recommends that the Port of Long Beach, the Long Beach City Council and the Mayor of Long Beach make the clean technology investments necessary to achieve the CAAP goals within the established timelines and not proceed with the transfer of the Queen Mary to the Port of Long Beach.