

# PORT AUTHORITY OF GUAM PORT IMPROVEMENT PROGRAM

## Briefing for Senators

for Master Plan Approval  
per 5 GCA Chapter § 9301



July 20, 2009



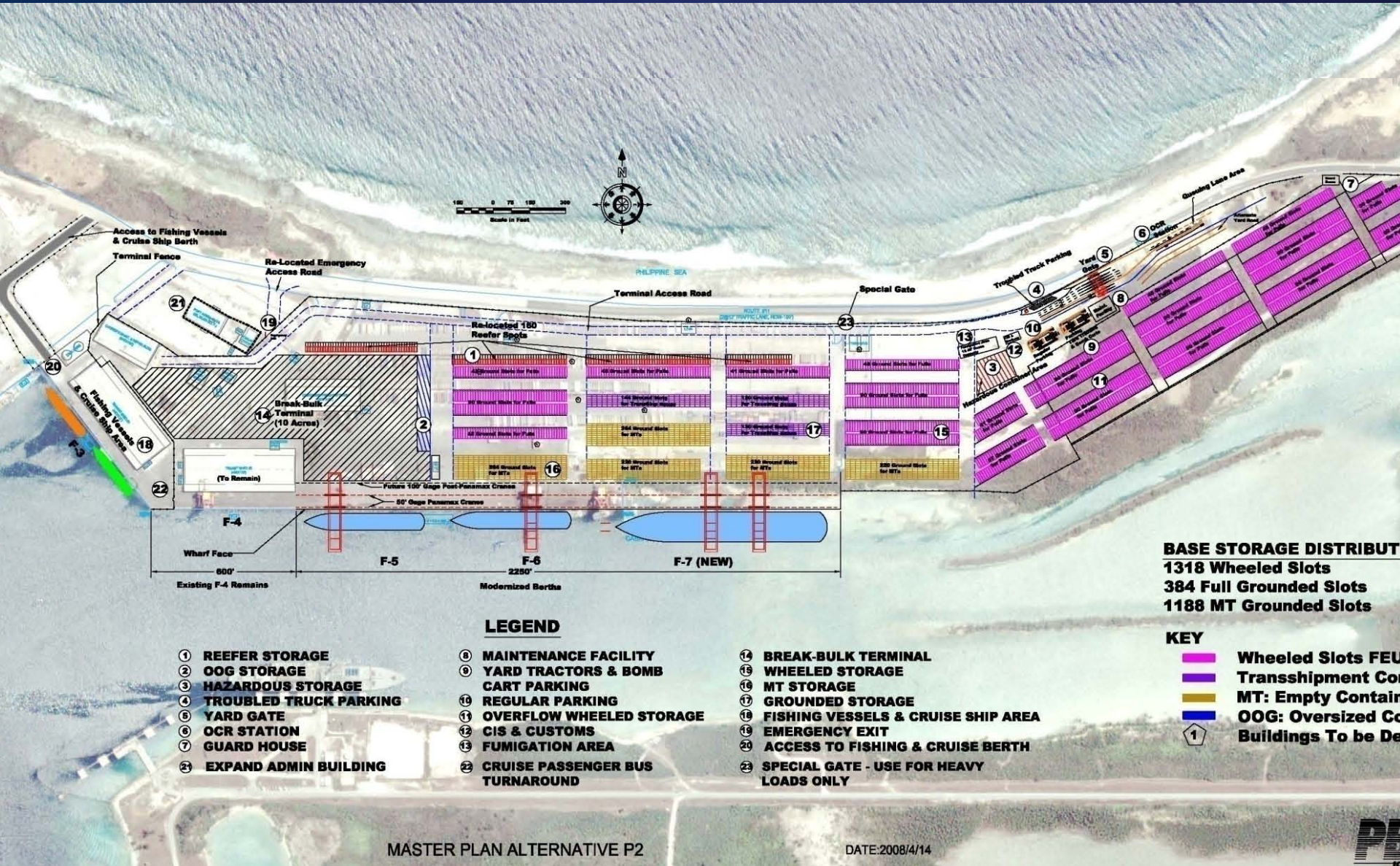
# Agenda

- Implementation Plan
- Financial Plan
- Economic Impact





# Aerial Depiction of Port Improvements



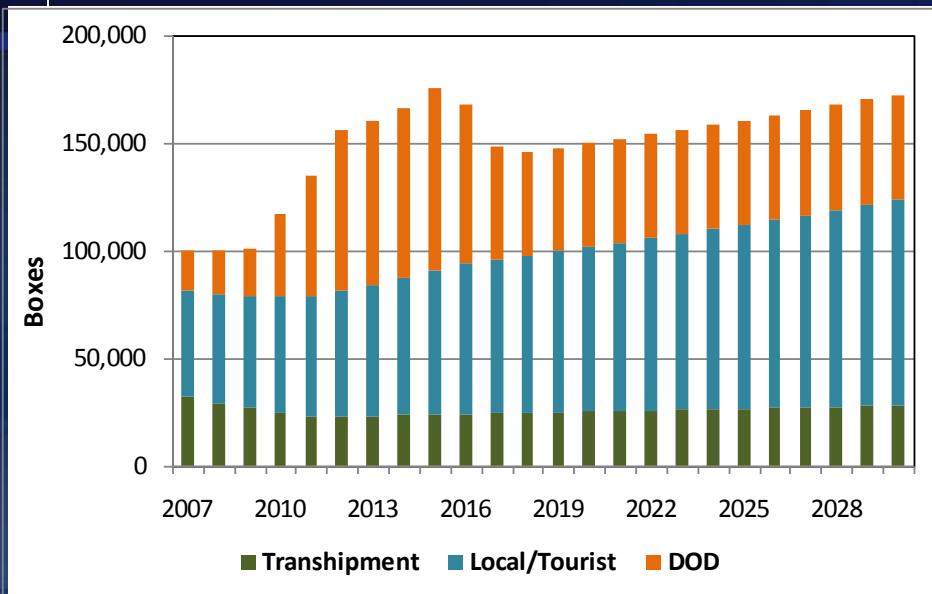


