

South County's Maritime Industry Action Plan



SOUTH COUNTY ECONOMIC DEVELOPMENT COUNCIL



SCEDC
South County Economic
Development Council

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Background

On May 28, 2015, the South County Economic Development Council (SCEDC), together with our partners, The Maritime Alliance, Port Tenants Association and Southwestern College, gathered South County leaders in the maritime industry to share information, challenges and needs of their industry.

“We are building and fabricating in Chula Vista and National City and sending it all over the world.”

**—Todd Roberts,
Marine Group Boat Works**

Representatives from the following companies participated on a panel that included Port Commissioner Dukie Valderrama as the emcee:

- BAE Systems, Bob Koerber, Vice President & General Manager
- YYK Enterprises Inc., Steve Johnston, CEO & Owner
- Marine Group Boat Works, Todd Roberts, President
- Orca Maritime, Kurt Nelson, Principal Officer & Co-Owner
- Pasha, Stan Gabara, Executive Vice President

BAE Systems:

- Plan, manage, and perform repair or modernization of military ships
- 2,000 employees in San Diego; 88,000 world wide
- \$27.4B in world wide sales
- Interesting Fact: One of the top three defense contractors in the world and prides itself that it is 60% below the industry's average for recordable and lost time in injuries.

Marine Group Boat Works:

- A Full-service boat and super yacht refit and repair facility
- 200 employees
- \$27 million spent on vendors
- Interesting Fact: They are the fourth largest mega yacht repair facility in the world. A Marine Group Boat Works (MGBW) audit reports that when a mega yacht is docked in Chula Vista the economic multiplier is \$7 for every \$1 spent. Also, MGBW holds 1 million square feet in land and water. That equates to putting all the facilities on Shelter Island and the MGBW facility in National City into the Chula Vista MGBW land.

Pasha:

- Freight management and logistics corporation
- 593 employees
- \$47 million in payroll
- Interesting Fact: Moves 400,000 cars annually and is the Port's largest revenue producer.

YYK :

- Corrosion prevention through maintenance operations in the ship repair industry
- 210 employees
- \$20 million in business annually
- Interesting Fact: Grew from 11 employees handling \$900K in business annually to \$20M in half a decade.

Bay City Marine (Affiliated with YYK):

- Boat and ship repair and cleaning
- 75 employees
- \$6 million in business annually
- Interesting Fact: Started with 8 employees and had to use an alternating payroll system to stay afloat until acquired by YYK.

Orca Maritime:

- Underwater reconnaissance, data collection and analysis, and ocean floor mapping.
- 10 employees
- Interesting Fact: They just finished a technical demonstration at the United Nation's request where they conveyed the latest technologies to clear underwater ordnance for the oceans worldwide in an effort to establish universal procedures for mapping, identifying and remediation of explosive remnants of war (ERW) worldwide.



BAE SYSTEMS



South San Diego County is the perfect location for the maritime industry. The cities of San Diego, Chula Vista, National City, Imperial Beach and Coronado all envelop the bay. Additionally, Imperial Beach and Coronado are located directly on the Pacific Ocean. This, combined with San Diego's location on the Pacific Rim, makes it an attractive host for maritime use.

The military found the Port to be beneficial also. In 2008, the Military Surface Deployment and Distribution Command (SDDC) of the Department of Defense (DOD) began to develop a plan to optimize the use of strategic ports. In response, SDDC conducted and issued the Port Look 2008 Strategic Seaports Study, which reviewed DOD requirements for the number and location of strategic seaports. Since then, there have been revisits and updates, and they have analyzed 22 strategic ports; 17 being commercial ports and 5 being military, one of which is our home, San Diego.

During the discussion, specific items were mentioned that are hampering the growth of these companies. Those issues have been identified below with corresponding actions to mitigate the negative impacts of such issues, and the work plan has been reviewed by the panelists for accuracy. Each issue has corresponding suggested actions that need to be explored as a possible remedy for the current situation. SCEDC has identified the lead agency for the action items. The lead agency will investigate the suggested action item to determine if it will adequately address the situation. The lead

agency is not limited to that suggested action item, and these may, in fact, lead to a more productive solution as they explore what can be done to address each item. Furthermore, the lead agency may wish to engage others as a means to adequately explore each option.

