

PORT AUTHORITY OF GUAM

Annual Report
2011-2012



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> Introduction

The Port Authority of Guam was established as a public corporation and autonomous agency of the government by Public Law 13-87 in October 1975. The Port operates the only commercial seaport in the Territory and, as the primary seaport in Micronesia, serves as a transshipment point for the entire Western Pacific region. It operates the largest U.S. deepwater port in the region and currently handles about 2 million tons of cargo a year. The Port owns 5 cargo-handling piers along with two fuel piers and three marinas. The cost for operations and capital improvements are funded largely from the Authority's own revenues.

The Authority is presided over by five board members appointed by the Governor of Guam with the advice and consent of the Legislature. The Board of Directors appoints the General Manager and Deputy General Manager who are responsible for maintenance, operation and development of the Port and the agency's business affairs.

With more than 90% of the region's goods and supplies passing over its dock, the Port's impact on the quality and sustenance of life for residents of the region cannot be overstated. Primarily dependent on the importation of goods, the Port is truly the lifeline between the Western Pacific Region and the rest of the world.

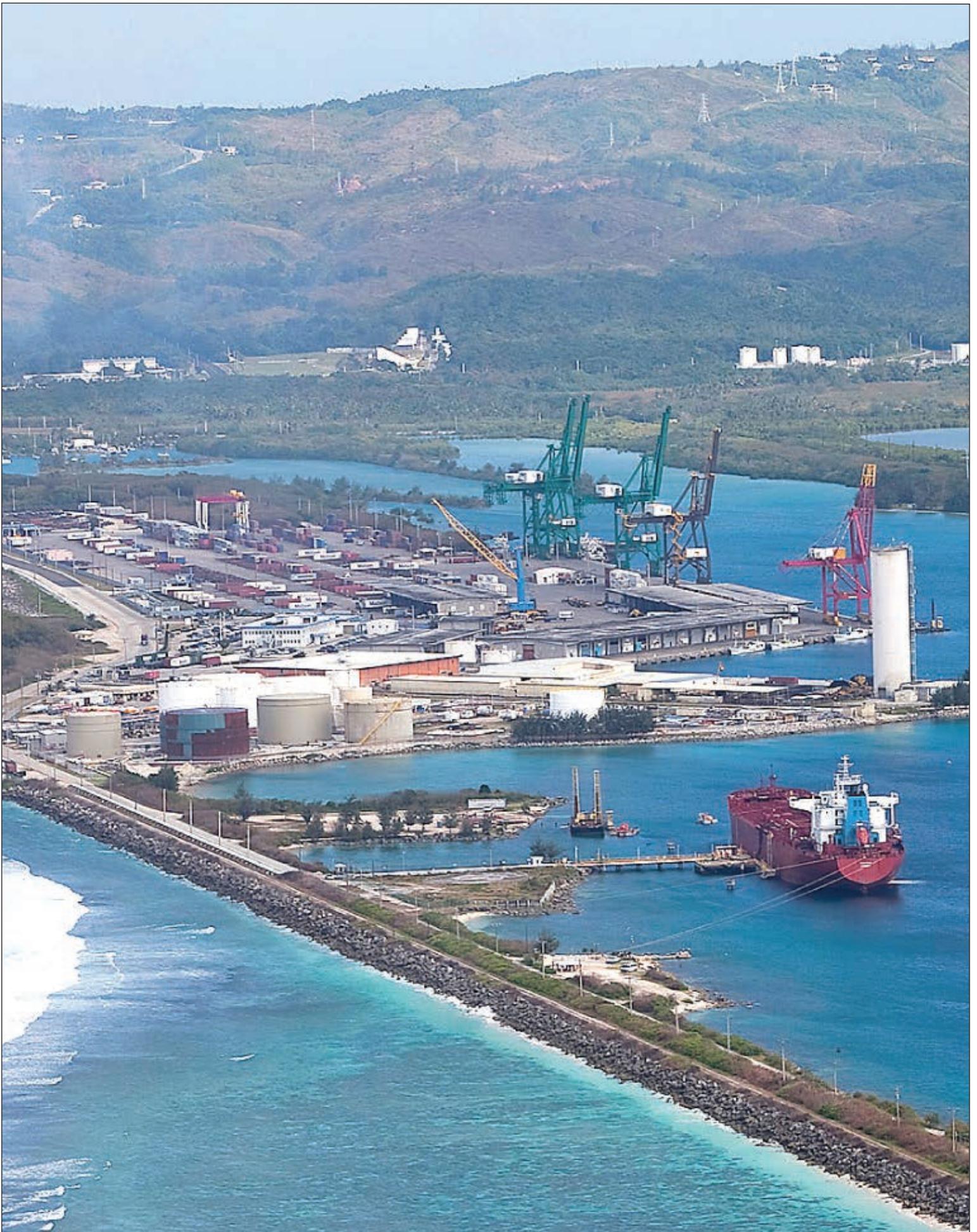
The Port facilities were designed in the 1960s and put into service in 1969. The facilities have remained unchanged since its construction in 1969 with the exception of the repair of F5 in 1999. This is in contrast to most modern mainland ports which have undergone two or more cycles of technological and maintenance improvements during this same period of time.