# Implementation Plan Key Drivers

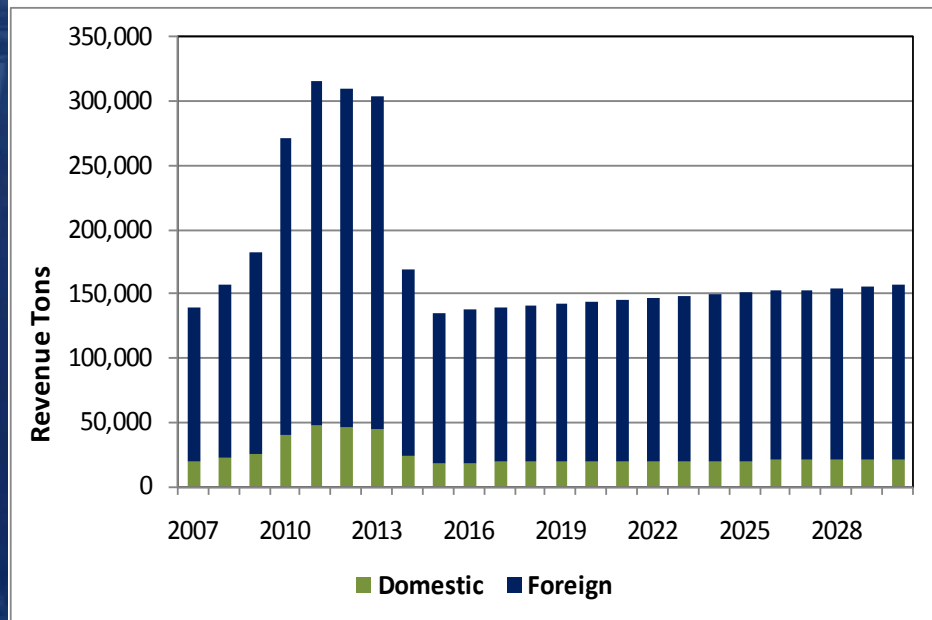
- Cargo Demand
- Timeframes for Environmental Clearances
- Impact of Construction on Port Operations
- Financing and Funding
- Phasing & Sequence of Facility Components
- Organizational Framework for Execution



