



Office of the Governor of Guam

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Felix P. Camacho
Governor

Michael W. Cruz, M.D.
Lieutenant Governor

SEP 15 2009

2009 SEP 16 AM 10:38 AM

The Honorable Judith T. Won Pat, Ed.D.
Speaker
Mina' Trenta Na Liheslaturan Guåhan
155 Hessler Street
Hagåtña, Guam 96910

Dear Speaker Won Pat:

Transmitted herewith is Bill No. 178-30(COR) "AN ACT TO APPROVE PHASE I OF THE JOSE D. LEON GUERRERO COMMERCIAL PORT OF GUAM MASTER PLAN UPDATE 2007 REPORT" which I signed into law on September 11, 2009 as Public Law 30-57.

Sins eru yan Magåhet,

[Handwritten signature of Felix P. Camacho]

FELIX P. CAMACHO
I Maga'låhen Guåhan
Governor of Guam

Attachment: copy of Bill

30-09-1119

Office of the Speaker
Judith T. Won Pat, Ed.D.
Date: 9/15/09
Time: 4:18
Received by: [Signature]

I MINA'TRENTA NA LIHESLATURAN GUÅHAN  
2009 (FIRST) Regular Session

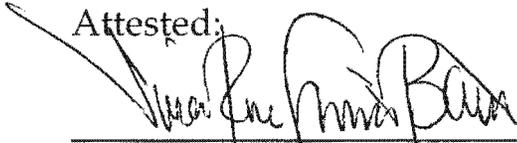
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that **Bill No. 178-30 (COR), " AN ACT TO APPROVE PHASE I OF THE JOSE D. LEON GUERRERO COMMERCIAL PORT OF GUAM MASTER PLAN UPDATE 2007 REPORT,"** was on the 11<sup>th</sup> day of September, 2009, duly and regularly passed.



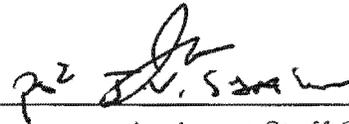
Judith T. Won Pat, Ed.D.  
Speaker

Attested:



Tina Rose Muña Barnes  
Senator and Legislative Secretary

This Act was received by *I Maga'lahaen Guåhan* this 11<sup>th</sup> day of SEP, 2009, at 1:26 o'clock P.M.



Assistant Staff Officer  
*Maga'lahi's Office*

APPROVED:



FELIX P. CAMACHO  
*I Maga'lahaen Guåhan*

Date: 11 SEPTEMBER 2009

Public Law No. 30-57

***I MINA'TRENTA NA LIHESLATURAN GUÅHAN***  
**2009 (FIRST) Regular Session**

**Bill No. 178-30 (COR)**

As amended by the Committee on Utilities,  
Transportation, Public Works, and  
Veterans Affairs and further amended in  
the Committee of the Whole.

Introduced by:

T. C. Ada  
F. B. Aguon, Jr.  
F. F. Blas, Jr.  
E. J.B. Calvo  
B. J.F. Cruz  
J. V. Espaldon  
Judith P. Guthertz, DPA  
T. R. Muña Barnes  
Adolpho B. Palacios, Sr.  
v. c. pangelinan  
M. J. Rector  
R. J. Respicio  
Telo Taitague  
Ray Tenorio  
Judith T. Won Pat, Ed.D.

**AN ACT TO APPROVE PHASE I OF THE JOSE D.  
LEON GUERRERO COMMERCIAL PORT OF GUAM  
MASTER PLAN UPDATE 2007 REPORT.**

1           **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2           **Section 1. Legislative Findings and Intent.** On December 13, 2008, *I*  
3    *Mina'Bente Nuebi Na Liheslaturan Guåhan* and *I Maga'lahen Guåhan*, by passage  
4    of Public Law 29-125, conditionally approved the Port Master Plan Update 2007  
5    Report subject to *I Liheslatura's* subsequent approval of the Financial Feasibility  
6    Plan, the Implementation Plan, and the Economic Impact Statement to be

1 submitted by the Board of Directors of the Jose D. Leon Guerrero Commercial  
2 Port. Said documents identify viable funding sources, establish a prioritization of  
3 construction projects, and classify projects according to whether it is for the Port's  
4 organic growth *or* for the expected military build up associated with the proposed  
5 relocation of U.S. Marine Corps troops from Okinawa to Guam. Furthermore, the  
6 Economic Impact Statement finds that capital improvements to the Port of Guam  
7 will provide employment opportunities and lower operating costs through the  
8 improvement of overall efficiencies, resulting in minimal increases in costs for  
9 residents and businesses.

10 On July 8, 2009, the Board of Directors of the Port of Guam passed a motion  
11 to approve and present the Financial Feasibility Plan, the Implementation Plan, and  
12 the Economic Impact Statement to *I Liheslaturan Guåhan*. Subsequently, on  
13 August 3, 2009, the Port Authority of Guam retransmitted to *I Liheslaturan*  
14 *Guåhan* the Financial Feasibility Plan, the Implementation Plan, and the Economic  
15 Impact Statement for the Port Master Plan Update 2007 Report as required by  
16 Public Law 29-125. Having reviewed these submissions, *I Liheslaturan Guåhan*  
17 finds the provided information sufficiently demonstrates that the Port Authority of  
18 Guam has the ability, planning and resources to implement the proposed  
19 modernization initiatives, and as such, *I Liheslaturan Guåhan* intends to fully  
20 approve and endorse First Stage 1-A and Second Stage 1-B of Phase I of the  
21 proposed modernization plan of the Jose D. Leon Guerrero Commercial Port.

22 **Section 2. Master Plan Approved.** *I Liheslatura* (the Legislature) hereby  
23 endorses and approves the implementation of Phase I, First Stage 1-A (2010-2012)  
24 and Second Stage 1-B (2011-2013) of the Jose D. Leon Guerrero Commercial Port  
25 Master Plan Update 2007 Report, as supplemented by the Financial Feasibility  
26 Plan, Implementation Plan, and Economic Impact Statement resubmitted on  
27 August 3, 2009.

1           **Section 3. Port Authority of Guam Borrowing Cap.** The Port Authority  
2 of Guam (PAG) *shall not* indebted itself *more than* Fifty-four Million Five Hundred  
3 Thousand Dollars (\$54,500,000.00) for the Port Modernization Program without *I*  
4 *Liheslatura's* approval, and *shall* use this amount exclusively in the  
5 implementation of the portion of this Master Plan which is *not* associated with the  
6 transfer of U.S. Marines to Guam in 2014, outlined in Phase I of the Financial  
7 Plan.

8           **Section 4.** *If* the Port Authority of Guam is unable to secure *ARRA/TIGER*  
9 funding for the financing of the Master Plan by January 2010, it *shall* notify *I*  
10 *Liheslatura* of any denial of funding request within thirty (30) days of receipt of  
11 notice of such denial and *shall* submit to *I Liheslatura* within ninety (90) days of  
12 the date of denial of such *ARRA/TIGER* funding a bill to obtain the approval of an  
13 amended Master Plan based on a maximum expenditure level of Fifty-four Million  
14 Five Hundred Thousand Dollars (\$54,500,000.00), and which *shall* include the  
15 acquisition, either through purchase *or* lease to own, of *at least* two (2) Gantry  
16 Cranes. Such cranes *shall* be acquired *no later than* December 31, 2012, pursuant  
17 to the Guam Procurement Law and *not* through the use of a Task Order to any  
18 existing contract. *If* the PAG secures the *ARRA/TIGER* grant, and the USDA  
19 Loan, then Phase I, Stage 1-A and 1-B *shall* include the acquisition of at least two  
20 (2) Gantry Cranes and such cranes *shall* be acquired no later than December 31,  
21 2012, either through purchase *or* lease to own, pursuant to Guam Procurement Law  
22 and *not* through the use of a Task Order to any existing contract. *No* other loan *or*  
23 additional rate increase may be requested for funding of the Master Plan by PAG  
24 without an executed Capital Recovery Charge agreement, as discussed in Part 3.3.3  
25 of the Revised August 3, 2009 Report, and specifically in the Financial Plan.

6

# I MINA' TRENTA NA LIHESLATURAN GUAHAN

2009 (FIRST) Regular Session

Date: 9/11/09

## VOTING SHEET

Bill No. 178-30(COR)

Resolution No. \_\_\_\_\_

Question: \_\_\_\_\_

<u>NAME</u>	<u>YEAS</u>	<u>NAYS</u>	<u>NOT VOTING/ ABSTAINED</u>	<u>OUT DURING ROLL CALL</u>	<u>ABSENT</u>
ADA, Thomas C.	✓				
AGUON, Frank B., Jr.	✓				
BLAS, Frank F., Jr.	✓				
CALVO, Edward J.B.	✓				
CRUZ, Benjamin J. F.		✓			
ESPALDON, James V.	✓				
GUTHERTZ, Judith Paulette	✓				
MUNA-BARNES, Tina Rose	✓				
PALACIOS, Adolpho Borja, Sr.	✓				
PANGELINAN, vicente (ben) cabrera	✓				
RECTOR, Matthew		✓			
RESPICIO, Rory J.	✓				
TAITAGUE, Telo	✓				
TENORIO, Ray					EA
WON PAT, Judith T.	✓				

TOTAL

12    2    \_\_\_\_\_    \_\_\_\_\_    1

CERTIFIED TRUE AND CORRECT:

*Madaya*  
Clerk of the Legislature

\* 3 Passes = No vote  
EA = Excused Absence



# Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

August 3, 2009

The Honorable Judith T. Won Pat, Ed.D.  
Speaker  
I Mina' Trenta Na Liheslaturan Guåhan  
155 Hesler Place  
Hagåtña, Guam 96910

2009 AUG - 7 PM 3:33

*com*

VIA: The Honorable Rory J. Respicio  
Chairperson, Committee on Rules *[Signature]*

**RE: Committee Report – Amended Bill No. 30-178 (COR)**

The Committee on Utilities, Transportation, Public Works, and Veterans Affairs, to which was referred Bill No. 30-178 (COR) – “An Act to Approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report”, hereby reports out with the recommendation **TO PASS** the bill as amended.

Transmitted herewith for your consideration and action is our committee report on the above subject matter.

The voting record is as follows:

- 45 To Pass
- Not to Pass
- 32 To Report Out Only
- Abstain
- Inactive File

Copies of the Committee Report and other pertinent documents are attached. Thank you for your attention on this matter.

Si Yu'us Ma'ase

*[Signature]*  
Thomas C. Ada

COR  
**RECEIVED**  
RDS 03 2009  
*[Signature]*



## **Senator Thomas C. Ada**

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

### **Committee Report**

#### **Bill No 30-178 (COR)**

**T.C. Ada, F.B. Aguon, Jr. and F.F. Blas, Jr.**

**“An Act to Approve the Jose D. Leon Guerrero Commercial  
Port of Guam Master Plan Update 2007 Report”**

**As amended by the Committee on Utilities, Transportation, Public  
Works and Veterans Affairs**



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

August 3, 2009

### MEMORANDUM

To: Members, Committee on Utilities, Transportation, Public Works and Veterans Affairs

From: Chairperson, Committee on Utilities, Transportation, Public Works and Veterans Affairs

Subject: Voting Sheet for amended Bill No. 30-178 (COR)

Attached herewith for your information and voting is the Committee Report on:

**Amended Bill No. 30-178 (COR) –T.C. Ada, F.B. Aguon, Jr and F.F. Blas, Jr.**  
“An Act to Approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report”

Please take the appropriate action on the voting sheet. Should you have questions regarding the report or accompanying documents, please do not hesitate to contact me. Your attention and cooperation on this matter is greatly appreciated.

Si Yu'us Ma'ase,

Thomas C. Ada

#### Attachments:

- Committee Voting Sheet
- Committee Report Narrative
- Copy of Amended Bill 30-178 (COR)
- Public Hearing Sign-in Sheet
- Copies of submitted testimony & supporting documents
- Notices of Public Hearing
- Copy of the Public Hearing Agenda



# Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
 30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

## VOTING RECORD

Amended Bill No. 30-178 (COR) – T.C. Ada, F.B. Aguon, Jr. and F.F. Blas, Jr.  
 "An Act to Approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan  
 Update 2007 Report"

Committee Members	SIGNATURE	TO PASS	NOT TO PASS	TO REPORT OUT ONLY	ABSTAIN	INACTIVE FILE
Senator Thomas C. Ada, Chairman		✓ 8/3/09				
Senator Adolpho B. Palacios, Sr., Vice Chairman		8/3/09				
Senator Frank B. Aguon, Jr.						
Vice Speaker Benjamin J. F. Cruz				8/3/09		
Senator Tina Rose Muña-Barnes						
Senator Rory J. Respicio		8/3/09				
Senator James V. Espaldon				8/3/09		
Senator Telo Taitague						
Senator Ray Tenorio		✓				

## COMMITTEE REPORT (NARRATIVE)

**Bill No. 30-178 (COR) – T.C. Ada, F.B. Aguon, Jr., and F.F. Blas, Jr.**

**“An Act to Approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report”**

### **I. FINDINGS & RECOMMENDATIONS**

The Jose D. Leon Guerrero Commercial Port Master Plan Update 2007: “Report to the Legislature Pursuant to 5 GCA Chapter 9 §9301” (Master Plan) was transmitted on July 17, 2009 to the Legislature for introduction and adoption. Amendment 1 to the document (*which reflected changes to data in the Economic Impact Analysis*) was later transmitted to the Legislature on August 3, 2009. [See Footnote 1] The Report provides three components of the Master Plan: (1) Implementation Plan, (2) Financial Plan, and (3) the Economic Impact Analysis.

The Master Plan provides guidance for the modernization of Port facilities which were designed and placed into service in 1969, and have not undergone any capital improvements since that time. The Port services the logistics needs of not only Guam but also the entire Micronesian Region for which it is a transshipment hub. Over 90% of the day-to-day goods and supplies consumed by the population in Guam and the Region, come through the Port.

The **Implementation Plan** envisions carrying out the modernization of the Port in a manner that will achieve productivity and efficiency improvements and upgrade of facilities in the shortest time possible and commencing when the issuance of permits are expected from regulatory agencies to commence construction activities. Modernization will come in three separate phases – Phase 1A, 1B, and II.

Phase 1A (2010-2012) will focus on the procurement and commissioning of equipment, systems, and construction of new terminal facilities and yard capacity. Phase 1B (2011-2012) will focus on structural refurbishment of existing docks (F4, F5, F6); construction activities that require longer lead times for permit approvals, modernization of the existing terminal areas, and acquisition of cranes.

Phase II (2030-2031) will have an emphasis on the development of a new berth (F7) and additional terminal capacity to meet long-term organic growth.

The **Financial Plan** for the implementation of Phases I (A & B) of the Port Master Plan is estimated to cost \$206M (adjusted to 2010 dollars). Approximately \$54.5M (26% of total Phase I cost) will come from Port revenues, via a USDA Loan (20-yr term, 4.75% interest rate). Preliminary discussions with USDA officials indicate a positive outlook for the approval of the loan. The Port has completed the packaging of the Loan documentation and is awaiting Legislative approval of the Master Plan before submitting the package. Submission is time sensitive requiring a submittal date of no later than September 15, 2009.

The balance of funds required for Phase I is expected to come from a \$50M Department of Transportation TIGER Discretionary Grants made available under the ARRA. This Grant amount represents 25% of the total Phase I cost. The viability of this Grant is leveraged by the Ports efforts to obtain a USDA loan. Specifically, “*Priority is given to grant applications that require federal funding to complete an overall financing package that includes non-Federal sources of funds.*” (Ref. Federal Register/Vol. 74, NO. 115/Wednesday, June 17, 2009 Notices, Page 28756-28767). The submission deadline for this

ARRA grant packet is September 15, 2009. An approved Master Plan will be an essential component of the grant application package.

The balance of funds needed to complete Phase 1 during the period 2012-2013 is expected to come from other Federal grants. What federal grants will be available has not yet been identified. Hence, as a last resort, a Capital Recovery Charge (CRC) will have to be negotiated with DoD, if federal grants fall short of the required balance. Conceptually, the CRC will be a direct contribution by DoD and will enable completion of the modernization requirements that will provide the capacity to support the military buildup. Funding for Phase II will be addressed at the time those future improvements are needed.

Analyses performed by the Port and its consultant, PB International, conclude that *“the \$156.9M to be supported by Federal funds is commensurate with the impact and requirements needed to support the Federal Defense Posture Realignment Initiative base relocation program to Guam. The remainder of some \$54.5M needed for the improvements is commensurate with the resources attributable to Guam.*

[Footnote 1]

To reflect the accurate cost of the port terminal revenue for a container, the projected charges for a 40 ft loaded container and any following calculations subject to the corrected price change, the Port amended the “Report to the Legislature Pursuant to 5 GCA Chapter 9 §9301” and retransmitted the final report to the Legislature on August 3, 2009. Although the amendments made changed the final calculated cost of goods in the study, the changes resulted in a minimal increase in costs for the residents and businesses. Similarly, the projected tariff increases were not significantly changed, thus having a minimal negative impact on the cost of living on Guam.

The **Economic Impact Analysis** concludes that modernization of the Port will have a positive impact, resulting in an increase in employment opportunities and income both during and after the construction. The increase in costs to Guam residents and businesses will be minimal. *“PAG’s contribution will not exceed \$54.5M, which Guam residents will support through tariff increase over time.”* Forecasts anticipate a requirement for an annual average tariff increase of 2.6% between the period of 2009 through 2030. The consequential impact on retail prices and the cost of doing business on Guam is expected to be negligible.

The Committee on Utilities, Transportation, Public Works and Veterans Affairs concludes that this Committee Report on Bill 30-178 shall sufficiently reflect the intent of the report and therefore considers the amendments introduced satisfactory to make a recommendation.

The Committee on Utilities, Transportation, Public Works and Veterans Affairs hereby reports out Bill No. 30-178 (COR), as **amended** by the Committee, with the recommendation to **Pass**.

## **II. OVERVIEW**

The Public Hearing on Bill No. 30-178 (COR) was conducted by the Committee on Utilities, Transportation, Public Works and Veterans Affairs on **July 22** at 9:00AM.

### **Public Notice Requirements**

Notices were disseminated via fax, hand-delivered and/or e-mail to all Senators and all main media broadcasting outlets on July 14, 2009, and again on July 16/17, 2009.

### **Senators Present**

Senator Tom C. Ada, Chairperson  
Senator Aldolpho B. Palacios, Sr., Vice-Chairperson  
Senator Frank F. Blas, Jr.

**Testimony submitted by**

Monte Mesa: Board of Directors, Chairperson  
Joseph Camacho: Board of Director, Financial Advisor  
Glenn Leon Guerrero: Port Authority of Guam, General Manager  
Nira Ratnathican: PBIInternational, Project Manager  
Don Grigg: PBIInternational, Financial Planning Consultant  
Paul Sorensen: PBIInternational, Economic Planning Consultant  
Vivian Leon: Port Authority of Guam, Corporate Services Manager  
Dot Harris: Port Authority of Guam, Senior Planner  
Simeon Delos Santos: Port Authority of Guam, Chief Engineer

The Public Hearing was “Called-to-Order” at 9:04 AM.

**III. SUMMARY OF TESTIMONY & DISCUSSION**

Monte Mesa

*Provided oral testimony*

Mr. Mesa expressed his gratitude towards the Legislature for approving the previous legislations regarding the Port and reiterated its integral part in the Master plan. He stated that it is the Board of Directors, the Port management and the Port employees’ objective is to bring the Port into world-class standards. Mr. Mesa then addressed that they will be presenting the three components that was stipulated in PL 29-125 for final approval of the master plan.

Glenn Leon Guerrero

*Provided oral testimony*

Mr. Leon Guerrero briefed the Committee on his lobbying efforts with federal agencies in Washington D.C. He shared that he was there to promote for the funding of the Master Plan. In that visit, he stated, USDA had given favorable comments to the Port’s request for funding and also assured him that the Port will be on the top of the priority listing. He mentioned that USDA stressed the importance of a PMC as a vital component of the Master Plan. Mr. Leon Guerrero stated that the \$104M would partially support the Port’s modernization initiatives through 2012, which meant that they would need to subsequently focus on securing the balance of required funding for modernization activities to be undertaken during the period 2012-2014. He is relatively assured that the federal agencies in Washington D.C who may be in a position to provide grants to the Port understand the importance of this Port modernization plan and have indicated favorable support to the port.

John B. Santos

*Provided written testimony (attached)*

Mr. Santos is the Operations Manager for the Port and also the President for the Port Authority of Guam Goodwill and Morale Employee Association (PAGGMA). He submitted written testimony that expressed support for Bill 30-178 on behalf of PAGGMA. They believe that the Master Plan will provide the much needed capacity and tools for the employees to effectively and efficiently operate the Port. Mr. Santos described his experience at the Port during the construction boom in the late 1980’s, where the Port was not prepared for the increase in cargo

and thus employees were asked to work long hours to meet the demands of Port. This eventually led to a decrease in morale among the employees. Therefore, they believe that the Master Plan will ensure that the Port will have the proper facilities and equipment to effectively operate during the impending military buildup. They express that this bill will continue to make the “Port Strong”.

#### Port Users Group Guam

*Provided written testimony (attached)*

The Port Users Group Guam submitted testimony in support of the Port Master Plan. They expressed the importance of the port as the lifeline of Guam and thus stated how vital it is to support the modernization project of the Port. They applaud the Port’s efforts in moving forward with the master plan by seeking essential funding from USDA and the ARRA fund. The Users Group observed that the visit to Washington, DOT, the Pentagon, and Congress by Port management and its contingent resulted in positive support from key agencies, and as such, they ask that the Legislature show support for the Port Modernization by giving final approval of the Port Master Plan.

#### Guam Chamber of Commerce

*Provided written testimony (attached)*

The Chamber of Commerce Board of Directors submitted testimony in support of the Port Master Plan Update. They outlined the importance of the Master Plan and stressed how critical the expeditious approval of the Master plan is imperative as the Port seeks financial support from USDA and the ARRA funds. They acknowledged that the funding requirements necessitate an approved Master Plan to be in place and thus reiterated that the Port modernization is vital for the impending military buildup, but more so to support Guam’s natural growth. The Board of Directors appeal to the Legislature to support the efforts of the Port by expediting the approval of the Port Master Plan.

#### Powerpoint presentation by Port consultants (PB International)

*Provided presentation (attached)*

A presentation on the three components required for the final approval of the Port Master Plan, as stipulated in PL 29-125, was presented to the Committee. Mr. Nira Ratnathican presented the implementation plan, Mr. Don Grigg presented the financial feasibility plan and Mr. Paul Sorensen presented the economic impact statement.

#### Implementation plan summary:

- Port is 40 yrs old and it is important to upgrade port
- Facilities will be upgraded and expanded to support the increased cargo volumes;
- \$206.9M (2010 dollars, \$195M in 2007 dollars was the original estimate) required for the Master Plan
- Key drivers in the implementation plan: cargo demand, timeframes for environmental clearances, impact of construction on port operations, financing and funding, phasing and sequence of facility and the organizational framework
- Plans are based on the cargo forecast that is based on available data
- Critical and immediate infrastructure 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.

- Two phases: Phase 1 (2010 – 2013): modernize the port around the existing footprint with a few expansions, address all the efficiency creating factors at a price tag of \$104M. Phase 2 (2031): required to address the long-term growth needs of the Port.
- MARAD is designated as the lead agency to administer federal funds received. However, the Port is controls the implementation plan.
- 2010-2011: Targeting ARRA funds and USDA Loan as funding sources for phase 1-A
- 2011 -2013: Phase 1B targeting federal grants and a Capital Recovery Charge (CRC) contribution from DoD as funding sources for Phase 1B.

The Implementation plan is viewing the port at a macro level. Once the investments are made to modernize the port, the financial plan is devised so that free cash flow is available to support the refurbishments and maintenance replacement capital for the 20yr period.

#### Financial Plan

- Financial Plan consist of three components: borrowing by PAG (\$54.5M), Federal Sources (\$156.9M)
- Through the volume and output, extensive modeling of the port operations and finances was done to identify the likely cash flow of the port.
- Estimated a borrowing capacity of \$58M: this includes the implementation of the CTP rate adjustment, increasing crane productivity regarding containers: from 17/hr to an estimated 27/hr as a result of the modernization.
- Tariff escalation over time is averaged to 2.6% per year, however, there will be frontloading during the early years.
- Direct loan + loan Guarantee of 4.725% interested rate (blended)
- 1.6x cash flow factor is similar to what GPA and the airport uses.
- PMC investment of \$4.4M upfront and an estimated 20.8 million over 20 years.
- Federal sources: \$156.9M commensurate with military impact on PAG's capital requirements. A study was done: non-DOD buildup scenario and DOD buildup scenario to compare cash flow and financial structure between the two.
- ARRA grant \$50M, linked to the USDA loan: Funding for Phase 1-A. Phase 1-A improvements are a good fit with the evaluation criteria for the grants and is supported by JGPO, OIA, USDA and MARAD.
- \$106.9 M for Phase 1-B, federal agencies are working with PAG to identify the prospective grants.
- Capital Recovery Charge (CRC) will be implemented to cover the shortfall if the federal grant funding are not fully obtained. Depending on the shortfall, the CRC recovery will adjust to cover this. This decision point will be reached on or about March 2010.

#### Economic Impact Statement:

- Addresses potential impacts in the cost of living, cost of doing business, and employment on Guam
- Port is at the end of its useful life and it is reaching the capacity to serve its existing markets
- Financial Impacts: Port must develop a plan that will provide a positive financial impact for the Port Authority. This includes: lower operating cost, higher revenues, positive cash flows and positive working capital balance.
- Cost of living Impact: Analyses showed that redevelopment of the port will have a minimal negative impact on the cost of living. The projected average tariff increase of

- 2.6% per year will be substantially less than the consumer price index in Guam, which has averaged more than 6% per year during the past six years.
- Cost of Business operations on Guam Impact: The redevelopment will also have a minimal negative impact on this cost component. Evaluation of a variety of products from the price of total door-to-door transport cost from suppliers in the U.S. to retailers in Guam represented approximately 8-14% of the retail value in Guam.
  - Redevelopment of the Port will have a minimal negative impact: PAG charges currently represent a minimal portion of total transport costs – approximately 1% of a product's retail value.
  - The projected port tariff escalations will increase the price of retail goods by about 1%.
  - Economic Impact: During construction - Phase 1 is estimated to cost \$206.9M
  - Impact from the DOD buildup is very large; an estimated \$10-15M dollars over 4-5 yr period. During the 4 years of construction, it translates into 419 full time jobs per year and \$11M per year of associated income into Guam during construction.
  - After construction: the number of public and private sector jobs in the Guam economy will increase from 1053 to an annual average of 1377. This job growth is attributable to the Master Plan expansion
  - The number of future jobs at PAG ranges from the current levels of 350 to a peak of 425.
  - Improvements and efficiencies at the Port will require fewer people to do more work; however this will be offset by additional manpower requirements to process the increase in cargo volumes. There will be a net gain of jobs.

## **Q&A**

Senator Palacios was pleased with the comprehensive presentation and well-developed plan in that it answered most of his questions. He did ask if the \$0.01 increased cost in the 20 year period was the cost of the present value of the item? The consultant answered that it included the value of the item, additional cost of the container, and transportation cost. Senator Palacios acknowledged that the cost of the item couldn't be controlled before it gets to the Guam. He expressed his encouragement that the impact will be very minimal to Guam.

Senator Blas expressed his concern that the milestones presented seemed to be an aggressive and ambitious timeframe for the Port. He asked if each milestone was contingent upon the completion on the previous milestone. He asked if the March 10 milestone that required negotiations with DOD was essential before initiating the PMC agreement or completion of Phase 1?

Mr. Ratnathican assured Senator Blas that most milestones are prepared in parallel and therefore several teams will tackle each milestone independently. He further stated that the Port has control over the tariffs and can adjust to accommodate the funding shortfalls.

Mr. Mesa stated that before any major groundbreaking, they will ensure that the Port has the funding for Phase 1A. He mentioned that they are looking to insure that the economic impact is not burdensome to the community and thus the plan seeks a balance approach, where an equal share is appropriated accordingly. He expressed that there is great support in Washington D.C. and DOD for the port modernization. The Port will be seeking all possible federal funds that could support this modernization plan. Mr. Mesa highlighted the strict criteria and timelines that are needed to meet for the ARRA funds. He mentioned that the port is building financial and operational confidence and credibility while executing the master plan. He listed the support

coming from Port users, Chamber community (Guam and Chinese), Guam Contractors Association and the Hotel Association. He admitted that the Port was once thought as the chokepoint in the beginning, but is confident that the Master Plan addressed this concern.

Senator Blas was encouraged by Mr. Mesa's statement and implored that the Port would continue to include the employees in the process of the Master Plan. He expressed that the employees are critical in the implementation and success of the Master Plan.