“San Diego is a strategic location to the Pacific Rim. We can serve North America and Mexico extremely effectively for both imports and exports here.”

**—Stan Gabara,
Pasha**



Work Force

The majority of panelists indicated an immediate and future need for employees. YYK indicated they currently had 50 openings and were having a hard time finding employees for those positions. While they like to produce their own employees, the company has grown so quickly that they cannot train enough laborers. BAE Systems said by the year 2020 they will have added another 500 jobs. Marine Group Boat Works indicated they are having difficulty filling welding positions. The panel expressed a desire to have employees who have a good work ethic. They cited examples of employees with entitlement attitudes and an unrealistic view of the time and expertise needed to transition into higher paying jobs in the maritime career path. Panelists noted that they invest in their employees and provided an example of a minimum wage employee being promoted from within the company to a \$100K+ salary.

Another need identified by YYK and echoed by BAE Systems was the need to allow more flexibility in the Rapid Gate process. Rapid Gate is a security clearance process whereby contractors and their employees must undergo an extensive background check prior to working on the base. Panelists noted that the background check was overly extensive by going back too far. They noted that if an employee had a drunken driving conviction, for example, in his early 20's and now that an employee is 40 years old, the process

should allow for some flexibility. YYK currently has employees who are not able to work on base. It was noted that some of these employees were just on a Navy ship and assumed they would have been vetted by military previously. They also indicated the process for a Rapid Gate clearance costs \$200 and the results are taking an estimated average of 30 days until clearance notification. Koerber noted that the National Ship Repair Coalition wrote a letter two months ago conveying the fact that Rapid Gate is a major impact and is more stringent than current military standards. They received backing from Congressman Hunter, who sent a letter requesting a review of the policy. Panelists questioned why the industry was being held to a higher standard than DOD personnel.

“If we can't employ these people (with felonies) and train them in a trade then what are their choices?”

**— Steve Johnston,
YYK**

Work Force

The panel noted a need for a good work ethic in employees. They conveyed that those newer to the workforce are not as willing to begin at an entry level position and work their way up the ladder to a more lucrative career. Orca Maritime conveyed most of their employees are former

“We can’t train them fast enough for the technical level of vehicles.”

**— Stan Gabara,
Pasha**

military personnel and they have the correct skill set and work ethic to be a productive employee. They noted that the high cost of living in southern California is a deterrent to recruiting and retaining employees.

Panelists agreed the need to ally with high school and college institutions is critical in order to create the future workforce. They suggested some methods to increase the interest in the maritime industry. Additionally, they expressed a willingness to assist educational institutions with hands-on instruction, internships and on-going partnerships.

Goal: Ready and able workforce to support Maritime industry

Action:

1. Explore amnesty amendments to the Rapid Gate Policy that will aid rehabilitated individuals
 - 1) Meet with local officials to explore options
 - 2) Draft new policy/procedures that will allow access to their workplace on naval ships
 - 3) Spearhead pilot program testing changes to program
2. Increase number of trade skill programs in South County
 - 1) Explore bringing San Diego Community College program to Southwestern College
 - 2) Survey high schools, non-profits and other educational institutions to see what is already being done in South County and determine if those can be expanded (CTS, Wounded warriors, SWRAP, etc.)
 - 3) Determine if union apprenticeship programs exist
 - 4) Work with San Diego Workforce Partnership to explore grant opportunities for more trade skill classes
 - 5) Determine if new community college funding can be put toward a program
 - 6) Orchestrate meetings between industry and educational institutions to determine what is needed to move forward
 - 7) Explore apprenticeships
 - 8) Explore funding for future programs with the County Office of Education and San Diego Workforce Partnership
 - 9) Explore use of grant funding to create programs
3. Increase student interest in field for careers
 - 1) Engage students in field trips to promote the opportunities available
 - 2) Maritime industry entrenched in schools (speakers, etc...)
 - 3) Garner press attention for industry careers
 - 4) Advertise existing internship programs with Marine Group Boat Works and Orca Maritime
 - 5) Partner with Southwestern College to create maritime GIS classes

“Get kids out of classroom and on-to the water to run equipment and see what we do.”