# Cargo Demand Forecast



- Master Plan Container Cargo Forecast

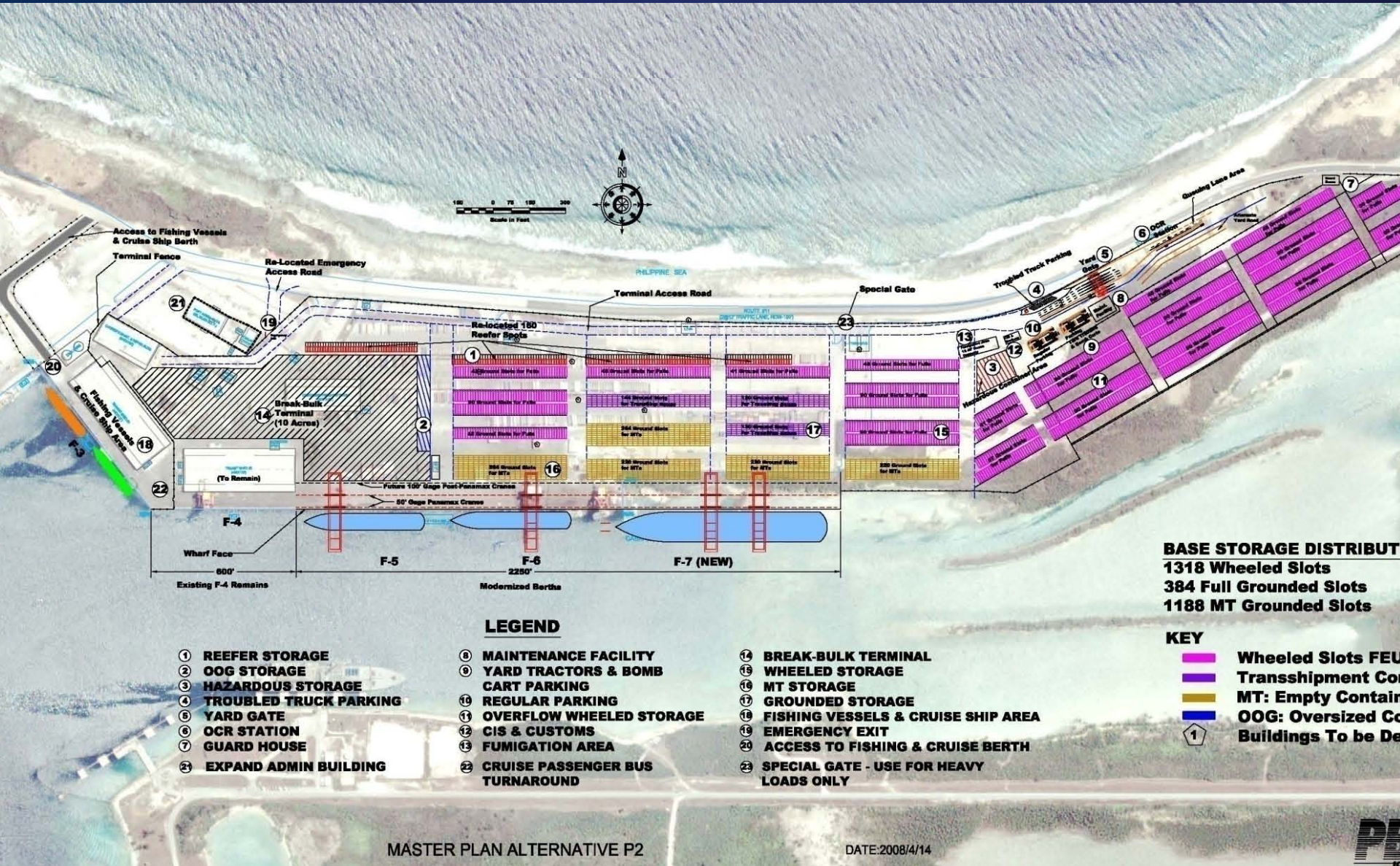


- Break-bulk Cargo Forecast



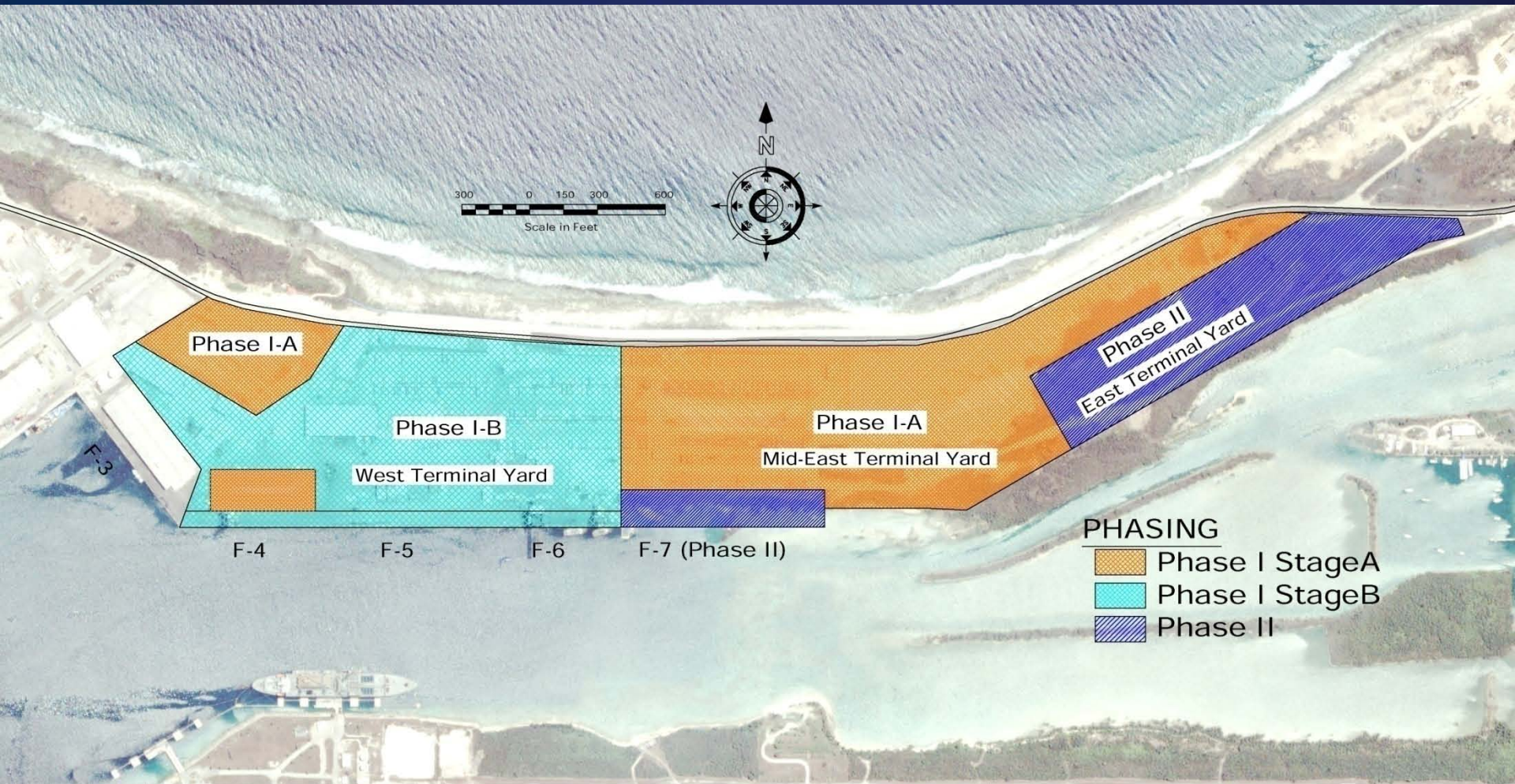


# Aerial Depiction of Port Improvements





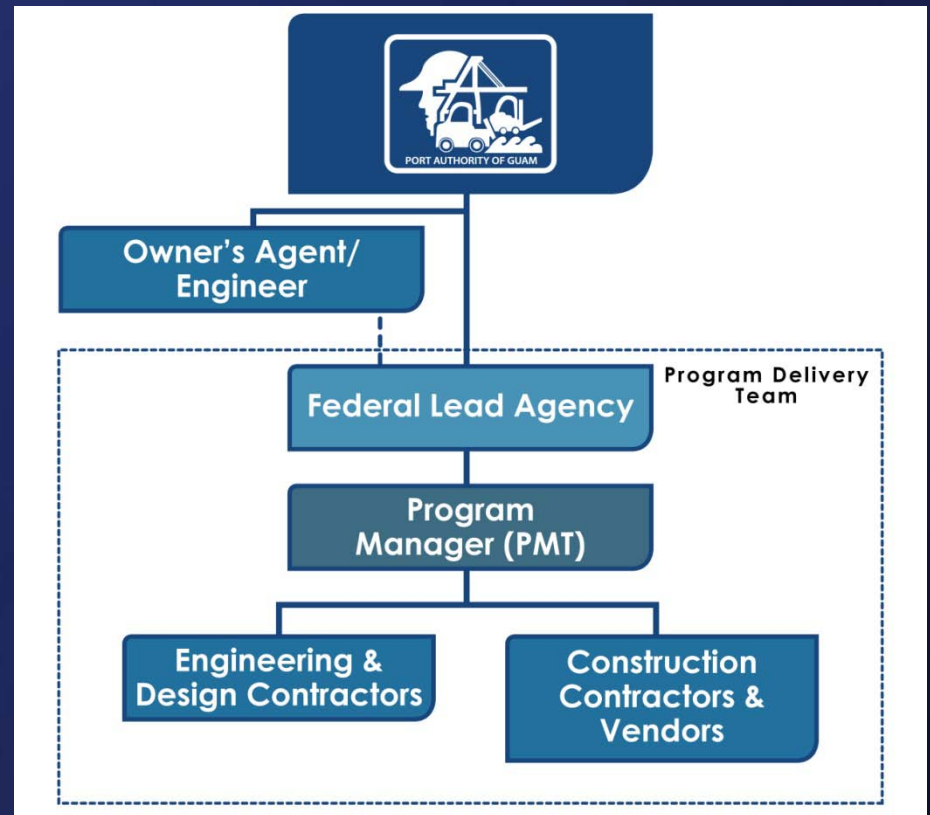
# Implementation Plan Phasing





# Organizational Framework in Place

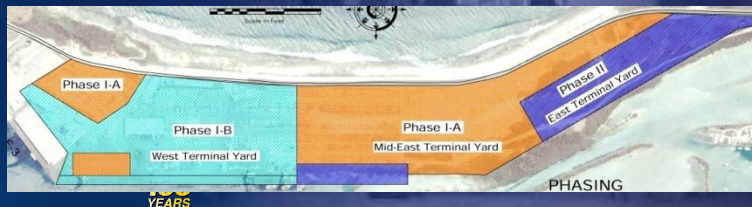
- Federal Public Law 110-447, Section 3512 in place
- Sets up Port of Guam Enterprise Program
- Authorizes MARAD to receive & disburse grants & appropriations for PAG improvements
- PAG using Owner's Agent/Engineer
- Sets functional, operational, performance & engineering standards & benchmarks
- MARAD uses Enterprise Fund and Program Management Team to Execute per PAG requirements