Senator Ada pointed out that 2009 will be a crucial turning point for the master plan and that the approval will provide the authorization to move forward. He also stated that the phase 1 construction is contingent on the port ability to borrow \$50M, and the assumption of \$50M in ARRA grants to be awarded is going to be key.

Senator Ada asked if the completion of phase 1a and not phase 1b would satisfy the requirements for the port to be able to support the projected organic growth in demand for port services.

Mr. Ratnathican answered that phase 1b has some components that are required for risk management and maintenance issues. He stressed that the port will have the cargo volumes that will require the eventual completion of phase 1b.

Senator Ada asked several questions regarding the tariff rates. 1) Was there was any idea of the percentage of the tariff increase during the first couple of years? 2) Is the assumed baseline tariff based on the current tariffs? 3) Is there any projections as to how much the current tariff levels need to be increased to meet the current cost of service? 4) Will there be a need to increase the tariffs prior to the 2.6% tariff increase application?

Mr. Grigg answered that the frontloaded tariff is estimated to be 7-8%, followed by the average rate of 2.6%. He mentioned that the tariff plan incorporated the CTP implementation and the current cost of service. He further assured that they addressed the possibility of preventing any surprise tariff increase and suggested that the Port should consider a tariff adjustment every 3-5 years instead of an annual basis.

Senator Ada asked if the Port took into account the cost of the management audit required by the PUC during the rate making into the tariff rates.

Mr. Grigg and Mr. Leon Guerrero stated that through discussions with PUC, they were informed that the management audit may not be as detailed as what is required for GPA. They included the financial projection of \$40k per year plus \$300K per tariff review.

Senator Ada asked questions regarding the wharf construction: 1) Is phase 1b critical to support the military build up? 2) When was the last assessment made on the integrity of the berths? 3) Are there any red flags to be aware of?

Mr. Ratnathican responded that 80-90% of the support for cargo comes from phase 1a but the port needs to take care of the wharf and the leftover efficiencies to ensure the performance of the wharf. He also emphasized the importance of addressing the draft to accommodate heavy loaded ships.

Mr. Delos Santos outlined the maintenance of the wharfs: the first structural integrity assessment was done in 1988; ultrasonic thickness testing on sheet piles and noted that there was very little corrosion that was lost, pier was upgraded in 1991, a 1993 earthquake required the port to rebuild F5 and the latest structural evaluation was about four years ago. Results of the most recent assessment showed that there is some loss on the thickness of the sheet pilings. He also noted a few splits or cracks on the sheet piles, which are currently being addressed along with the replacement of the rails. He mentioned that there are no concerns stipulated in the consultant's report, but he did reiterate the importance of increasing the draft and the supporting sheet pilings to support the heavier loads.

Senator Ada asked if the borrowing from USDA was that based on the borrowing capacity of the port or was it based on the equitable contribution of the port.

Mr. Camacho in response, highlighted the importance of the financing committee and the individuals critical in its makeup. He stated that the committee worked in conjunction with the Board to provide direction to the consultant. He then answered that the policy was to first determine the borrowing capacity and secondly, not borrow up to that capacity. He continued to explain that the borrowing capacity is based on the balanced approach described in the plan that would impact all the constituents in a most moderate way. He described what was considered: 1) Productivity improvement: the port employees will have to step up efforts to improve throughput and productivity to handle the volume coming through, 2) Tariff component: impacts the broader community, users of the port and address political implication of a 12% annual increase or 3% average rate increase, 3) PMC contribution: capital injection, take ownership of the development of the port to show a high level of commitment, 4) DOD buildup: largest impact and so federal funds must be sought so that the cost is not passed on to the community. He concluded that the Port is within the borrowing capacity and that this is based on the local needs of the community and the organic growth of the port.

Senator Ada asked in regards to the \$50M USDA loan, if the 20yr payback period standard? Considering that a longer term would mean that the annual debt service could be lower.

Mr. Grigg answered that the requirements is that the term is lesser of 40yrs or the weighted average of the useful life of the assets.

Senator Ada wanted clarification regarding the PMC contribution of \$4.4M and the contract length of 5yrs. Was there thought to increase the contract terms?

Mr. Grigg stated that the financial modeling included the efficiency and productivity anticipated with a PMC. This estimated the dollar amount of savings over time and the notion that the PMC compensation will come from the savings developed over time. The five years is a viable target rate of return for a private company to get a return on their investment.

Mr. Leon Guerrero clarified that the contract for the PMC is five years with three options to extend for a total of 20 years. The Port hasn't looked at longer terms because it is staying within the law.

Mr. Camacho explained the history of the PMC concept in that the PMC is critical to the port and integral to the success to the plan. They bring important components to the table; procurement, productivity and employee training.

Senator Ada asked if the incorporation of the PMC would cause a possible displacement of current employees?

Mr. Camacho stated that the economic impact show that the port will need more people and the question is how to reorganize the port to make it more efficient.

Senator Ada requested clarification regarding the capital expenditure of cranes in 2011-2013. He then asked if the current contract would be expired or extended?

Mr. Mesa and Mr. Camacho provided background regarding the cranes. They stated that the port would like to own all the assets in the port, but when they tried to acquire the cranes there were obstacles encountered. They mentioned that the intention is to secure the crane assets for the port through the PMC.

Senator Ada addressed that the intention would need to be addressed relatively soon, and in a relatively in a short time.

Mr. Mesa assured that the board has exercised in the past to trigger management to acquire a crane and it is a considered contingent if the PMC route is not viable.

Ms. Harris expressed her gratitude to the committee for the opportunity to present testimony and for their support She thanked the Port staff and management for the development of the components of the master plan. She wanted to assure the committee that the employees are involved and part of the process.

Senator Ada commended the Port, its staff and its panel on a well-presented report. He then concluded the public hearing for Bill 30-178 at 11:15am.

**I MINA'TRENTA NA LIHESLATURAN GUÅHAN**  
**2009 (FIRST) Regular Session**

Bill No.30-178 (COR)  
As amended by the Committee on  
Utilities, Transportation, Public Works,  
And Veterans Affairs

Introduced by:

T.C. Ada  
F.B. Aguon, Jr.  
F.F. Blas, Jr.

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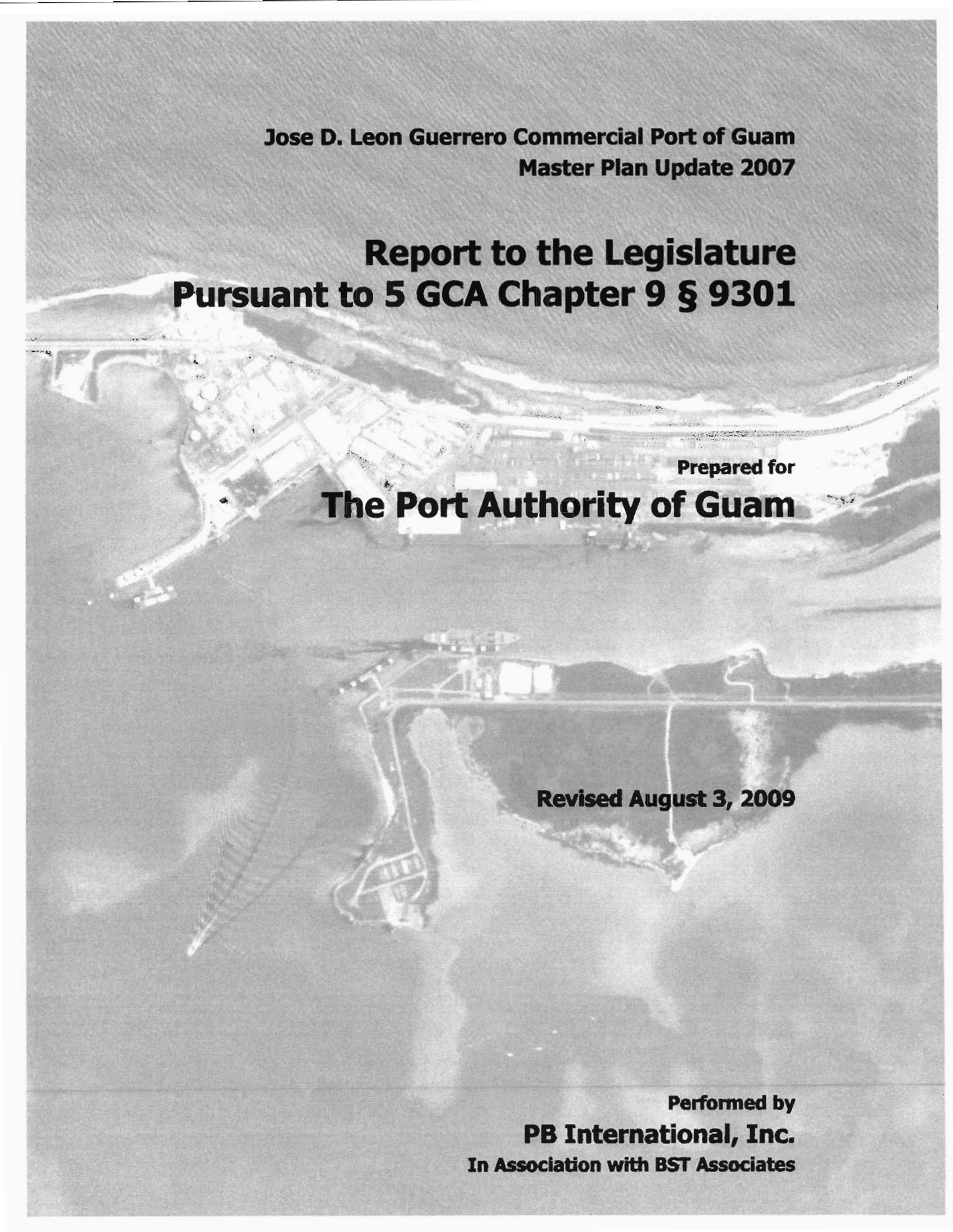
**AN ACT TO APPROVE THE JOSE D. LEON GUERRERO  
COMMERCIAL PORT OF GUAM MASTER PLAN  
UPDATE 2007 REPORT.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2           **Section 1. Legislative Findings and Intent.** On December 13, 2008, *I Mina'Bente*  
3 *Nuebi Na Liheslaturan Guåhan* and *I Maga'lahaen Guåhan*, by passage of Public Law 29-125,  
4 conditionally approved the Port Master Plan Update 2007 Report subject to *I Liheslatura's*  
5 subsequent approval of the Financial Feasibility Plan, the Implementation Plan, and the  
6 Economic Impact Statement to be submitted by the Board of Directors of the Jose D. Leon  
7 Guerrero Commercial Port. Said documents identify viable funding sources, establish a  
8 prioritization of construction projects, and classify projects according to whether it is for the  
9 Port's organic growth or for the expected military build up associated with the proposed  
10 relocation of U.S. Marine Corps troops from Okinawa to Guam. Furthermore, the Economic  
11 Impact Statement finds that capital improvements to the Port of Guam will provide employment  
12 opportunities and lower operating costs through the improvement of overall efficiencies,  
13 resulting in minimal increases in costs for residents and businesses.

1           On July 8, 2009, The Board of Directors of the Port of Guam passed a motion to approve  
2 and present the Financial Feasibility Plan, the Implementation Plan, and the Economic Impact  
3 Statement to *I Liheslaturan Guåhan*. Subsequently, on ~~July 14~~ August 3, 2009, the Port  
4 Authority of Guam retransmitted to *I Liheslaturan Guåhan* the Financial Feasibility Plan, the  
5 Implementation Plan, and the Economic Impact Statement for the Port Master Plan Update 2007  
6 Report as required by Public Law 29-125. Having reviewed these submissions, *I Liheslaturan*  
7 *Guåhan* finds the provided information sufficiently demonstrates that the Port Authority of  
8 Guam has the ability, planning and resources to implement the proposed modernization  
9 initiatives, and as such, *I Liheslaturan Guåhan* intends to fully approve the proposed  
10 modernization plan of the Jose D. Leon Guerrero Commercial Port.

11           **Section 2. Master Plan Approved.** The Jose D. Leon Guerrero Commercial Port  
12 Master Plan Update 2007 Report, as supplemented by the Financial Feasibility Plan,  
13 Implementation Plan, and Economic Impact Statement resubmitted on ~~July 14~~ August 3, 2009, is  
14 found sufficient in meeting the requirements of P.L. 29-125, and is hereby approved.



**Jose D. Leon Guerrero Commercial Port of Guam  
Master Plan Update 2007**

**Report to the Legislature  
Pursuant to 5 GCA Chapter 9 § 9301**

**Prepared for  
The Port Authority of Guam**

**Revised August 3, 2009**

**Performed by  
PB International, Inc.  
In Association with BST Associates**

**Jose D. Leon Guerrero Commercial Port of Guam  
Master Plan Update 2007**

**Report to the Legislature  
Pursuant to 5 GCA Chapter 9 § 9301**

Prepared for  
**The Port Authority of Guam**

**Revised August 3, 2009**

This study report was prepared under contract with the Port Authority of Guam, Government of Guam on behalf of the United States Territory of Guam

Performed by  
**PB International, Inc.**  
In Association with BST Associates

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## Abbreviations

CAPEX	Capital Expenditure
CFS	Container Freight Station
CIP	Capital Improvement Program
CIS	Container Inspecting Station
DOD	Department of Defense
DPW	Department of Public Works
FY	Fiscal Year
GEDA	Guam Economic Development Authority
GPA	Guam Power Authority
GRT	Gross Revenue Tons
IRR	Internal Rate of Return
JDLG	Jose D. Leon Guerrero
JGPO	Joint Guam Program Office
IRR	Internal Rate of Return
LT	Long Ton
MARAD	Maritime Administration – Department of Transportation
MT	Metric Tons
MT	Empty Boxes
NEPA	National Environmental Policy Act
NPV	Net Present Value
OOG	Oversized (Out Of Gage) Boxes
OEA	Office of Economic Adjustment, Department of Defense





## Port Authority of Guam

Jose D. Leon Guerrero Commercial Port Master Plan Update 2007

### Report Pursuant to 5 GCA Chapter 9 § 9301

OIA	Office of Insular Affairs – Department of Interior
PAG	Port Authority of Guam
PMC	Performance Management Contract
PMT	Project Management Team
PMX	PANAMAX
PPMX	Post PANAMAX
RFP	Request for Proposals
SDDC	Military Surface Deployment and Distribution Command
ST	Short Ton
TEU	Twenty Equivalent Unit
TGS	Twenty Foot Ground Slot
USACE	U.S. Army Corps of Engineers
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
USWC	U.S. West Coast



# Executive Summary

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## Introduction

The Port Authority of Guam (PAG or the Port) Jose D. Leon Guerrero Commercial Port Master Plan Update 2007 (Master Plan) final report was approved by the Board of Directors of the Port and was forwarded to the Governor's office in April 2008 for approval by the Governor and the Legislature of the Territory of Guam. On December 15, 2008 (PL 29-125) the Legislature awarded conditional approval of the Master Plan and asked the Port to submit the following for final legislative approval of the Master Plan:

- An Implementation Plan,
- a Financial Plan and
- an Economic Impact Statement pursuant to 5 GCA Chapter 9 § 9301

The Port facilities were designed and put into service in 1969, and have not undergone a major modernization since that time. The Port serves the needs of not only Guam but also the entire Micronesian Region for which it is a transshipment hub. Over 90% of the day-to-day goods and supplies consumed by the population in Guam and the region pass through the Port.

On February 17, 2009 an agreement was endorsed between the government of Japan and the government of the United States concerning the relocation of Marine Expeditionary Force personnel and their dependents from Okinawa to Guam. Demands for cargo movement during base construction, increased military population after construction and future organic growth in the region served by the Port are expected to put considerable demands on the Port which it cannot support in its current condition and configuration. Cargo volumes are projected to start increasing significantly by 2012. It is imperative that the Port immediately begin the facility modernization and improvements needed to meet these projected demands in an environmentally acceptable manner.

Approval by the Legislature is needed so that the Port can put in place the funding and financing mechanism for execution of the Port modernization program.

## Implementation Plan

Figure 2-4 Terminal Phasing & Staging Diagram for Implementation depicts the physical phasing and staging of facility modernization described in the Master Plan.

**Port Authority of Guam***Jose D. Leon Guerrero Commercial Port Master Plan Update 2007***Report Pursuant to 5 GCA Chapter 9 § 9301**

PHASE I		PHASE II
First Stage I-A (2010-2012)	Second Stage I-B (2011-2013)	2030/2031
Focus is on productivity and efficiency improvements with shorter lead time for permitting such as new equipment, systems and buildings, plus upland terminal modernization and new yard capacity.	Emphasis is on structural refurbishment of existing docks (F4, F5, F6) with longer lead for permit approvals, modernization of the existing terminal areas to the west, and acquisition of cranes.	Emphasis is on a new berth (F7) and additional terminal capacity to the east to meet long-term organic growth.

A detailed facility-by-facility implementation plan is set forth in Table 2-2, Facility Phasing & Implementation Detail, in Section 2. A Gantt-chart schedule for implementation of the Phase I modernization program complete with legislative, funding and financing milestones is presented in Figure 2-6, Phase I Implementation Plan Schedule, in Section 2.

The total improvement cost for the plan, in 2010 dollars, is estimated to be \$261,200,000. By phase and year, the cash flow (CF) requirements to implement the plan are:

CF BY PHASE (\$2010)	2010	2011	2012	2013	2031	TOTAL
Phase I	\$ 18,296,000	\$ 75,640,000	\$ 91,876,000	\$ 21,108,000	\$ -	\$ 206,920,000
Phase II	\$ -	\$ -	\$ -	\$ -	\$ 54,280,000	\$ 54,280,000
	\$ 18,296,000	\$ 75,640,000	\$ 91,876,000	\$ 21,108,000	\$ 54,280,000	



**Financial Plan**

Phase 1, totaling \$206,920,000, will be financed and funded by a combination of PAG borrowing, private investment from a PMC, and Federal sources, specifically:

BORROWING BY PAG	PMC INVESTMENT	FEDERAL SOURCES
Up to \$54,500,000	Up to \$4,400,000 (Maximum investment projected for future PMC proposals)	\$156,920,000
USDA loan/guarantee package; 20-year term, 4.725% blended interest rate; 1.6 coverage factor (1.25 by covenant + 0.35 for comfort).	Upfront investment in terminal equipment or operating system (actual investment will be based on PMC proposals & negotiations later in 2009). Borrowing by PAG can be reduced by amount invested by PMC after a PMC agreement is signed.	Federal grants & appropriations, including a \$50,000,000 ARRA grant in FY 2010, and other grants and appropriations of \$106,920,000 in FY 2012 and 2013. Any shortfall in necessary 2012/2013 Federal funding will be offset by a negotiated Capital Recovery Charge (CRC) assessed by PAG on military related cargo volumes.
Tariff increases are needed to support PAG's borrowing capacity & coverage requirements, estimated as follows: 3.4% (2010); 2.8%/yr. (2011-2020); 2.4%/yr. (2021-2030)	PMC also responsible for future terminal equipment replacement costs estimated at \$20 million (2010\$) over 20 years.	No CRC will apply if the above Federal obligation of \$156,920,000 is fulfilled. CRCs of up to \$270/container and \$8.50/ton on break-bulk military related cargo will recover the full FY 2012/2013 Federal obligation of \$106,920,000 (2010\$).

The \$156,920,000 to be supported by Federal funds is commensurate with the impact and requirements needed to support the Federal Defense Posture Realignment Initiative base relocation program in Guam. The remainder of some \$54,500,000 needed for the improvements is commensurate with the resources attributable to Guam.

PAG's contribution will not exceed \$54,500,000, which the citizens of Guam will support through tariff increases over time. This includes a previously approved USDA \$4.5 million loan for equipment replacement and a \$50 million USDA loan/guarantee package for the master plan. Upon approval of the Master Plan, PAG will seek to borrow the \$50 million amount through the USDA. This obligation will be reduced in the future by the initial investment from a PMC upon execution of a PMC agreement. The pre-application for the \$50 million USDA loan package has been submitted and approved by USDA and PAG has been asked to submit the final application documents. The Port will be submitting a grant proposal for up to \$50 million in DOT



discretionary ARRA funding for Phase I work. A final decision on award of the ARRA grant will be made by DOT in December 2009 and initial indications regarding approval are favorable. Financing and funding for Phase II will be addressed at the time those improvements are needed in the future.

### **Economic Impact Statement**

The economic impacts of the redevelopment of the Port of Guam are positive, resulting in minimal increases in costs for residents and businesses as well as increasing employment opportunities and income both during and after construction.

The Master Plan improvement program will result in numerous positive financial impacts on the Port Authority of Guam and leave 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

Redevelopment of the Port will have a minimal negative impact on the cost of living in Guam.

- The projected tariff increases of 2.6% per year between 2009 and 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.
- The projected tariff increase will have a minimal impact on retail prices. Our analysis shows that the projected rate increases over a 20-year period would amount to a total increase of less than \$0.01 for a twelve ounce can of soda or a can of Spam over 20 years.

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 (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.
- However, 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.

Redevelopment of the Port will provide an economic stimulus both during and after construction.

### **Jobs & Income Impact on Guam from Construction of the Master Plan**

Construction of Phase I of the redevelopment project is estimated to cost \$206.9 million (2010\$). The impact on income and jobs throughout Guam resulting from the four-year construction of the Master Plan improvements is estimated to be:



- Approximately 419 full time jobs per year during a four year construction timeframe, mostly in the private sector.
- Approximately \$11 million per year in associated income in the Guam economy during construction,

### **Jobs & Income Impact on Guam from Ongoing Operation of the Expanded Port**

The operation of the expanded port (after construction) will generate the following impacts throughout the Guam economy, including PAG, other public sector and private sector entities:

- The number of port-driven public and private sector jobs in the Guam economy will increase from approximately 1,053 jobs at present (including jobs at PAG, Customs, private maritime companies, trucking companies, warehousing, etc.) to an average annual level of 1,377 jobs, which is an increase of 324 jobs (30.8%) over current levels. Virtually all of this job growth is attributable to the Master Plan expansion.
- Of the total port-driven jobs, the number of future jobs at PAG ranges from the current level of 350 to as many as 425, an increase of up to 75 jobs depending on the year.
- The direct jobs created by the port are "family wage" jobs with an average income of \$33,000, which is 52% higher than the average job in Guam.
- The total income generated in the Guam economy as a result of the expanded port operation is expected to increase to an average annual level of \$51.7 million, which is a 32.8% increase over current levels.

# Section 1 Introduction & Background

---

The Port Authority of Guam (PAG or the Port) Jose D. Leon Guerrero Commercial Port Master Plan Update 2007 (Master Plan) final report was approved by the Board of Directors of the Port and was forwarded to the Governor's office in April 2008 for approval by the Governor and the Legislature of the Territory of Guam. The Governor, the Honorable Felix P. Camacho approved the document on October 10, 2008 and forwarded it to the Legislature for approval. On December 15, 2008 (PL 29-125) the Legislature awarded conditional approval of the Master Plan and asked the Port to submit the following for final legislative approval of the Master Plan.

- An Implementation Plan,
- a Financial Plan and
- an Economic Impact Statement pursuant to 5 GCA Chapter 9 § 9301

5 GCA Chapter 9 § 9301 requires that any changes related to rules, regulations or fee increases are accompanied by an economic impact statement for review and approval by the Governor and the Legislature. The economic impact statement shall address:

1. The purpose and the need for the rule or regulation;
2. The financial impact of the proposed rule or regulation;
3. Any potential increase or decrease in the cost of living on Guam;
4. Any direct or indirect impact upon employment on Guam;
5. Any increase or decrease in the cost of doing business as an enterprise or industry on Guam;
6. Any adverse or beneficial economic impact which is attributable to the proposed rule or regulation.

This report presents the information requested by the Legislature. The Consultants Scope of Work that was used as the basis for development of this document is presented in Appendix 1.



## Section 2 Implementation Plan

The Implementation Plan provides the approach, framework and sequencing for overall execution of the recommendations in the Master Plan. Please refer to the report titled "Jose D. Leon Guerrero Commercial Port of Guam, Master Plan Update 2007, dated April 2008" (Master Plan Report).

The Master Plan laid out the overall port development plan that would most importantly serve the commercial waterborne cargo needs of the Territory of Guam and the Micronesia Region over the next twenty years and beyond. Figure 2-2 from the Master Plan Report is presented as a point of reference for the discussions in this report. The Master Plan Report, however, did not address or provide specific details or guidelines on how the recommendations were to be implemented and facilities sequenced for completion over time.

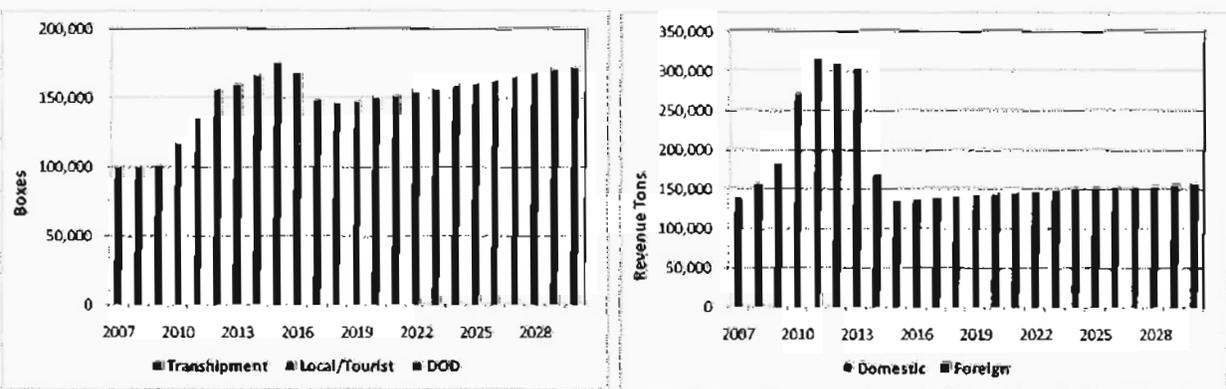
### 2.1 Considerations for Development of the Implementation Plan

The Implementation Plan described in this report submits a plan for executing the Master Plan recommendations and the sequencing of facility completion over time. It was developed in June 2009 using information from the Master Plan Report and updated where more recent information was available for execution of the Master Plan. Some of the key considerations in developing the Implementation Plan are discussed below.

#### 2.1.1 Critical Cargo Demand Considerations

The Master Plan developed and presented a forecast of commercial cargo needs for Guam and the region for 30 years starting from 2008. This consisted of projections due to growth in the population and economy of Guam and the Micronesia Region and the projections provided by the U.S. Military to support its base relocation and expansion programs in Guam. While refinement and updating of the cargo projections for the military is a matter of continuing discussion with the DOD, the Implementation Plan, Financial Plan and Economic Impact Statement presented in this report are based on the cargo forecast presented in the 2008 Master Plan. Figure 2-1 replicates the container and break-bulk cargo forecasts from the Master Plan Report.

**Figure 2-1 – Container & Break-bulk Cargo Forecasts**





Container and break-bulk cargo are expected to increase sharply beginning in 2011 as a result of the DOD's Marine Base buildup construction. Container volumes are expected to peak in 2015 and break-bulk cargo is projected to peak in 2012.

### **2.1.2 Timeframes for Obtaining Environmental Clearances**

The program must comply not only with Guam environmental regulations but also the Federal National Environmental Policy Act (NEPA). The steps and processes necessary to comply with these regulations such as data collection and field studies, execution of Environmental Impact Assessments or Statements and obtaining clearances have considerable impact on the time needed for implementation.

The timeframes needed to obtain clearance can vary considerably depending on the type and form of facility component. For example, the time frames needed to comply with environmental regulations for construction of new facilities in the marine environment can be extensive if there is a significant impact on the existing undisturbed marine environment or habitat. On the other hand the time frames needed to obtain clearances for upgrading existing operating facility components are often less extensive.

### **2.1.3 Impact of Construction Activities on Port Operations**

Over 90% of the day-to-day goods and supplies consumed in Guam and the region pass across the docks at the Port's commercial cargo terminal. Thus cargo operations cannot be interrupted by facility construction activities. Service to the various shipping lines calling at the terminal must be provided in a timely fashion during the modernization program.

### **2.1.4 Financing and Funding**

The schedule and time needed to put in place the financing and funding cash flows that can support facility modernization and construction are also a consideration for any implementation program. The implementation plan also considered the need to phase in facility capacity over time as needed to support cargo demand and yet have access to the needed mix of financing and funding. The time needed to make the case for the justifiable basis for Federal funding was also considered.

### **2.1.5 Phasing & Sequence of Facility Components**

All of the above and other considerations must be weighed within the context that peak cargo demands for the years 2012 to 2016 (See Figure 2-1) from the Master Plan forecast remain unchanged and therefore the plan must make up more than one year of time that had elapsed since completion of the Master Plan.

The sequencing and mix of specific key facility components were selected to provide the best opportunity to bring them online in time so that the operational efficiencies to support the above referenced cargo-flows are in place. In general the Implementation Plan presented in this document was formulated to provide PAG with the efficiency and capacity improvements required at the earliest date possible to meet the cargo demands within the limited space constraints of the port.

