



# A Port Report to the Citizens of Guam

October 1, 2009 to September 30, 2010

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## Strategic Goals:

- ◆ **To modernize the Port as a first class facility in the region.**
- ◆ **Provide cargo services in a safe, efficient and sustainable manner.**
- ◆ **Promote economic growth and opportunities for maritime related industries.**
- ◆ **Address the needs of Port Users.**

## About the Port

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.

With over 90% of the region's goods and supplies passing through its doorways, the Port's impact on the quality and sustenance of life for residents of the region cannot be overstated. The Port is truly the life link between the region and the rest of the world.

The Port 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.

## 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. The Port Authority of Guam is the main lifeline of consumer goods into the island, and as such, recognizes its responsibility to deliver these goods in a timely

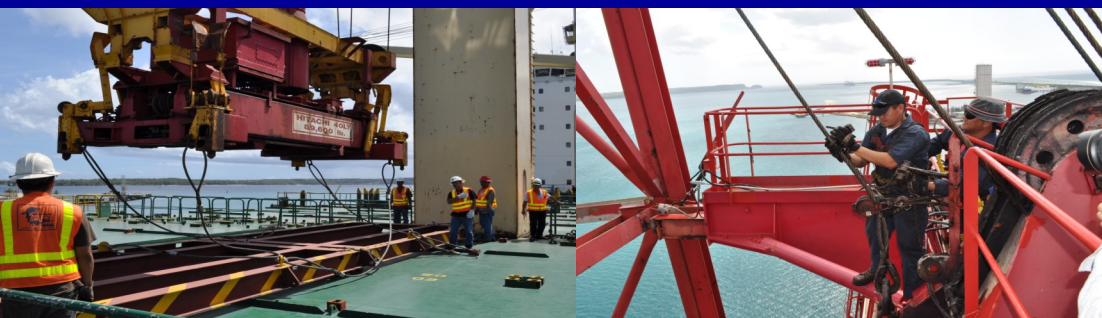
and efficient manner. In support of this mission, the Port Authority also provides land and infrastructure to private interests to further develop the maritime industries on Guam. As a public corporation, the Port Authority dedicates all of its profits to the upgrading of equipment and facilities and the continued growth of the island's seaport.

## Selected Highlights

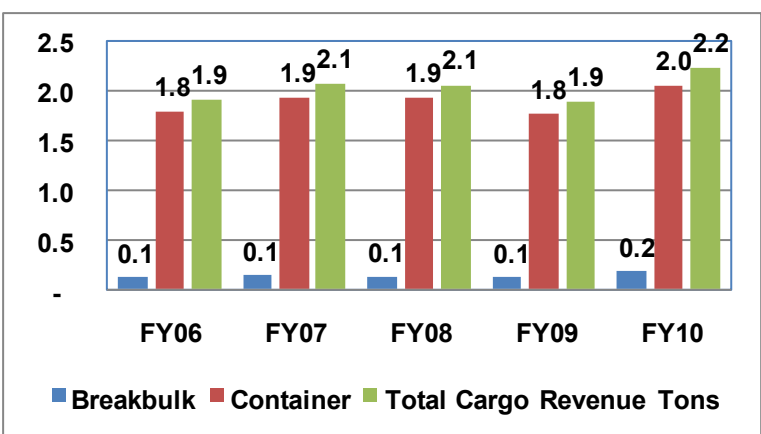
- ◆ Operating revenues in Fiscal Year 2010 were \$36.6 million, a gain of 20% or \$6.1 million as compared to Fiscal Year 2009.
- ◆ The Port handled 98 thousand containers in Fiscal Year 2010, a 4% growth from Fiscal Year 2009 total of 94 thousand containers.
- ◆ The financial results in FY 2010 ended with a net income of \$7.1 million. This is the eight straight year that Port ended in a positive financial result of its operations.
- ◆ In August 2010, President Barack Obama signed into law the 2010 Supplemental Appropriations Act which provided \$50 million for the Port of Guam Modernization Program.
- ◆ In October 22, 2010, USDA awarded a \$54.5 million in loans to the Port, to complete the funding of the Phase 1-A of the Port Modernization Program.
- ◆ In January 2010, the Public Utilities Commission of Guam approved PAG's request for interim rate change of 3.4% increase of its terminal tariff. This is the first rate adjustment since 1993.