# Capital Expenditures & Start Dates

- |           |           |  |
|-----------|-----------|--|
| 2009      | Ongoing   | <ul style="list-style-type: none"><li>• Field Data, Environmental &amp; Preliminary Engineering</li></ul>  |
| 2010-2011 | Phase I-A | <ul style="list-style-type: none"><li>• Add Efficiency, Capacity for “Port Readiness”<ul style="list-style-type: none"><li>• Site Development &amp; Paving</li><li>• Utilities (Storm, Sewer, Fire, Electrical etc.)</li><li>• Security Infrastructure Site Work &amp; Paving</li><li>• Gate &amp; Yard Automation, Equip. &amp; Buildings</li></ul></li></ul> |
| 2011-2013 | Phase I-B | <ul style="list-style-type: none"><li>• Longer Lead Wharf &amp; Berth Side Improvements<ul style="list-style-type: none"><li>• Structural Rehab of Berths F-4, F-5 &amp; F-6</li><li>• Dredging</li><li>• Purchase of Cranes &amp; Security Equipment</li></ul></li></ul>  |
| 2031      | Phase II  | <ul style="list-style-type: none"><li>• Wharf Expansion<ul style="list-style-type: none"><li>• New F-7 Wharf &amp; Berth</li><li>• Extend Yard</li></ul></li></ul>   |



# Phase I Stages A & B

## CAPEX Cash Flow Needs

Millions In 2010 Dollars

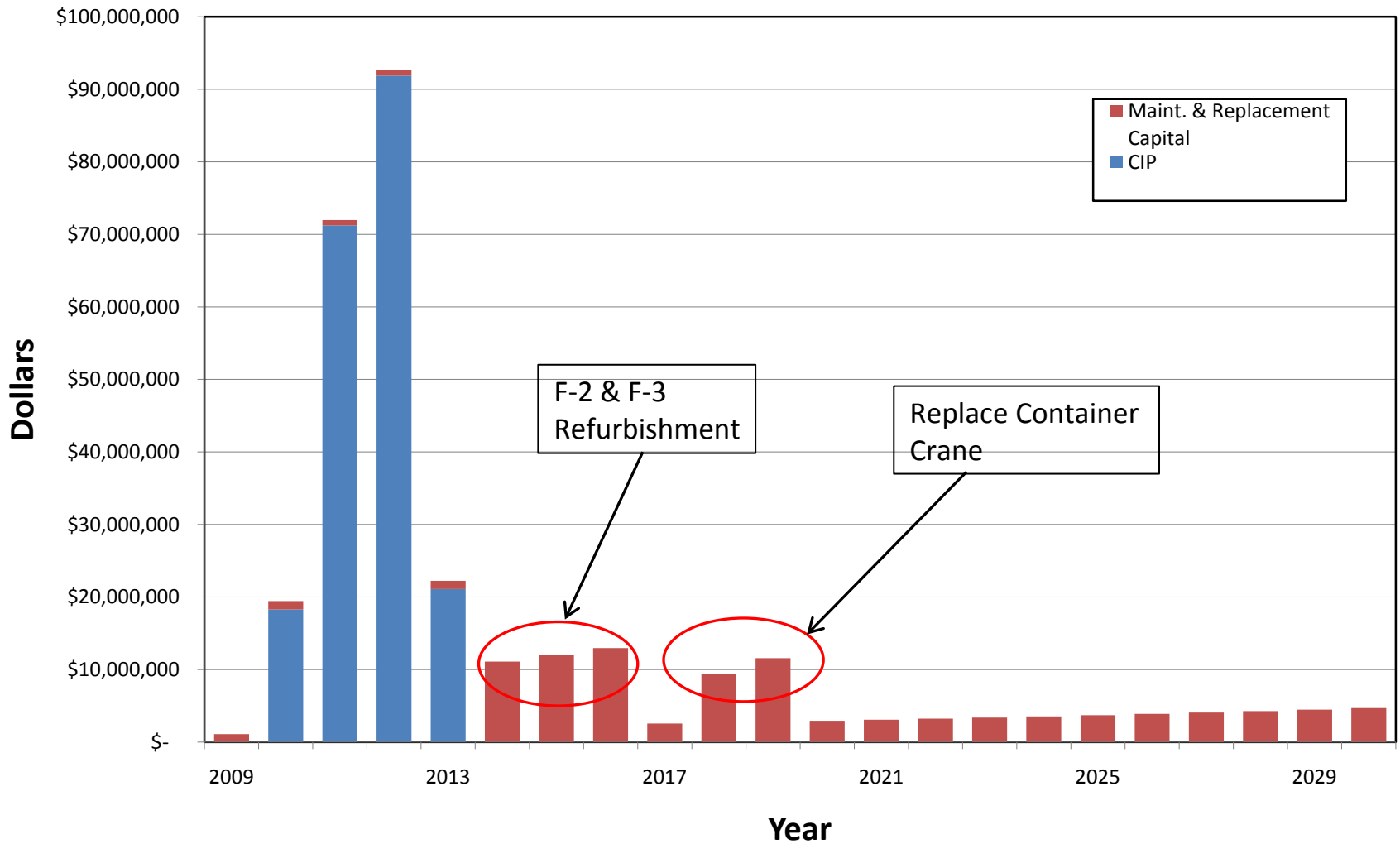
Yr.	2010	2011	2012	2013	Total
CF	\$18.3	\$75.6	\$91.9	\$21.1	\$206.9