**— Kurt Nelson,
Orca Maritime**



Infrastructure

YYK and Orca Maritime do not require their facilities to be on the water, however, their business model is to take their maritime services to the water. Pasha, Marine Group Boat Works and BAE Systems require facilities to be located on the water. Panelists discussed the need to have their facilities on the water embraced by the Port of San Diego and the surrounding cities. Several panelists discussed the struggle with a business on the water, noting that the areas are constrained by surrounding residential and commercial uses and there were co-location issues. Also, one of the issues identified included unwelcomed employee parking in residential neighborhoods.

Panelist described future encroachment by other uses. Todd Roberts conveyed that the hotel development was pushing his company off the bay front in Chula Vista and indicated that there needs to be balance for water uses.

Stan Gabara relayed plans for a bike path near his facility and the adverse impact that would have on Pasha operations.

There was concern about the availability of space along the waterfront for maritime operations in the future. Steve Johnston noted he would like his business to be located on the water but cannot find the 2+ acres on the water to support the move, and the lack of waterfront space is also impacting Pasha. Stan Gabara addressed the need for more parking spaces to park cars coming off the ship awaiting transfer to dealerships. Bob Koerber indicated that BAE's maritime investment equates to more investment than all the hotels in San Diego. He implied the Port may wish to consider economic impacts of maritime uses prior to project approvals or new regulations.



Goal: Supportive infrastructure for Maritime industry

Action:

1. Investigate parking structure on and off port property
2. Work with local jurisdictions and Port on co-location issues
3. Request Port and cities add economic impact statement on all Board of Port Commissioners and City Council docketed items related to business and/or maritime industry
4. More dock space (additional dry dock included) needed to support increase in military ships before 2020
5. Establish guiding principles for Port and cities to use related to co-location
6. Explore options for vertical parking solutions, ride-sharing, and shuttling services to determine viability

Business Climate

The Maritime industry is being courted by other states that use the “over regulation” and “non-business friendly environment” language as deterrents to conducting business in California. Kurt Nelson, Orca Maritime, said that the State of California is not business friendly citing numerous regulations and the cost of doing business in California. Orca Maritime indicated they were meeting with the Governor of Texas as he was soliciting their company to relocate to Texas. Todd Roberts said that his company has competition all over the world. The yacht owners come to his Chula Vista business because they feel welcome in our community. Panelist lamented the ideal business climate is one that welcomes business and understands the economic impact.

“They want to come to a [community] that welcomes them.”

**— Todd Roberts,
Marine Group Boat Works**

conducting business in Mexico. Orca Maritime expressed concerns about tariffs in Mexico. Bringing in equipment into Mexico was described as an expensive venture. The tariff rates have gone from “crazy” to “unreasonably crazy”. Nelson cited that they were bringing \$80,000 of dredging equipment to Mexico and it cost the company \$30,000 to bring that to Mexico. Todd Roberts from Marine Group Boat Works provided a similar example. He said he has equipment currently sitting in a warehouse waiting to be imported into Mexico. They are still going through the approval process to get that equipment shipped into Mexico. He noted that it will cost \$11,000 to ship scaffolding after the approvals are obtained. This has made it almost impossible to conduct business in Mexico.