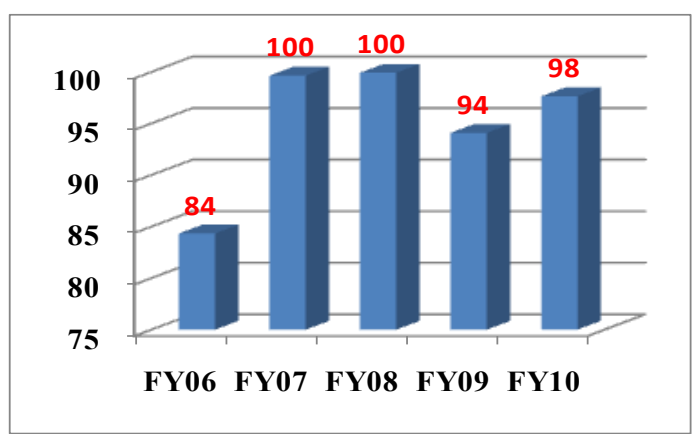
# How Are We Doing - A Performance Report on Key Missions and Service



**Total Revenue Tons (in millions)**

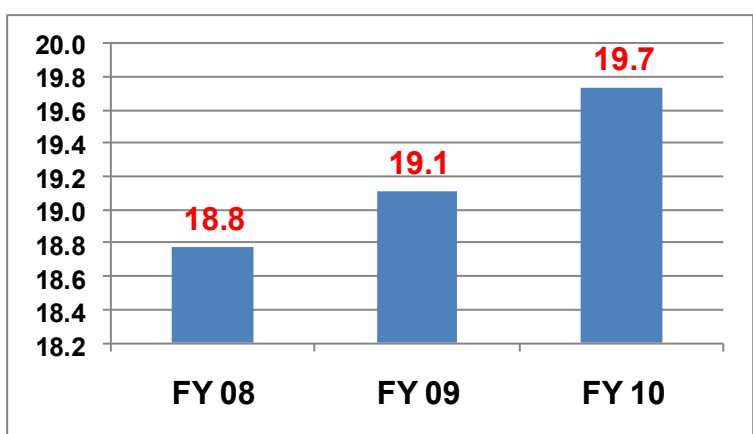


**Total Containers Handled (in thousands)**

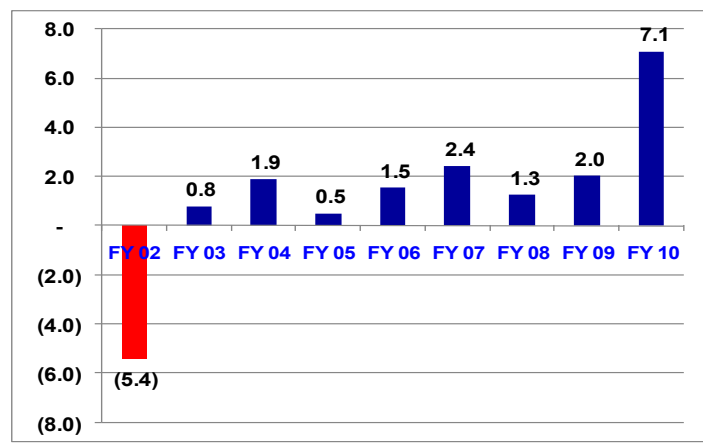


In Fiscal Year 2010, the total number of containers handled improved by 4%, from 94 thousand containers in Fiscal Year 2009 to 98 thousand containers in Fiscal Year 2010. The decrease in number of containers for Fiscal Year 2009 compared to Fiscal Year 2008 was primarily due to the worldwide economic downturn. Total cargo revenue tons improved by 18%, from 1.9 million revenue tons in Fiscal Year 2009 to 2.2 million revenue tons in Fiscal Year 2010: Breakbulk cargos increased by 49% and Container cargos increased by 16%.

**Domestic Vessels—Average Gross Moves Per Hour**



**Historical Income (Loss) - In Millions**



The Port's FY 10 operating performance on Domestic vessel's Average Gross Moves Per Hour has improved by 5% compared to FY 08 and 3% compared to FY 09. Financial performance has produced positive results for eight straight fiscal years, from FY 2003 to FY 2010.



# The Port's Finances - Revenues and Expenses

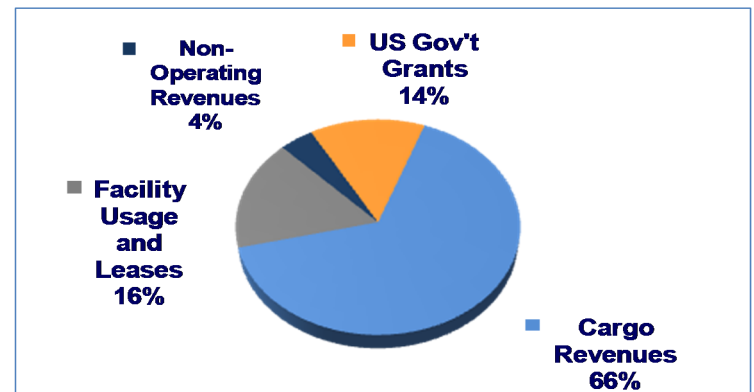


An independent audit resulted in a clean audit opinion. Complete financial information can be found at [www.portguam.com](http://www.portguam.com)

## Revenue by Source (in millions)

	FY 10 ACTUAL	FY 09 ACTUAL
Cargo Revenues	\$29.2	\$25.3
Facility Usage and Leases	7.4	5.3
Non-Operating Revenues	1.8	2.4
US Gov't Grants	6.1	0.9
<b>TOTAL</b>	<b>\$44.5</b>	<b>\$33.9</b>

