

OT News

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Port of Long Beach estimates \$345 million loss if it takes control of *Queen Mary*



A federal bankruptcy court judge officially returned control of the Queen Mary to Long Beach on Wednesday, July 7, and allowed the vessel's now-former leaseholder to abandon any property left on-site, potentially saddling the city with a flooded Russian submarine owned by an unknown party in Long Beach on Thursday, July 8, 2021. Photo by Brittany Murray, Press-Telegram/SCNG

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The Port of Long Beach could potentially lose an estimated \$354 million over five years if it takes over the *Queen Mary* and the surrounding property, requiring it to increase borrowing up to \$700 million, according to a recent report included in a first look at the port's 2023 fiscal year budget.

The Long Beach harbor commission will hold an early budget meeting on Monday, May 2.

The Pier H financial analysis is not part of the currently proposed 2023 budget, officials said, since the transfer of the ship and the surrounding land from city control to the port has not been completed. The City Council, however, voted on Sept. 14 to start the transfer process.

But the Harbor Department analysis provides new details about how much it might cost the Port of Long Beach, the second busiest in the nation, to take over operations of Pier H and the legendary *Queen Mary*.

In the cost-analysis overview, revenue from the entire pier would be an estimated \$4 million in 2023 and \$8 million each of the next four years. It is unclear whether that includes revenue from the Carnival Cruise Lines cruise ship terminal.

For the same five years, however, operating expenses are estimated at \$146 million, with another \$10 million in debt service. Another \$236 million is estimated to be needed in capital expenses. In all, that's a \$392 million price tag during the first five years of port control.

"If I'm reading this correctly, they propose to spend \$392 million over five years in order to make \$38 million," John McLaurin, president of the Pacific Merchant Shipping Association and a longtime opponent of the *Queen Mary* transfer, said in an email. "At the end of the day, it is a ship that is around 90 years old — still sitting in saltwater, with a 40-year track record of failure as an attraction/hotel."

Yet, city officials have repeatedly said the World War II-era ship is worth preserving — despite the hefty costs of doing so.

"This is an amazing opportunity for us to have control over and see this Pier become a jewel in Long Beach," Councilwoman Cindy Allen said in September, a few days before she and her colleagues voted to negotiate with the Harbor Department to give operational control of the ship to the port. "We'll make sure that she's well taken care of."

While Long Beach has long owned the *Queen Mary*, it has contracted out management of the ship to various third-party firms over the years, most recently to Urban Commons Queensway in 2016. Urban Commons and its parent company filed for bankruptcy in early 2021, after the ship had been closed for a year because of the coronavirus pandemic. The company surrendered its 66-year lease for the ship and surrounding property as part of the bankruptcy, giving Long Beach operational control for the first time in 40 years.

A marine survey conducted in 2015, the year before Urban Commons Queensway took over the lease, found that the total cost of ship repairs could range from \$235 million to \$289 million. The city provided Urban Commons with \$23 million to start repairs, but how they spent that money has since been questioned.

After the city took control of the ship, it began about \$5 million in immediate safety repairs. Those included removing the wooden lifeboats hanging on both sides of the ship.

The Harbor Department report estimated it would need 13 employees dedicated to Pier H and the *Queen Mary*, at about \$2 million a year. The non-personnel budget for 2023 totals

\$25,540,953, with the two largest chunks being \$5,766,000 for street paving and \$6,384,000 for rock dike repairs.

There is no mention of the derelict submarine currently next to the ship inside the rock dike.

Capital expenditures in the first year the port controls the *Queen Mary* are estimated at more than \$49 million, with \$2.4 million for new security systems. Environmental compliance could average \$1 million annually for the next four years.

But city officials have said the Harbor Department is better-suited to operate the *Queen Mary*.

“The port is a department of the city,” Vice Mayor Rex Richardson said in September. “We are one city family. It is important to work together.”

And while the numbers are high, they pale in comparison to the port’s overall budget. The first proposal is for \$685.2 million in expenditures for 2023, with another \$321.9 million in capital spending.

Port officials also stressed that the Pier H/*Queen Mary* budget is an estimate.

“Without any recent experience operating Pier H,” the report said, “actual results may be significantly higher or lower than the figures presented.”

This article was published by the Long Beach Press-Telegram on April 30, 2022

This press release is being shared with the SSHSA Southern California Chapter Membership as an update on the status of the Queen Mary.