

PORT AUTHORITY OF GUAM PORT IMPROVEMENT PROGRAM

Modernization Update

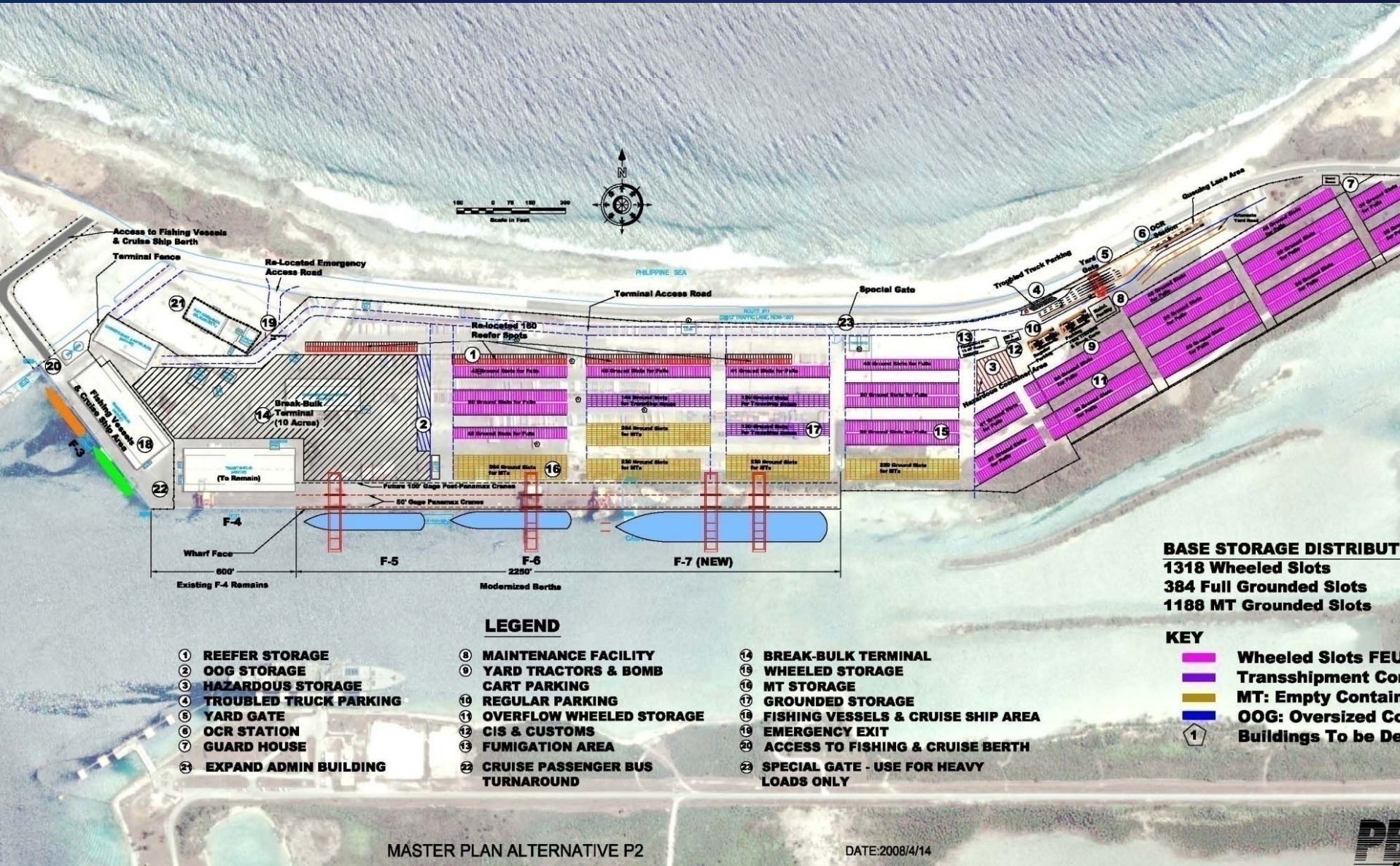


Agenda

- Implementation Plan
- Financial Plan
- Economic Impact



Aerial Depiction of Port Improvements

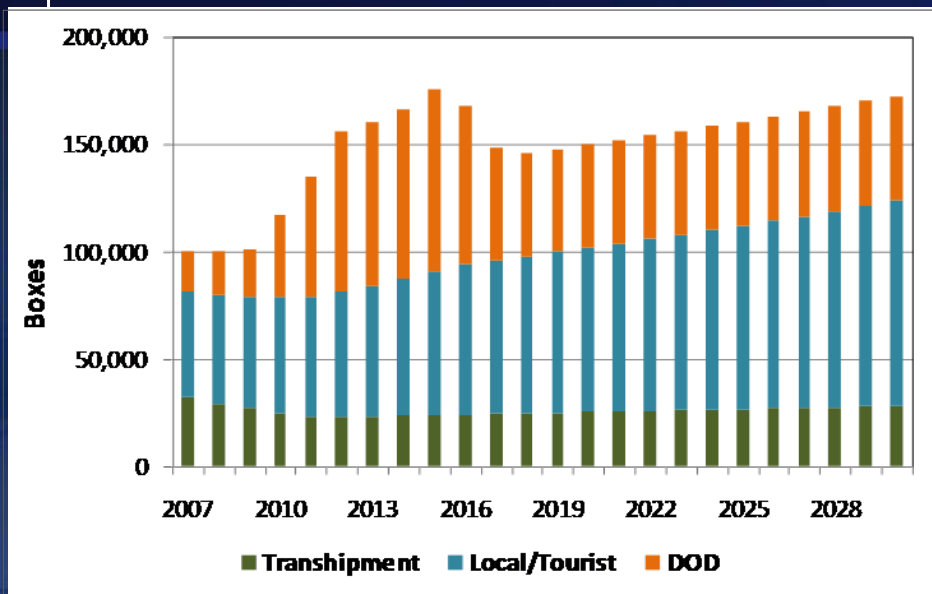