NOTE: \$4.5 Million in equipment purchased prior to 2010 not included above



# CAPEX & Maintenance Program Set for 20 Years

## Cash Outflow for Capital Expenditures



# Financial Plan

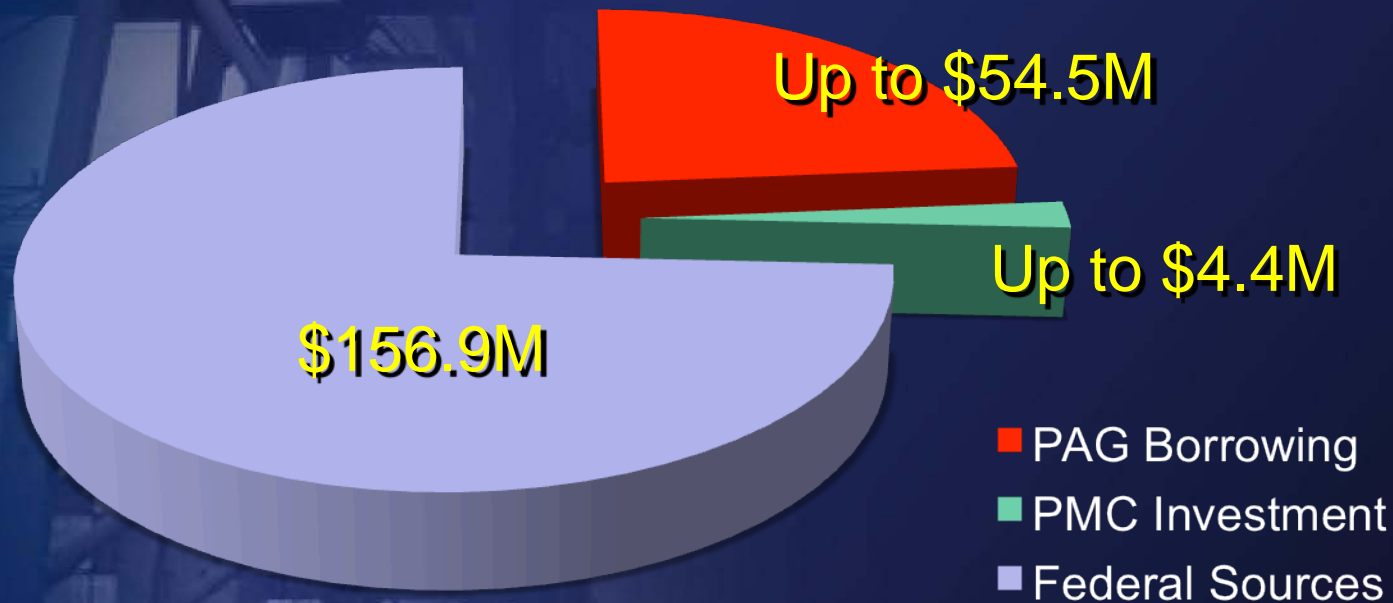
- Borrowing by PAG
- PMC Investment
- Federal Sources





# Financial Plan

## Distribution of Financing/Funding Sources



# PAG Borrowing Capacity

- Estimated capacity \$57.9 million
- CTP implementation over 10 years
  - 4.1% per year 2010-18
  - 3% per year 2019-30
- Operation by PMC
- Increased efficiency & productivity
- Tariff increases via PUC
  - Estimated average 2.6% per year 2010-30
  - Higher in early years





# PAG Borrowing Terms

- USDA Major Loan
  - Up to \$50 million
  - Direct loan + loan guarantee
  - 4.725% interest rate (blended)
  - 20-year term
  - 1.6 cash flow coverage factor (1.25 + .35)
- USDA Equipment Loan
  - \$4.5M @ 4.96% for 15 years
  - In place before construction kick-off



