



The Port Report

January 2011

Inside this issue:

New GM	1
FY 2010 Financial	1
Training Exercise	3
Proposed Tariff Rates	4
Announcements	4
Wharf F5	5

Port Welcomes New GM

No stranger to the Port Authority of Guam, Pedro A. Leon Guerrero, Jr. returns as General Manager after serving as the agency's chief executive officer from 1993 to 1995 under the administration of former Governor Joseph F. Ada and Lt. Governor Frank F. Blas. As an



energetic, goal-oriented executive, Mr. Leon Guerrero approaches his new career challenge with innovation and drive with the objective of taking the agency to the next level and transforming it to a world-class sea port.

Mr. Leon Guerrero's career began more than thirty years ago as a Commissioned Surface Warfare Officer in the U. S. Navy onboard ships deployed to the Western Pacific and the Mediterranean. After nine years of active duty, he continued his military career in the naval reserve unit VTU-3006G at Naval Station Guam where he

served as the Commanding Officer prior to his retirement in 2000.

In addition to his military background, Mr. Leon Guerrero has extensive experience in the private business sector holding managerial positions with the following establishments: Foremost Food Inc. as the Purchasing and Warehouse Manager; Mobil Oil Guam Inc. as the Sales Manager; Mobil Oil Micronesia as the Resale Area Manager; Fish Eye Marine Park as the Assistant to the General Manager; IT&E as the

Continued on page 2

PAG Gets "Clean Audit" for FY 2010

The Port Authority of Guam has received an unqualified "clean" opinion by the Guam Public Auditor following a review of the Fiscal Year 2010 financials by independent auditors Ernst & Young LLP.

"The Port closed fiscal year 2010 with an increase in net assets of

12% or \$7.1 million primarily due to an increase in capital contributions from the federal government of \$6.1M and net earnings of \$985 thousand," the report stated. "This is the eighth consecutive year the Port realized an increase in net assets. The Port's operating expenses

increased by 19% or \$5.4 million from the prior year".

GM Pedro A. Leon Guerrero, Jr. congratulates the Financial Affairs Controller Jose B. Guevara and the entire Finance Division who worked diligently to ensure that the finances of

Continued on page 2

continued from page 1: New GM

Manager of Sales and Marketing; Guam YTK as the General Manager; South Pacific Petroleum Corporation (SPPC)/Exxon Guam as the Area Manager, Commercial Fuels & Lubricants. Furthermore, Mr. Leon Guerrero previously worked for the Government of Guam as the General Manager for the Port Authority of Guam, a Guam Public School System science instructor and is currently an adjunct faculty at Guam Community College.

When asked about his plans for the Port, Mr. Leon Guerrero stated "I am determined to carry on with the implementation of the

Port Modernization Program and to continue with the progress that's already been made at our island's only commercial sea port." He is dedicated to preparing Guam's port for the organic growth of our community and the increased demands that will come with the Guam Military Buildup.

These past few weeks, Mr. Leon Guerrero has been busy reacquainting himself with the Port's functions, meeting stakeholders, and meeting with employees. If he hasn't been in your area yet, it's just a matter of

time. He is making sure that he makes personal contact with all divisions. Soon to be installed is a suggestion box for employees to directly voice their concerns to the GM and which only he will have access to. The location of this box will be announced once it's been installed.

The Port Family welcomes you back Mr. Leon Guerrero!



continued from page 1: Clean Audit 2010

the Port are in order and can withstand review. "As we move forward with the Modernization Program and the hundreds of millions of dollars that will be spent on the program, the Finance Division will continue to ensure that the funds are spent properly and are accounted for," he said. "I want to congratulate our Port employees who continue to strive for excellence in all that they do."

Total operating revenues increased by 19% or \$5.7M from the prior year. Nearly every category of revenues experienced a rise with notable increases in

equipment and space rental, cargo throughput charges, and other operating income. This was a result of a combination of increases in container activity and rates. Cargo throughput charges increased by \$3.3M as more containers were handled in FY 2010, coupled with a 3.4% rate increase in all cargo related charges. Equipment and space rental increased by \$2.1M due to newly established lease rates and a 24 cents increase per barrel of throughput for fuel from 16 cents to 40 cents. Other operating income increased by \$311 thousand, which are attributable to adjustments made from prior year's expenses.