Implementation Plan Key Drivers

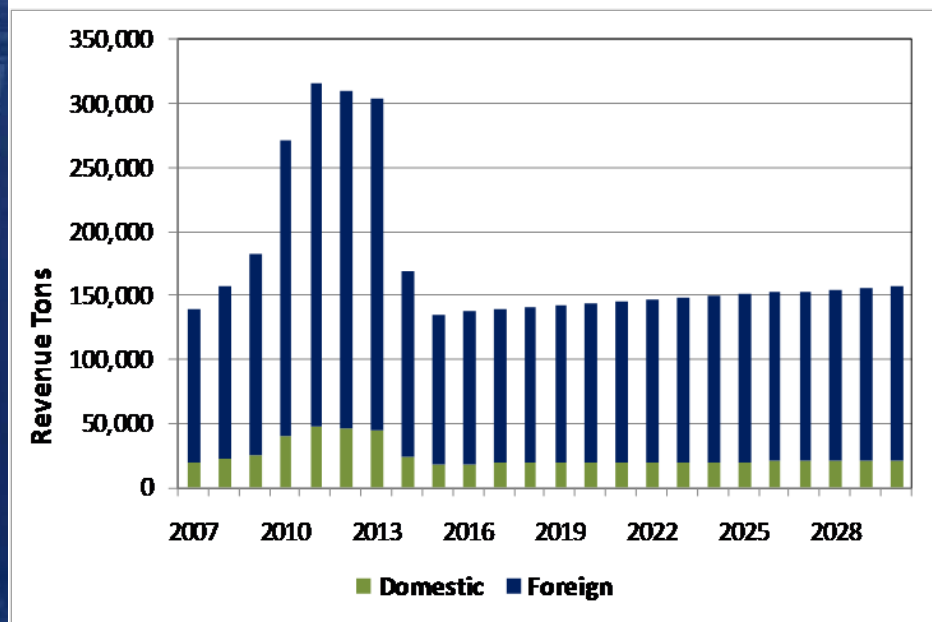
- Cargo Demand
- Timeframes for Environmental Clearances
- Impact of Construction on Port Operations
- Financing and Funding
- Phasing & Sequence of Facility Components
- Organizational Framework for Execution