> Mission Statement

The Port Authority of Guam is dedicated to providing full services to ocean vessels in support of loading and unloading cargo for Guam and Micronesia. PAG is the main lifeline of consumer goods into the island, and as such, recognizes its responsibility to deliver these goods in a timely and efficient manner. In support of this mission, the Port Authority also provides land and infrastructure to private interests to further develop the maritime industries on Guam. As a public corporation, the Port Authority dedicates all of its profits to the upgrading of equipment and facilities and the continued growth of the island's seaport.





> Financial Highlights

The net assets of the Authority as of September 30, 2012 are \$71.2 million. Of this amount, \$62.2 million is invested in capital assets and \$9.0 million is considered unrestricted.

The Port's net assets increased by \$2.0 million for fiscal year ended September 30, 2012.

The Port's total assets increased by \$1.4 million during the fiscal

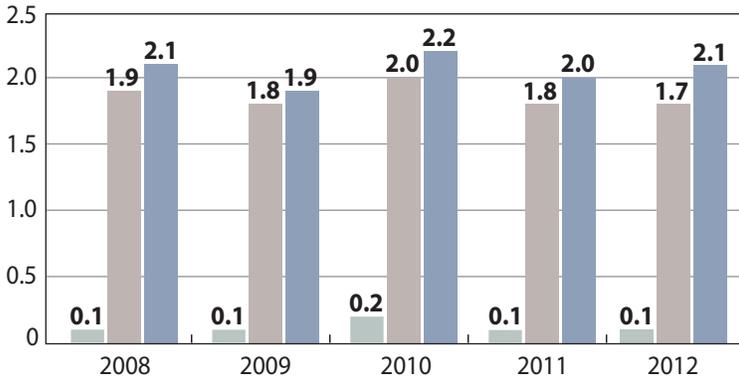
year ended September 30, 2012. The major component of this change was an increase in current assets by \$365 thousand and an increase in capital assets by \$1 million.

The total liabilities decreased by \$636 thousand during fiscal year ended September 30, 2012. The major component of this change was due to decrease in accounts payable trade of \$605 thousand.

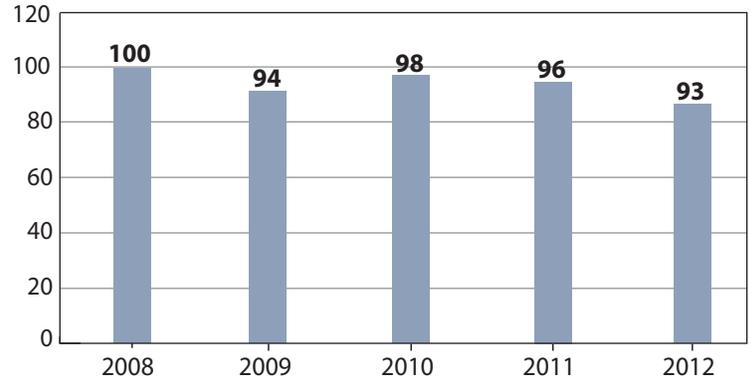
How Are We Doing – A Performance Report on Key Missions and Service