### **2.1.6 Organizational Framework for Execution**

The Implementation Plan was also based on the organizational framework that PAG has put in place for execution of the program. PAG has executed a Memorandum of Understanding with

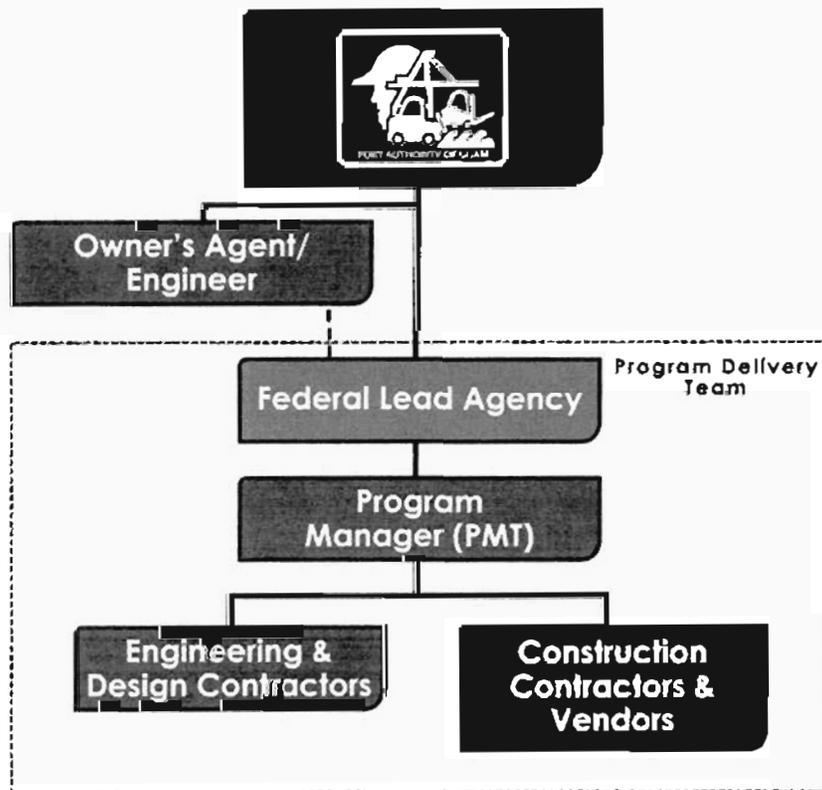


the Maritime Administration (MARAD) as the Federal Lead Agency for disbursement of Federal Funding for use in the modernization.

U.S. Public Law 110-417, Section 3512 designates the Maritime Administration (MARAD) as the lead federal agency for the Port of Guam Improvement Enterprise Program. It authorizes MARAD to receive and disburse public appropriations and grants to “provide for the planning, design, and construction of projects for the Port of Guam to improve facilities, relieve port congestion, and provide greater access to port facilities.” It also permits MARAD to administer supplementary PAG-supplied funds or other sources of financing that may be necessary to carry out the program.

The Port using its Owner’s Agent/Engineer PBI (OAE), will establish the capacity, type and form of facilities to be included in the modernization program consistent with PAG financing and funding, its objectives in serving the local community, the Micronesia region and the timelines for implementation. The OAE will take responsibility in establishing functional, operational, performance and engineering standards and benchmarks for PAG and use by MARAD and its Program Management Team (PMT). MARAD and its PMT will be responsible performing detail engineering, procurement, construction and delivery of the facilities. It is anticipated that this would apply to most of the program components delivered over the next four years.

**Figure 2-3 Organization for Disbursement of Federal Funding & Execution of Program**



## 2.2 Implementation Plan Phasing

A phasing diagram for implementation of the program is presented in Figure 2-4. Based on a combination of the factors discussed in Section 2.1 the program will be implemented in two phases. The facilities needed to address the peak cargo demands during the peak cargo years



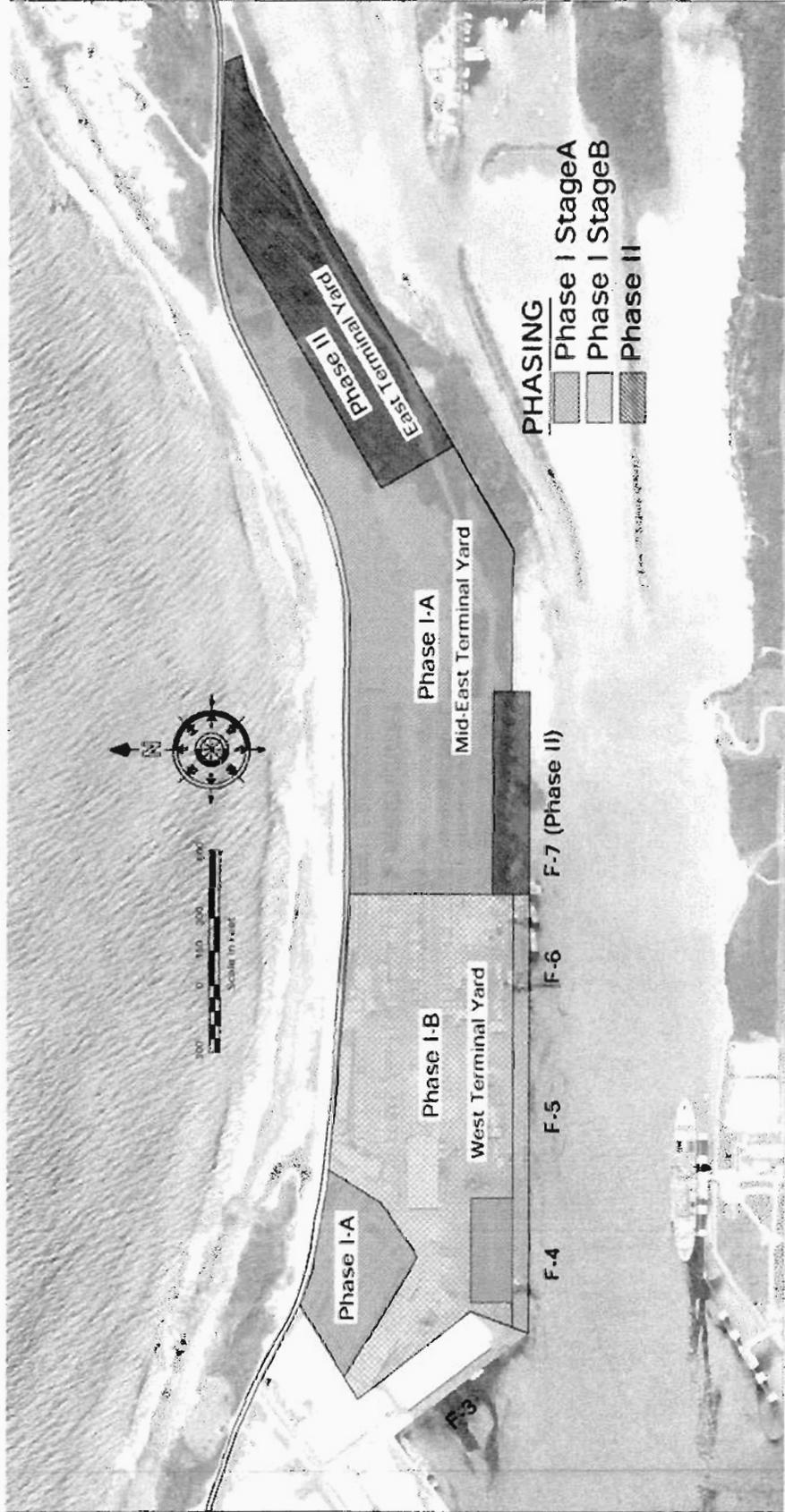
2012 to 2016 will all be completed in Phase I. As organic growth occurs over the long term the forecast shows that cargo volumes will exceed these near term demands requiring additional terminal capacity. Phase II facilities in areas designated on Figure 2-4 will be brought on line to address these future demands.

**Table 2-1 Facility Phasing Matrix as Depicted in Figure 2-4**

<b>Phasing</b>	<b>Implementation Timeframe</b>	<b>Facilities</b>
I	2010 - 2013	All facilities necessary to address the peak cargo demands during the peak cargo years 2012 to 2016
II	After 2031	Facilities needed to address continued long term organic growth for Guam and the surrounding region



Figure 2-4 Terminal Phasing & Staging Diagram for Implementation



### 2.2.1 Phase I – Facilities Needed to Address Near-term Cargo Demands

All work necessary to address the peak cargo demands between years 2012 and 2016 will be completed in Phase I. Construction work will start for this phase in 2010 and be completed in 2013. A detailed facility by facility plan for development of each major component with a year-by-year plan for implementation during Phases I and II is shown in Table 2-2.

It is anticipated that the arrangement will require significant emphasis on a grounded storage system during peak cargo demand periods. Detailed operations analyses for developing an operational plan will be performed in order to facilitate continuing operations to support the peak cargo demands during the Phase I period.

The activities and facility construction or procurement that would be performed in Phase I will include the following:

- Mobilization
- Demolition
  - Berths F-4 through F-6
  - Container Freight Station
  - Equipment Maintenance & Transit Shed #2
  - Site Demolition
- Berth Modernization
  - F-4, F-5 & F-6 Structural Rehabilitation & Modernization
- Buildings
  - Extension to Port Administration Building
  - Transit Shed #1 Refurbishment
  - Equip. Maintenance Shed Minor Refurbishment
  - New Gate & Terminal Offices
- Site-work & Paving
  - Terminal Yard Paving
- Power, Lighting & Electrical
  - Switchgear, Transformers & Generators
  - Terminal Lighting & Distribution West
- Site Utilities
  - Water, Sewers, Storm & Fire Systems
  - Fuel Line Relocation
- Security
  - Security Infrastructure
  - Security Equipment
- Cargo Handling Equipment & Systems
  - Container Cranes
  - Top-Picks
  - Side-Picks, Yard Tractors/Chassis, Break-bulk Equip.
  - Terminal Operating System
  - Gate Systems

Phase I will be completed in two stages Phase I-A and Phase I-B to address the implementation issues discussed in Section 2.1. For example upland site work and paving will be undertaken in two stages to minimize operational interruption; while construction takes place on one half of the terminal, operations can be consolidated and maintained on the other half.



**Table 2-2 Facility Phasing & Implementation Detail**

Master Plan Facility Phasing ITEM DESCRIPTION	Implementation Timeframe				
	2010	2011	2012	2013	2031/32
<b>Mobilization and Demobilization</b>	Phase I	Phase I	Phase I	Phase I	Phase II
East Terminal Yard & Buildings Berths F-4, F-5, F-6 & Remaining Facilities Berth F-7	100%	100%			100%
<b>Demolition</b>					
Berths F-4 through F-6 Container Freight Station Equipment Maintenance & Transit Shed #2 Site Demo - West Yard Site Demo - East Yard & Misc. Structures	100%	100%	100% 100% 100%		
<b>Berth F-4 to F-7 Modernization</b>					
F-4, F-5 & F-6 Modernization New Berth F-7 Extension			70%	30%	100%
<b>Buildings</b>					
Extend Port Admin Building Warehouse to Replace Transit Shed #2 Transit Shed #1 - Minor Remodel Equip. Maint. Shed Gate & Office	40%   30% 40%	60%  100% 70% 60%	70%	30%	
<b>Sitework &amp; Paving</b>					
East Terminal Yard Site Work & Paving Mid-East Terminal Yard Paving West Terminal Yard Paving		100%		100%	100%
<b>Power, Lighting &amp; Electrical</b>					
Switchgear, Transformers & Generators - Mid-East/West Switchgear, Transf. & Generators - East Terminal Yard Distribution West Terminal Yard Distribution Mid-East Terminal Yard Distribution East Terminal Yard Lighting West Terminal Yard Lighting Mid-East Terminal Yard Lighting East Terminal Yard	30%	100% 20% 70%	80% 80%		100% 100% 100%
<b>Site Utilities</b>					
Water, Sewers, Storm & Fire Systems - West Yard Water, Sewers, Storm & Fire Systems - East Yard Water, Sewers, Storm & Fire Systems - Mid-East Yard Fuel Line Relocation - West Fuel Line Relocation - East	30%	70% 100%	90% 90%	10% 10%	100%
<b>Security</b>					
Security Infrastructure - West Yard Security Infrastructure - Mid-East Yard Security Equipment	30%	70%	90% 50%	10% 50%	
<b>Cargo Handling Equipment &amp; Systems</b>					
Container Cranes Top-Picks - Set #1 Top-Picks - Set #2 Side-Picks, Yard Tractors/Chassis, Break-bulk Equip. Terminal Operating System Gate Systems	80% 20%	20% 80% 100%	100% 100%		

**West Yard** – Facilities shown in Cyan in Figure 2-4 (Areas West of the East Edge of F-6)

**Mid-East Yard** – Facilities shown in Tan in Figure 2-4 East of F-6

**East Yard** – Facilities shown in Blue in Figure 2-4



### **Phase I-A Facilities Brought Online in 2010 & 2011**

Work during this period will primarily emphasize the upland facilities, equipment, utilities and systems necessary to quickly ramp up operating efficiencies at the terminal. This will better assure that the terminal capacities in critical bottlenecks are brought on line early in Phase I. Environmental clearances would have to be obtained to proceed with the upland work first. The staging is also designed to provide more time to complete the NEPA environmental process for in-water structural and dredging work at the existing Berths F-4, F-5 & F-6, which would be performed in Phase I-B.

The Port needs a three berth modern facility in order to handle the cargo shown on Figure 2-1. At the time the Master Plan was completed in early 2008 it was anticipated that Berths F-5, F-6 and a new F-7 could serve this purpose. F-4 was to be rehabilitated in a later timeframe. However more than one year has elapsed since the Master Plan was formulated and the work on the NEPA process for obtaining environmental clearances for the modernization is just starting. However the time frame for ramping up of cargo due to the base relocation program has not changed significantly. It is estimated that the process of obtaining the environmental clearances now for the new berth F-7 will delay achieving "Port Readiness" in time to address cargo demands. Therefore this Phase I Implementation Plan modernizes the three F-4, F-5 and F-6 berths first. These are existing operational berths and the environmental process is expected to be less lengthy than if F-7 was constructed first in order to achieve "Port Readiness".

### **Phase I-B Facilities Brought Online in Late 2011 through 2013**

Once the NEPA process for F-4, F-5 and F-6 is completed to permit in-water construction work, activities will focus on existing berth rehabilitation, the adjacent existing yard areas and other remaining items. More specific construction sequencing and staging would be performed as structural rehabilitation work progresses along the berth face (F-4, F-5 & F-6). This will be required in order to continue uninterrupted ship and crane service. Special access lanes and methods of cargo handling will be implemented during this stage since cargo terminal work space would be at a premium.

Since there is some risk of recurrence of seismic events in Guam it is important that the structural refurbishment is performed on F-4, F-5 and F-6 as soon as the environmental clearances are obtained for this in-water marine work.

### **2.2.2 Phase II – Facilities Needed to Address Long-term Cargo Demands**

Phase II facilities in areas designated on Figure 2-4 will be brought on line to address the future cargo demands due to organic growth in Guam and the region over the years. The activities to be addressed over the long term in Phase II will include the following.

- Mobilization
- New F-7 Berth Extension
- Site-work & Paving for East Terminal Yard
- Power, Lighting & Electrical for Berth F-7 & East Terminal Yard
- Site Utilities for New Facilities

It is anticipated that future assessment of likely cargo demand is assessed on a periodic basis and the timing for bringing these facilities online is based on these assessments. Current cargo projections indicate that this is likely to be after 2030.



### 2.2.3 Capital Costs Estimates

The following Table 2-3 presents the annual cash requirements by phase in 2010 dollars.

**Table 2-3 Cash Flow Requirements in 2010 Dollars**

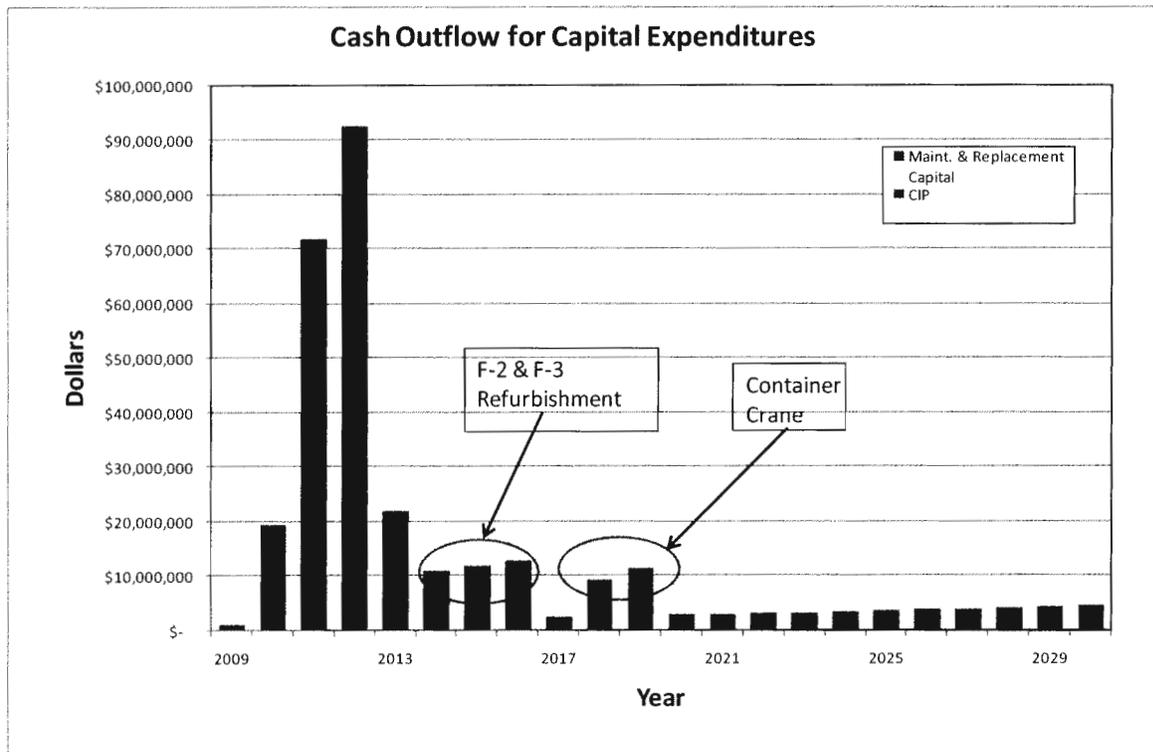
CF BY PHASE (\$2010)	2010	2011	2012	2013	2031	TOTAL
Phase I	\$ 18,296,000	\$ 75,640,000	\$ 91,876,000	\$ 21,108,000	\$ -	\$ 206,920,000
Phase II	\$ -	\$ -	\$ -	\$ -	\$ 54,280,000	\$ 54,280,000
	\$ 18,296,000	\$ 75,640,000	\$ 91,876,000	\$ 21,108,000	\$ 54,280,000	

### 2.2.4 Other Maintenance Capital Improvements

Other maintenance capital improvements have been programmed in the Financial Plan discussed in Section 3 for completion during the 20-year financial plan timeline. Figure 2-5 depicts the cash flow requirements for capital improvements including both the Master Plan improvement program and maintenance replacement capital.

The cash flow requirements for Phase I tabulated in Table 2-3, which require financing and funding as discussed in Section 3, are shown as blue bars in Figure 2-5. Downstream maintenance and replacement capital expenditures, which will be financed from PAG's free-cash flow as discussed in Section 3 are shown as maroon bars. These include capital requirements for structural refurbishment of F-2, F-3, future replacement of the Subic crane and annual general maintenance capital to maintain the Commercial Port facilities.

**Figure 2-5 Master Plan CIP Capital and Maintenance & Replacement Capital Expenditures**



### 2.3 Implementation Plan Schedule

Several concurrent processes are underway to implement and finance/fund the Master Plan, including Legislative approval of the Master Plan, loan and grant applications and approvals, securing Federal Funding, and environmental and field data collection activities. Other activities



such as preliminary engineering, environmental approval process, construction contractor selection, detailed design and construction activities are imminent and are coordinated and dependent on the activities currently in progress.

Figure 2-6 illustrates the schedule for these processes and highlights the critical interrelationships between the various Master Plan implementation activities for Phase I.

Funding, financing and management deadlines between now and March 2010 are set forth under the heading "Funding & Financing Milestone". A number of these activities await legislative approval of the Master Plan in July 2009. The PMC solicitation, evaluation, selection, award and negotiation process is another set of activities identified for completion by early 2010. Preliminary engineering, environmental resource studies and permit applications related activities are currently in process or soon to be initiated by the Port. Figure 2-6 also present a generalized procurement, detailed design and construction schedule for completion of the modernization program for Guam. While the timeframe is as shown, the sequencing of the activities will be developed by MARAD and its PMT contractor later this year.





## Section 3 Financial Plan

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With Legislative approval of the Master Plan, the following financing and funding<sup>1</sup> plan will be pursued for Phase I, estimated to cost \$206,920,000 (2010\$):

- Borrowing by PAG – Up to \$54.5 million
- PMC Investment – Up to \$4.4 million
- Federal Funds – \$156.9 million

### 3.1 Borrowing by PAG – Up to \$54.5 million

PAG's borrowing will include two components, a \$50 million USDA loan for Master Plan construction and a \$4.5 million USDA loan for terminal equipment that will be purchased by March 2010. Terms for the \$50 million loan are addressed in Section 3.1.2 below; terms for the \$4.5 million loan are similar to the guaranteed loan.

#### 3.1.1 PAG Borrowing Capacity

PAG's borrowing capacity is estimated to be approximately \$57.9 million under the following assumptions, including tariff rate escalations:

- New cost items that have arisen since completion of the Financial Feasibility study:
  - The new Certified Technical Professional (CTP) salary structure; the model now assumes salaries will be increased to the 50<sup>th</sup> percentile level over an extended period of time
  - Required cost contributions to the PUC for initial management audit and its reviews of PAG tariff adjustments
  - New debt service costs for the USDA terminal equipment loan recently secured by PAG
- All lease revenues from properties with leases originated by GEDA now flow to Port
- Labor cost escalation of 4.1% per year during the CTP implementation from 2008 to 2018 and 3.0% per year thereafter
- Non-labor cost escalation of 4.8% annually
- Operation by a PMC, including payment of a management fee and productivity incentives to the PMC by PAG
- Increased efficiency and productivity due to the modernized port, most notably increased crane productivity of up to 43%, depending on the carrier
- One-time staffing reassignments based on efficiencies created in maintenance and administration due to modernized facilities, equipment and systems
- Implementation of variable terminal operation workforce practices to meet day-to-day and year-to-year volume fluctuations
- Tariff increases of 3.4% in 2010, 2.8% annually from 2011 to 2020, and 2.4% annually from 2021 to 2030, for an average annual tariff escalation of 2.6% annually

#### 3.1.2 PAG Borrowing Terms

A borrowing of up to \$50 million through the USDA Community Facility Direct and Guaranteed Loan Program will be PAG's contribution to the Master Plan cost. The exact amount will depend

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<sup>1</sup> As used in this report, "financing" refers to borrowing methods that require repayment of principal and interest and "funding" refers to grants or other sources that do not require repayment.

on the level of investment from a PMC, which will be determined by early 2010 through an RFP process. With no PMC investment, the full \$50 million borrowing will be implemented. Authority to borrow the full \$50 million amount is needed to cover the contingency that a PMC will not be able to make an upfront investment.

The anticipated loan terms are:

- \$50 million principal amount
- Direct loan at 4.5% interest rate
- Loan guarantee at commercial bank bid/negotiated interest rate (4.95% is assumed based on PAG's recent experience with the program)
- Approximately 50/50 split between the direct loan and loan guarantee (4.725% blended interest rate assumed)
- Maximum term of 40 years or the life of the assets financed
- 20-year term
- The required coverage factor for this loan package is 1.25<sup>2</sup>, however PAG plans to maintain a coverage ratio of about 1.6 (similar to the airport and GWA) to ensure a safe margin for loan repayment

To support the USDA borrowing, a program of tariff reviews and rate adjustments under the auspices of the PUC will be instituted to ensure that revenues keep pace with PAG's costs, including maintenance and replacement capital and loan payment coverage. Tariff increases of approximately 3.4% in 2010, 2.8% annually from 2011 to 2020, and 2.4% annually from 2021 to 2030 are anticipated.

### **3.2 PMC Investment – Up to \$4.4 million**

An upfront investment in Master Plan capital by a PMC operator is included in the Financial Plan. PAG's financial analysis indicates that a maximum investment of \$4.4 million may be supported by the productivity improvements anticipated. A definitive PMC investment amount will not be known until the Request for Proposal process (currently underway) is completed by early 2010; however, the following structure is assumed:

- PMC would manage the operation and be responsible for cargo operations, maintenance and other functions
- Operating cost savings from PMC efficiencies and higher productivity would be the source of PMC compensation and return on investment
- PMC compensation would be in the form of a management fee to cover fixed costs plus efficiency/productivity incentive payments
- PMC would make an upfront investment in terminal equipment or systems; a \$4.4 million investment is estimated
- PMC would also be responsible for downstream terminal equipment replacements; these investments over 20 years are estimated to total \$20.8 million (2010\$)

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<sup>2</sup> Cash flow must be 1.25 times the loan payment.



### **3.3 Federal Sources - \$156.9 million**

The Federal contribution to the Master Plan cost under the Financial Plan will be \$156.92 million, made up from a projected \$50 million ARRA discretionary grant in 2010, and subsequent Federal grants and appropriations in FY 2012 and 2013. Any shortfall in the necessary 2012/2013 Federal funding will be offset by a negotiated Capital Recovery Charge (CRC) assessed by PAG on military related cargo volumes. Grants and appropriations provide upfront funding and are preferred; however, the CRC provides an alternative pay-as-you-go concept that is reserved for any shortfall in the necessary Federal contribution.

#### **3.3.1 ARRA Grant**

The certification for Title XII Discretionary ARRA grant has already been submitted to Department of Transportation.

- In August 2009 a formal application for a \$50 million ARRA grant will be prepared for submission in September 2009.
- It is intended that the ARRA grant and the USDA loan will be combined to form the basis for cash disbursements for the first stage (Phase I-A) of the Phase I modernization program.
- The form of evaluation, ranking and selection criteria published in the Federal Register are a good fit with emphasis on long term benefits, job creation, improving efficiency & productivity at existing facilities.
- Phase I-A stage facility components were selected with the focus of achieving efficiencies and creating jobs in order to better address the ARRA selection criteria
- More progress must be made between now and the application deadline of September 15, 2009 on environmental clearances for the Phase I-A stage. PAG has asked for assistance from MARAD which will be the Lead Agency for securing environmental clearances
- It is anticipated that that the \$50 Million loan from USDA discussed in Section 3.1.2 will be considered as the Owner's contribution to the ARRA funded project since this amount must be paid back with interest by PAG. Owner contributions are deemed to be beneficial according to the published selection criteria
- GovGuam and PAG have asked for and is receiving support for this application from the Joint Guam Program Office (JGPO), Office of Insular Affairs (OIA), USDA, MARAD and U.S. House of Representative Congresswoman Madeleine Z. Bordallo.

#### **3.3.2 Other Federal Grants & Appropriations**

The effort to secure additional Federal grants and a supplemental appropriation through DOD for FY 2012 and 2013 will continue in conjunction with JGPO, MARAD, OIA and other agencies.

- PAG and GovGuam are also initiating outreach to work with other Federal Agencies including those belonging to the DOD-EAC group of agencies.
- OEA continues to provide strong support to the program for work that falls within their policy guidelines
- JGPO has expressed a desire to work with other agencies in Washington DC in order to identify funding for the Port modernization program since the current facilities do not have the capacity to handle the large volumes of cargo during base construction and relocation of forces to Guam



- Certain improvements such as port security systems have a history of substantial Federal support through Homeland Security grant funding

### 3.3.3 Capital Recovery Charge on Military Cargo

The preferred and most likely method for Federal funding set forth in the financial plan is through grants and appropriations as discussed previously. However, PAG and GovGuam will cover any shortfall in the \$106.9 million Federal contribution (FY 2012 and 2013 for Phase I) through a Capital Recovery Charge paid by the military in return for the port capacities and efficiencies that will be provided to support the surge in military cargo. Preliminary brief discussions have taken place with military representatives on a pay-as-you-go basis through a mechanism such as a CRC.

A negotiated agreement with DOD for payment of stipulated CRC rates on stipulated cargo volumes is the preferred structure to ensure that all anticipated DOD cargo is assessed. The alternative is to assess a CRC through the tariff on cargo identified through PAG's operations as military-related cargo; this method is relatively ineffective because of the difficulties in identifying military-related cargo shipped by private firms. The estimated CRC rate levels for representative Federal funding ranges are shown in Table 3-4.