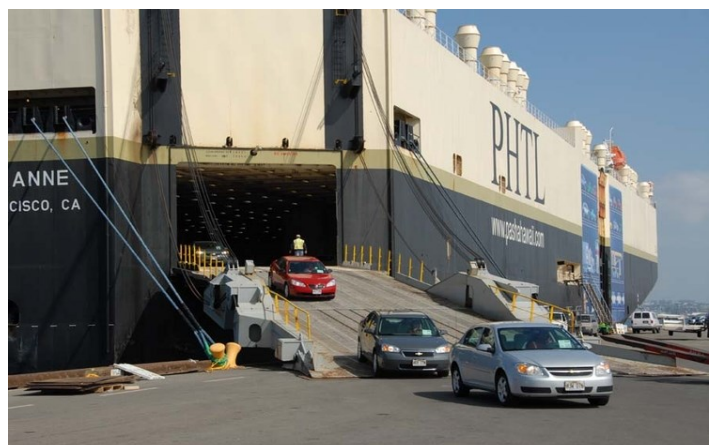
Panelist discussed the Port’s growth plans and noted that the plans conflict with existing maritime uses in some cases. They noted that they are fighting to preserve what maritime use they have. While some of the tenants could do a portion of their business off port property it becomes cost prohibitive and could require relocation to another port instead of moving a portion of the operations off port property.

Panelists discussed the impacts of the North American Free Trade Agreement (NAFTA). They said there is not equality in the NAFTA agreement. They also share concerns about

Goal: Enhance supportive business climate

Action:

1. Address tariff issue:
 - 1) Engage Federal US Officials to review NAFTA regulations/agreement to determine when and how to invoke change
2. Engage the Consul General of Mexico office to assist:
 - 1) Individual business assistance
 - 2) Tariff relief through changing legislature
3. Increase student interest in field for careers
 - 1) Focus business outreach efforts on Maritime Industry
 - 2) Encourage local officials and industry leader discussion
 - 3) Request review mechanism for proposed regulations that conveys economic impact on industry



Projected Growth

“We have business stacked up with opportunities to expand.”

**— Stan Gabara,
Pasha**

As previously stated, San Diego provides an enriched natural harbor that is ideal for many situations. Industries recognized this and have taken measures to progress our advantage. The military currently has 48 ships based in San Diego. By the year 2020, that number will grow almost 40% with 19 more ships being home ported in San Diego. BAE Systems has invested \$150 million in their facility, including the installation of a new dry dock that will now allow them to work on cruise lines. This investment is larger than all of the vested interests of the hotel industry. BAE Sys-

tems has provided and will continue to provide a perfect home port for military ships. YYK has signed a teaming agreement with NASSCO to collaborate on the LCS Program which equates to \$96 million in the first year. YYK partners with the Port, city, truckers and their customers to provide synergy.

“With this [dock] investment we help the navy keep the ships here ... [which] helps all the businesses that support the maritime industry as well...”

**—Bob Koerber,
BAE Systems**

Conclusion

South County is positioned well and has an opportunity to grow the existing maritime cluster, whether that be by attracting mega yachts from around the world, increasing automotive shipping, construction of commercial and military vessels or mapping the ocean floor. The needs and concerns of our leading companies must be addressed so that we can all benefit from our symbiotic relationship. The aforementioned companies are expecting significant growth and it is incumbent upon our region to meet the needs of this industry in an effort to better serve our residents by retention and creation of jobs.

By creating a more able workforce through policy change and increased attention to trade skill programs and internships, new supportive infrastructure, enhancing the state and local business climate we will keep jobs localized in the South Bay and support businesses around it. The maritime industry in our region can continue to develop economically, given that we accept new technology and methods of business and maximize our strongest point, the strategic location on the Pacific Rim. Companies want to expand and improve and the SCEDC encourages the reform needed to aid their progress.

What's Next

“We need to pay attention to what's under the water in order to have a thriving Maritime business”

**—Honorable Dukie Valderamma,
Port of San Diego**

South County Economic Development Council will work with partners to find champions in the industry and to identify the resources outlined in this action plan to build a thriving maritime industry in South County. We will continue to support the Maritime companies by creating a supportive business climate and infrastructure, and help the industry create a more ready and able workforce.



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