■ Breakbulk ■ Container ■ Total Cargo Revenue Tons

Total Revenue Tons (in millions)



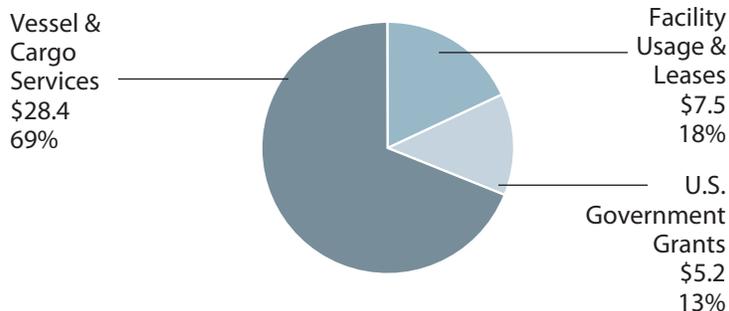
Total Containers Handled (in thousands)



The Port's Finances – Revenues and Expenses

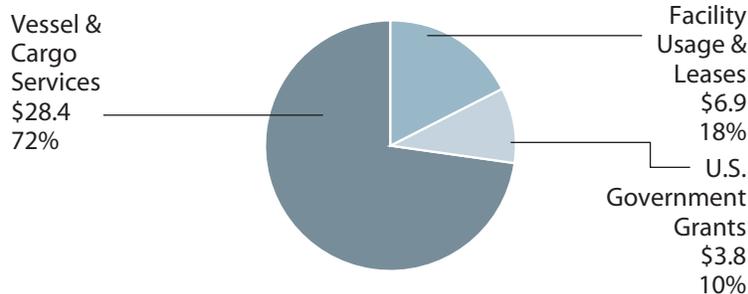
An independent audit resulted in a clean audit opinion. Complete financial information can be found at www.portguam.com

Primary Sources of Port Revenues — FY 2011



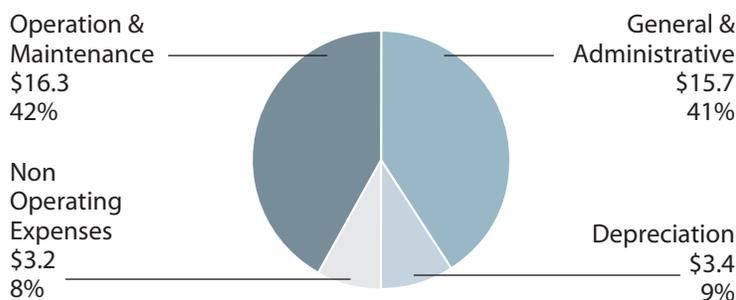
Vessel and cargo services revenues in FY2012 decreased by \$43 thousand. This was due to decreased total containers handled of 3 thousand or 3%, from 96 thousand containers in FY 2011 to 93

Primary Sources of Port Revenues — FY 2012



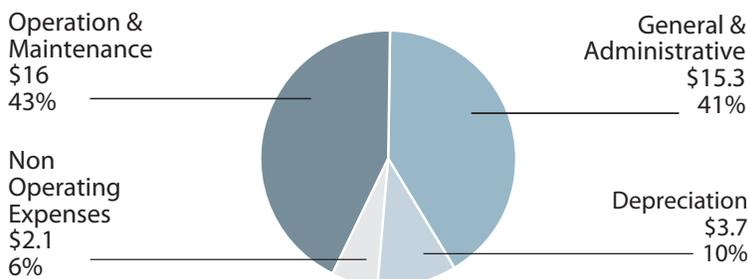
thousand containers in FY 2012. Due to the tariff increases, the impact on vessel and cargo revenues resulting from a decrease in the number of containers handled was minimal.