Cargo Demand Forecast



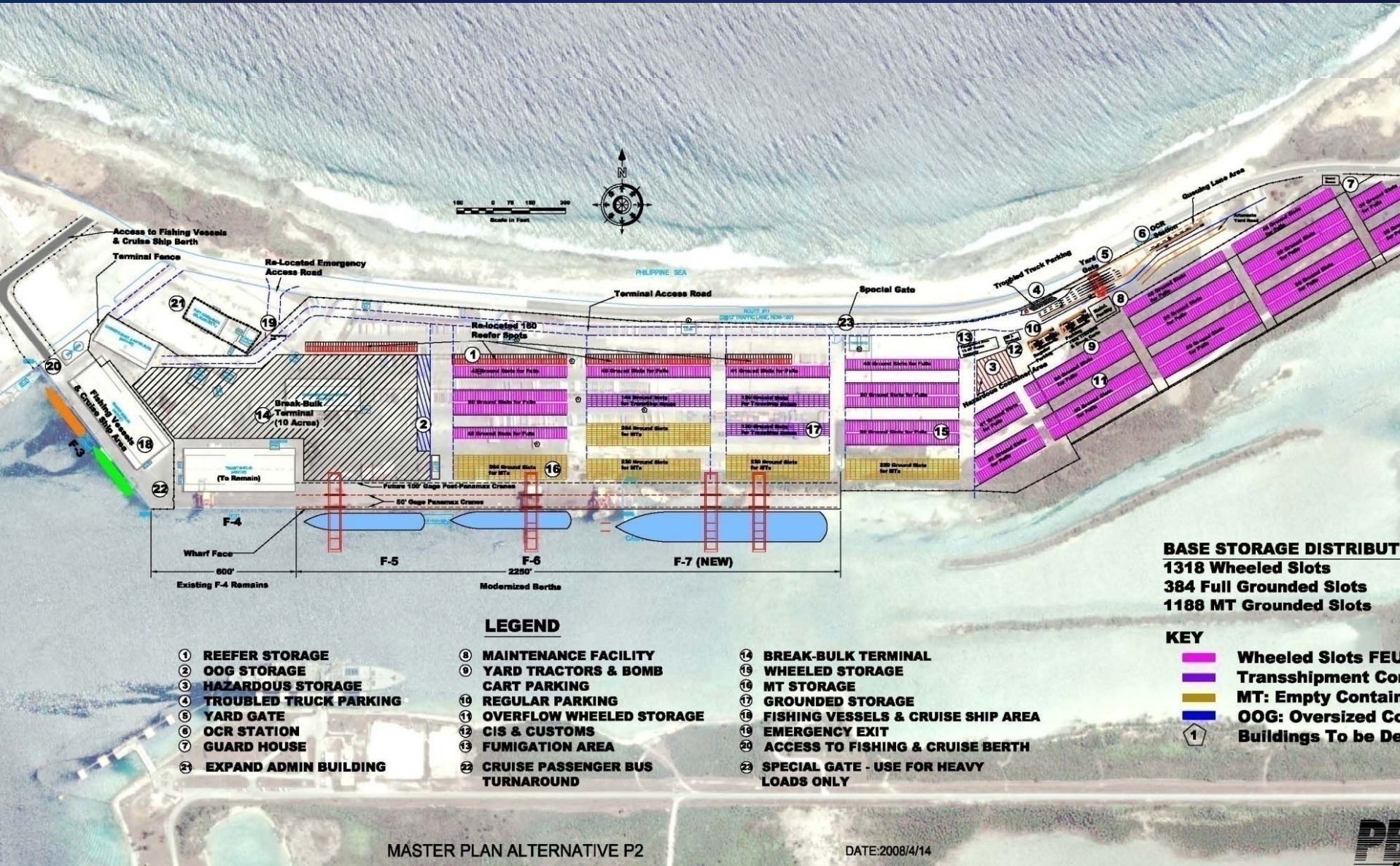
- Master Plan Container Cargo Forecast



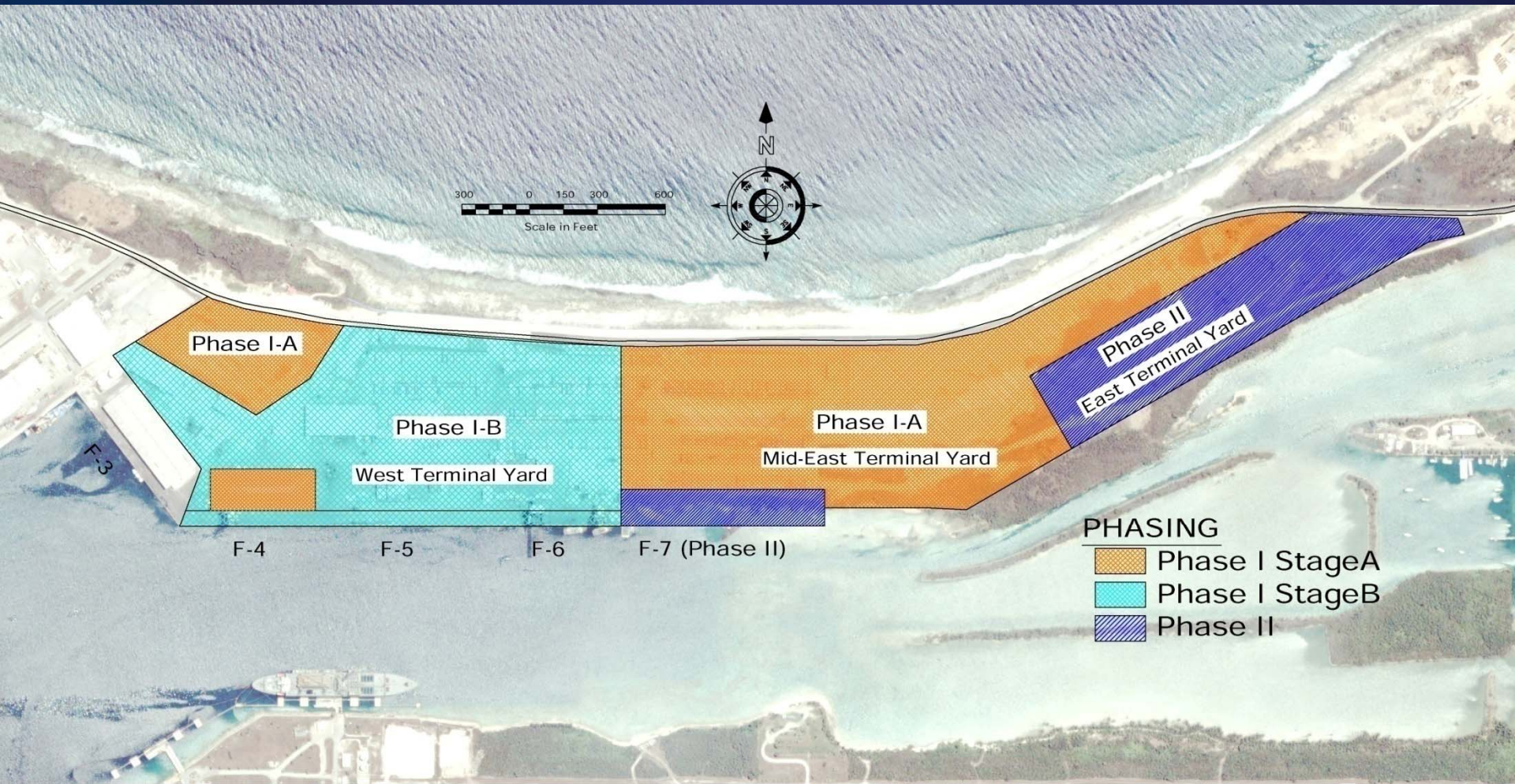
- Break-bulk Cargo Forecast



Aerial Depiction of Port Improvements

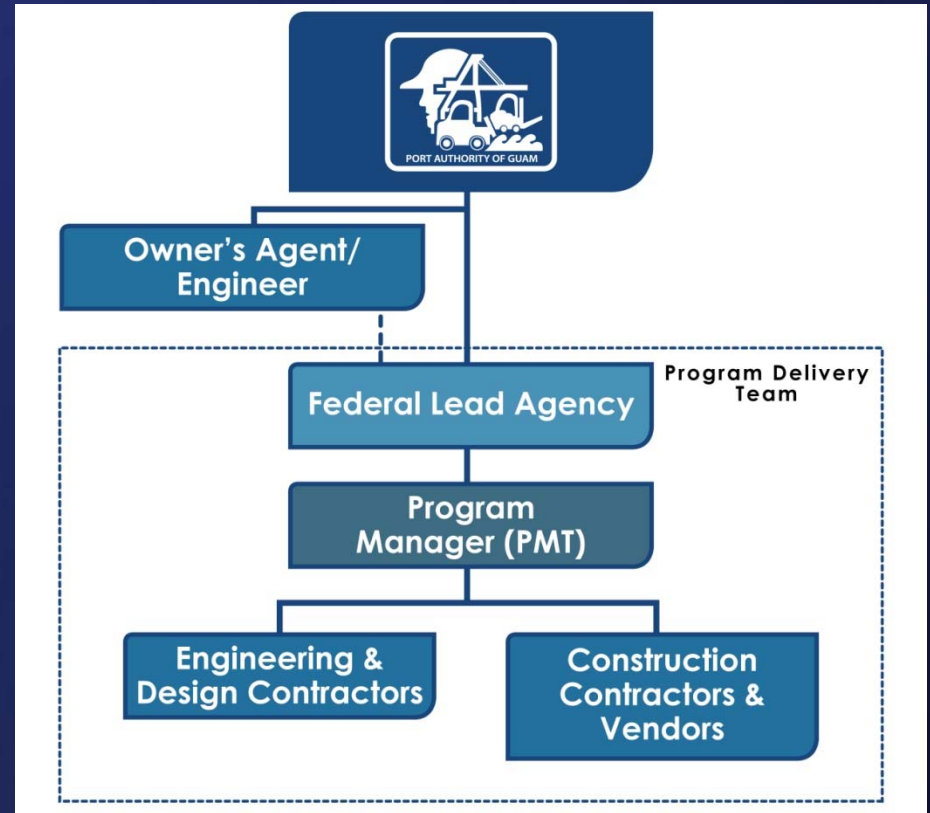


Implementation Plan Phasing