**Table 3-4 Estimated CRC Rate Levels**

Timeframe for CRC Application		Representative 2012/2013 Federal Funding & Associated CRC Amounts (2010\$)			
		Federal Funds \$106.9 Million	Federal Funds \$50 Million		Federal Funds \$0 Million
		CRC Recovery \$0 Million	CRC Recovery \$56.9 Million		CRC Recovery \$106.9 Million
6-Year Build-up Period	2012-2017	N/A	\$145/box	\$4.50/RT	\$270/box \$8.50/RT
10-Years	2011-2020	N/A	\$107/box	\$3.50/RT	\$200/box \$6.50/RT
20-Years	2011-2030	N/A	\$70/box	\$2.50/RT	\$138/box \$4.50/RT

Note: Based on a negotiated CRC agreement. Tariff escalation does not apply to these CRC rates. These charges will not be paid for non-DOD related cargo.

# Section 4 Economic Impact Statement

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## 4.1 Purpose & Need for the Master Plan Improvements

The Jose D. Leon Guerrero Commercial Cargo Port facilities were designed and put into service in 1969, and have not undergone a major capital improvements since that time. The Port serves the needs of not only Guam but also the entire Micronesian Region for which it is a transshipment hub. Over 90% of the day-to-day goods and supplies consumed by the population in the region pass through the Port. The Jose D. Leon Guerrero Commercial Port Master Plan Update 2007 (Master Plan) analysis showed that, due to organic growth in Guam and the Micronesian Region, the commercial port facilities are at or near capacity and in a deteriorated condition. It is imperative that the Port put in place a program for structural rehabilitation of its facilities.

In addition, on February 17, 2009 an agreement was endorsed between the government of Japan and the government of the United States concerning the relocation of Marine Expeditionary Force personnel and their dependents from Okinawa to Guam. The upcoming military base move from Okinawa to Guam as a key part of the nation's Defense Posture Realignment Initiative (DPRI) is estimated to increase Guam's population by some 22% by the year 2014. This coupled with the demands for cargo movement during base construction and future organic growth in the region served by the Port is expected to put considerable demands on the Port which it cannot support in its current condition and configuration.

The Port will be one of the first critical and immediate infrastructural components in Guam that will experience tremendous impacts from the impending surge in cargo demand. The modernization of the berths, wharves and upland areas upon completion of the engineering and environmental studies would provide the critical and immediate infrastructure improvements necessary to handle the increased cargo demands and improve cargo handling operations and efficiency. The proposed modernized port will generate revenue for the Port and the island economy as a whole. It is imperative that the Port immediately begin the facility modernization and improvements needed to meet these projected demands in an environmentally acceptable manner.

## 4.2 Financial Impact on PAG of Improved Operating Efficiency

The Master Plan improvement program will result in numerous positive financial impacts on the Port Authority of Guam and leave PAG in a sound financial condition over the life of the project. Based on the assumptions contained in this plan, PAG's operating costs, revenues, cash flows and PAG's working capital balance will all reflect positive results.

### 4.2.1 Reduced Operating Costs

The improvements will modernize the port operations and increase efficiency and productivity, resulting in reduced operating costs. Direct operating expenses per revenue ton for all container and break-bulk cargo are projected to decrease by approximately 16% from \$6.33/revenue ton in 2009 to \$5.33 in 2030 (2009\$). Specifically, the following improvements will reduce costs:

- New terminal equipment and cranes will increase container handling speed and efficiency, thereby reducing operating costs



- Increase to over \$30 million during the DOD buildup
- Decrease to about \$12 million after refurbishment of Berths F2 and F3 in 2014-2016 and refurbishment/replacement of the Subic crane in 2018-2019
- Stabilize at \$10-\$12 million in 2025-2030

While the financial projection used for the Master Plan implementation shows some depletion of working capital over time, future tariff adjustments approved under the auspices of a PUC review process can be refined to ensure that PAG's working capital balance is sufficient to meet its operating needs.

## **4.3 Potential Increase or Decrease in the Cost of Living on Guam**

### **4.3.1 Need for Rate Increases**

As the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) concludes, there is a need to establish increases in port charges to cover future charges, which benefits both the Port authority and port users. It benefits the Port Authority by ensuring it is financially viable and sustainable and benefits users by allowing for modest changes annually as opposed to significant increases occurring erratically over time. UNESCAP reports:<sup>3</sup>

*Ports are also increasingly required to be financially viable and sustainable. For the majority of public and even private sector ports in the region, however, price changes require government approval. The revision of port tariffs can, therefore, be a lengthy process. This results in infrequent yet substantial price increases...*

The need for annual increases in Port tariffs is required in order to cover increases in operating costs, which are documented elsewhere in this report (e.g., port labor expenses are expected to increase approximately 3.5% per year) as well as to generate cash flow to cover maintenance and replacement capital requirements and debt service on loans to improve the Port.

With the exception of selected rates such as the fuel surcharge and transshipment rates, PAG's tariff rates have not been adjusted since 1993. As a result, the current tariff rate levels do not allow the Port to generate funds for renewal and replacement. The projected rate increases allow the Port to borrow much needed funds to finance required improvements.

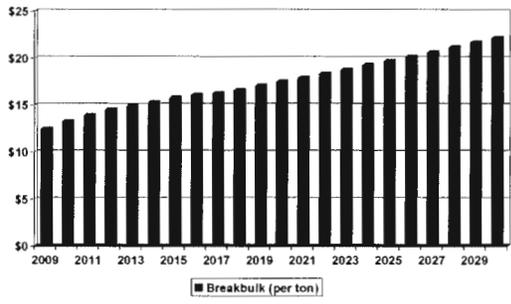
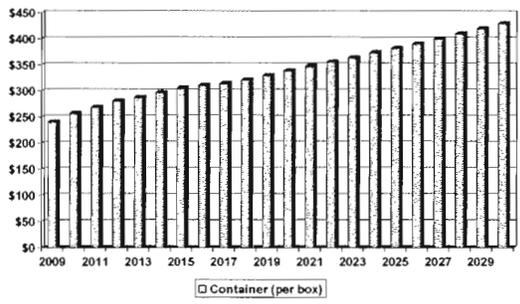
### **4.3.2 Impact on Cost of Living**

This section summarizes the impacts of projected tariff increases at the Port of Guam on the price of retail products.

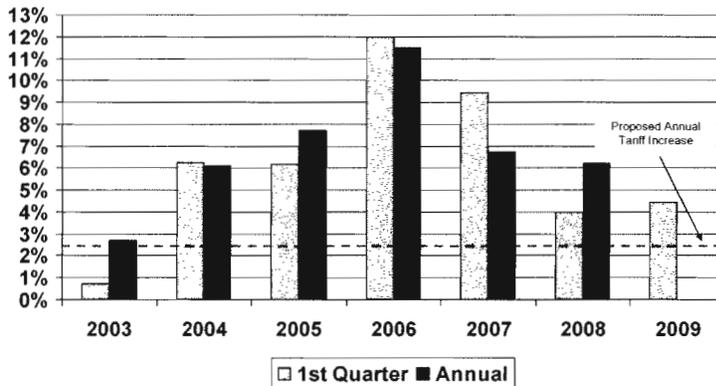
The average Port terminal revenue for containers (across all length ranges and trade routes) is approximately \$482 per loaded box in 2009. The total terminal revenue per box is projected to increase to \$860, mainly as a result of the projected 2.6% average annual tariff escalation. For break-bulk cargo, the average Port revenue (across all cargo types and trade routes) is approximately \$11.46 per ton in 2009, which is projected to increase to \$22.16. See Figure 4-1.

<sup>3</sup> Source: UNESCAP, Comparative Analysis of Port Tariffs in the ESCAP Region, 2002, page 44

**Figure 4-1 – PAG Projected Revenue Increases for Containers and Break-bulk Cargo**



**Figure 4-2 – Consumer Price Index in Guam (percent)**



The consumer price index (CPI) in Guam has averaged more than 6% per year during the past six years. As shown in Figure 4-1, this is substantially more than the projected 2.6% port tariff escalation for breakbulk and containers, respectively.

Source: Bureau of Statistics and Plans, Government of Guam

In addition, the projected tariff increase would have a minimal impact on retail prices. The 2.6% tariff adjustment would increase the port charges for a 40 foot loaded container from the U.S. West Coast by approximately \$378 over current (2009) rates. On a per unit basis, this would increase the cost per unit in 2030 over current levels by:

- Canned Beverages – increase of \$0.0073 per 12 ounce can after 20 years (Virtually no Immediate Impact)
- Canned Spam – increase of \$0.0077 per can after 20 years (Virtually no Immediate Impact)
- Lettuce – increase of \$0.0158 per head after 20 years (Virtually no Immediate Impact)
- Rice – increase of \$0.1658 per 20 pound bag after 20 years (Virtually no Immediate Impact)
- Lumber – increase of \$0.1065 per two-by-four (8 feet long) after 20 years (Virtually no Immediate Impact)

**Table 4-1 – Increases in Retail Costs per Unit**

Item	Canned Beverages (12 ounce can)	Canned Spam (12 ounce can)	Lettuce (heads)	Rice (20-pound bag)	Lumber (two-by-four, 8 feet long)
Increase in port tariff charge in 2030	\$378.00	\$378.00	\$378.00	\$378.00	\$378.00
Units per container	51,744	49,032	24,000	2,280	3,550
Cost increase per unit	\$0.0073	\$0.0077	\$0.0158	\$0.1658	\$0.1065

Source: Port of Guam, Matson Navigation, Hormel, PB Ports, BST Associates

#### 4.4 Increase or Decrease in the Cost of Doing Business on Guam

This section summarizes the impacts of projected tariff increases at the Port of Guam on the cost of doing business in Guam.



#### 4.4.1 Size of the Private Sector in Guam

According to the U.S. Census Bureau<sup>4</sup>, the private sector in Guam had gross sales of \$6.2 billion in 2007, the latest year for which data is available.

**Table 4-2 – Guam Private Sector Economy (2007)**

Sector	Sales (\$1,000s)	Percent of Sales
Utilities	406,976	6.5%
Construction	578,869	9.3%
Wholesale trade	799,845	12.8%
Information	197,574	3.2%
Finance and insurance	466,024	7.5%
Real estate and rental and leasing	201,565	3.2%
Professional, scientific, and technical services	230,912	3.7%
Management of companies and enterprises	7,507	0.1%
Administrative and Support Services	189,912	3.0%
Educational services	11,656	0.2%
Health care and social assistance	245,079	3.9%
Arts, entertainment, and recreation	87,581	1.4%
Accommodation and food services	635,286	10.2%
Other services (except public administration)	180,543	2.9%
Manufacturing	166,790	2.7%
Retail trade	1,618,402	25.9%
Transportation and warehousing	219,946	3.5%
Total Private sector	6,244,465	100.0%

Source: U.S. Census Bureau

As shown in Table 2, the three largest sectors of the economy are:

- Retail trade, which accounts for 25.9% of the private economy
- Wholesale trade, which accounts for 12.8% of the private economy
- Accommodations and food services, which accounts for 10.2% of the private economy

Combined, these three sectors accounted for 48.9% of the private economy in Guam. This is not unexpected because the economy in Guam is dominated by two primary industries: tourism and the military.

The remaining sectors represent the remaining 51.1% of the private economy. Construction, finance and insurance and utilities are the next largest sectors with 9.3%, 7.5% and 6.5% respectively of private sectors sales.

In terms of employment the private sector accounts for approximately 75.4% of total civilian jobs in Guam<sup>5</sup>, with government accounting for the remaining 24.6% in 2008 (the Government of Guam accounts for 18.8%, the Federal government accounts for 5.7% and foreign governments accounted for 0.1%).

<sup>4</sup> Source: 2007 Economic Census of Guam; U.S. Census Bureau, Release Date: 5/29/2009

<sup>5</sup> Source: Guam Department of Labor's Bureau of Labor Statistics



#### 4.4.2 Relative Size of Transport Costs

The cost of transportation in Guam is significantly higher than in the mainland United States due to longer distances traveled and because market is much smaller. This section provides an estimate of the transportation costs in the U.S. and in Guam.

In the United States, the estimated cost of logistics was \$1.3 trillion, representing 9.4% of the U.S. Gross Domestic Product (GDP). Transportation costs via all modes (Intercity trucks, local trucks, railroads, water carriers, oil pipelines and air carriers as well as freight forwarders) accounted for 6.0% of the GDP.

**Table 4-3 – Total U.S. Logistics Cost (billions of dollars in 2008)**

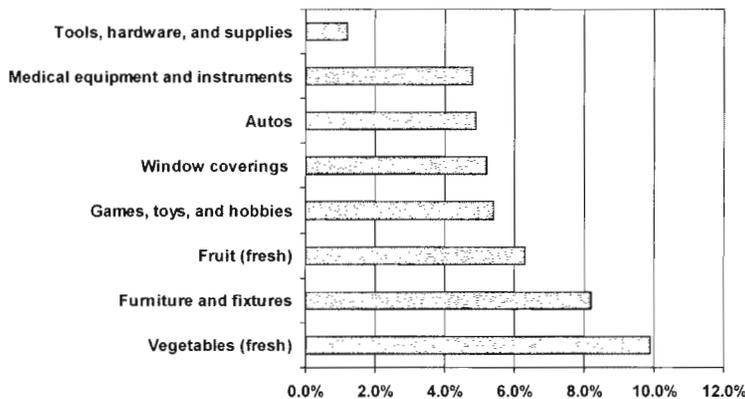
Category	2008	Percent GDP
Inventory Carrying Costs	\$421	2.9%
Transportation Costs	\$864	6.0%
Shipper related costs	\$8	0.1%
Logistics Administration	\$52	0.4%
TOTAL	\$1,345	9.4%

Source: Council of Supply Chain Management Professionals, State of Logistics Report 2008.

The percentage of the transportation cost to the purchaser price (retail price paid by consumers and businesses) varies widely across products, depending on the:

- Value of the product - the lower the product value, the higher the transport costs as a percent of retail prices,
- Cost of transportation - some products (such as chilled and frozen foods) require more expensive refrigerated containers, which results in higher transportation costs, and
- Speed of delivery – time sensitive cargoes (like perishables, apparel, electronics et al) require faster delivery to preserve product quality or meet retail store schedules, which typically increases the transportation cost, among other factors.

**Figure 4-3 – U.S. Transportation Cost as a Percent of Purchaser Price**



As an example, in the U.S.<sup>6</sup>, the cost to transport tools is approximately 1.2% of its price in stores while the cost to transport fresh vegetable is approximately 9.9% of its retail price. See Figure 3.

<sup>6</sup> Source: U.S. Benchmark Input-Output Accounts, 2002; By Ricky L. Stewart, Jessica Brede Stone, and Mary L. Streitwieser, October 2007



As indicated above, due to the distance from suppliers, transportation costs from the U.S. or Asia represent a major cost of doing business in Guam.

The typical retail value of a 40-foot container in Guam is estimated to range from approximately \$30,000 (low) to \$300,000 (high). The cost to transport cost a container from the U.S. West Coast to the business is estimated to cost between \$4,500 (low) and \$7,500 (high) in Guam.

For a cargo of medium value, the total transport cost represents approximately 8% (low) to 14% (high) of the retail value in Guam.

Port charges currently represent only 0.1% to 1.0% of the product's retail value. The additional Port charge (\$235.08 per container in 2030) will increase the retail price of retail goods by only 0.1% to 0.8%. This level of retail price increase will likely have a minimal effect on the cost of doing business in Guam.

**Table 4-4 – Relative Prices and Transport Costs in Guam**

<b>Per Container</b>	<b>Low</b>	<b>Mid</b>	<b>High</b>
Estimated retail value (typical)	\$30,000	\$100,000	\$300,000
Transportation cost (typical)			
Low	\$4,500	\$4,500	\$4,500
High	\$7,500	\$7,500	\$7,500
Transport cost % of retail value			
Low	15%	8%	2%
High	25%	14%	3%
<b>Impact of Port Charges of Retail Value</b>			
Current Port charge (40 foot container USWC)	\$300.75	\$300.75	\$300.75
Port charges as % of Retail Price	1.0%	0.3%	0.1%
Increase in Port charges per container (2030)	235.08	235.08	235.08
Impact on retail prices over 20 years (percent)	0.8%	0.2%	0.1%

Source: BST Associates, PB Ports, U.S. Department of Commerce, U.S. Census Bureau.

## **4.5 Direct & Indirect Impact on Guam Employment**

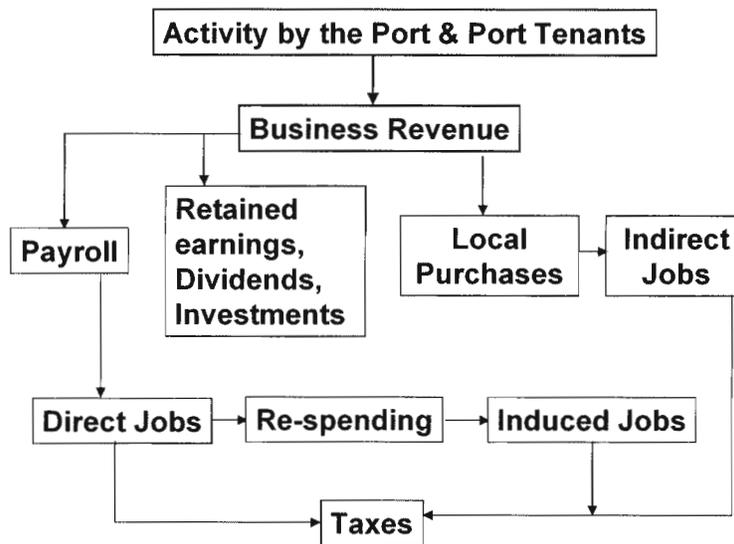
This section summarizes the economic impacts of planned improvements at the Port of Guam on employment and income in Guam both during construction and afterward.

### **4.5.1 Methodology**

The flow of economic activities is described in Figure 4. Economic activity generated by the Port and its tenants creates business revenues, which in turn, creates spending on payrolls for people working directly for the firm, retained earnings/dividends/investments and local purchases of supplies, materials, and outside labor. The local purchases by firms create indirect jobs. Payroll for direct employees creates additional expenditures, which creates induced jobs.



**Figure 4-4 – Flow of Impacts**



BST Associates prepared an economic impact model tailored to Guam using the following data sources: U.S. Census Bureau Economic Census of Guam (2007) and the Guam Department of Labor (2008) in order to identify the direct impacts from construction and operations. Key variables included:

- Revenue/sales by type of business,
- Payroll/income as a percentage of sales,
- Employment and average wage rates.

The process for estimating total economic impacts included evaluations of other economic impact studies conducted in Guam and at several port authorities. Sources included:

- Final Environmental Impact Statement Establishment and Operation of an Intelligence, Surveillance, Reconnaissance, and Strike Capability Andersen Air Force Base, 2006
- Guam Tourism Economic Impact Study by Global Insight, May 2007,
- Economic Contribution Study A.B. Won Pat Airport, Guam, by Jacobs Consultancy June 2007
- Guam Power Authority Presentation to Standard & Poor's June 6, 2007
- Economic Impact reports for the U.S. ports of Seattle, Tacoma, Oakland, and the Australian ports of Mackay, Gladstone and Sydney.

Economic impacts include direct, indirect and induced effects. These are defined as:

- Direct effects are the changes in sales, income and jobs in those business or agencies that directly receive the spending.
- Secondary effects include both indirect and induced effects. These result from circulation of the initial spending through the local economy and are captured by the multipliers.
- Indirect impacts refer to expenditures by businesses on outside goods and services.

- Induced impacts refer to purchases based on the employment earnings from direct and indirect economic activities. As wages are paid out, workers' families spend their income on a wide array of goods and services, much of which are supplied by the local economy.
- Total impacts incorporate the sum of direct, indirect, and induced impacts.

It is important to note that these effects are limited for any region because of spending "leakages" at each round of inter-industry and household purchases. That is, the goods and services required at each stage are partly purchased from outside the study area, thus reducing the total supplies provided locally.

#### 4.5.2 Construction Impacts

This section provides an estimate of construction-related economic impacts. It should be emphasized that these impacts occur during actual construction, and end after construction is completed.

As documented elsewhere in this report, the first and second phases of the construction project at the Port of Guam are expected to cost \$206.9 million in 2010\$, and will be accomplished between 2010 and 2013.

During the course of construction (2010 through 2013) the project will generate direct impacts of:

- Income - \$40.1 million in total or approximately \$10.0 million per year during construction,
- Employment – 1,366 full time equivalent workers (FTEs) in total or approximately 342 FTEs per year during construction.

Including direct, indirect and induced impacts, the project will generate total impacts of:

- Income - \$45.8 million in total or approximately \$11.4 million per year during construction,
- Employment – 1,675 jobs in total or approximately 419 FTEs per year during construction.

Details are provided in Table 4-5.

**Table 4-5 – Construction Impacts of PAG Improvements (2010)**

Item	Direct Impacts	Total impacts	Multiplier
Sales	206,920,000	248,264,000	1.20
Wages/income			
Total for all years 2010 through 2013	40,102,000	45,794,000	1.14
Annual (Per Year)	10,025,500	11,448,500	1.14
Employment			
Total for all years 2010 through 2013	1,366	1,675	1.23
Annual (Per Year)	342	419	1.23

#### 4.5.3 Annual Operations Impacts

After construction is completed, the Port will be able to handle more cargo than before, which creates additional economic impacts in Guam.

In the development of the Financial Plan for the Port of Guam, PB Ports developed a detailed model of Port terminal-related activities, including:



- Stevedoring (unloading cargo from the ships)
- Terminal operations
- Equipment maintenance and repair
- Terminal management
- Terminal security
- Port management and administration, among other activities

BST Associates estimated the number of jobs associated with other cargo-related activities, including:

- Vessel activities such as bunkers, stores, tugs, etc.
- Government of Guam activities (Customs and Immigration)
- Truck transportation to/from the Port
- Warehousing and storage

As shown in Figure 4-5, jobs are created by the vessel/cargo related activities, Government (Customs, Immigration et al) and trucking/warehousing. This includes both public and private sector jobs. The peak occurring in the period 2011 to 2016 is related to construction activity. As construction is completed, the number of jobs decreases slightly and then grows steadily in response to continued population and economic activity. It should also be noted that the number of jobs created by port activities increases significantly from current operations throughout the study period.

**Figure 4-5 – Direct Employment from Port of Guam Operations (Number of Jobs)**

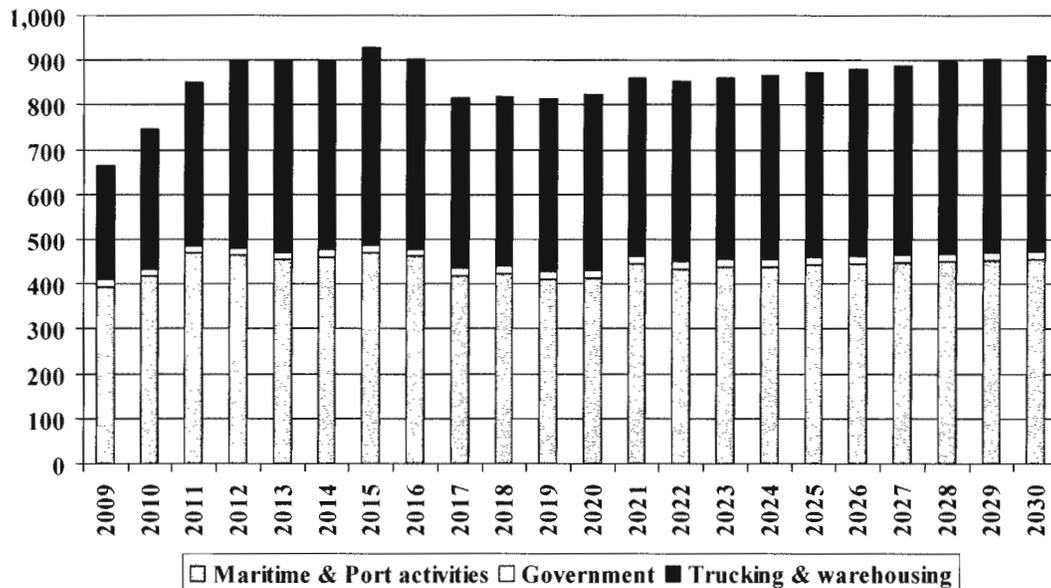


Table 4-6 summarizes the economic impacts from operations at the Port of Guam by comparing existing levels of activity with the average level of activity experienced during the study period.



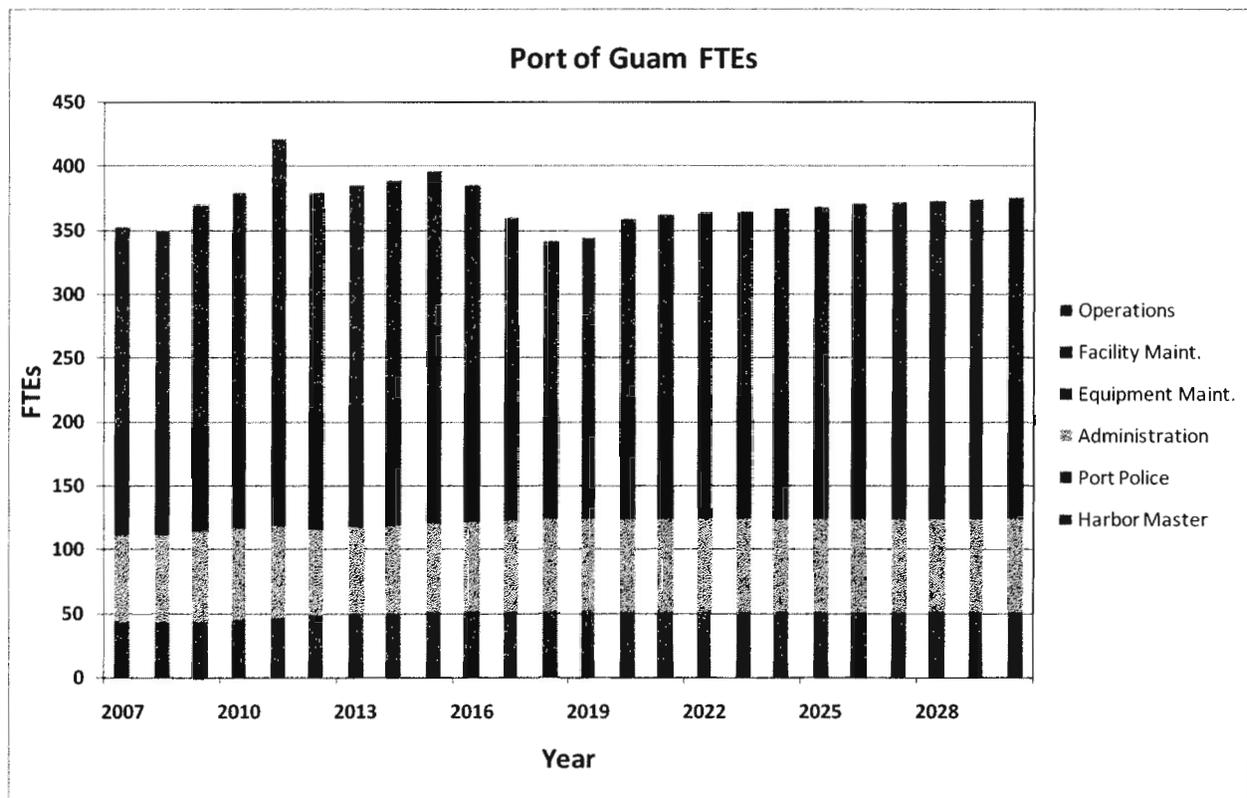
Direct revenues associated with the activities by the Port of Guam (charges for cargo handling) and other private firms engaged in the Port-related supply chain (tugs, warehousemen, truckers etc) were estimated at \$53.0 million in 2009. During the average year from 2009 to 2030, inflation adjusted revenues<sup>7</sup> are estimated at \$74.8 million or \$23.1 million more than in 2008. This is 44.8% increase over existing operations.

With respect to employment:

- Direct employment is expected to increase from approximately 655 jobs at present to 857 jobs in the average year (2009-2030) resulting in an increase of 201 jobs on average, which is a 30.8% increase.
- Total employment is expected to increase from approximately 1,053 jobs at present to 1,377 jobs in the average year (2009-2030) resulting in an increase of 324 jobs on average, which is a 30.8% increase.

Figure 4-6 presents projections of the breakdown of direct employment by the Port. The jobs are included in the light blue bars depicted in Figure 4-5 for "Maritime & Port Activities". It provides detail projections of employment for Operations, Facility Maintenance, Equipment Maintenance and Administration over time.

**Figure 4-6 Port Authority of Guam Employment**



<sup>7</sup> An inflation factor of 3.0% per year was used throughout the study period (2009 to 2030)



With respect to income:

- Direct income is expected to increase from approximately \$21.6 million at present to \$28.6 million in the average year (2009-2030) resulting in an increase of \$7.1 million on average, which is a 32.8% increase.
- The average wage in Port-related activities is \$32,930, which is approximately 52% higher than the average wage in Guam.
- Total income is expected to increase from approximately \$39.0 million at present to \$51.7 million in the average year (2009-2030) resulting in an increase of \$12.6 million on average, which is a 32.8% increase.