However, the rise in operating revenues was offset by the rise of \$5.4 M in operating expenses. This comprised of salaries and benefits which increased by \$2.5M primarily due to the Port's implementation of its Classification and Compensation Study and an increase in the number of employees by 13 from 334 in FY 2009 to 347 in FY 2010. Supplies and repairs and maintenance increased by \$1.5M due to maintaining the aging cargo handling equipment of the Port. Professional services, which includes legal and consulting fees, increased

Continued on page 3

All Hazards Training at PAG

The Port Authority of Guam recently participated in an All-Hazards training exercise that took place from January 24 – 28. The week-long exercise hosted by the Guam Army National Guard's Civil Support Team involved many federal and local agencies to include the Port Authority of Guam, Guam Waterworks Authority, Guam Police Department, Guam Homeland Security and Office of Civil Defense. The exercise was conducted in several different locations throughout the island with the purpose of executing an All Hazards Chemical Biological Radiological Nuclear Explosive Field Training Exercise to reinforce interoperability among local stakeholders and test

Guam's ability to maintain operational response procedures during an incident of national significance. This exercise was intended to focus on communications and field operations related to the response to a weapons of mass destruction incident.

The Port's main objectives in this exercise include emergency evacuation, inter-agency coordination, communication and notification. Coordinating the Port's participation was Felix Pangelinan from Harbor Master's Office, Paul Cruz from Port Police and Fred Rocio from Strategic Planning. "Our involvement in



this exercise emphasizes the critical nature of the Port Authority and its strategic importance to our local and federal stakeholders. I want to thank everyone who took part in this important training exercise," said General Manager Pedro A. Leon Guerrero, Jr.

continued from page 2: Clean Audit 2010

by \$679K from FY 2009.

Rate adjustments are now approved by the Public Utilities Commission (PUC). FY 2010 is the first year the Port is under the purview of the PUC, incurring \$58K of administrative and legal PUC fees. As for non-operating expenses, Cost of Living Allowances (COLA) and supplemental annuities paid to Port retirees almost doubled increasing by \$1.4M from \$1.6M in FY 2009 to \$3.0M in FY 2010 mainly due to a \$1M reimbursement to the General Fund per Public Law 30-101 for past COLA and annuities made

on behalf of Port retirees.

To view the complete audit report, please log onto the Guam Office of Public Accountability's website - <http://www.guamopa.org/>.



WITH DEEPEST
SYMPATHY

Our condolences to family of the late Carmelita M. Castro, mother of Pete Castro, Jr. (Supply) who passed away on January 21, 2011. Nightly rosary is being prayed at 7:30 pm, St. Jude's Church, Sinajana. Last respects will be held on February 5, 9am - 12:15 pm at the Chalan Pago Catholic Church. Our deepest condolences are extended to the families.

Cornell Completes Tariff Study

In mid 2010 the Cornell Group, Inc. was retained by the Port Authority of Guam to perform a comprehensive review and revision of our existing terminal tariff. The proposed tariff, if implemented, will be capable of generating sufficient revenue to cover operating costs of the Port Authority, and service the loans required for the proposed expansion and upgrades of the port. The primary objective of the study was to develop an economically sustainable tariff that is equitable and reasonable for the port as well as its users, consistent with the

quality and level of service provided by the port. Just as essential, the report provides the basis and justification for the Port's application to the Guam Public Utilities Commission (PUC) for adjustments in its tariffs. Furthermore, the proposed tariff and its petition to PUC, must comply with Federal Maritime Commission (FMC) tariff rules.

Based on the financial analysis of potential revenues and costs over a 20-year period and the resulting annual cash flow, Cornell Group estimated that container and general cargo tariffs at PAG will need to be increased by at least 3.95% in 2011 and

each year thereafter to generate the cash required to operate the port effectively, achieve an adequate return on investment, and satisfy the loan agreements needed to finance the portion of the Port's modernization not funded by federal grants.