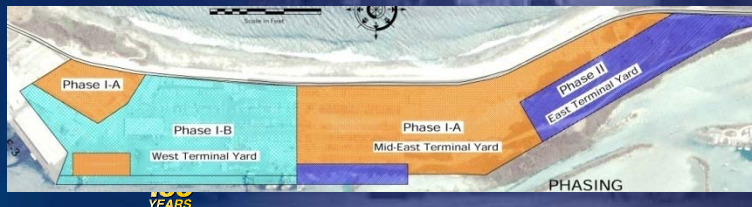
Organizational Framework in Place

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



Phase I Stages A & B

CAPEX Cash Flow Needs

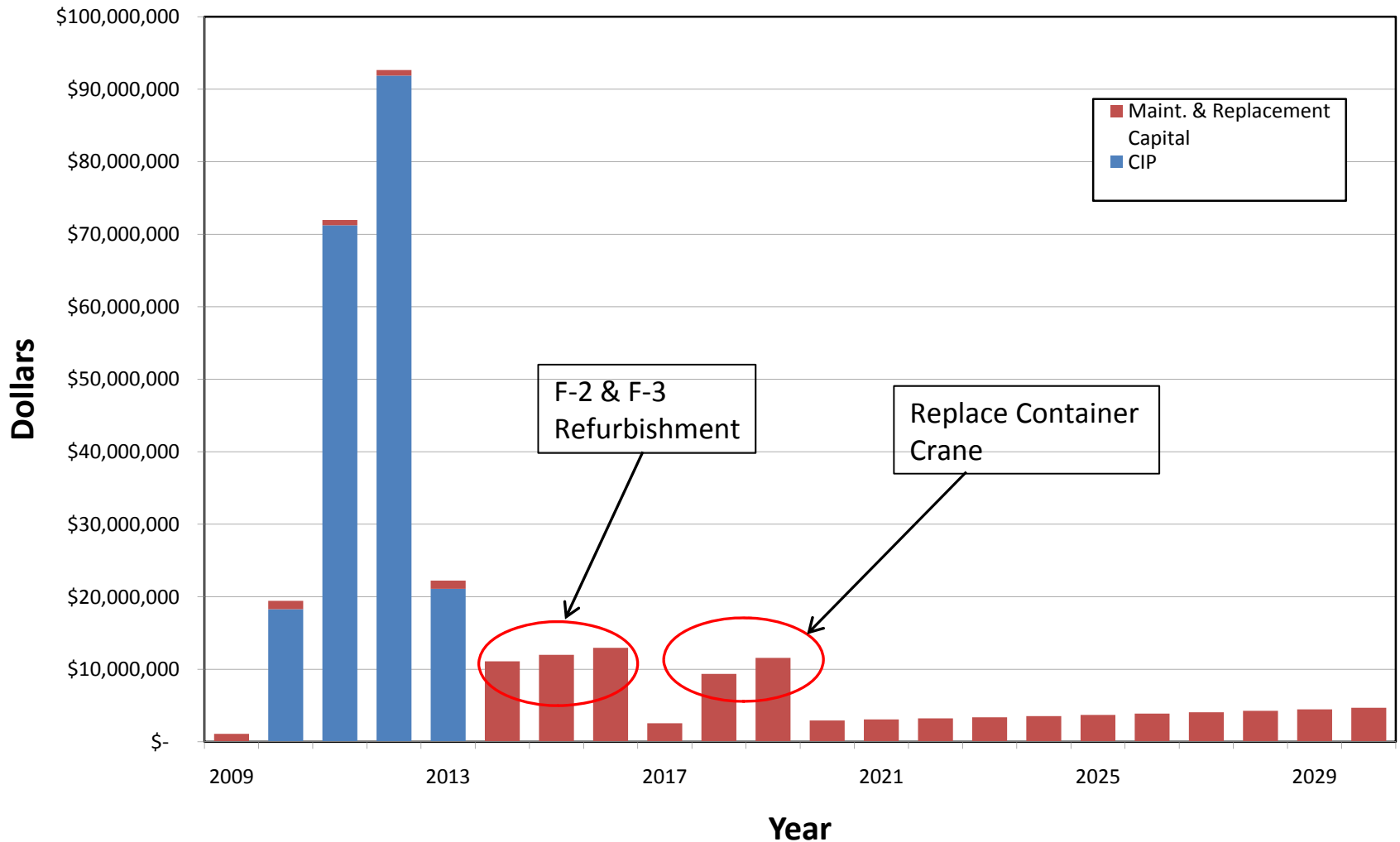
Millions In 2010 Dollars

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