# PMC Investment

- Savings from PMC efficiency are source of PMC fee & ROI
  - Fixed management fee + incentive payments based on efficiency
- Upfront investment in terminal equipment or systems
  - Estimated \$4.4 million maximum
- PMC responsible for downstream equipment replacements
  - Estimated \$20.8 million over 20 years





# Federal Sources

- \$156.9 million total
  - Commensurate with military impact on PAG's capital requirements
- Sources
  - ARRA Grant
  - Other Federal Grants or Appropriations
  - Capital Recovery Charge (CRC)



# ARRA Grant

- \$50 million grant targeted
- Letter of Interest and ongoing contact w/ DOT
- Application linked to USDA loan
- ARRA grant + USDA loan are basis for Phase 1-A disbursements
  - Phase 1-A improvements are a good fit with the evaluation criteria
- Supported by JGPO, OIA, USDA & MARAD



# Other Federal Grants or Appropriations

- \$106.9 million for Phase I-B
  - Multiple sources
- JGPO, OEA, MARAD & others working with PAG to identify funds
- Targeted funding sources
  - OIA
  - USDA
  - Homeland Security
  - FHWA/DOT
  - Appropriations





# Capital Recovery Charge

- CRC assessed on military cargo
  - Will cover any shortfall in Federal grants & appropriations
- Negotiated agreement with DOD
  - Stipulated volumes & rates



# Estimated CRC Rates for DOD-Related Cargo

	<b>Grants &amp; Appropriations \$106.9 Million</b>	<b>Grants &amp; Appropriations \$50 Million</b>	<b>Grants &amp; Appropriations \$0 Million</b>
	<b>CRC Recovery \$0 Million</b>	<b>CRC Recovery \$56.9 Million</b>	<b>CRC Recovery \$106.9 Million</b>
<b>6-Year Buildup 2012-2017</b>	n/a	\$145/container \$4.50/ton	\$270/container \$8.50/ton
<b>10-Year Period 2011-2020</b>	n/a	\$107/container \$3.50/ton	\$138/container \$4.50/ton

Per-ton rates are for break-bulk cargo  
In addition to standard tariff rates



# Economic Impact of Port Master Plan

- The purpose and need
- The financial impact
- Any potential impacts in the cost of living on Guam
- Any impact upon employment on Guam
- Any impact in the cost of doing business as an enterprise or industry on Guam
- Any adverse or beneficial economic impact



# Purpose and Need

- The Port is reaching the end of its useful life.
- The Port is reaching capacity to serve its existing markets.
- The Port is one of the first critical and immediate infrastructural components needed for the DOD buildup.
- The modernization of the Port facilities is necessary to handle the increased cargo demands and improve cargo handling operations and efficiency.

# Financial Impacts

- The Master Plan improvement program will result in numerous positive financial impacts on PAG in a sound financial condition over the life of the project.
- Based on the assumptions contained in this plan, including average annual tariff increases of 2.6%, PAG's financial performance will reflect positive results in terms of:
  - Lower operating costs
  - Higher revenues
  - Positive cash flows
  - Positive working capital balance

# Impacts on Cost of Living in Guam

- The projected tariff increases of 2.6% per year



# Impacts on Cost of Business Operations in Guam

- Redevelopment of the Port will also have a minimal negative impact on the cost of doing business in Guam.
  - The cost of transportation is a relatively high percentage of the retail price of goods in Guam.
  - For a container full of cargo of medium-value products (around \$100,000), the total door-to-door transport cost from suppliers in the U.S. to retailers in Guam represents approximately 8% to 14% of the retail value in Guam.

# Impacts on Cost of Business Operations in Guam

- Redevelopment of the Port will also have a minimal negative impact on the cost of doing business in Guam.
  - PAG's port charges currently represent a minimal portion of total transport costs – only 0.1% to 1.0% of the product's retail value.
  - The projected Port tariff escalations will increase the price of retail goods by less than 1% over a full 20 year period.
  - This level of retail price increase will have a minimal effect on the cost of doing business in Guam.

# Economic Impacts

- Port & related impacts
  - During construction
  - After construction
  - Conservative estimate
- Related impacts
  - Impacts from DOD buildup are very large



# Economic Impacts During Construction

- Construction of Phase I is estimated to cost \$206.9 million (2010\$).
- Impact during construction:
  - 419 full time jobs per year during a four year construction timeframe, mostly in the private sector.
  - \$11 million per year in associated income in the Guam economy during construction

