



PORT AUTHORITY OF GUAM

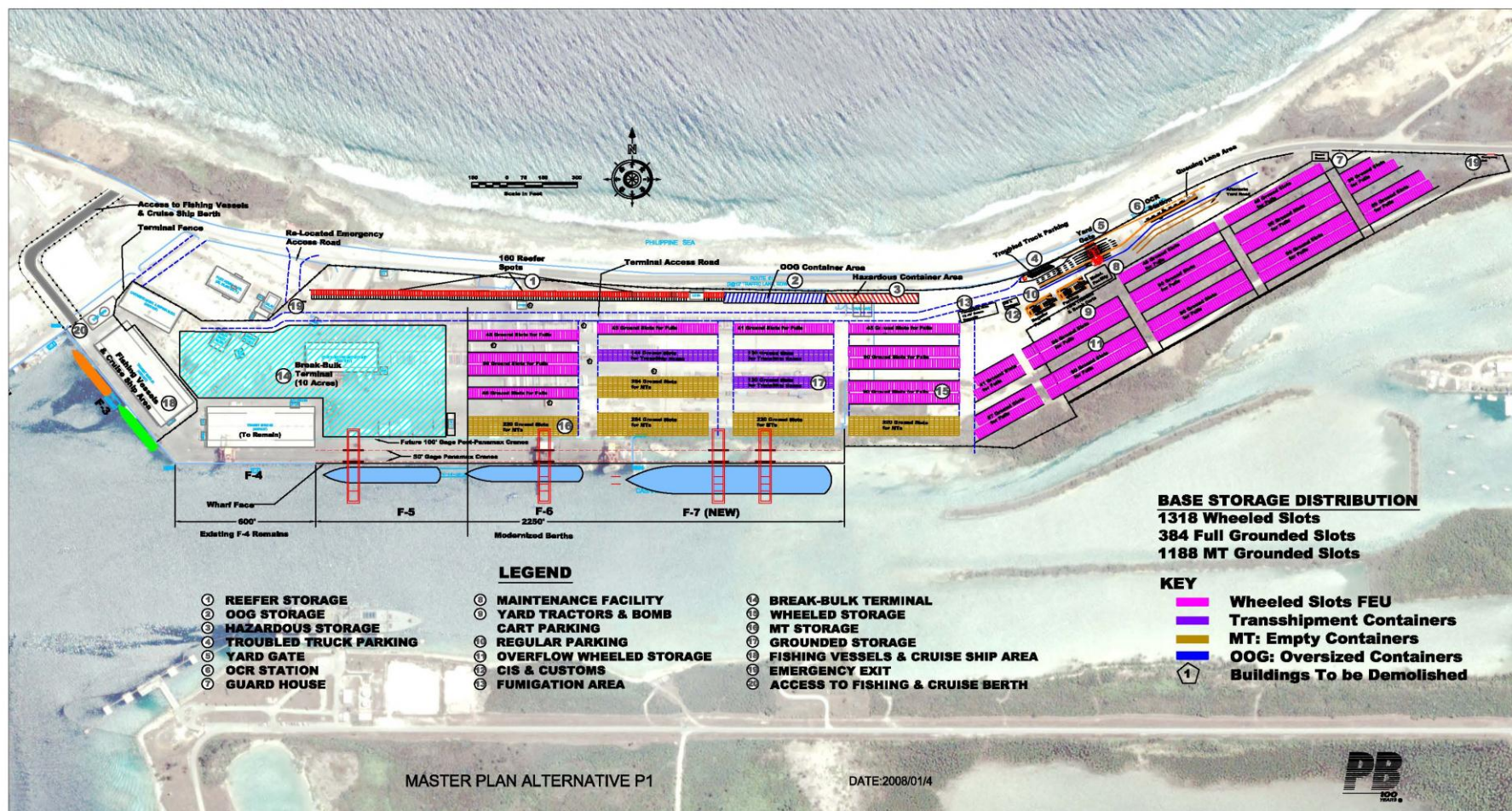


Our Port ...