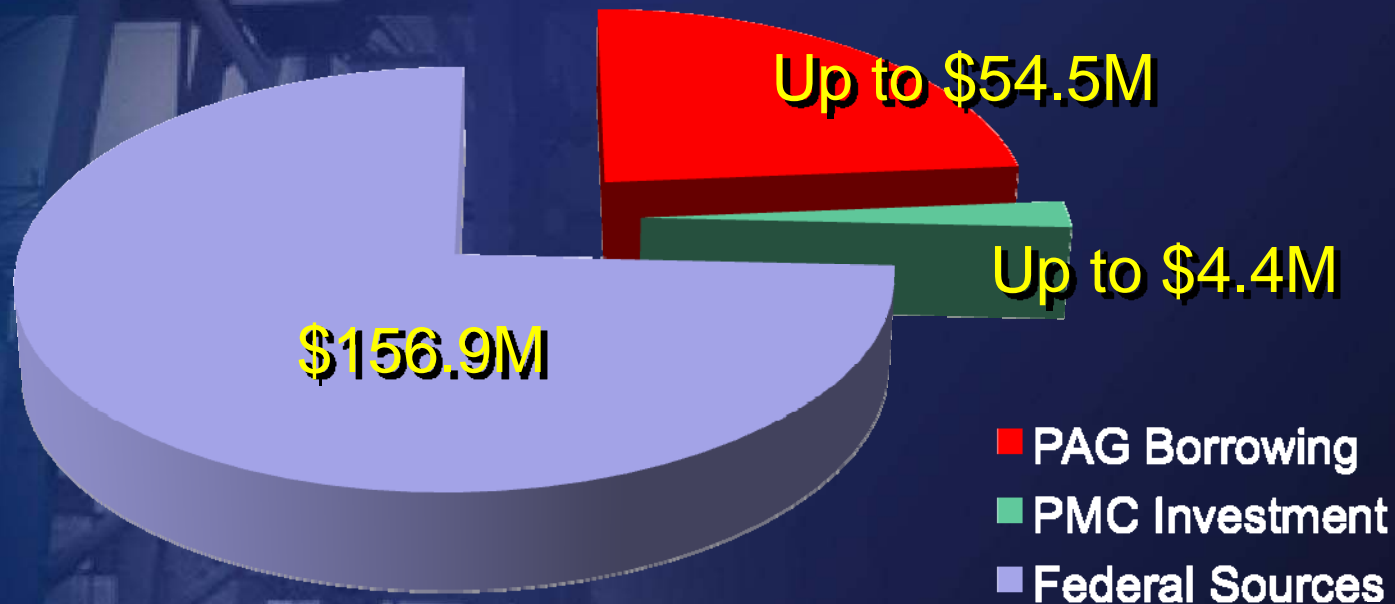
Financial Plan

- 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

	Grants & Appropriations \$106.9 Million	Grants & Appropriations \$50 Million	Grants & Appropriations \$0 Million
	CRC Recovery \$0 Million	CRC Recovery \$56.9 Million	CRC Recovery \$106.9 Million
6-Year Buildup 2012-2017	n/a	\$145/container \$4.50/ton	\$270/container \$8.50/ton
10-Year Period 2011-2020	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

- Redevelopment of the Port will have a minimal negative impact on the cost of living in Guam.
 - The projected rate increases over a 20-year period would amount to an increase of less than \$0.01 for a twelve ounce can of soda or a can of Spam over 20 years.
 - The projected tariff increases of 2.6% per year (2009 to 2030) will be substantially less than the consumer price index (CPI) in Guam, which has averaged more than 6% per year during the past six years.