## Primary Sources of Port Revenues - FY 10

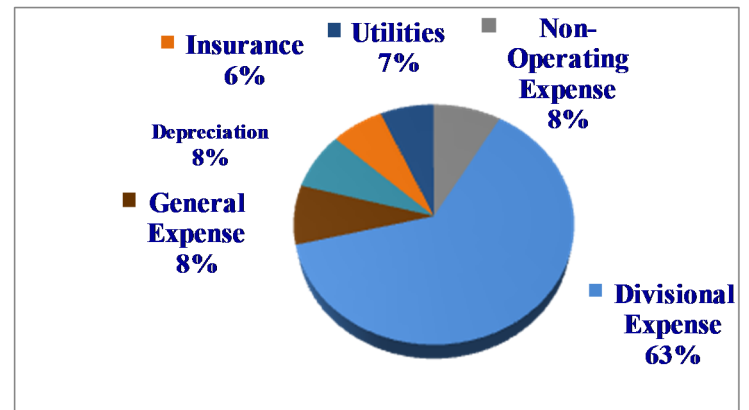


Cargo Revenues in FY10 increased by 16% as compared to FY09, due to the increase in the number of containers handled and the implementation of interim rate change. Facility Usage and Leases increased by 40% due to the implementation of new lease rates and fuel throughput fees. U.S. Government grants were used in capital expenditure related to the Modernization plan.

## Expense by Use (in millions)

	FY 10 ACTUAL	FY 09 ACTUAL
Divisional Expense	\$23.0	\$19.2
General Expense	2.9	1.6
Depreciation	2.8	2.7
Insurance	2.4	2.4
Utilities	2.4	2.2
Non-Operating	3.1	3.3
<b>TOTAL</b>	<b>\$36.7</b>	<b>\$31.4</b>

## Primary Uses of Port Expenses



Primary reasons for the increase in expenses are due to implementation of the Port's Certified, Technical and Professional (CTP) Employee's Compensation plan, increases in other expenses such as repairs and maintenance, utilities and prior years' charges on the Retiree's Cost of Living Allowance.



# The Port's Future - Challenges Ahead

## We value your feedback!

Did you find this report informative?  
Is there other information you would like to see?

Please let us know by contacting the Port's Finance Division:

[jbguevara@portguam.com](mailto:jbguevara@portguam.com)



## Modernization Plan

Since its construction in 1969 the Port has remained largely unchanged. The modernization of the Port is long overdue. With many areas near capacity, congested or unusable, the expansion of the Port's facilities and equipment upgrades will enable PAG to create operational efficiencies and maximize Port capacity. In August 2007, Parsons Brinckerhoff International, Inc. (PBI) began its work to update the agency's 1999 Master Plan. The recommendations and updates made address future PAG expansion and development based on typical commercial growth, as well as the impending military buildup. Needs assessments for the military buildup were based on preliminary information of cargo volumes and personnel relocation provided by the Joint Guam Program Office (JGPO). The final draft document was completed in April 2008.

## Key Project Initiatives

The modernization of the Port Authority of Guam will be designed to meet the unprecedented growth of the island fueled in large part by the expansion of U.S. military bases on the island as well as the overall growth of Guam's economy. Some of these key modernization initiatives include:

- Upgrade of Terminal Operating System to allow for automated invoicing, cargo and container tracking, financial management and maintenance management.
- Expansion of Wharf Space to accommodate larger vessels as well as increase overall vessel handling capacity.
- Acquisition of additional gantry cranes to allow for increased cargo movement through the Port and more importantly, to enhance overall productivity and efficiency.
- Expansion of existing facilities to support fishing and cruise line industries.
- Port's ability to meet the aggressive schedule of the DOD build-up on Guam.

Overall, the modernization plan will increase demand capacity to ensure that Guam's only commercial port is developed and managed to adequately accommodate and capitalize on the rapid expansion expected to occur over the

## 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.

Performance Management Contract (PMC) - The Port issued a Request for Proposal (RFP) for a PMC in March 2010. The RFP was placed on stay procurement status as a result of an appeal and is currently under litigation.

The PMC will provide management expertise, training to PAG staff and potential investments in elevating the Port operations to world class standards.

Purchase of Gantry Crane - Public Law 30-100, which approved the Phase I of the Port Modernization program, required the Port to acquire gantry cranes by 2012. P.L. 30-100 authorizes the Port to have a loan of up to \$54.5 million, which shall include the acquisition of at least two (2) Gantry cranes.

There will be a need for the Port to go back to the Legislature to request for the increase of the debt ceiling approved in the public law. The list of projects and equipment purchase for Phase I-A of the Modernization plan, which is budgeted at \$100 million does not include the acquisition of two gantry cranes.

***"PORT STRONG"***