- Historically, Guam has served as a port of call since the 16th century, first catering to the ships of Spain and after the Spanish-American War, to American interests.
- By the beginning of the 20th century, the United States had established the island as its western Pacific coaling and shipping station.
- Except for the two year occupation of Guam by the Japanese during World War II, the Naval Administration ran the port until 1951, when command was transferred to the Department of Commerce.
- Ownership/Operations to GovGuam in 1970's
- Public Law 13-87 was passed on October 31, 1975, establishing the commercial port of Guam as a public corporation and autonomous instrumentality and naming it the Port Authority of Guam.
- On June 17, 2002, Public Law 26-106 was passed renaming the Port to Jose D. Leon Guerrero Commercial Port.
- The Port has remained largely unchanged since the 1960s.
- Today, the Port of Guam, located along major Pacific shipping and air routes, is an important transportation hub linking the Commonwealth of the Northern Marianas, the Micronesian islands, and the expanding Far East markets with the United States and the rest of the world.
- However, facilities are considerably *Out of Date* for modern cargo operations.

Our Vision in 2007 ...

The Port Modernization Program, as originally authorized by the Guam Legislature, spanned a 30-year planning horizon and was valued at a little more than \$260 Million. Phase I-A and Phase I-B of the program focused on critical maintenance and repair of waterfront facilities and the dredging and uplands expansion needed to handle near-term cargo demands of the military buildup. Phase II of the program was to occur 30 years into the future and focused on the expansion needed to address the cargo demands of the long-term organic growth of Guam and our neighboring islands.



Our Vision ...

In 2007:

■ The Port engaged Parsons Brinckerhoff International to update its 1999 Port Master Plan in light of the 2006 US-Japan Force Realignment and announced relocation of US marines to Guam

■ Projected Figures of thru-put in 2007:

Critical Capacity Constraints for Containers, Break-bulk & Cement Annual Cargo:

Containers:	103,000 Boxes in 2007
Est. Capacity	120,000 (current trade pattern)
Peak Demand	190,000 (200,000 high peak)
 Break-bulk:	 155,000 Tons Peak in 2006
Est. Capacity	Close to Capacity
Peak Demand	320,000 Tons During Construction
 Cement:	 100,000 Tons in 2007
Est. Capacity	125,000 Tons
Peak Demand	250,000 Tons (Could range higher)
 Cruise:	 6 to 8 Vessels
Future Demand	25 Vessels if Successful

Liquid Fuels Have Excess Capacity (Shell/Mobil)

Our Vision ...

In 2008:

- Master Plan (MP) 2007 Update Report completed- based on organic growth and buildup
- MP conditionally approved by Guam Legislature
- Financial Feasibility Assessment completed- to determine if the projected cargo flows will support borrowing
- PAG-MARAD MOU executed contingent on Congressional Authorization



In 2009:

- Port included under Public Utility Commission
- PAG submits legislative approval documents
- Phase 1A + 1B concepts approved by Guam Legislature
- Enterprise Fund and MARAD –PAG Partnership authorized by Congress PL-110-417
- PAG submits ARRA Grant Application-emphasis on Uplands improvements, gate and terminal systems
- September 2009 Port granted “Strategic Port” designation by the U.S. Military Surface Deployment and Distribution Command.

In 2010:

- July of 2010 President Obama signed into law HR 4899 the “Supplemental Appropriations Act, 2010” which gave the Port a \$50 Million grant from the Department of Defense
- October of 2010 the USDA awards the Port \$54.5 Million in loans for the Modernization Program

In 2010 ... Unexpected Stumbling Block

- Waterfront Inspection Conducted
- Damage to Berth F5 Discovered
- Temporary shutdown to conduct structural integrity tests
- Structural integrity report revealed Operations can resume but Port must address deficiencies
- Port and MARAD then began discussions on how to incorporate the repairs into Modernization Program



Guam Military Buildup Reset...