Primary Uses of Port Expenses — FY 2011



In Fiscal Year 2012, the total operating expenses were \$34.9 million and non-operating expenses were \$2.1 million. Operating expense decreased by \$266 thousand and non-operating expenses decreased by \$1.1 million compared to fiscal year 2011. Operation and maintenance salaries and benefits increased due to 10 new employees hired during the fiscal year; however, the overall expense of operation and maintenance decreased by \$300

Primary Uses of Port Expenses — FY 2012



thousand as a result of reduced operational supplies. General and administrative expenses decreased by \$302 thousand due to decreases in professional services of 37%, other contractuals of 27%, and supplies of 25%. Depreciation expense increased by \$369 thousand or 11% due to the reclassification of the completed construction in progress project on GDP renovation phase 1 and purchase of new assets in FY 2012.

> Key Project Initiatives

Some of the key initiatives in 2012 are:

Acquisition of Gantry Cranes- Following the Port Board of Directors' approval of the purchase of 3-POLA cranes and Gantry 3 from Matson & Horizon, Port management submitted to the Public Utilities Commission (PUC) a petition to approve the Sales Agreement and Interim Maintenance Agreement. In August 2012, the PUC approved the Sales and Interim Maintenance Agreements. The official signing of these Agreements for the Acquisition of the Gantry Cranes was completed on December 20, 2012.

Port Security Grant Program (PSGP)- As part of the Security Grant Program of US Department of Homeland Security, the Authority was awarded over \$5 Million in federal security grants to help secure the commercial port. Through this program, the Authority proceeded with the following projects:

- **Container Yard Lighting Project:** The construction work to upgrade of the existing lights at the container yard was awarded in January 2012 and is expected to be completed in November 2012.
- **Maritime and Security Operations Center and Integration of Communications Systems Project:** The construction work to build a centralized emergency operations center, as well as, the integration of all communications and security systems was awarded in October 2012 with a projected completion date by December 2013.
- **Procurement of Mobile Containerized X-Ray Screening System, 2-Emergency Backup Generators and Harbor Master's Communication System** are other funded projects that are expected to be completed within fiscal year 2013.

Implementation of New Port Tariff Rules, Regulations and Rates- The Port was mandated by Public Law 30-52 to submit to the Guam Public Utilities Commission the results of a study of existing rates, charges and cost of services provided by the Port no later than December 31, 2010. PAG filed a Final Report on the Comprehensive Tariff Study on December 30, 2010. In October 2011, the ALJ held public hearings in the villages of Hagåtña, Asan and Dededo. The petition for tariff rate relief by the Port was approved by the PUC in January 2012. The new terminal tariff was implemented on March 1, 2012.

Marina Renovations- Through federal grant awards from the Department of the Interior/Office of Insular Affairs and USFWS, the Gregorio D. Perez "Hagatna" Marina is undergoing several capital improvement projects. Subsequent to the project completion of the Hagatna Marina Renovation and Site Improvements-Phase I and Dock A repairs in 2012, the following projects are currently on going and are programmed to be completed within fiscal year 2013:

- GDP Waterline Replacement
- Dock C Replacement
- Dock B Repairs
- Dock A and B Pile Extensions
- Hagatna Marina Renovation and Site Improvement-Phase II

The Western Pacific Regional Fishery Management Council has recently awarded the Authority a \$250,000 federal grant to fund dock improvements at the Agat Small Boat Marina. The Authority has programmed to solicit and award this improvement project within fiscal year 2013.

Challenges Moving Forward

Procurement Delegation- The Port's procurement delegation is critical to the operations' efficiency and the modernization projects identified in the Master Plan. The Port will work on obtaining the delegation approval from the Chief Procurement Officer so it may purchase materials, supplies and services that are vital to the daily operations of the Port and also the Modernization Program Military Build-up.