**Table 4-6 – Economic Impacts of PAG Operations**

Economic Impacts	Existing (2008) \$Mil	Average Year (2009-2030) \$Mil	Additional Revenues \$Mil	% Increase
Revenues (millions)				
Direct	\$51.6	\$74.8	\$23.1	44.8%
Employment				
Direct	654.9	856.7	201.8	30.8%
Total	1,052.6	1,376.9	324.3	30.8%
Income (millions)				
Direct	\$21.6	\$28.6	\$7.1	32.8%
Total	\$39.0	\$51.7	\$12.8	32.8%

Source: BST Associates, PB Ports, various sources.

## 4.6 Other Adverse or Beneficial Economic Impacts

The redevelopment of the Port of Guam will facilitate development of several projects by the Department of Defense (DOD). This includes the construction valued at approximately \$15 billion and introduction of approximately 12,510 new active duty personnel and 11,450 dependents. This will generate substantially greater economic impacts for the citizens of Guam. These impacts were not quantified as a part of this analysis. The Port of Guam has been identified "a choke point in the flow of material and equipment for this DOD build-up on Guam."<sup>8</sup> If the proposed Port improvements are not made, the Port will not have the capacity to support the approximate \$15 billion DOD program. Thus, completion of the Port improvements will enable creation of anticipated tens of thousands of construction and permanent jobs associated with the DOD program. Estimating the economic impacts of the DOD program was not included in the scope of this analysis.

<sup>8</sup> Source: General Bice, Joint Guam Program Office, Guam Industry Forum 2007

# **Appendix 1    Scope of Work**

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This Appendix describes the Consultant's Scope of Work for performing this master plan update.



## Port Authority of Guam (PAG)

### Owners Agent/Engineer Consultant Agreement

## Master Plan Approval Documents

### Scope of Services

#### Introduction

PAG wishes to apply for a low interest loan which is potentially available through a USDA program in order to fund the Port Improvement Program. A blending of two or more types of loan programs to support funding up to a \$50 Million in loans with average rates of 4% to 4.5% with long terms would be available under recently passed Federal legislation. However in order for PAG to apply for and execute this loan must obtain approval from the legislature for the Port Master Plan completed in 2008. The legislature requires the following documents from PAG in order to consider approval of the Master Plan. Accordingly, PAG requested the OAE to submit this proposal to prepare the following documents.

- High Level Implementation Plan
- A Financial Plan
- An Economic Impact Statement

These documents would have to be prepared in draft from within 30 days of receiving a notice to proceed from PAG. This would be followed by refinement and adjustment by PAG and key stakeholders and will be then be followed by presentations to key legislators. Accordingly the OAE proposes to perform the following work activities.

#### High Level Implementation Plan

The OAE is currently working on an implementation plan under Task Order 1. However this detailed Implementation Plan is dependent on a number of parallel field and preliminary design development activities that are not expected to be completed for several weeks.

#### Purpose

This task fulfills one of three requirements necessary for the Legislature of Guam to approve the Port Authority of Guam's Master Plan expansion and apply for a \$50 million USDA loan to partially finance the expansion. In addition to the Master Plan itself, a financial plan, an implementation plan and an economic impact statement are needed for legislative action. The work performed under this task will provide an interim implementation plan based on a high-level analysis using assumptions based on the information currently available to OAE.

#### Assumptions

The implementation plan will be prepared using the following assumptions:

- Expansion area to the east of the terminal can be permitted in a reasonable time frame without a PAG directed EIA or EIS process.
- A categorical exclusion can be obtained for modernization of the wharves F-4, F-5 and F-6.
- Construction of F-7 would be deferred.
- Cargo forecast as prepared in the 2008 Master Plan would be assumed.
- It would be assumed that ship service can be performed using the above berth arrangement for the master plan based cargo forecast.

TO No. 8 Master Plan Approval Documents



## Port Authority of Guam (PAG)

### Owners Agent/Engineer Consultant Agreement

- o Other facility items and capital cost estimates would be as described in the master plan.

#### Specific Tasks

Individual subtasks for this element include:

- o Startup – Review of the existing master plan documents and agree on assumptions for implementation based on discussions with PAG.
- o Develop a brief schedule based on the most current information and assumptions.
- o Modify Master Plan a cost estimate.
- o Report – Prepare a brief draft report and a layout drawing documenting the essential elements of the implementation plan; review the plan with PAG; prepare a final report.

#### A Financial Plan

##### Purpose

This task fulfills one of three requirements necessary for the Legislature of Guam to approve the Port Authority of Guam's Master Plan expansion and apply for a \$50 million USDA loan to partially finance the expansion. In addition to the Master Plan itself, a financial plan, an implementation plan and an economic impact statement are needed for legislative action. The work performed under this task will provide a financial plan including a specific financing/funding plan for the Master Plan expansion; specific operating assumptions including operating cost measures and tariff surcharges/increases; and an analysis of the long-term financial outlook for PAG under the proposed development, financing, funding and operating approach.

##### Assumptions

The financial plan will be prepared using the financial model developed for the Financial Feasibility Study (FFS) completed in 2008. The plan will be based on the following assumptions:

- o Financial model calibrated to PAG's 2007 actual financial results (not updated to 2008 actuals).
- o Cargo forecast based that in the 2008 FFS (not updated based on the most recent DOD estimates).
- o \$195 million Master Plan capital improvement program (CIP), modified to reflect known, assumed or anticipated changes since its completion, such as time-deferred development of Berth F7 if applicable and revised crane assumptions based on the Matson/Horizon cranes.
- o Financing/funding of the program to come from a \$50 million USDA loan with a maximum 40-year term and 4% to 4.5% annual interest rate with the balance from Federal grants and/or supplemental appropriations.
- o Implementation of an across-the-board construction surcharge on all cargo during the CIP construction period if directed by PAG.
- o Long-term tariff increases as need to maintain PAG cash flow after maintenance and replacement capital requirements.
- o Other assumptions as those previously modeled in the FFS to be discussed and directed by PAG upon commencement of work.

TO No. 8 Master Plan Approval Documents

3



## Port Authority of Guam (PAG)

### Owners Agent/Engineer Consultant Agreement

#### Specific Tasks

Individual subtasks for this element include:

- Startup – Review of the existing FFS and financial model; identification of key issues for review with PAG, such as staffing, PMC and crane assumptions; review with PAG.
- Model Revision/Reprogramming – Revise and reprogram the FFS model to address extension of the analysis time frame to new terms as provided by USDA loan financing; revise crane acquisition assumptions; revise grounded/wheeled operating assumptions as needed; incorporate an across-the-board construction tariff surcharge if directed by PAG; revise PMC assumptions as directed; verify or modify other model assumptions and input variables as needed.
- Scenario Analysis & Plan Definition – Develop and analyze the scenario with the assumptions as directed by PAG.
- Report – Prepare a brief draft report documenting the essential elements of the PAG Master Plan Financial Plan; review the plan with PAG; prepare a final report.

#### Economic Impact Assessment

##### Purpose

This task fulfills one of three requirements necessary for the Legislature of Guam to approve the Port Authority of Guam's Master Plan expansion and apply for a \$50 million USDA loan to partially finance the expansion. In addition to the Master Plan itself, a financial plan, an implementation plan and an **economic impact statement** are needed for legislative action.

5 GCA Chapter 9 § 9301 requires that any changes related to rules, regulations or fee increases are required to be accompanied by an economic impact statement at the time they are submitted for review and approval by the Governor and the Legislature. The economic impact statement will address:

- The purpose and the need for the rule or regulation;
- The financial impact of the proposed rule or regulation;
- Any potential increase or decrease in the cost of living on Guam;
- Any direct or indirect impact upon employment on Guam;
- Any increase or decrease in the cost of doing business as an enterprise or industry on Guam;
- Any adverse or beneficial economic impact which is attributable to the proposed rule or regulation.

##### Methodology/Assumptions

The economic impact assessment will be based on the following methodology and assumptions:

- The purpose and need for the proposed rule or regulation will be described in this study. (Item 1 above)
- The financial impact of the proposed project will be evaluated during the financial plan update, which is being undertaken in conjunction with this economic impact assessment. The financial results will determine the rate increases by commodity handling group during and after construction. (Item 2)

TO No. 8 Master Plan Approval Documents



## Port Authority of Guam (PAG)

### Owners Agent/Engineer Consultant Agreement

- o The potential increase or decrease in the cost of living on Guam will be evaluated based upon the impact of potential tariff increases on retail prices in Guam. It will build on the analysis of specific products evaluated in the Master Plan, which included an assessment of potential retail price increases caused by assumed tariff increases for the following products: canned beverages, canned spam, lettuce, rice and lumber. This task will include an assessment of total estimated cost increases for the average consumer in Guam. (Item 3)
- o The economic impact will also assess the potential impact on the cost of doing business in Guam. This will include an assessment of potential tariff increases on typical business-related expenditures in Guam for selected types and sizes of businesses. (Item 5)
- o The proposed project will enable additional cargo volumes to occur in Guam than would not be possible without the improvements. This study will estimate the direct and indirect impact on employment as a result of the port development project. The number of employees at the terminal will come from the updated financial model. The other associated transportation-related employment impacts will be estimated based upon a review of trucking, distribution and other related sectors. The employment impacts will be presented separately for construction buildup and post-construction periods. Multiplier effects (indirect and induced effects) will be estimated based on the recent economic impact study for the airport (Item 4)
- o The economic impact assessment will also evaluate all other. Positive and negative impacts associated with the port development project (Item 6).

#### Specific Tasks

Individual subtasks for this element include:

- o Startup – Review of the existing studies; identification of key issues for review with PAG, such as tariff increases; review with PAG.
- o Model Development – Prepare a spreadsheet model that estimates economic impacts on the cost of living for consumers and businesses as well as an estimate of direct and indirect employment associated with the project during and after construction.
- o Report – Prepare a brief draft report documenting the essential elements of the PAG Economic Impact Assessment; review the results with PAG; prepare a final report.
- o One trip for presentations to PAG and legislative representatives is included in this proposal

#### Time Frame

Draft report to be completed within 45 days of Notice to Proceed; final report within 10 days of receipt of all comments from PAG.



END OF REPORT

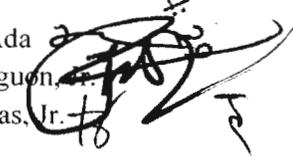


I MINA'TRENTA NA LIHESLATURAN GUÅHAN  
2009 (FIRST) Regular Session

Bill No. 30-178(c or)

Introduced by:

T. C. Ada  
F.B. Aguon, Jr.  
F.F. Blas, Jr.



2009 JUL 14 PM 4:30

**AN ACT TO APPROVE THE JOSE D. LEON GUERRERO  
COMMERCIAL PORT OF GUAM MASTER PLAN UPDATE  
2007 REPORT.**

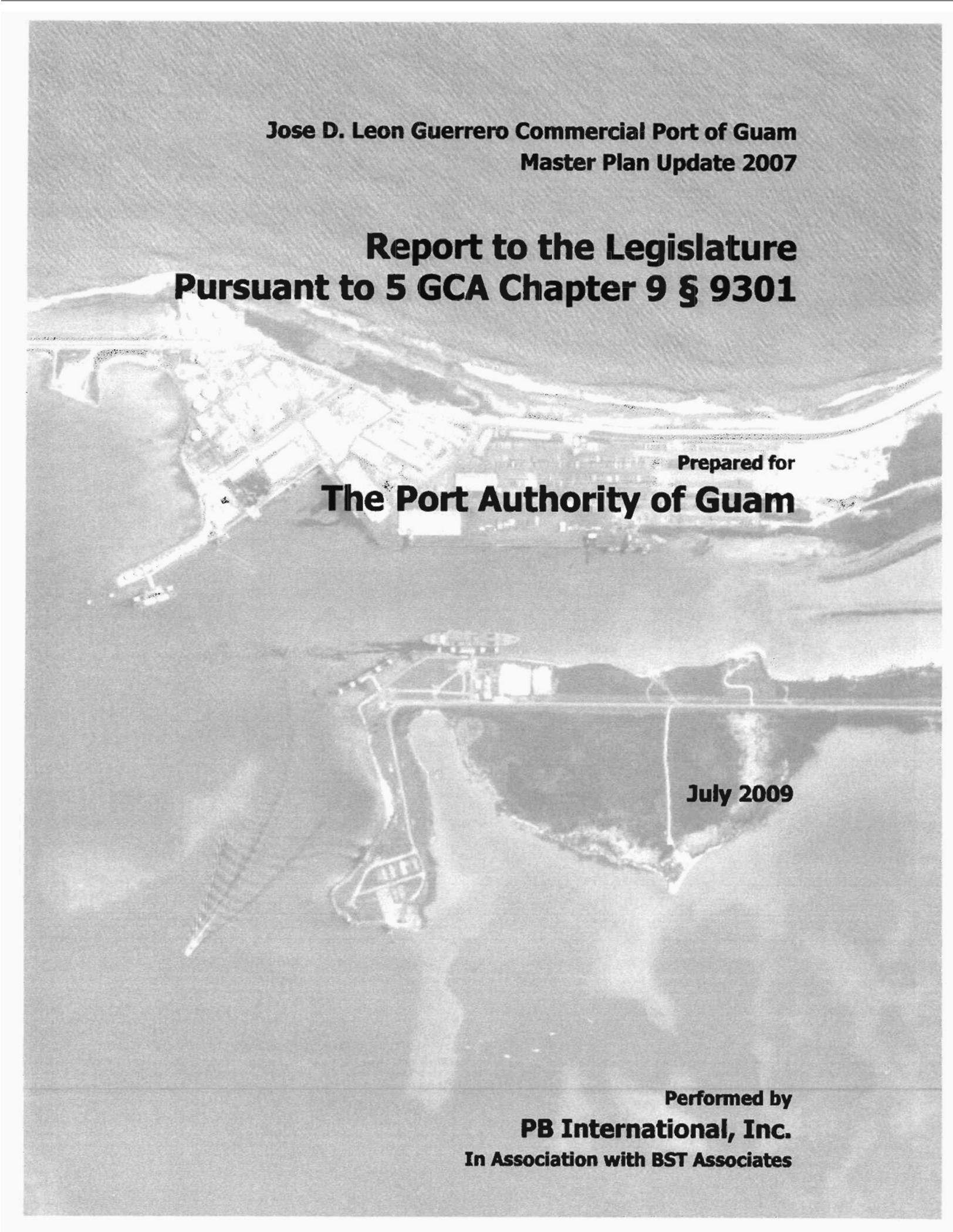
1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings and Intent.** On December 13, 2008, *I Mina' Bente Nuebi Na*  
3 *Liheslaturan Guåhan* and *I Maga'lahaen Guåhan*, by passage of Public Law 29-125, conditionally  
4 approved the Port Master Plan Update 2007 Report subject to *I Liheslatura*'s subsequent approval of the  
5 Financial Feasibility Plan, the Implementation Plan, and the Economic Impact Statement to be submitted  
6 by the Board of Directors of the Jose D. Leon Guerrero Commercial Port. Said documents identify viable  
7 funding sources, establish a prioritization of construction projects, and classify projects according to  
8 whether it is for the Port's organic growth or for the expected military build up associated with the  
9 proposed relocation of U.S. Marine Corps troops from Okinawa to Guam. Furthermore, the Economic  
10 Impact Statement finds that capital improvements to the Port of Guam will provide employment  
11 opportunities and lower operating costs through the improvement of overall efficiencies, resulting in  
12 minimal increases in costs for residents and businesses.

13 On July 8, 2009, The Board of Directors of the Port of Guam passed a motion to approve and  
14 present the Financial Feasibility Plan, the Implementation Plan, and the Economic Impact Statement to *I*

1 *Liheslaturan Guåhan*. Subsequently, on July 14, 2009, the Port Authority of Guam transmitted to *I*  
2 *Liheslaturan Guåhan* the Financial Feasibility Plan, the Implementation Plan, and the Economic Impact  
3 Statement for the Port Master Plan Update 2007 Report as required by Public Law 29-125. Having  
4 reviewed these submissions, *I Liheslaturan Guåhan* finds the provided information sufficiently  
5 demonstrates that the Port Authority of Guam has the ability, planning and resources to implement the  
6 proposed modernization initiatives, and as such, *I Liheslaturan Guåhan* intends to fully approve the  
7 proposed modernization plan of the Jose D. Leon Guerrero Commercial Port.

8           **Section 2. Master Plan Approved.** The Jose D. Leon Guerrero Commercial Port Master Plan  
9 Update 2007 Report, as supplemented by the Financial Feasibility Plan, Implementation Plan, and  
10 Economic Impact Statement submitted on July 14, 2009, is found sufficient in meeting the requirements  
11 of P.L. 29-125, and is hereby approved.



**Jose D. Leon Guerrero Commercial Port of Guam  
Master Plan Update 2007**

**Report to the Legislature  
Pursuant to 5 GCA Chapter 9 § 9301**

Prepared for  
**The Port Authority of Guam**

**July 2009**

Performed by  
**PB International, Inc.**  
In Association with BST Associates

**Jose D. Leon Guerrero Commercial Port of Guam  
Master Plan Update 2007**

**Report to the Legislature  
Pursuant to 5 GCA Chapter 9 § 9301**

Prepared for  
**The Port Authority of Guam**

**July 2009**

This study report was prepared under contract with the Port Authority of Guam, Government of Guam on behalf of the United States Territory of Guam

Performed by  
**PB International, Inc.**  
In Association with BST Associates



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## Abbreviations

CAPEX	Capital Expenditure
CFS	Container Freight Station
CIP	Capital Improvement Program
CIS	Container Inspecting Station
DOD	Department of Defense
DPW	Department of Public Works
FY	Fiscal Year
GEDCA	Guam Economic Development and Commerce Authority
GPA	Guam Power Authority
GRT	Gross Revenue Tons
IRR	Internal Rate of Return
JDLG	Jose D. Leon Guerrero
JGPO	Joint Guam Program Office
IRR	Internal Rate of Return
JDLG	Jose D. Leon Guerrero
LT	Long Ton
MARAD	Federal Maritime Administration
MT	Metric Tons
MT	Empty Boxes
NEPA	National Environmental Policy Act
NPV	Net Present Value
OOG	Oversized (Out Of Gage) Boxes



## **Port Authority of Guam**

*Jose D. Leon Guerrero Commercial Port Master Plan Update 2007*

### **Report Pursuant to 5 GCA Chapter 9 § 9301**

OEA	Office of Economic Adjustment, Department of Defense
OIA	Office of Insular Affairs
PAG	Port Authority of Guam
PMC	Performance Management Contract
PMT	Project Management Team
PMX	PANAMAX
PPMX	Post PANAMAX
RFP	Request for Proposals
SDDC	Military Surface Deployment and Distribution Command
ST	Short Ton
TEU	Twenty Equivalent Unit
TGS	Twenty Foot Ground Slot
USACE	U.S. Army Corps of Engineers
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
USWC	U.S. West Coast



# Executive Summary

## Introduction

The Port Authority of Guam (PAG or the Port) Jose D. Leon Guerrero Commercial Port Master Plan Update 2007 (Master Plan) final report was approved by the Board of Directors of the Port and was forwarded to the Governor's office in April 2008 for approval by the Governor and the Legislature of the Territory of Guam. On December 15, 2008 (PL 29-125) the Legislature awarded conditional approval of the Master Plan and asked the Port to submit the following for final legislative approval of the Master Plan:

- An Implementation Plan,
- a Financial Plan and
- an Economic Impact Statement pursuant to 5 GCA Chapter 9 § 9301

The Port facilities were designed and put into service in 1969, and have not undergone a major modernization since that time. The Port serves the needs of not only Guam but also the entire Micronesian Region for which it is a transshipment hub. Over 90% of the day-to-day goods and supplies consumed by the population in Guam and the region pass through the Port.

On February 17, 2009 an agreement was endorsed between the government of Japan and the government of the United States concerning the relocation of Marine Expeditionary Force personnel and their dependents from Okinawa to Guam. Demands for cargo movement during base construction, increased military population after construction and future organic growth in the region served by the Port are expected to put considerable demands on the Port which it cannot support in its current condition and configuration. Cargo volumes are projected to start increasing significantly by 2012. It is imperative that the Port immediately begin the facility modernization and improvements needed to meet these projected demands in an environmentally acceptable manner.

Approval by the Legislature is needed so that the Port can put in place the funding and financing mechanism for execution of the Port modernization program.

## Implementation Plan

Figure 2-4 Terminal Phasing & Staging Diagram for Implementation depicts the physical phasing and staging of facility modernization described in the Master Plan.

PHASE I		PHASE II
First Stage I-A (2010-2012)	Second Stage I-B (2011-2013)	2030/2031
Focus is on productivity and efficiency improvements with shorter lead time for permitting such as new equipment, systems and buildings, plus upland terminal modernization and new yard capacity.	Emphasis is on structural refurbishment of existing docks (F4, F5, F6) with longer lead for permit approvals, modernization of the existing terminal areas to the west, and acquisition of cranes.	Emphasis is on a new berth (F7) and additional terminal capacity to the east to meet long-term organic growth.



A detailed facility-by-facility implementation plan is set forth in Table 2-2, Facility Phasing & Implementation Detail, in Section 2. A Gantt-chart schedule for implementation of the Phase I modernization program complete with legislative, funding and financing milestones is presented in Figure 2-6, Phase I Implementation Plan Schedule, in Section 2.

The total improvement cost for the plan, in 2010 dollars, is estimated to be \$261,200,000. By phase and year, the cash flow (CF) requirements to implement the plan are:

CF BY PHASE (\$2010)	2010	2011	2012	2013	2031	TOTAL
Phase I	\$ 18,296,000	\$ 75,640,000	\$ 91,876,000	\$ 21,108,000	\$ -	\$ 206,920,000
Phase II	\$ -	\$ -	\$ -	\$ -	\$ 54,280,000	\$ 54,280,000
	\$ 18,296,000	\$ 75,640,000	\$ 91,876,000	\$ 21,108,000	\$ 54,280,000	

**Financial Plan**

Phase 1, totaling \$206,920,000, will be financed and funded by a combination of PAG borrowing, private investment from a PMC, and Federal sources, specifically:

BORROWING BY PAG	PMC INVESTMENT	FEDERAL SOURCES
<b>Up to \$54,500,000</b>	<b>Up to \$4,400,000</b> (Max investment projected for future PMC proposals)	<b>\$156,920,000</b>
USDA loan/guarantee package; 20-year term, 4.725% blended interest rate; 1.6 coverage factor (1.25 by covenant + 0.35 for comfort).	Upfront investment in terminal equipment or operating system (actual investment will be based on PMC proposals & negotiations later in 2009). Borrowing by PAG can be reduced by amount invested by PMC after a PMC agreement is signed.	Federal grants & appropriations, including a \$50,000,000 ARRA grant in FY 2010, and other grants and appropriations of \$106,920,000 in FY 2012 and 2013. Any shortfall in necessary 2012/2013 Federal funding will be offset by a negotiated Capital Recovery Charge (CRC) assessed by PAG on military related cargo volumes.
Tariff increases are needed to support PAG's borrowing capacity & coverage requirements, estimated as follows: 3.4% (2010); 2.8%/yr. (2011-2020); 2.4%/yr. (2021-2030)	PMC also responsible for future terminal equipment replacement costs estimated at \$20 million (2010\$) over 20 years.	No CRC will apply if the above Federal obligation of \$156,920,000 is fulfilled. CRCs of up to \$270/container and \$8.50/ton on break-bulk military related cargo will recover the full FY 2012/2013 Federal obligation of \$106,920,000 (2010\$).

The \$156,920,000 to be supported by Federal funds is commensurate with the impact and requirements needed to support the Federal Defense Posture Realignment Initiative base relocation program in Guam. The remainder of some \$54,500,000 needed for the improvements is commensurate with the resources attributable to Guam.

PAG's contribution will not exceed \$54,500,000, which the citizens of Guam will support through tariff increases over time. Upon approval of the Master Plan, PAG will seek to borrow the full \$54,500,000 amount through the USDA. This obligation will be reduced in the future by the initial investment from a PMC upon execution of a PMC agreement. The pre-application for the ARRA grant has already been submitted; the final decision will come in December and initial indications regarding approval are favorable. Financing and funding for Phase II will be addressed at the time those improvements are needed in the future.

### **Economic Impact Statement**

The economic impacts of the redevelopment of the Port of Guam are positive, resulting in minimal increases in costs for residents and businesses as well as increasing employment opportunities and income both during and after construction.

The Master Plan improvement program will result in numerous positive financial impacts on the Port Authority of Guam and leave 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

Redevelopment of the Port will have a minimal negative impact on the cost of living in Guam.

- The projected tariff increases of 2.6% per year between 2009 and 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.
- The projected tariff increase will have a minimal impact on retail prices. Our analysis shows that the projected rate increases over a 20-year period would amount to a total increase of less than \$0.01 for a twelve ounce can of soda or a can of Spam over 20 years.

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 (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.
- However, 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.

Redevelopment of the Port will provide an economic stimulus both during and after construction.



### **Jobs & Income Impact on Guam from Construction of the Master Plan**

Construction of Phase I of the redevelopment project is estimated to cost \$206.9 million (2010\$). The impact on income and jobs throughout Guam resulting from the four-year construction of the Master Plan improvements is estimated to be:

- Approximately 419 full time jobs per year during a four year construction timeframe, mostly in the private sector.
- Approximately \$11 million per year in associated income in the Guam economy during construction,

### **Jobs & Income Impact on Guam from Ongoing Operation of the Expanded Port**

The operation of the expanded port (after construction) will generate the following impacts throughout the Guam economy, including PAG, other public sector and private sector entities:

- The number of port-driven public and private sector jobs in the Guam economy will increase from approximately 1,053 jobs at present (including jobs at PAG, Customs, private maritime companies, trucking companies, warehousing, etc.) to an average annual level of 1,377 jobs, which is an increase of 324 jobs (30.8%) over current levels. Virtually all of this job growth is attributable to the Master Plan expansion.
- Of the total port-driven jobs, the number of future jobs at PAG ranges from the current level of 350 to as many as 425, an increase of up to 75 jobs depending on the year.
- The direct jobs created by the port are "family wage" jobs with an average income of \$33,000, which is 52% higher than the average job in Guam.
- The total income generated in the Guam economy as a result of the expanded port operation is expected to increase to an average annual level of \$51.7 million, which is a 32.8% increase over current levels.

## **Section 1 Introduction & Background**

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The Port Authority of Guam (PAG or the Port) Jose D. Leon Guerrero Commercial Port Master Plan Update 2007 (Master Plan) final report was approved by the Board of Directors of the Port and was forwarded to the Governor's office in April 2008 for approval by the Governor and the Legislature of the Territory of Guam. The Governor, the Honorable Felix P. Camacho approved the document and forwarded it to the Legislature for approval. On December 15, 2008 (PL 29-125) the Legislature awarded conditional approval of the Master Plan and asked the Port to submit the following for final legislative approval of the Master Plan.

- An Implementation Plan,
- a Financial Plan and
- an Economic Impact Statement pursuant to 5 GCA Chapter 9 § 9301

5 GCA Chapter 9 § 9301 requires that any changes related to rules, regulations or fee increases are accompanied by an economic impact statement for review and approval by the Governor and the Legislature. The economic impact statement shall address:

1. The purpose and the need for the rule or regulation;
2. The financial impact of the proposed rule or regulation;
3. Any potential increase or decrease in the cost of living on Guam;
4. Any direct or indirect impact upon employment on Guam;
5. Any increase or decrease in the cost of doing business as an enterprise or industry on Guam;
6. Any adverse or beneficial economic impact which is attributable to the proposed rule or regulation.

This report presents the information requested by the Legislature. The Consultants Scope of Work that was used as the basis for development of this document is presented in Appendix 1.

## Section 2 Implementation Plan

The Implementation Plan provides the approach, framework and sequencing for overall execution of the recommendations in the Master Plan. Please refer to the report titled "Jose D. Leon Guerrero Commercial Port of Guam, Master Plan Update 2007, dated April 2008" (Master Plan Report).

The Master Plan laid out the overall port development plan that would most importantly serve the commercial waterborne cargo needs of the Territory of Guam and the Micronesia Region over the next twenty years and beyond. Figure 2-2 from the Master Plan Report is presented as a point of reference for the discussions in this report. The Master Plan Report, however, did not address or provide specific details or guidelines on how the recommendations were to be implemented and facilities sequenced for completion over time.