# Economic Impacts

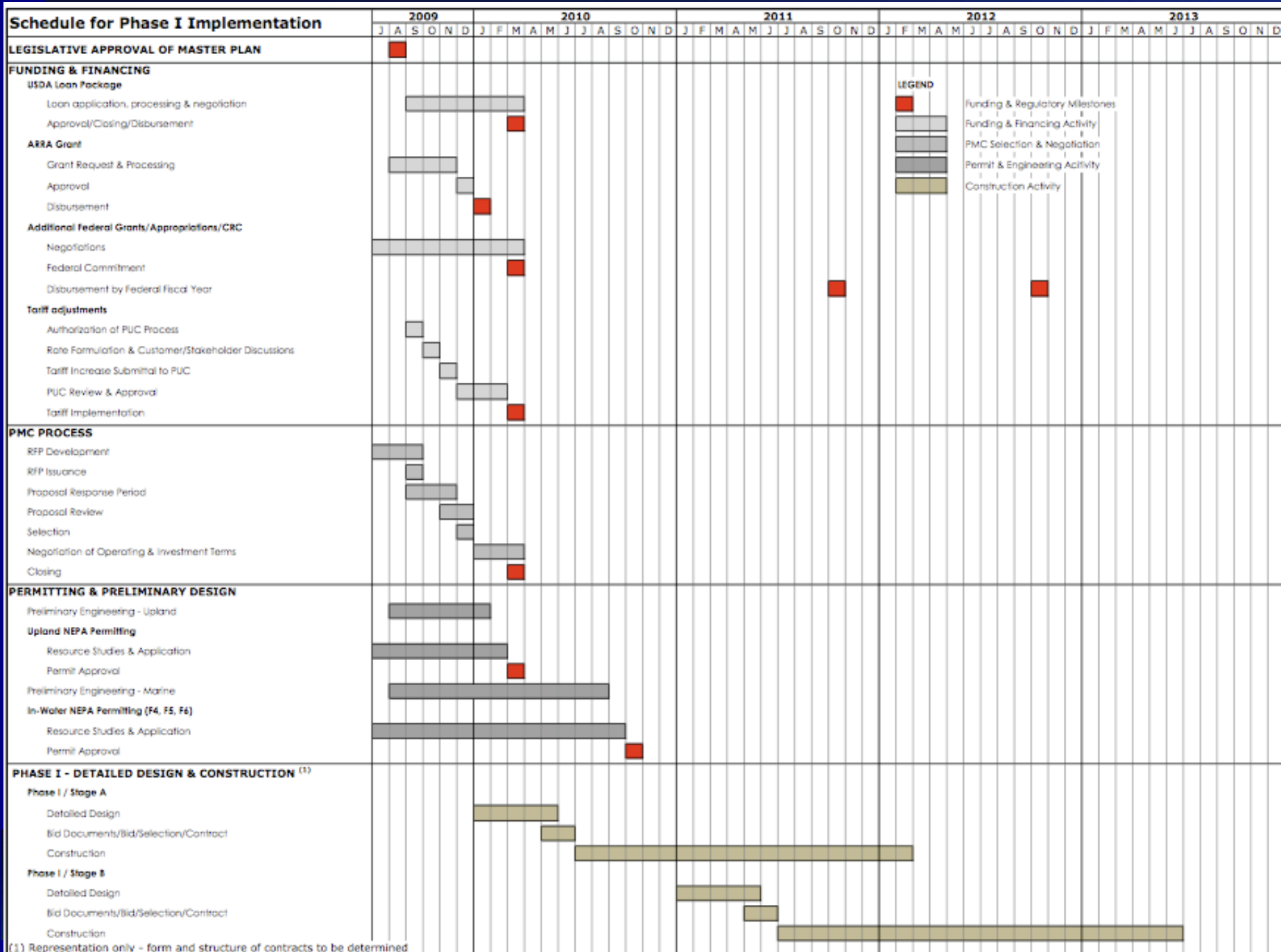
## Port Operations (After Construction)

- The number of public and private sector jobs in the Guam economy will increase from ~1,053 jobs at present to an average annual level of 1,377 jobs
  - Increase of 324 jobs (30.8%) over current levels.
  - This job growth is attributable to the Master Plan expansion.
  - Jobs include: PAG, Customs, private maritime companies, trucking companies and warehousing, among others.
- The number of future jobs at PAG ranges from the current level of 350 to a peak of 425.

# Next Steps

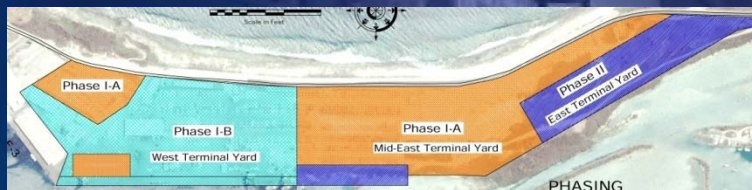






# Some Upcoming Milestones

- Legislative Approval of Master Plan Aug 2009
- USDA Loan Award Sep 2009
- ARRA Grant Award Dec 2009
- Advertise Tender for Construction Contract Jan 2010
- Conclude Negotiations - Federal Funds/CRC Mar 2010
- Implement New Tariff Structure & Commit Funds Mar 2010
- PMC Agreement Mar 2010
- Award Phase I Construction Mar 2010
- Environmental Approval for Marine Construction Oct 2010



# Questions?