In compliance with procedures, the proposed rates must be publicly announced for 60 days, thereafter, the PUC has 90 days to act upon the Port's petition. To see proposed tariff, log on to <http://portguam.com/docs/community/public-notice>.

PAGGMA Corner

Super Bowl 2011: Join PAGGMA on February 7 at Lucky Break Club in Anigua, 7:30 am - one hour after game over. Free food and drinks for PAGGMA members.

Election of Officers: PAGGMA will be holding its election of officers in February. Be on the lookout for details. Employees interested in running for office may contact John Santos (ext. 334), Jeni Leon Guerrero (ext. 240) or Josette Javelosa (ext. 315) for more information.

GHRA Softball Tournament: PAGGMA is inviting employees, family, and friends to come out and support our Port Strong team as they defend their championship title. Log on to the Port's website to view the game schedule.

<http://www.portguam.com/community/employee-association/page/events>.

Happy Sweethearts Day!

Valentine's Day is just around the corner. Here's some ideas to make the day extra special for your loved one:

- Plan special day just for the two of you.
- Prepare some nice valentines cookies or a cake in the shape of a heart, your partner will love it.
- Romantic long drive and a candle light dinner is a fabulous idea.
- Instead of buying a card, do something different. Prepare a homemade colorful card and don't forget to write love quotes.
- Decorate the house for the special occasion. Dim lights, scented candles, light music, romantic songs and most importantly wear something nice.
- Hold each other's hands and go for a walk.
- Express to your partner how much you appreciate him/her.

Whatever you do, may you have a day filled with love!



Condition of F5 Under Analysis

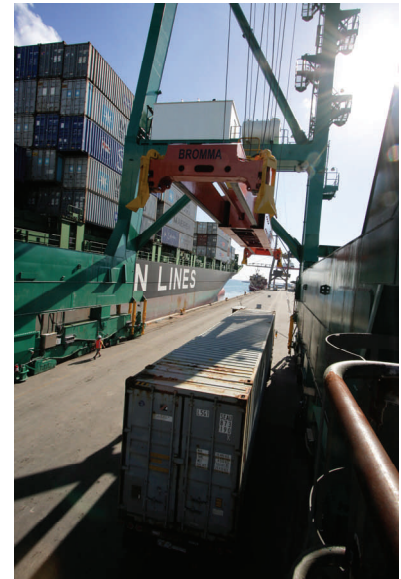
The Port Authority of Guam announced recently that studies are being conducted on the F-5 wharf to determine the extent of unanticipated conditions discovered during a recently scheduled underwater inspection.

General Manager Pedro A. Leon Guerrero, Jr. notes that the temporary alteration of operations is being done at the request of the Port's insurance company and will not disrupt the flow of goods into our island. Insurance company representatives advised the agency to protect the F-5 wharf pending the results of further analysis, which is being conducted by the Port's consultant, Parsons

Brinckerhoff.

"During recent scheduled underwater inspections of all PAG waterfront facilities located in Apra Harbor, our consultants informed the Port of unanticipated conditions of the structure supporting F-5," Leon Guerrero said. "Representatives of the Port's insurance company have instructed the Port that per the requirements of the Port's insurance, operational changes are required as a preventative measure to reduce the risk of further damage. Once a complete investigation is complete, a re-evaluation of the operations will be made."

The Port has four berths, adjacent to its compound, with 2,700 linear feet of wharf space alongside dredged depths of 28 to 35 feet. The F-3 wharf is used primarily for fishing vessels and tenants performing fishing operations while Piers F-4, F-5 and F-6 accommodates containerhips and general cargo vessels and passenger ships. Most cargo ships that arrive at the Port are serviced at the



F-4, F-5 or F-6 wharfs. As such, operations will instead be moved to F-4 and F-6 pending the results. Similar steps were taken during the recent gantry rail replacement construction and the POLA cranes tie-down operation when they came to shore. Port officials have already informed carriers and Port users of the temporary change in operations pending the results of further testing. Those results are expected to be completed in the next few weeks.