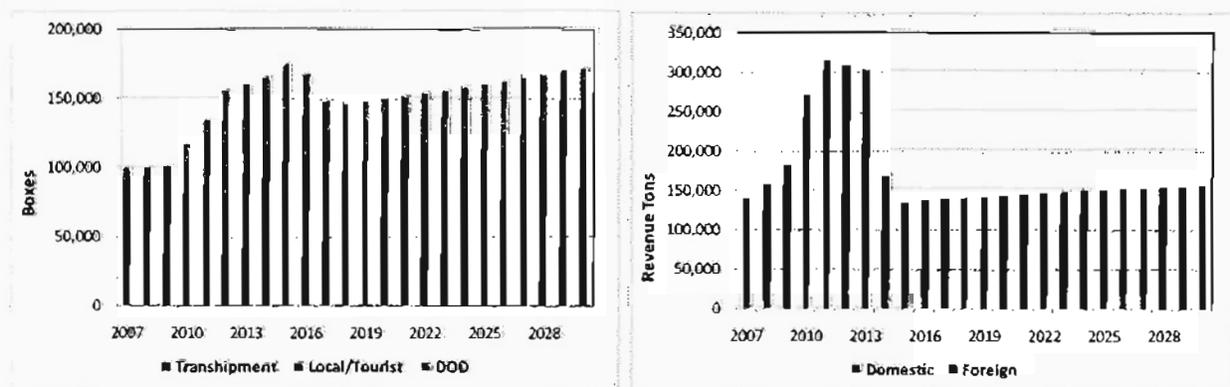
### 2.1 Considerations for Development of the Implementation Plan

The Implementation Plan described in this report submits a plan for executing the Master Plan recommendations and the sequencing of facility completion over time. It was developed in June 2009 using information from the Master Plan Report and updated where more recent information was available for execution of the Master Plan. Some of the key considerations in developing the Implementation Plan are discussed below.

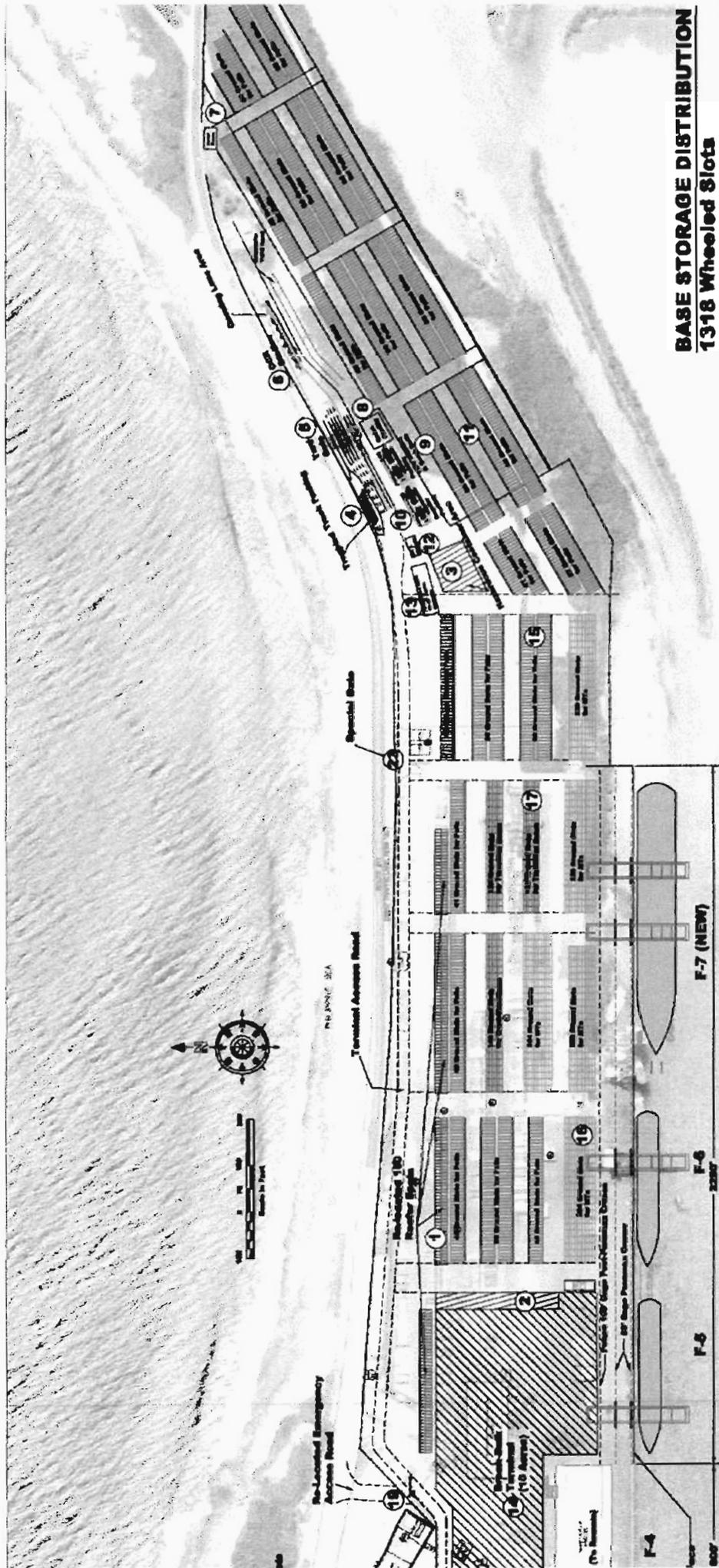
#### 2.1.1 Critical Cargo Demand Considerations

The Master Plan developed and presented a forecast of commercial cargo needs for Guam and the region for 30 years starting from 2008. This consisted of projections due to growth in the population and economy of Guam and the Micronesia Region and the projections provided by the U.S. Military to support its base relocation and expansion programs in Guam. While refinement and updating of the cargo projections for the military is a matter of continuing discussion with the DOD, the Implementation Plan, Financial Plan and Economic Impact Statement presented in this report are based on the cargo forecast presented in the 2008 Master Plan. Figure 2-1 replicates the container and break-bulk cargo forecasts from the Master Plan Report.

**Figure 2-1 – Container & Break-bulk Cargo Forecasts**



Container and break-bulk cargo are expected to increase sharply beginning in 2011 as a result of the DOD's Marine Base buildup construction. Container volumes are expected to peak in 2015 and break-bulk cargo is projected to peak in 2012.



**BASE STORAGE DISTRIBUTION**  
 1318 Wheeled Slots  
 384 Full Grounded Slots  
 1188 MT Grounded Slots

**KEY**

- ▨ Wheeled Slots FEU
- ▨ Transshipment Contain
- ▨ MT: Empty Containers
- ▨ OOG: Oversized Contai
- ▨ Buildings To be Demol

**LEGEND**

- ① MAINTENANCE FACILITY
- ② YARD TRACTORS & BOMB
- ③ CART PARKING
- ④ REGULAR PARKING
- ⑤ OVERFLOW WHEELED STORAGE
- ⑥ CIS & CUSTOMS
- ⑦ FUMIGATION AREA
- ⑧ CRUISE PASSENGER BUS TURNAROUND
- ⑨ BREAK-BULK TERMINAL
- ⑩ WHEELED STORAGE
- ⑪ MT STORAGE
- ⑫ GROUNDED STORAGE
- ⑬ FISHING VESSELS & CRUISE SHIP AREA
- ⑭ EMERGENCY EXIT
- ⑮ ACCESS TO FISHING & CRUISE BERTH
- ⑯ SPECIAL GATE - USE FOR HEAVY LOADS ONLY

**LEGEND**

- ① REFER STORAGE
- ② OO STORAGE
- ③ ALABOUGH STORAGE
- ④ ROULED TRUCK PARKING
- ⑤ CR STATION
- ⑥ YARD HOUSE
- ⑦ XPAND ADMIN BUILDING
- ⑧ MAINTENANCE FACILITY
- ⑨ YARD TRACTORS & BOMB
- ⑩ CART PARKING
- ⑪ REGULAR PARKING
- ⑫ OVERFLOW WHEELED STORAGE
- ⑬ CIS & CUSTOMS
- ⑭ FUMIGATION AREA
- ⑮ CRUISE PASSENGER BUS TURNAROUND
- ⑯ BREAK-BULK TERMINAL
- ⑰ WHEELED STORAGE
- ⑱ MT STORAGE
- ⑲ GROUNDED STORAGE
- ⑳ FISHING VESSELS & CRUISE SHIP AREA
- ㉑ EMERGENCY EXIT
- ㉒ ACCESS TO FISHING & CRUISE BERTH
- ㉓ SPECIAL GATE - USE FOR HEAVY LOADS ONLY



### **2.1.2 Timeframes for Obtaining Environmental Clearances**

The program must comply not only with Guam environmental regulations but also the Federal National Environmental Policy Act (NEPA). The steps and processes necessary to comply with these regulations such as data collection and field studies, execution of Environmental Impact Assessments or Statements and obtaining clearances have considerable impact on the time needed for implementation.

The timeframes needed to obtain clearance can vary considerably depending on the type and form of facility component. For example, the time frames needed to comply with environmental regulations for construction of new facilities in the marine environment can be extensive if there is a significant impact on the existing undisturbed marine environment or habitat. On the other hand the time frames needed to obtain clearances for upgrading existing operating facility components are often less extensive.

### **2.1.3 Impact of Construction Activities on Port Operations**

Over 90% of the day-to-day goods and supplies consumed in Guam and the region pass across the docks at the Port's commercial cargo terminal. Thus cargo operations cannot be interrupted by facility construction activities. Service to the various shipping lines calling at the terminal must be provided in a timely fashion during the modernization program.

### **2.1.4 Financing and Funding**

The schedule and time needed to put in place the financing and funding cash flows that can support facility modernization and construction are also a consideration for any implementation program. The implementation plan also considered the need to phase in facility capacity over time as needed to support cargo demand and yet have access to the needed mix of financing and funding. The time needed to make the case for the justifiable basis for Federal funding was also considered.

### **2.1.5 Phasing & Sequence of Facility Components**

All of the above and other considerations must be weighed within the context that peak cargo demands for the years 2012 to 2016 (See Figure 2-1) from the Master Plan forecast remain unchanged and therefore the plan must make up more than one year of time that had elapsed since completion of the Master Plan.

The sequencing and mix of specific key facility components were selected to provide the best opportunity to bring them online in time so that the operational efficiencies to support the above referenced cargo-flows are in place. In general the Implementation Plan presented in this document was formulated to provide PAG with the efficiency and capacity improvements required at the earliest date possible to meet the cargo demands within the limited space constraints of the port.

### **2.1.6 Organizational Framework for Execution**

The Implementation Plan was also based on the organizational framework that PAG has put in place for execution of the program. PAG has executed a Memorandum of Understanding with the Maritime Administration (MARAD) as the Federal Lead Agency for disbursement of Federal Funding for use in the modernization.

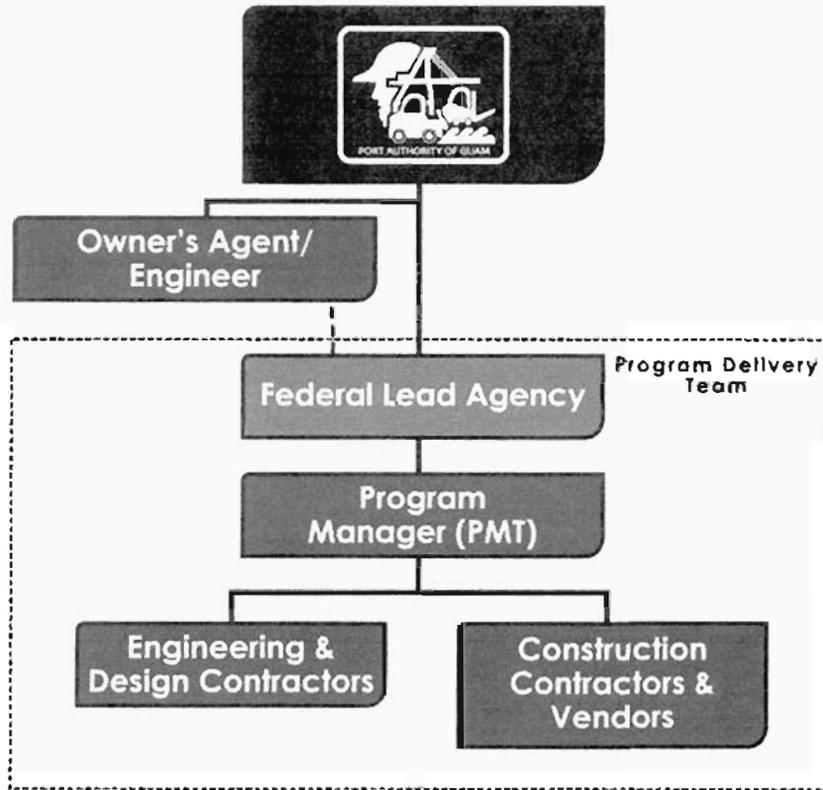
U.S. Public Law 110-417, Section 3512 designates the Maritime Administration (MARAD) as the lead federal agency for the Port of Guam Improvement Enterprise Program. It authorizes MARAD to receive and disburse public appropriations and grants to "provide for the planning, design, and construction of projects for the Port of Guam to improve facilities, relieve port congestion, and provide greater access to port facilities." It also permits MARAD to administer supplementary PAG-supplied funds or other sources of financing that may be necessary to carry out the program.

The Port using its Owner's Agent/Engineer PBI (OAE), will establish the capacity, type and form of facilities to be included in the modernization program consistent with PAG financing and funding, its objectives in serving the local community, the Micronesian region and the timelines for implementation. The OAE will take responsibility in establishing functional, operational, performance and engineering



standards and benchmarks for PAG and use by MARAD and its Program Management Team (PMT). MARAD and its PMT will be responsible performing detail engineering, procurement, construction and delivery of the facilities. It is anticipated that this would apply to most of the program components delivered over the next four years.

**Figure 2-3 Organization for Disbursement of Federal Funding & Execution of Program**



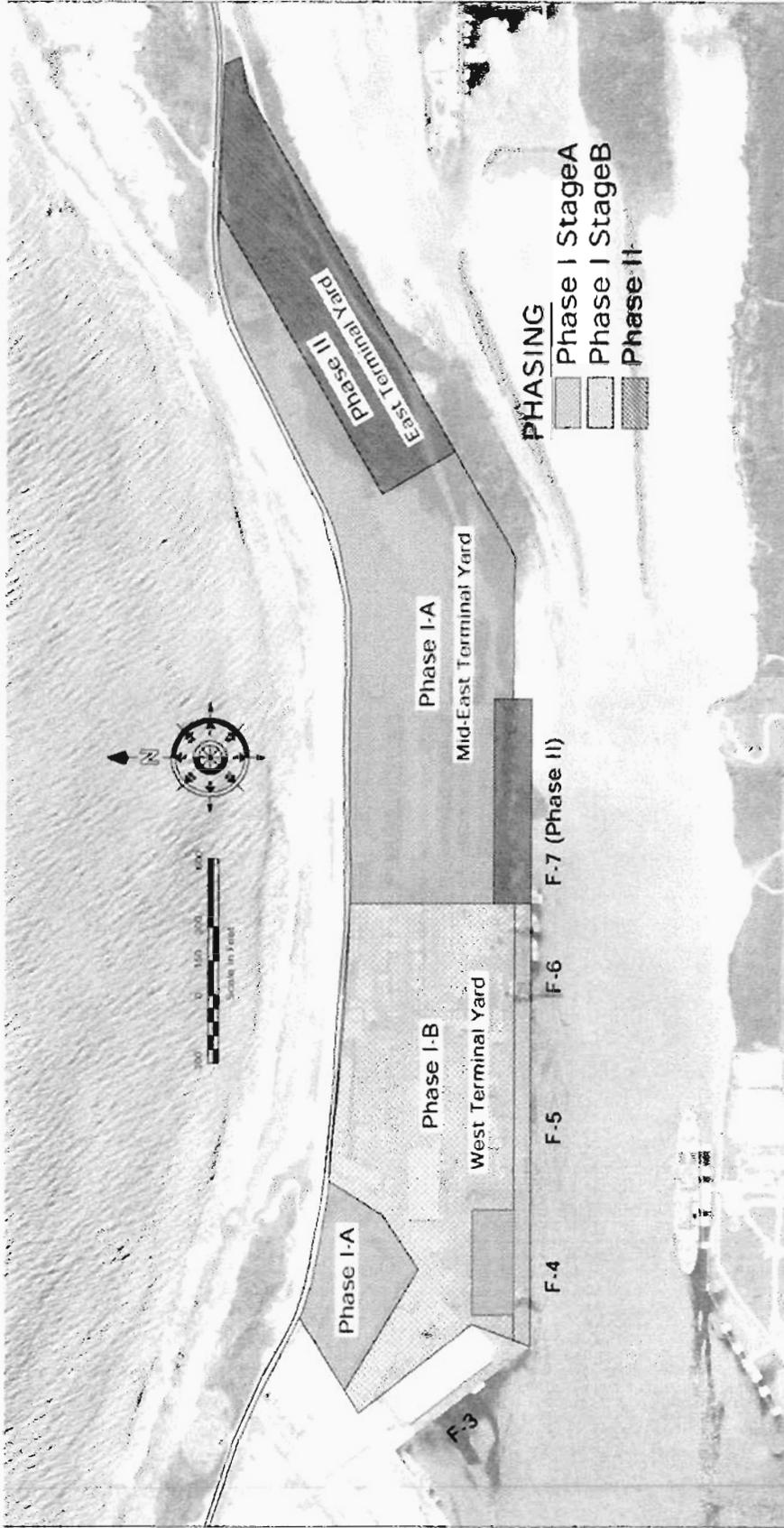
## 2.2 Implementation Plan Phasing

A phasing diagram for implementation of the program is presented in Figure 2-4. Based on a combination of the factors discussed in Section 2.1 the program will be implemented in two phases. The facilities needed to address the peak cargo demands during the peak cargo years 2012 to 2016 will all be completed in Phase I. As organic growth occurs over the long term the forecast shows that cargo volumes will exceed these near term demands requiring additional terminal capacity. Phase II facilities in areas designated on Figure 2-4 will be brought on line to address these future demands.

**Table 2-1 Facility Phasing Matrix as Depicted in Figure 2-4**

Phasing	Implementation Timeframe	Facilities
I	2010 - 2013	All facilities necessary to address the peak cargo demands during the peak cargo years 2012 to 2016
II	After 2031	Facilities needed to address continued long term organic growth for Guam and the surrounding region

Figure 2-4 Terminal Phasing & Staging Diagram for Implementation



### 2.2.1 Phase I – Facilities Needed to Address Near-term Cargo Demands

All work necessary to address the peak cargo demands between years 2012 and 2016 will be completed in Phase I. Construction work will start for this phase in 2010 and be completed in 2013. A detailed facility by facility plan for development of each major component with a year-by-year plan for implementation during Phases I and II is shown in Table 2-2.

It is anticipated that the arrangement will require significant emphasis on a grounded storage system during peak cargo demand periods. Detailed operations analyses for developing an operational plan will be performed in order to facilitate continuing operations to support the peak cargo demands during the Phase I period.

The activities and facility construction or procurement that would be performed in Phase I will include the following:

- Mobilization
- Demolition
  - Berths F-4 through F-6
  - Container Freight Station
  - Equipment Maintenance & Transit Shed #2
  - Site Demolition
- Berth Modernization
  - F-4, F-5 & F-6 Structural Rehabilitation & Modernization
- Buildings
  - Extension to Port Administration Building
  - Transit Shed #1 Refurbishment
  - Equip. Maintenance Shed Minor Refurbishment
  - New Gate & Terminal Offices
- Site-work & Paving
  - Terminal Yard Paving
- Power, Lighting & Electrical
  - Switchgear, Transformers & Generators
  - Terminal Lighting & Distribution West
- Site Utilities
  - Water, Sewers, Storm & Fire Systems
  - Fuel Line Relocation
- Security
  - Security Infrastructure
  - Security Equipment
- Cargo Handling Equipment & Systems
  - Container Cranes
  - Top-Picks
  - Side-Picks, Yard Tractors/Chassis, Break-bulk Equip.
  - Terminal Operating System
  - Gate Systems

Phase I will be completed in two stages Phase I-A and Phase I-B to address the implementation issues discussed in Section 2.1. For example upland site work and paving will be undertaken in two stages to minimize operational interruption; while construction takes place on one half of the terminal, operations can be consolidated and maintained on the other half.



**Table 2-2 Facility Phasing & Implementation Detail**

Master Plan Facility Phasing ITEM DESCRIPTION	Implementation Timeframe				
	2010	2011	2012	2013	2031/32
<b>Mobilization and Demobilization</b>	Phase I	Phase I	Phase I	Phase I	Phase II
East Terminal Yard & Buildings Berths F-4, F-5, F-6 & Remaining Facilities Berth F-7	100%	100%			100%
<b>Demolition</b>					
Berths F-4 through F-6 Container Freight Station Equipment Maintenance & Transit Shed #2 Site Demo - West Yard Site Demo - East Yard & Misc. Structures	100%	100%	100% 100% 100%		
<b>Berth F-4 to F-7 Modernization</b>					
F-4, F-5 & F-6 Modernization New Berth F-7 Extension			70%	30%	100%
<b>Buildings</b>					
Extend Port Admin Building Warehouse to Replace Transit Shed #2 Transit Shed #1 - Minor Remodel Equip. Maint. Shed Gate & Office	40% 30% 40%	60% 100% 70% 60%	70%	30%	
<b>Sitework &amp; Paving</b>					
East Terminal Yard Site Work & Paving Mid-East Terminal Yard Paving West Terminal Yard Paving		100%		100%	100%
<b>Power, Lighting &amp; Electrical</b>					
Switchgear, Transformers & Generators - Mid-East/West Switchgear, Transf. & Generators - East Terminal Yard Distribution West Terminal Yard Distribution Mid-East Terminal Yard Distribution East Terminal Yard Lighting West Terminal Yard Lighting Mid-East Terminal Yard Lighting East Terminal Yard	30%	100% 20% 70% 20% 100%	80% 80%		100% 100% 100%
<b>Site Utilities</b>					
Water, Sewers, Storm & Fire Systems - West Yard Water, Sewers, Storm & Fire Systems - East Yard Water, Sewers, Storm & Fire Systems - Mid-East Yard Fuel Line Relocation - West Fuel Line Relocation - East	30%	70% 100%	90% 90%	10% 10%	100%
<b>Security</b>					
Security Infrastructure - West Yard Security Infrastructure - Mid-East Yard Security Equipment	30%	70%	90% 50%	10% 50%	
<b>Cargo Handling Equipment &amp; Systems</b>					
Container Cranes Top-Picks - Set #1 Top-Picks - Set #2 Side-Picks, Yard Tractors/Chassis, Break-bulk Equip. Terminal Operating System Gate Systems	80% 20%	20% 80% 100% 100%	100% 100%		

**West Yard** – Facilities shown in Cyan in Figure 2-4 (Areas West of the East Edge of F-6)

**Mid-East Yard** – Facilities shown in Tan in Figure 2-4 East of F-6

**East Yard** – Facilities shown in Blue in Figure 2-4



**Phase I-A Facilities Brought Online in 2010 & 2011**

Work during this period will primarily emphasize the upland facilities, equipment, utilities and systems necessary to quickly ramp up operating efficiencies at the terminal. This will better assure that the terminal capacities in critical bottlenecks in are brought on line early in Phase I. Environmental clearances would have to be obtained to proceed with the upland work first. The staging is also designed to provide more time to complete the NEPA environmental process for in-water structural and dredging work at the existing Berths F-4, F-5 & F-6, which would be performed in Phase I-B.

The Port needs a three berth modern facility in order to handle the cargo shown on Figure 2-1. At the time the Master Plan was completed in early 2008 it was anticipated that Berths F-5, F-6 and a new F-7 could serve this purpose. F-4 was to be rehabilitated in a later timeframe. However more than one year has elapsed since the Master Plan was formulated and the work on the NEPA process for obtaining environmental clearances for the modernization is just starting. However the time frame for ramping up of cargo due to the base relocation program has not changed significantly. It is estimated that the process of obtaining the environmental clearances now for the new berth F-7 will delay achieving "Port Readiness" in time to address cargo demands. Therefore this Phase I Implementation Plan modernizes the three F-4, F-5 and F-6 berths first. These are existing operational berths and the environmental process is expected to be less lengthy than if F-7 was constructed first in order to achieve "Port Readiness".

**Phase I-B Facilities Brought Online in Late 2011 through 2013**

Once the NEPA process for F-4, F-5 and F-6 is completed to permit in-water construction work, activities will focus on existing berth rehabilitation, the adjacent existing yard areas and other remaining items. More specific construction sequencing and staging would be performed as structural rehabilitation work progresses along the berth face (F-4, F-5 & F-6). This will be required in order to continue uninterrupted ship and crane service. Special access lanes and methods of cargo handling will be implemented during this stage since cargo terminal work space would be at a premium.

Since there is some risk of recurrence of seismic events in Guam it is important that the structural refurbishment is performed on F-4, F-5 and F-6 as soon as the environmental clearances are obtained for this in-water marine work.

**2.2.2 Phase II – Facilities Needed to Address Long-term Cargo Demands**

Phase II facilities in areas designated on Figure 2-4 will be brought on line to address the future cargo demands due to organic growth in Guam and the region over the years. The activities to be addressed over the long term in Phase II will include the following.

- Mobilization
- New F-7 Berth Extension
- Site-work & Paving for East Terminal Yard
- Power, Lighting & Electrical for Berth F-7 & East Terminal Yard
- Site Utilities for New Facilities

It is anticipated that future assessment of likely cargo demand is assessed on a periodic basis and the timing for bringing these facilities online is bases on these assessments. Current cargo projections indicate that this is likely to be after 2030.

**2.2.3 Capital Costs Estimates**

The following Table 2-3 presents the annual cash requirements by phase in 2010 dollars.

**Table 2-3 Cash Flow Requirements in 2010 Dollars**

CF BY PHASE (\$2010)	2010	2011	2012	2013	2031	TOTAL
Phase I	\$ 18,296,000	\$ 75,640,000	\$ 91,876,000	\$ 21,108,000	\$ -	\$ 206,920,000
Phase II	\$ -	\$ -	\$ -	\$ -	\$ 54,280,000	\$ 54,280,000
	\$ 18,296,000	\$ 75,640,000	\$ 91,876,000	\$ 21,108,000	\$ 54,280,000	

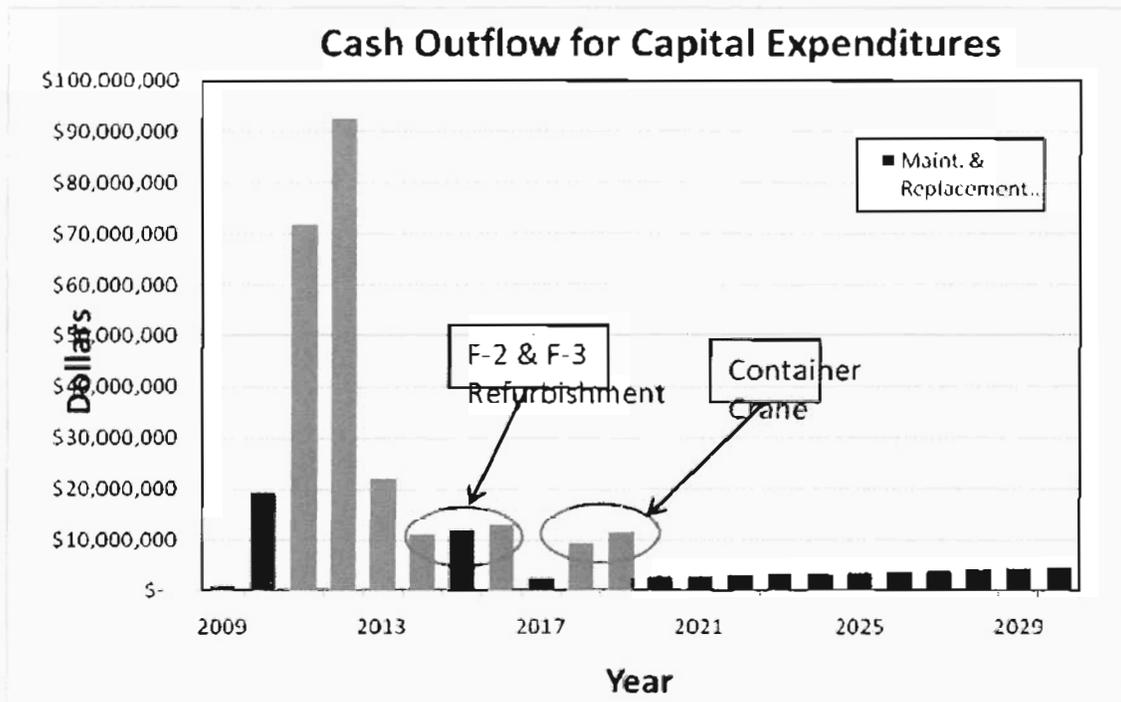


## 2.2.4 Other Maintenance Capital Improvements

Other maintenance capital improvements have been programmed in the Financial Plan discussed in Section 3 for completion during the 20-year financial plan timeline. Figure 2-5 depicts the cash flow requirements for capital improvements including both the Master Plan improvement program and maintenance replacement capital.