> **The Port's Future—Challenges Ahead**

Modernization Plan

As a result of the then planned US military relocation to Guam, the Port opted to update its Master Plan in 2007 as the framework of the Port Modernization Program. However, due to changing factors resulting from the reduction in the scope and timeline for the military buildup and corresponding impact on cargo forecasts, the Port Modernization Program was re-set and reconfigured to address organic growth. The Guam Commercial Port Improvement

Program (GCPIP) aims to expand its terminal yard operations area, upgrade its equipment and maintenance capabilities and improve its waterfront access. The GCPIP-Phase IA are preliminary improvements to meet the minimum requirements of PL 29-125, the needs of the people of Guam, reduced relocation military troops and modernize critical facilities at the Commercial Port. Projects under the GCPIP include the following:

Layout of Yard

Storage Area Key

- MT: Empty Containers
- Full Wheeled Reefer
- Full Wheeled Chassis
- Grounded Containers

STORAGE AREA SIZES

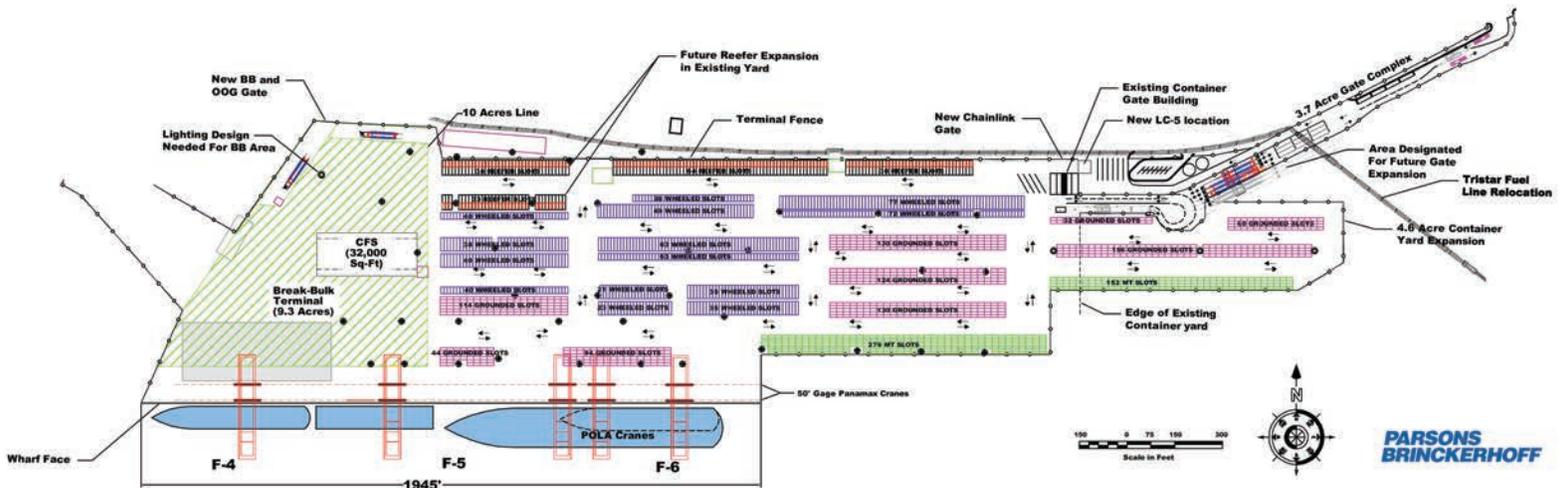
- 884 Full Top-Pick TEU Grounded Slots
- 1015 Full Wheeled TEU Chassis Slots
- 431 Empty TEU Grounded Slots

TOTAL THROUGHPUT CAPACITY

- 3-4 High = 245,000 TEU/YR
- 4-5 High = 293,000 TEU/YR

Ports and Marine Division

- Jeff Schechtman, Principal in Charge, Schechtman@pbworld.com
- Jeff Peck, Project Manager Peck@pbworld.com





PORT AUTHORITY OF GUAM

Jose D. Leon Guerrero Commercial Port

Telephone: 671-477-5931/35 Fax: 671-477-4445

Website: www.portguam.com