In 2011

- Information being released by the Department of Defense indicated that the military buildup on Guam – due to numerous global reasons – would be adjusted downward.
- As such, there was a need to adjust our Modernization Program to reflect the changes while keeping the commitment to serve the needs of our people and the people of our entire region.
- The Port and MARAD then agreed upon a revised implementation plan and layout



Where we were in 2011

MARAD/PAG agreed upon implementation plan and layout

A major issue for the Port was the complex issue of whether to have grounded or wheeled operations or a combination of both.

* *Current Maximum container space if on wheels: 1,553 TEUs*

* *Current Maximum Capacity if grounded and stacked 4 high/5 wide – 2,240 TEUs*

BASE STORAGE DISTRIBUTION

Needed

1280

155

459

347

Available

1318 Full Top-Pick TEU Grounded Slots

175 Full Transshipment TEU Grounded Slots

464 Empty TEU Grounded Slots

348 Reefer TEU Chassis Slots

STORAGE AREA KEY

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

STORAGE AREA SIZES

884 Full Top-Pick TEU Grounded Slots

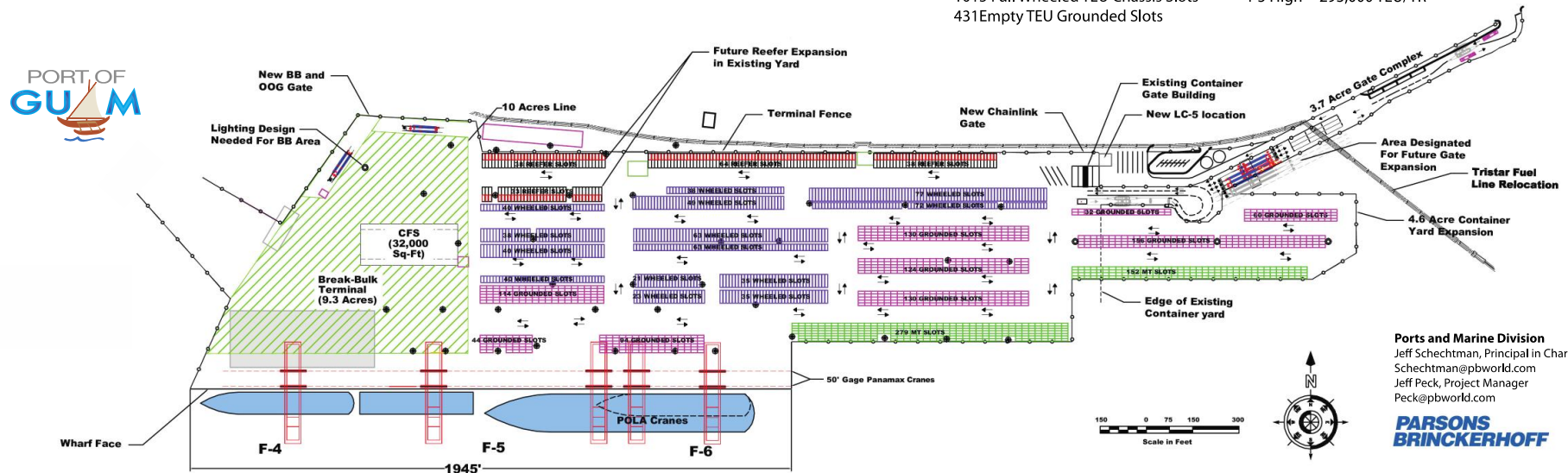
1015 Full Wheeled TEU Chassis Slots

431 Empty TEU Grounded Slots

TOTAL THROUGHPUT CAPACITY

3-4 high = 245,000 TEU/YR

4-5 High = 293,000 TEU/YR



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**PARSONS
BRINCKERHOFF**

Where we are now 2012

■ January 2012 earthquake exacerbates deterioration.