The cash flow requirements for Phase I tabulated in Table 2-3, which require financing and funding as discussed in Section 3, are shown as blue bars in Figure 2-5. Downstream maintenance and replacement capital expenditures, which will be financed from PAG's free-cash flow as discussed in Section 3 are shown as maroon bars. These include capital requirements for structural refurbishment of F-2, F-3, future replacement of the Subic crane and annual general maintenance capital to maintain the Commercial Port facilities.

**Figure 2-5 Master Plan CIP Capital and Maintenance & Replacement Capital Expenditures**



## 2.3 Implementation Plan Schedule

Several concurrent processes are underway to implement and finance/fund the Master Plan, including Legislative approval of the Master Plan, loan and grant applications and approvals, securing Federal Funding, and environmental and field data collection activities. Other activities such as preliminary engineering, environmental approval process, construction contractor selection, detailed design and construction activities are imminent and are coordinated and dependent on the activities currently in progress.

Figure 2-6 illustrates the schedule for these processes and highlights the critical interrelationships between the various Master Plan implementation activities for Phase I.

Funding, financing and management deadlines between now and March 2010 are set forth under the heading "Funding & Financing Milestone". A number of these activities await legislative approval of the Master Plan in July 2009. The PMC solicitation, evaluation, selection, award and negotiation process is another set of activities identified for completion by early 2010. Preliminary engineering, environmental

resource studies and permit applications related activities are currently in process or soon to be initiated by the Port. Figure 2-6 also present a generalized procurement, detailed design and construction schedule for completion of the modernization program for Guam. While the timeframe is as shown, the sequencing of the activities will be developed by MARAD and its PMT contractor later this year.



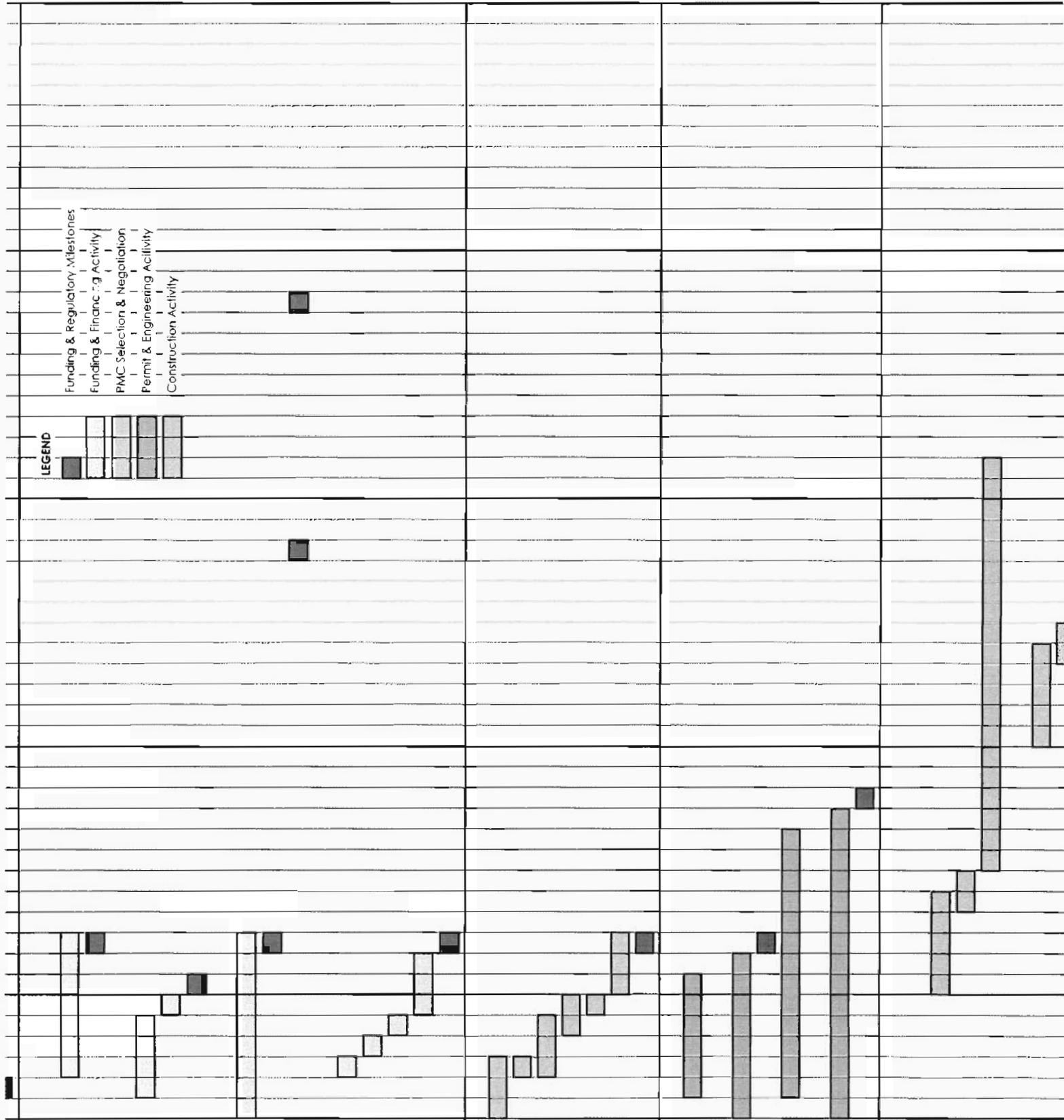


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## Section 3 Financial Plan

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With Legislative approval of the Master Plan, the following financing and funding<sup>1</sup> plan will be pursued for Phase I, estimated to cost \$206,920,000 (2010\$):

- Borrowing by PAG – Up to \$54.5 million
- PMC Investment – Up to \$4.4 million
- Federal Funds – \$156.9 million

### 3.1 Borrowing by PAG – Up to \$54.5 million

#### 3.1.1 PAG Borrowing Capacity

PAG's borrowing capacity is estimated to be approximately \$57.9 million under the following assumptions, including tariff rate escalations:

- New cost items that have arisen since completion of the Financial Feasibility study, including:
  - The new Certified Technical Professional (CTP) salary structure; the model now assumes salaries will be gradually increased to the 50<sup>th</sup> percentile level over an extended period of time
  - Required cost contributions to the PUC for initial management audit and its reviews of PAG tariff adjustments
  - New debt service costs for the USDA terminal equipment loan recently secured by PAG
- All lease revenues from properties with leases originated by GEDCA now flow to Port
- Labor cost escalation of 4.1% per year during the CTP implementation from 2008 to 2018 and 3.0% per year thereafter
- Non-labor cost escalation of 4.8% annually
- Operation by a PMC, including payment of a management fee and productivity incentives to the PMC by PAG
- Increased efficiency and productivity due to the modernized port, most notably increased crane productivity of up to 43%, depending on the carrier
- One-time staffing reassignments based on efficiencies created in maintenance and administration due to modernized facilities, equipment and systems
- Implementation of variable terminal operation workforce practices to meet day-to-day and year-to-year volume fluctuations
- Tariff increases of 3.4% in 2010, 2.8% annually from 2011 to 2020, and 2.4% annually from 2021 to 2030, for an average annual tariff escalation of 2.6% annually

#### 3.1.2 PAG Borrowing Terms

A borrowing of up to \$50 million through the USDA Community Facility Direct and Guaranteed Loan Program will be PAG's contribution to the Master Plan cost. The exact amount will depend on the level of investment from a PMC, which will be determined by early 2010 through an RFP process. With no PMC investment, the full \$50 million borrowing will be implemented. Authority to borrow the full \$50 million amount is needed to cover the contingency that a PMC will not be able to make an upfront investment.

The anticipated loan terms are:

- \$50 million principal amount

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<sup>1</sup> As used in this report, "financing" refers to borrowing methods that require repayment of principal and interest and "funding" refers to grants or other sources that do not require repayment.



- Direct loan at 4.5% interest rate
- Loan guarantee at commercial bank bid/negotiated interest rate (4.95% is assumed based on PAG's recent experience with the program)
- Approximately 50/50 split between the direct loan and loan guarantee (4.725% blended interest rate assumed)
- Maximum term of 40 years or the life of the assets financed
- 20-year term
- The required coverage factor for this loan package is 1.25<sup>2</sup>, however PAG plans to maintain a coverage ratio of about 1.6 (similar to the airport and GWA) to ensure a safe margin for loan repayment

To support the USDA borrowing, a program of tariff reviews and rate adjustments under the auspices of the PUC will be instituted to ensure that revenues keep pace with PAG's costs, including maintenance and replacement capital and loan payment coverage. Tariff increases of approximately 3.4% in 2010, 2.8% annually from 2011 to 2020, and 2.4% annually from 2021 to 2030 are anticipated.

### **3.2 PMC Investment – Up to \$4.4 million**

An upfront investment in Master Plan capital by a PMC operator is included in the Financial Plan. PAG's financial analysis indicates that a maximum investment of \$4.4 million may be supported by the productivity improvements anticipated. A definitive PMC investment amount will not be known until the Request for Proposal process (currently underway) is completed by early 2010; however, the following structure is assumed:

- PMC would manage the operation and be responsible for cargo operations, maintenance and other functions
- Operating cost savings from PMC efficiencies and higher productivity would be the source of PMC compensation and return on investment
- PMC compensation would be in the form of a management fee to cover fixed costs plus efficiency/productivity incentive payments
- PMC would make an upfront investment in terminal equipment or systems; a \$4.4 million investment is estimated
- PMC would also be responsible for downstream terminal equipment replacements; these investments over 20 years are estimated to total \$20.8 million (2010\$)

### **3.3 Federal Sources - \$156.9 million**

The Federal contribution to the Master Plan cost under the Financial Plan will be \$156.92 million, made up from a projected \$50 million ARRA discretionary grant in 2010, and subsequent Federal grants and appropriations in FY 2012 and 2013. Any shortfall in the necessary 2012/2013 Federal funding will be offset by a negotiated Capital Recovery Charge (CRC) assessed by PAG on military related cargo volumes. Grants and appropriations provide upfront funding and are preferred; however, the CRC provides an alternative pay-as-you-go concept that is reserved for any shortfall in the necessary Federal contribution.

#### **3.3.1 ARRA Grant**

The pre-application or notifications for Title XII Discretionary ARRA grant has already been submitted to Department of Transportation.

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<sup>2</sup> Cash flow must be 1.25 times the loan payment.



- In August 2009 a formal application for a \$50 million ARRA grant will be prepared for submission in September 2009.
- It is intended that the ARRA grant and the USDA loan will be combined to form the basis for cash disbursements for the first stage (Phase I-A) of the Phase I modernization program.
- The form of evaluation, ranking and selection criteria published in the Federal Register are a good fit with emphasis on long term benefits, job creation, improving efficiency & productivity at existing facilities.
- Phase I-A stage facility components were selected with the focus of achieving efficiencies and creating jobs in order to better address the ARRA selection criteria
- More progress must be made between now and the application deadline of September 15, 2009 on environmental clearances for the Phase I-A stage. PAG has asked for assistance from MARAD which will be the Lead Agency for securing environmental clearances
- It is anticipated that that the \$50 Million loan from USDA discussed in Section 3.1.2 will be considered as the Owner's contribution to the ARRA funded project since this amount must be paid back with interest by PAG. Owner contributions are deemed to be beneficial according to the published selection criteria
- GovGuam and PAG have asked for and is receiving support for this application from the Joint Guam Program Office (JGPO), Office of Insular Affairs (OIA), USDA and MARAD

### **3.3.2 Other Federal Grants & Appropriations**

The effort to secure additional Federal grants and a supplemental appropriation through DOD for FY 2012 and 2013 will continue in conjunction with JGPO, MARAD, OIA and other agencies.

- PAG and GovGuam are also initiating outreach to work with other Federal Agencies including those belonging to the DOD-EAC group of agencies.
- OEA continues to provide strong support to the program for work that falls within their policy guidelines
- JGPO has expressed a desire to work with other agencies in Washington DC in order to identify funding for the Port modernization program since the current facilities do not have the capacity to handle the large volumes of cargo during base construction and relocation of forces to Guam
- Certain improvements such as port security systems have a history of substantial Federal support through Homeland Security grant funding

### **3.3.3 Capital Recovery Charge on Military Cargo**

The preferred and most likely method for Federal funding set forth in the financial plan is through grants and appropriations as discussed previously. However, PAG and GovGuam will cover any shortfall in the \$106.9 million Federal contribution (FY 2012 and 2013 for Phase I) through a Capital Recovery Charge paid by the military in return for the port capacities and efficiencies that will be provided to support the surge in military cargo. Preliminary brief discussions have taken place with military representatives on a pay-as-you-go basis through a mechanism such as a CRC.

A negotiated agreement with DOD for payment of stipulated CRC rates on stipulated cargo volumes is the preferred structure to ensure that all anticipated DOD cargo is assessed. The alternative is to assess a CRC through the tariff on cargo identified through PAG's operations as military-related cargo; this method is relatively ineffective because of the difficulties in identifying military-related cargo shipped by private firms. The estimated CRC rate levels for representative Federal funding ranges are shown in Table 3-4.



**Table 3-4 Estimated CRC Rate Levels**

Timeframe for CRC Application		Representative 2012/2013 Federal Funding & Associated CRC Amounts (2010\$)		
		Federal Funds \$106.9 Million	Federal Funds \$50 Million	Federal Funds \$0 Million
		CRC Recovery \$0 Million	CRC Recovery \$56.9 Million	CRC Recovery \$106.9 Million
6-Year Build-up Period	2012-2017	N/A	\$145/box \$4.50/RT	\$270/box \$8.50/RT
10-Years	2011-2020	N/A	\$107/box \$3.50/RT	\$200/box \$6.50/RT
20-Years	2011-2030	N/A	\$70/box \$2.50/RT	\$138/box \$4.50/RT

Note: Based on a negotiated CRC agreement. Tariff escalation does not apply to these CRC rates. These charges will not be paid for non-DOD related cargo.



## Section 4 Economic Impact Statement

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### 4.1 Purpose & Need for the Master Plan Improvements

The Jose D. Leon Guerrero Commercial Cargo Port facilities were designed and put into service in 1969, and have not undergone a major capital improvements since that time. The Port serves the needs of not only Guam but also the entire Micronesian Region for which it is a transshipment hub. Over 90% of the day-to-day goods and supplies consumed by the population in the region pass through the Port. The Jose D. Leon Guerrero Commercial Port Master Plan Update 2007 (Master Plan) analysis showed that, due to organic growth in Guam and the Micronesian Region, the commercial port facilities are at or near capacity and in a deteriorated condition. It is imperative that the Port put in place a program for structural rehabilitation of its facilities.

In addition, on February 17, 2009 an agreement was endorsed between the government of Japan and the government of the United States concerning the relocation of Marine Expeditionary Force personnel and their dependents from Okinawa to Guam. The upcoming military base move from Okinawa to Guam as a key part of the nation's Defense Posture Realignment Initiative (DPRI) is estimated to increase Guam's population by some 22% by the year 2014. This coupled with the demands for cargo movement during base construction and future organic growth in the region served by the Port is expected to put considerable demands on the Port which it cannot support in its current condition and configuration.

The Port will be one of the first critical and immediate infrastructural components in Guam that will experience tremendous impacts from the impending surge in cargo demand. The modernization of the berths, wharves and upland areas upon completion of the engineering and environmental studies would provide the critical and immediate infrastructure improvements necessary to handle the increased cargo demands and improve cargo handling operations and efficiency. The proposed modernized port will generate revenue for the Port and the island economy as a whole. It is imperative that the Port immediately begin the facility modernization and improvements needed to meet these projected demands in an environmentally acceptable manner.

### 4.2 Financial Impact on PAG of Improved Operating Efficiency

The Master Plan improvement program will result in numerous positive financial impacts on the Port Authority of Guam and leave PAG in a sound financial condition over the life of the project. Based on the assumptions contained in this plan, PAG's operating costs, revenues, cash flows and PAG's working capital balance will all reflect positive results.

#### 4.2.1 Reduced Operating Costs

The improvements will modernize the port operations and increase efficiency and productivity, resulting in reduced operating costs. Direct operating expenses per revenue ton for all container and break-bulk cargo are projected to decrease by approximately 16% from \$6.33/revenue ton in 2009 to \$5.33 in 2030 (2009\$). Specifically, the following improvements will reduce costs:

- New terminal equipment and cranes will increase container handling speed and efficiency, thereby reducing operating costs
- A new computerized terminal operating system will computerize container inventories and better integrate operational functions, increasing accuracy and reducing costs
- The new terminal operating system will also integrate operating and financial functions, leading to computerized billing and lower administrative costs
- The new truck gate system will decrease gate processing times and reduce unit processing costs
- New terminal equipment and new facilities will be less costly to maintain



## 4.2.2 Increased Revenue

The Master Plan improvements will increase cargo handling capacity approximately 150% over current levels, enabling PAG to handle the anticipated DOD cargo buildup in the next seven years as well as organic cargo growth in the long term.

As a result of the DOD buildup, volumes are projected to increase dramatically from 2010 to 2016. Container volumes are projected to increase as much as 75% and break-bulk volumes are projected to increase as much as 125%. After the DOD construction buildup, container volumes will remain at least 50% higher compared with 2007. Because revenues are based directly on volumes, revenues from cargo operations are projected to increase rapidly, especially during the DOD buildup. Annual operating revenues are projected to increase 69% from approximately \$26 million in 2009 to \$44 million in 2015 (2009\$) based on volume alone (without tariff increases).

## 4.2.3 Positive Cash Flow

The financial modeling performed as a part of the Master Plan analysis has analyzed PAG's finances to ensure that sufficient cash flow is projected to cover:

- PAG direct and indirect operating expenses
- Maintenance and replacement capital requirements over the next 20 years, including refurbishment of Berths F2 and F3 and refurbishment/replacement of the Subic crane
- Debt service on the \$50 million USDA loan package
- A 1.6 coverage factor on debt service

Based on the operating efficiencies, volume increases and estimated tariff adjustments projected over the next 20 years, PAG's cash flow is projected to be sufficient to meet all of these obligations. The projected average annual cash flows over the 20-year period from 2011 to 2030 are:

- |   |                   |
|---|-------------------|
| ■ Cash flow after maintenance/replacement capital         | \$6.6 million/yr. |
| ■ Cash flow available for debt service after 1.6 coverage | \$4.1 million/yr. |
| ■ Nominal debt service payment on \$50 million loan       | \$3.7 million/yr. |

## 4.2.4 Positive Working Capital Balance

PAG's audited cash balance at the end of FY2008 was approximately \$14 million. Over the 20-year life of the project, the working capital balance will increase as a result of yearly cash flow from operations and decrease as a result of yearly maintenance/replacement capital expenditures and debt service on the USDA borrowing. In 2010 dollars, PAG's working capital balance is projected to change over the life of the project as follows:

- Increase to over \$30 million during the DOD buildup
- Decrease to about \$12 million after refurbishment of Berths F2 and F3 in 2014-2016 and refurbishment/replacement of the Subic crane in 2018-2019
- Stabilize at \$10-\$12 million in 2025-2030

While the financial projection used for the Master Plan implementation shows some depletion of working capital over time, future tariff adjustments approved under the auspices of a PUC review process can be refined to ensure that PAG's working capital balance is sufficient to meet its operating needs.

## 4.3 Potential Increase or Decrease in the Cost of Living on Guam

### 4.3.1 Need for Rate Increases

As the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) concludes, there is a need to establish increases in port charges to cover future charges, which benefits both the



Port authority and port users. It benefits the Port Authority by ensuring it is financially viable and sustainable and benefits users by allowing for modest changes annually as opposed to significant increases occurring erratically over time. UNESCAP reports:<sup>3</sup>

*Ports are also increasingly required to be financially viable and sustainable. For the majority of public and even private sector ports in the region, however, price changes require government approval. The revision of port tariffs can, therefore, be a lengthy process. This results in infrequent yet substantial price increases...*

The need for annual increases in Port tariffs is required in order to cover increases in operating costs, which are documented elsewhere in this report (e.g., port labor expenses are expected to increase approximately 3.5% per year) as well as to generate cash flow to cover maintenance and replacement capital requirements and debt service on loans to improve the Port.

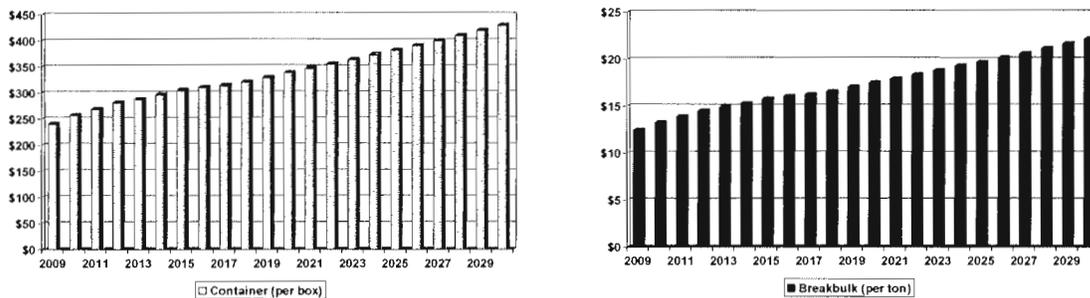
With the exception of selected rates such as the fuel surcharge and transshipment rates, PAG’s tariff rates have not been adjusted since 1993. As a result, the current tariff rate levels do not allow the Port to generate funds for renewal and replacement. The projected rate increases allow the Port to borrow much needed funds to finance required improvements.

### 4.3.2 Impact on Cost of Living

This section summarizes the impacts of projected tariff increases at the Port of Guam on the price of retail products.

The average Port terminal revenue for containers (across all length ranges and trade routes) is approximately \$241 per box in 2009. The total terminal revenue per box is projected to increase to \$430, mainly as a result of the projected 2.6% average annual tariff escalation,. For break-bulk cargo, the average Port revenue (across all cargo types and trade routes) is approximately \$11.46 per ton in 2009, which is projected to increase to \$22.16. See Figure 4-1.

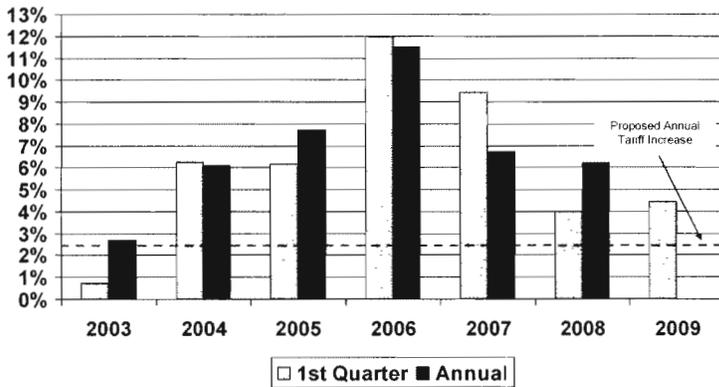
**Figure 4-1 – PAG Projected Revenue Increases for Containers and Break-bulk Cargo**



<sup>3</sup> Source: UNESCAP, Comparative Analysis of Port Tariffs in the ESCAP Region, 2002, page 44



**Figure 4-2 – Consumer Price Index in Guam (percent)**



The consumer price index (CPI) in Guam has averaged more than 6% per year during the past six years. As shown in Figure 4-1, this is substantially more than the projected 2.6% port tariff escalation for breakbulk and containers, respectively.

Source: Bureau of Statistics and Plans, Government of Guam

In addition, the projected tariff increase would have a minimal impact on retail prices. The 2.6% tariff adjustment would increase the port charges for a 40 foot container from the U.S. West Coast by approximately \$235 over current (2009) rates. On a per unit basis, this would increase the cost per unit in 2030 over current levels by:

- Canned Beverages – increase of \$0.00454 per 12 ounce can after 20 years (Virtually no Immediate Impact)
- Canned Spam – increase of \$0.00479 per can after 20 years (Virtually no Immediate Impact)
- Lettuce – increase of \$0.00980 per head after 20 years (Virtually no Immediate Impact)
- Rice – increase of \$0.10311 per 20 pound bag after 20 years (Virtually no Immediate Impact)
- Lumber – increase of \$0.06622 per two-by-four (8 feet long) after 20 years (Virtually no Immediate Impact)

**Table 4-1 – Increases in Retail Costs per Unit**

Item	Canned Beverages (12 ounce can)	Canned Spam (12 ounce can)	Lettuce (heads)	Rice (20-pound bag)	Lumber (two-by-four, 8 feet long)
Increase in port tariff charge in 2030	\$235.08	\$235.08	\$235.08	\$235.08	\$235.08
Units per container	51,744	49,032	24,000	2,280	3,550
Cost increase per unit	\$0.00454	\$0.00479	\$0.00980	\$0.10311	\$0.06622

Source: Port of Guam, Matson Navigation, Hormel, PB Ports, BST Associates

## 4.4 Increase or Decrease in the Cost of Doing Business on Guam

This section summarizes the impacts of projected tariff increases at the Port of Guam on the cost of doing business in Guam.

### 4.4.1 Size of the Private Sector in Guam

According to the U.S. Census Bureau<sup>4</sup>, the private sector in Guam had gross sales of \$6.2 billion in 2007, the latest year for which data is available.

<sup>4</sup> Source: 2007 Economic Census of Guam; U.S. Census Bureau. Release Date: 5/29/2009



**Table 4-2 – Guam Private Sector Economy (2007)**

Sector	Sales (\$1,000s)	Percent of Sales
Utilities	406,976	6.5%
Construction	578,869	9.3%
Wholesale trade	799,845	12.8%
Information	197,574	3.2%
Finance and insurance	466,024	7.5%
Real estate and rental and leasing	201,565	3.2%
Professional, scientific, and technical services	230,912	3.7%
Management of companies and enterprises	7,507	0.1%
Administrative and Support Services	189,912	3.0%
Educational services	11,656	0.2%
Health care and social assistance	245,079	3.9%
Arts, entertainment, and recreation	87,581	1.4%
Accommodation and food services	635,286	10.2%
Other services (except public administration)	180,543	2.9%
Manufacturing	166,790	2.7%
Retail trade	1,618,402	25.9%
Transportation and warehousing	219,946	3.5%
Total Private sector	6,244,465	100.0%

Source: U.S. Census Bureau

As shown in Table 2, the three largest sectors of the economy are:

- Retail trade, which accounts for 25.9% of the private economy
- Wholesale trade, which accounts for 12.8% of the private economy
- Accommodations and food services, which accounts for 10.2% of the private economy

Combined, these three sectors accounted for 48.9% of the private economy in Guam. This is not unexpected because the economy in Guam is dominated by two primary industries: tourism and the military.

The remaining sectors represent the remaining 51.1% of the private economy. Construction, finance and insurance and utilities are the next largest sectors with 9.3%, 7.5% and 6.5% respectively of private sectors sales.

In terms of employment the private sector accounts for approximately 75.4% of total civilian jobs in Guam<sup>5</sup>, with government accounting for the remaining 24.6% in 2008 (the Government of Guam accounts for 18.8%, the Federal government accounts for 5.7% and foreign governments accounted for 0.1%).

#### **4.4.2 Relative Size of Transport Costs**

The cost of transportation in Guam is significantly higher than in the mainland United States due to longer distances traveled and because market is much smaller. This section provides an estimate of the transportation costs in the U.S. and in Guam.

<sup>5</sup> Source: Guam Department of Labor's Bureau of Labor Statistics



In the United States, the estimated cost of logistics was \$1.3 trillion, representing 9.4% of the U.S. Gross Domestic Product (GDP). Transportation costs via all modes (Intercity trucks, local trucks, railroads, water carriers, oil pipelines and air carriers as well as freight forwarders) accounted for 6.0% of the GDP.

**Table 4-3 – Total U.S. Logistics Cost (billions of dollars in 2008)**

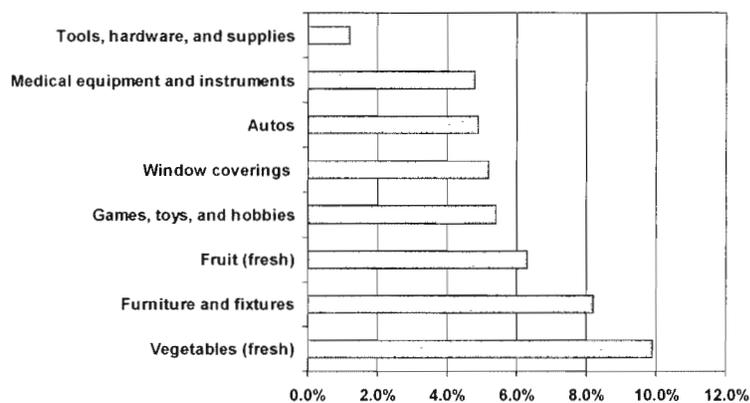
Category	2008	Percent GDP
Inventory Carrying Costs	\$421	2.9%
Transportation Costs	\$864	6.0%
Shipper related costs	\$8	0.1%
Logistics Administration	\$52	0.4%
<b>TOTAL</b>	<b>\$1,345</b>	<b>9.4%</b>

Source: Council of Supply Chain Management Professionals, State of Logistics Report 2008.