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

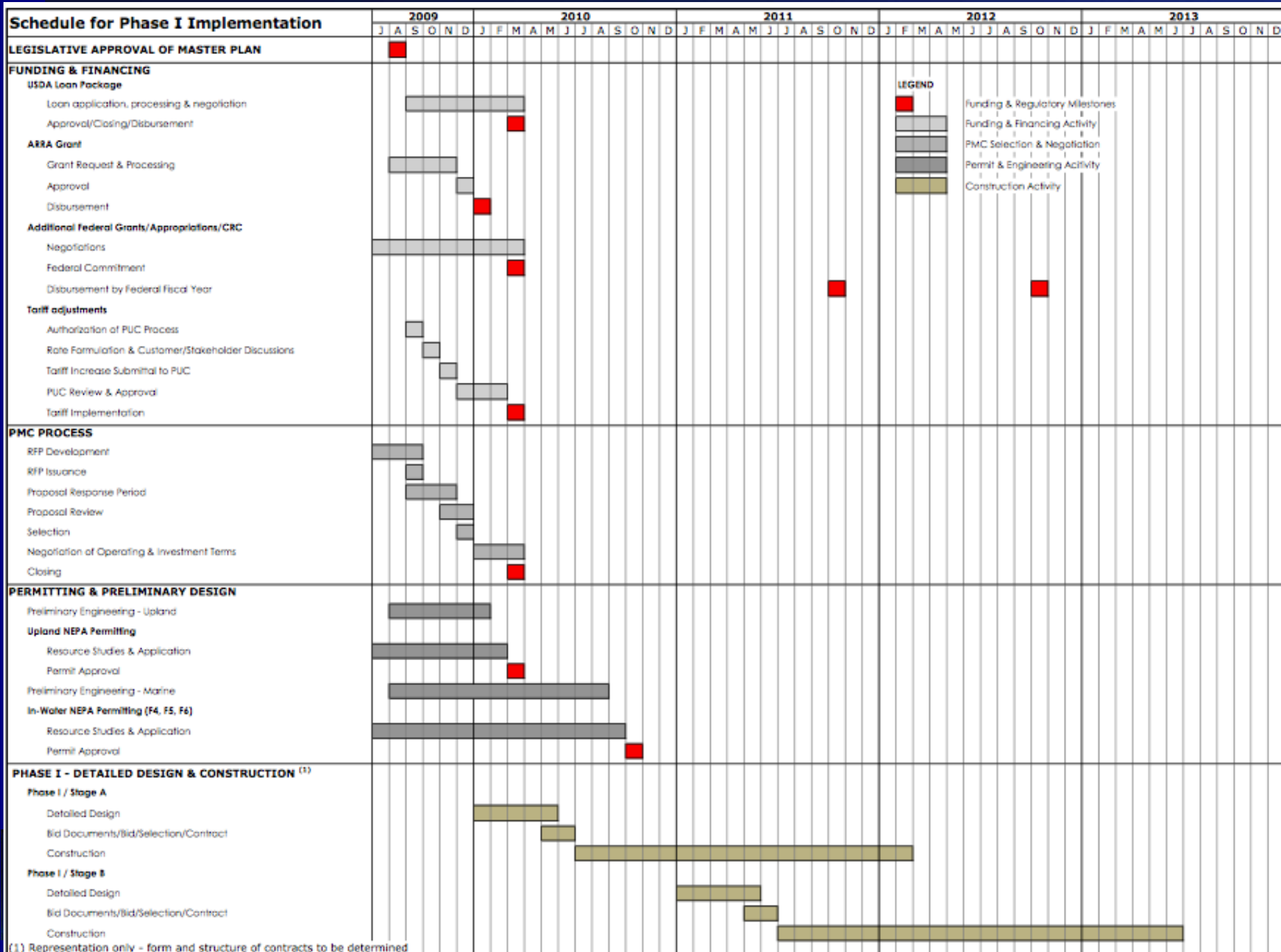
Economic Impacts

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.

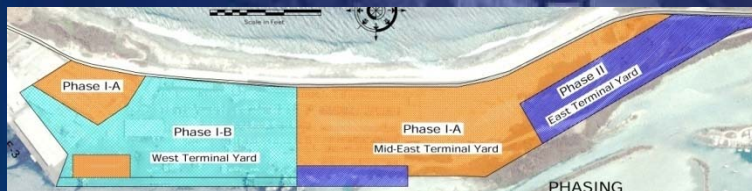
Next Steps





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?