A dive inspection, conducted following the earthquake, confirmed that previously identified damage is starting to expand; further emphasizing the need for timely action.

Recommendations: Expeditious Repairs Are Needed

The concrete deck structure is clearly exhibiting signs of worsening condition relative to the condition observed during the inspection. Corrosion cracks and resulting concrete spalls have spread and new areas, that were not previously observed to be in poor condition, have begun cracking.



Our Vision ... 2012

In 2012:

- Based on our concerns regarding Modernization Program Progress by our federal partners Governor Calvo led a delegation of Port officials to Washington D.C. last month which included our oversight Chairman Senator Tom Ada

- During our talks in D.C. the Governor urged MARAD to begin construction on the Port Modernization Program and to take a BALANCED APPROACH which was emphasized by all local stakeholders:

- ** Consider uplands work now and fund critical wharf repairs through program which will move the construction forward at a faster pace

- Governor Calvo told MARAD officials that he feels they are moving this project forward at a glacial pace and we all urged them to move this program forward as soon as possible.

- MARAD's response to these concerns was to announce that they anticipate a ground breaking ceremony for construction to be held by the 4th Quarter of 2012

What's Next ... Urgent Action Needed

■ **Preserve Sustainable Operations.** The Port needs to commence certain critical Maintenance & Repair (M&R) work in order to preserve sustainable operations on the waterfront. Should MARAD not find it feasible to support the Port-prescribed M&R activities at the waterfront, then the Port is prepared to go it alone using non-federal funds with the Port firmly in control of managing risk-mitigation scope and expense.

■ **Insurance Coverage and Loan Requirements Affected.**

The condition of the bulkhead also affects the Port's ability to maintain its insurance coverage and meet crane loan requirements.

■ **Port User Group and Customer Demand Concerns**

Break-Bulk Yard and Container Yard Expansion

Get Out In Front of Military Buildup

Port's Desired Action in the event further delays

Risk Mitigation Approach:

- De-link M&R from Port Modernization Program which will significantly speed up the repair of F5
- Treat the work as separate M&R that can be cleared under a Nation-wide Permit



Other ongoing progress ...

- **Container Yard Lighting.** The Port was awarded a \$834,016 grant for Container Yard Lighting by the US Department of Homeland Security/FEMA and a Notice to Proceed has been issued to DCK Pacific Guam for the project. The ground breaking ceremony will be held on March 22, 2012 at 10:00am at the project site.

- **Tariff.** With the Public Utilities Commission oversight and approval, the Port was able to make a case for investment in new equipment, facilities and cost recovery and allowed the Port to adjust its rates effective March 1, 2012. This was only the **second time in 18 years** that the tariff was adjusted. In January of 2010 the PUC approved an interim tariff adjustment to help recover operating costs and fund portions of the Modernization Plan.

- **Marina Repairs.** Just last week, on February 28th, Governor Calvo received notification of the award of \$2.5 Million from the Office of Insular Affairs for renovations to the Gregorio D. Perez Marina (Hagatna). Our staff will now begin the process of preparing the scope of work and ultimately putting this project out to bid. This money is for Phase II of the upgrades and repairs. On Saturday the Phase I project came to completion and we will be proceeding with the second phase now.

- **Security Upgrades.** Our Strategic Planning, Engineering, and Procurement Divisions, in coordination with the Port's Owner Agent Engineer (OAE) Parsons Brinckerhoff, is currently in the process of finalizing the scope of work for the issuance of an RFP for \$4,037,470 Million in US DHS/FEMA funded maritime and port security upgrades in mid April 2012. In addition, the recent release of an FY2011 award amount of \$2,392,941 will be used to purchase backup generators and a Mobile Container/Vehicle X-Ray Screening System in mid April 2012 as well.



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Si Yu'us Ma'ase
Thank you!



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