The percentage of the transportation cost to the purchaser price (retail price paid by consumers and businesses) varies widely across products, depending on the:

- Value of the product - the lower the product value, the higher the transport costs as a percent of retail prices,
- Cost of transportation - some products (such as chilled and frozen foods) require more expensive refrigerated containers, which results in higher transportation costs, and
- Speed of delivery – time sensitive cargoes (like perishables, apparel, electronics et al) require faster delivery to preserve product quality or meet retail store schedules, which typically increases the transportation cost, among other factors.

**Figure 4-3 – U.S. Transportation Cost as a Percent of Purchaser Price**



As an example, in the U.S.<sup>6</sup>, the cost to transport tools is approximately 1.2% of its price in stores while the cost to transport fresh vegetable is approximately 9.9% of its retail price. See Figure 3.

As indicated above, due to the distance from suppliers, transportation costs from the U.S. or Asia represent a major cost of doing business in Guam.

The typical retail value of a 40-foot container in Guam is estimated to range from approximately \$30,000 (low) to \$300,000 (high). The cost to transport cost a container from the U.S. West Coast to the business is estimated to cost between \$4,500 (low) and \$7,500 (high) in Guam.

For a cargo of medium value, the total transport cost represents approximately 8% (low) to 14% (high) of the retail value in Guam.

<sup>6</sup> Source: U.S. Benchmark Input-Output Accounts, 2002; By Ricky L. Stewart, Jessica Brede Stone, and Mary L. Streitwieser, October 2007



Port charges currently represent only 0.1% to 1.0% of the product's retail value. The additional Port charge (\$235.08 per container in 2030) will increase the retail price of retail goods by only 0.1% to 0.8%. This level of retail price increase will likely have a minimal effect on the cost of doing business in Guam.

**Table 4-4 – Relative Prices and Transport Costs in Guam**

Per Container	Low	Mid	High
Estimated retail value (typical)	\$30,000	\$100,000	\$300,000
Transportation cost (typical)			
Low	\$4,500	\$4,500	\$4,500
High	\$7,500	\$7,500	\$7,500
Transport cost % of retail value			
Low	15%	8%	2%
High	25%	14%	3%
<b>Impact of Port Charges of Retail Value</b>			
Current Port charge (40 foot container USWC)	\$300.75	\$300.75	\$300.75
Port charges as % of Retail Price	1.0%	0.3%	0.1%
Increase in Port charges per container (2030)	235.08	235.08	235.08
Impact on retail prices over 20 years (percent)	0.8%	0.2%	0.1%

Source: BST Associates, PB Ports, U.S. Department of Commerce, U.S. Census Bureau.

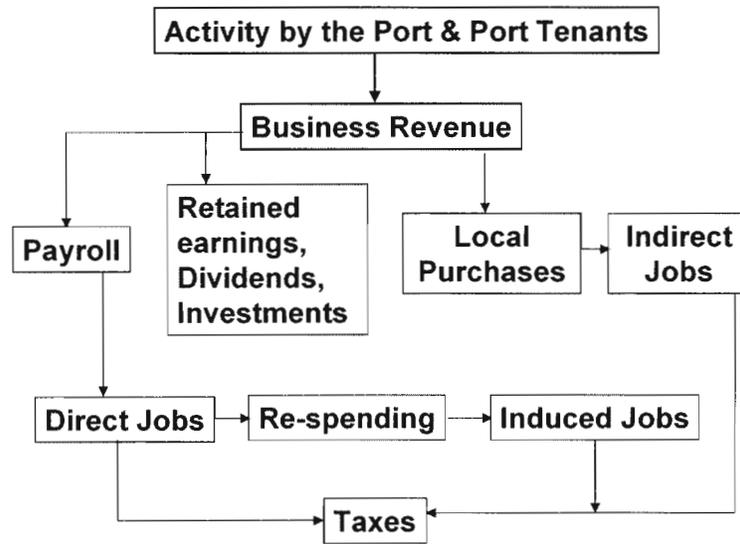
## 4.5 Direct & Indirect Impact on Guam Employment

This section summarizes the economic impacts of planned improvements at the Port of Guam on employment and income in Guam both during construction and afterward.

### 4.5.1 Methodology

The flow of economic activities is described in Figure 4. Economic activity generated by the Port and its tenants creates business revenues, which in turn, creates spending on payrolls for people working directly for the firm, retained earnings/dividends/investments and local purchases of supplies, materials, and outside labor. The local purchases by firms create indirect jobs. Payroll for direct employees creates additional expenditures, which creates induced jobs.

**Figure 4-4 – Flow of Impacts**



BST Associates prepared an economic impact model tailored to Guam using the following data sources: U.S. Census Bureau Economic Census of Guam (2007) and the Guam Department of Labor (2008) in order to identify the direct impacts from construction and operations. Key variables included:

- Revenue/sales by type of business,
- Payroll/income as a percentage of sales,
- Employment and average wage rates.

The process for estimating total economic impacts included evaluations of other economic impact studies conducted in Guam and at several port authorities. Sources included:

- Final Environmental Impact Statement Establishment and Operation of an Intelligence, Surveillance, Reconnaissance, and Strike Capability Andersen Air Force Base, 2006
- Guam Tourism Economic Impact Study by Global Insight, May 2007,
- Economic Contribution Study A.B. Won Pat Airport, Guam, by Jacobs Consultancy June 2007
- Guam Power Authority Presentation to Standard & Poor's June 6, 2007
- Economic Impact reports for the U.S. ports of Seattle, Tacoma, Oakland, and the Australian ports of Mackay, Gladstone and Sydney.

Economic impacts include direct, indirect and induced effects. These are defined as:

- Direct effects are the changes in sales, income and jobs in those business or agencies that directly receive the spending.
- Secondary effects include both indirect and induced effects. These result from circulation of the initial spending through the local economy and are captured by the multipliers.
- Indirect impacts refer to expenditures by businesses on outside goods and services.
- Induced impacts refer to purchases based on the employment earnings from direct and indirect economic activities. As wages are paid out, workers' families spend their income on a wide array of goods and services, much of which are supplied by the local economy.



- Total impacts incorporate the sum of direct, indirect, and induced impacts.

It is important to note that these effects are limited for any region because of spending "leakages" at each round of inter-industry and household purchases. That is, the goods and services required at each stage are partly purchased from outside the study area, thus reducing the total supplies provided locally.

#### 4.5.2 Construction Impacts

This section provides an estimate of construction-related economic impacts. It should be emphasized that these impacts occur during actual construction, and end after construction is completed.

As documented elsewhere in this report, the first and second phases of the construction project at the Port of Guam are expected to cost \$206.9 million in 2010\$, and will be accomplished between 2010 and 2013.

During the course of construction (2010 through 2013) the project will generate direct impacts of:

- Income - \$40.1 million in total or approximately \$10.0 million per year during construction,
- Employment – 1,366 full time equivalent workers (FTEs) in total or approximately 342 FTEs per year during construction.

Including direct, indirect and induced impacts, the project will generate total impacts of:

- Income - \$45.8 million in total or approximately \$11.4 million per year during construction,
- Employment – 1,675 jobs in total or approximately 419 FTEs per year during construction.

Details are provide in Table 4-5.

**Table 4-5 – Construction Impacts of PAG Improvements (2010)**

Item	Direct Impacts	Total impacts	Multiplier
Sales	206,920,000	248,264,000	1.20
Wages/income			
Total for all years 2010 through 2013	40,102,000	45,794,000	1.14
Annual (Per Year)	10,025,500	11,448,500	1.14
Employment			
Total for all years 2010 through 2013	1,366	1,675	1.23
Annual (Per Year)	342	419	1.23

#### 4.5.3 Annual Operations Impacts

After construction is completed, the Port will be able to handle more cargo than before, which creates additional economic impacts in Guam.

In the development of the Financial Plan for the Port of Guam, PB Ports developed a detailed model of Port terminal-related activities, including:

- Stevedoring (unloading cargo from the ships)
- Terminal operations
- Equipment maintenance and repair
- Terminal management
- Terminal security
- Port management and administration, among other activities



BST Associates estimated the number of jobs associated with other cargo-related activities, including:

- Vessel activities such as bunkers, stores, tugs, etc.
- Government of Guam activities (Customs and Immigration)
- Truck transportation to/from the Port
- Warehousing and storage

As shown in Figure 4-5, jobs are created by the vessel/cargo related activities, Government (Customs, Immigration et al) and trucking/warehousing. This includes both public and private sector jobs. The peak occurring in the period 2011 to 2016 is related to construction activity. As construction is completed, the number of jobs decreases slightly and then grows steadily in response to continued population and economic activity. It should also be noted that the number of jobs created by port activities increases significantly from current operations throughout the study period.

**Figure 4-5 – Direct Employment from Port of Guam Operations (Number of Jobs)**

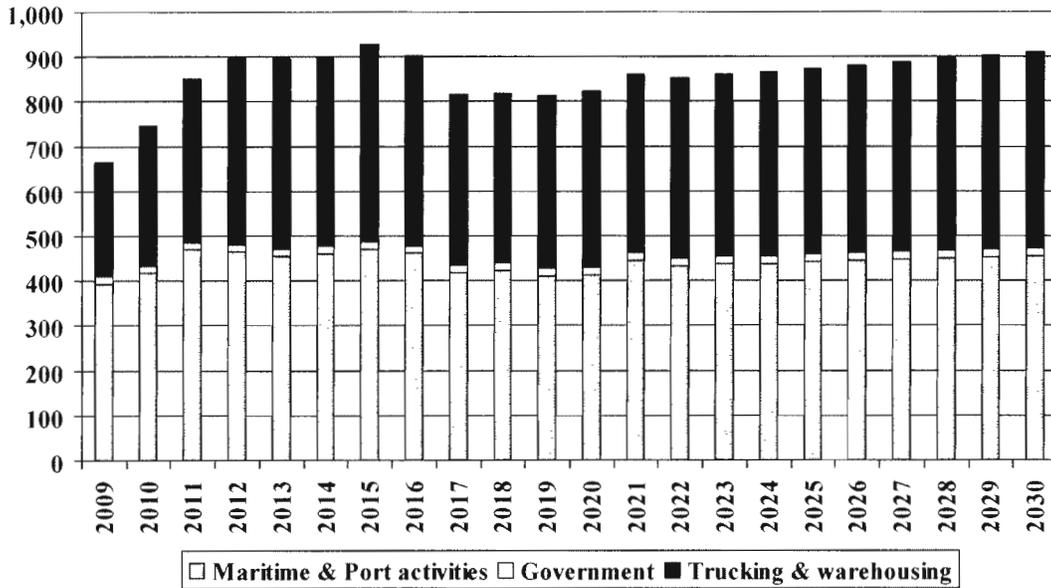


Table 4-6 summarizes the economic impacts from operations at the Port of Guam by comparing existing levels of activity with the average level of activity experienced during the study period.

Direct revenues associated with the activities by the Port of Guam (charges for cargo handling) and other private firms engaged in the Port-related supply chain (tugs, warehousemen, truckers etc) were estimated at \$53.0 million in 2009. During the average year from 2009 to 2030, inflation adjusted revenues<sup>7</sup> are estimated at \$74.8 million or \$23.1 million more than in 2008. This is 44.8% increase over existing operations.

With respect to employment:

- Direct employment is expected to increase from approximately 655 jobs at present to 857 jobs in the average year (2009-2030) resulting in an increase of 201 jobs on average, which is a 30.8% increase.

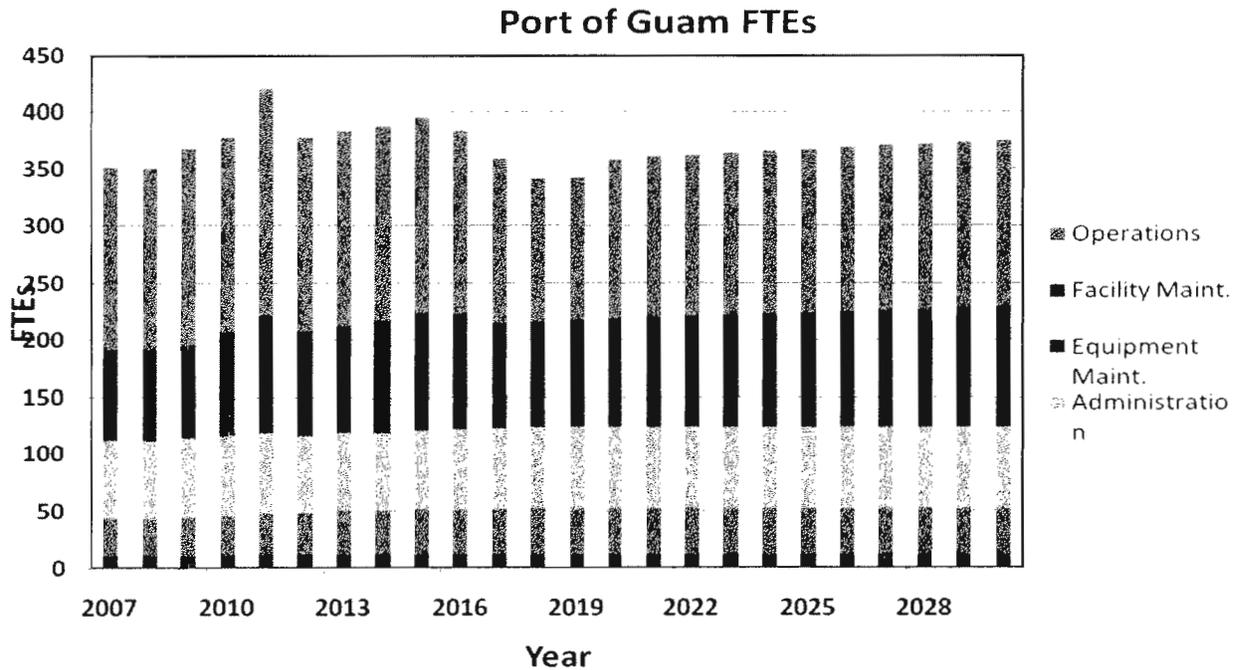
<sup>7</sup> An inflation factor of 3.0% per year was used throughout the study period (2009 to 2030)



- Total employment is expected to increase from approximately 1,053 jobs at present to 1,377 jobs in the average year (2009-2030) resulting in an increase of 324 jobs on average, which is a 30.8% increase.

Figure 4-6 presents projections of the breakdown of direct employment by the Port. The jobs are included in the light blue bars depicted in Figure 4-5 for "Maritime & Port Activities". It provides detail projections of employment for Operations, Facility Maintenance, Equipment Maintenance and Administration over time.

**Figure 4-6 Port Authority of Guam Employment**



With respect to income:

- Direct income is expected to increase from approximately \$21.6 million at present to \$28.6 million in the average year (2009-2030) resulting in an increase of \$7.1 million on average, which is a 32.8% increase.
- The average wage in Port-related activities is \$32,930, which is approximately 52% higher than the average wage in Guam.
- Total income is expected to increase from approximately \$39.0 million at present to \$51.7 million in the average year (2009-2030) resulting in an increase of \$12.6 million on average, which is a 32.8% increase.

**Table 4-6 – Economic Impacts of PAG Operations**

Economic Impacts	Existing (2008) \$Mil	Average Year (2009-2030) \$Mil	Additional Revenues \$Mil	% Increase
Revenues (millions)				
Direct	\$51.6	\$74.8	\$23.1	44.8%



Employment				
Direct	654.9	856.7	201.8	30.8%
Total	1,052.6	1,376.9	324.3	30.8%
Income (millions)				
Direct	\$21.6	\$28.6	\$7.1	32.8%
Total	\$39.0	\$51.7	\$12.8	32.8%

Source: BST Associates, PB Ports, various sources.

#### 4.6 Other Adverse or Beneficial Economic Impacts

The redevelopment of the Port of Guam will facilitate development of several projects by the Department of Defense (DOD). This includes the construction valued at approximately \$15 billion and introduction of approximately 12,510 new active duty personnel and 11,450 dependents. This will generate substantially greater economic impacts for the citizens of Guam. These impacts were not quantified as a part of this analysis. The Port of Guam has been identified "a choke point in the flow of material and equipment for this DOD build-up on Guam."<sup>8</sup> If the proposed Port improvements are not made, the Port will not have the capacity to support the approximate \$15 million DOD program. Thus, completion of the Port improvements will enable creation of anticipated tens of thousands of construction and permanent jobs associated with the DOD program. Estimating the economic impacts of the DOD program was not included in the scope of this analysis.

<sup>8</sup> Source: General Bice, Joint Guam Program Office, Guam Industry Forum 2007



# Appendix 1 Scope of Work

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This Appendix describes the Consultant’s Scope of Work for performing this master plan update.



## Port Authority of Guam (PAG)

### Owners Agent/Engineer Consultant Agreement

## Master Plan Approval Documents

### Scope of Services

#### Introduction

PAG wishes to apply for a low interest loan which is potentially available through a USDA program in order to fund the Port Improvement Program. A blending of two or more types of loan programs to support funding up to a \$50 Million in loans with average rates of 4% to 4.5% with long terms would be available under recently passed Federal legislation. However in order for PAG to apply for and execute this loan must obtain approval from the legislature for the Port Master Plan completed in 2008. The legislature requires the following documents from PAG in order to consider approval of the Master Plan. Accordingly, PAG requested the OAE to submit this proposal to prepare the following documents.

- High Level Implementation Plan
- A Financial Plan
- An Economic Impact Statement

These documents would have to be prepared in draft from within 30 days of receiving a notice to proceed from PAG. This would be followed by refinement and adjustment by PAG and key stakeholders and will be then be followed by presentations to key legislators. Accordingly the OAE proposes to perform the following work activities.

#### High Level Implementation Plan

The OAE is currently working on an implementation plan under Task Order 1. However this detailed Implementation Plan is dependent on a number of parallel field and preliminary design development activities that are not expected to be completed for several weeks.

#### Purpose

This task fulfills one of three requirements necessary for the Legislature of Guam to approve the Port Authority of Guam's Master Plan expansion and apply for a \$50 million USDA loan to partially finance the expansion. In addition to the Master Plan itself, a financial plan, an implementation plan and an economic impact statement are needed for legislative action. The work performed under this task will provide an interim implementation plan based on a high-level analysis using assumptions based on the information currently available to OAE.

#### Assumptions

The implementation plan will be prepared using the following assumptions:

- Expansion area to the east of the terminal can be permitted in a reasonable time frame without a PAG directed EIA or EIS process.
- A categorical exclusion can be obtained for modernization of the wharves F-4, F-5 and F-6.
- Construction of F-7 would be deferred.
- Cargo forecast as prepared in the 2008 Master Plan would be assumed.
- It would be assumed that ship service can be performed using the above berth arrangement for the master plan based cargo forecast.

FO No. 8 Master Plan Approval Documents



## Port Authority of Guam (PAG)

### Owners Agent/Engineer Consultant Agreement

- Other facility items and capital cost estimates would be as described in the master plan.

#### Specific Tasks

Individual subtasks for this element include:

- Startup – Review of the existing master plan documents and agree on assumptions for implementation based on discussions with PAG.
- Develop a brief schedule based on the most current information and assumptions.
- Modify Master Plan a cost estimate.
- Report – Prepare a brief draft report and a layout drawing documenting the essential elements of the implementation plan; review the plan with PAG; prepare a final report.

#### A Financial Plan

##### Purpose

This task fulfills one of three requirements necessary for the Legislature of Guam to approve the Port Authority of Guam's Master Plan expansion and apply for a \$50 million USDA loan to partially finance the expansion. In addition to the Master Plan itself, a financial plan, an implementation plan and an economic impact statement are needed for legislative action. The work performed under this task will provide a financial plan including a specific financing/funding plan for the Master Plan expansion; specific operating assumptions including operating cost measures and tariff surcharges/increases; and an analysis of the long-term financial outlook for PAG under the proposed development, financing, funding and operating approach.

##### Assumptions

The financial plan will be prepared using the financial model developed for the Financial Feasibility Study (FFS) completed in 2008. The plan will be based on the following assumptions:

- Financial model calibrated to PAG's 2007 actual financial results (not updated to 2008 actuals).
- Cargo forecast based that in the 2008 FFS (not updated based on the most recent DOD estimates).
- \$195 million Master Plan capital improvement program (CIP), modified to reflect known, assumed or anticipated changes since its completion, such as time-deferred development of Berth F7 if applicable and revised crane assumptions based on the Matson/Horizon cranes.
- Financing/funding of the program to come from a \$50 million USDA loan with a maximum 40-year term and 4% to 4.5% annual interest rate with the balance from Federal grants and/or supplemental appropriations.
- Implementation of an across-the-board construction surcharge on all cargo during the CIP construction period if directed by PAG.
- Long-term tariff increases as need to maintain PAG cash flow after maintenance and replacement capital requirements.

Other assumptions as those previously modeled in the FFS to be discussed and directed by PAG upon commencement of work.

TO No. 8 Master Plan Approval Documents

## Port Authority of Guam (PAG)

### Owners Agent/Engineer Consultant Agreement

#### Specific Tasks

Individual subtasks for this element include:

- Startup – Review of the existing FFS and financial model; identification of key issues for review with PAG, such as staffing, PMC and crane assumptions; review with PAG.
- Model Revision/Reprogramming – Revise and reprogram the FFS model to address extension of the analysis time frame to new terms as provided by USDA loan financing; revise crane acquisition assumptions; revise grounded/wheeled operating assumptions as needed; incorporate an across-the-board construction tariff surcharge if directed by PAG; revise PMC assumptions as directed; verify or modify other model assumptions and input variables as needed.
- Scenario Analysis & Plan Definition – Develop and analyze the scenario with the assumptions as directed by PAG.
- Report – Prepare a brief draft report documenting the essential elements of the PAG Master Plan Financial Plan; review the plan with PAG; prepare a final report.

#### Economic Impact Assessment

##### Purpose

This task fulfills one of three requirements necessary for the Legislature of Guam to approve the Port Authority of Guam's Master Plan expansion and apply for a \$50 million USDA loan to partially finance the expansion. In addition to the Master Plan itself, a financial plan, an implementation plan and an **economic impact statement** are needed for legislative action.

5 GCA Chapter 9 § 9301 requires that any changes related to rules, regulations or fee increases are required to be accompanied by an economic impact statement at the time they are submitted for review and approval by the Governor and the Legislature. The economic impact statement will address:

- The purpose and the need for the rule or regulation;
- The financial impact of the proposed rule or regulation;
- Any potential increase or decrease in the cost of living on Guam;
- Any direct or indirect impact upon employment on Guam;
- Any increase or decrease in the cost of doing business as an enterprise or industry on Guam;
- Any adverse or beneficial economic impact which is attributable to the proposed rule or regulation.

##### Methodology/Assumptions

The economic impact assessment will be based on the following methodology and assumptions:

- The purpose and need for the proposed rule or regulation will be described in this study. (Item 1 above)
- The financial impact of the proposed project will be evaluated during the financial plan update, which is being undertaken in conjunction with this economic impact assessment. The financial results will determine the rate increases by commodity handling group during and after construction. (Item 2)

TO No. 8 Master Plan Approval Documents



## Port Authority of Guam (PAG)

### Owners Agent/Engineer Consultant Agreement

- o The potential increase or decrease in the cost of living on Guam will be evaluated based upon the impact of potential tariff increases on retail prices in Guam. It will build on the analysis of specific products evaluated in the Master Plan, which included an assessment of potential retail price increases caused by assumed tariff increases for the following products: canned beverages, canned spam, lettuce, rice and lumber. This task will include an assessment of total estimated cost increases for the average consumer in Guam. (Item 3)
- o The economic impact will also assess the potential impact on the cost of doing business in Guam. This will include an assessment of potential tariff increases on typical business-related expenditures in Guam for selected types and sizes of businesses. (Item 5)
- o The proposed project will enable additional cargo volumes to occur in Guam than would not be possible without the improvements. This study will estimate the direct and indirect impact on employment as a result of the port development project. The number of employees at the terminal will come from the updated financial model. The other associated transportation-related employment impacts will be estimated based upon a review of trucking, distribution and other related sectors. The employment impacts will be presented separately for construction buildup and post-construction periods. Multiplier effects (indirect and induced effects) will be estimated based on the recent economic impact study for the airport (Item 4)
- o The economic impact assessment will also evaluate all other. Positive and negative impacts associated with the port development project (Item 6).

#### Specific Tasks

Individual subtasks for this element include:

- o Startup – Review of the existing studies; identification of key issues for review with PAG, such as tariff increases; review with PAG.
- o Model Development – Prepare a spreadsheet model that estimates economic impacts on the cost of living for consumers and businesses as well as an estimate of direct and indirect employment associated with the project during and after construction.
- o Report – Prepare a brief draft report documenting the essential elements of the PAG Economic Impact Assessment; review the results with PAG; prepare a final report.
- o One trip for presentations to PAG and legislative representatives is included in this proposal

#### Time Frame

Draft report to be completed within 45 days of Notice to Proceed; final report within 10 days of receipt of all comments from PAG.



END OF REPORT









**FELIX P. CAMACHO**  
Governor of Guam

**MICHAEL W. CRUZ**  
Lieutenant Governor

**PORT AUTHORITY OF GUAM**  
**ATURIDAT I PUEYTON GUAHAN**  
**Jose D. Leon Guerrero Commercial Port**  
**GOVERNMENT OF GUAM**

1026 Cabras Highway, Suite 201  
Piti, Guam 96925

*[Handwritten signature]*  
August 4, 2009



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The Honorable Thomas C. Ada  
I Mina' Trenta Na Liheslaturan Guåhan  
Majority Whip  
Chairman, on Utilities, Transportation, Public Works and Veterans Affairs  
Ste. 207 Ada Plaza Ctr.  
173 Aspinall Ave.  
Hagåtña, Guam 96910

***Re: Testimony on Bill No. 30-178 (COR) an act to approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report.***

Hafa Adai Mr. Chairman and Members of the Committee:

We submit this written testimony in full support of the Legislature's final approval of the Port Authority of Guam Master Plan. We, the members of the Board of Directors of the Jose D. Leon Guerrero Commercial Port, are urging your swift action and positive vote on this critical piece of legislation.

As you know, the Port has been moving forward for the past few years on an aggressive effort to modernize our island's only commercial sea port. We have launched this effort in order to prepare our community for our natural organic growth and for the planned military buildup. As it stands, we are in dire need to upgrade and modernize our facility to meet both demands.

This process began in 2007 when the Port updated the Master Plan to fulfill these critical needs. We appeared before the Legislature in 2008 seeking approval of our plan. We were granted conditional approval in December of 2008 subject to the Legislature's subsequent approval of a financial plan, implementation plan and economic impact statement.

For several months following the conditional approval, the Port worked diligently to provide that information and it was submitted to I Mina' Trenta Na Liheslaturan Guåhan. A public hearing was held on July 22, 2009. We believe that the original concerns have been satisfied through Bill No. 30-178 (COR). During this process, a funding opportunity has arisen that will allow us to move forward and launch Phase 1-A of this plan by next year. We have a very narrow window of opportunity to submit our final application for a \$50 Million USDA loan by mid August and an additional \$50 Million worth of American Recovery and Reinvestment (ARRA) grants by the

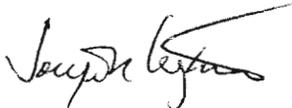
first week of September. However, the applications for both the USDA funding and the ARRA require that we have an approved Master Plan.

As such, we are requesting your full support and approval of our Master Plan along with an opportunity to have the Master Plan voted on during the August session. Without the final approval we can't move forward with this opportunity to obtain \$100 Million for our Phase 1-A of the modernization. Without that funding, our upgrades and plans will be delayed, which could severely hamper our ability to serve our people and jeopardize our government's efforts to be prepared for the military buildup.

We thank you in advance for your favorable consideration of this critical matter.



**MONTE MESA**  
Chairman, Board of Directors  
Port Authority of Guam



**JOVYNA LUJAN**  
Vice Chairperson, Board of Directors  
Port Authority of Guam



**MARILOU LACSON**  
Secretary, Board of Directors  
Port Authority of Guam



**JOSEPH CAMACHO**  
Member, Board of Directors  
Port Authority of Guam



**WILLIAM BEERY**  
Member, Board of Directors  
Port Authority of Guam

cc: All Senators



**PORT AUTHORITY OF GUAM**  
**ATURIDAT I PUETTON GUAHAN**  
**Jose D. Leon Guerrero Commercial Port**  
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**FELIX P. CAMACHO**  
Governor of Guam

**MICHAEL W. CRUZ**  
Lieutenant Governor

July 14, 2009

The Honorable Thomas C. Ada  
Chairman, Committee on Utilities, Transportation,  
Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature  
Ada Plaza Center  
173 Aspinall Avenue, Suite 207  
Hagatna, Guam 96910

Dear Senator Ada,

Pursuant to Public Law 29-125 duly enacted on December 15, 2008, the Guam Legislature *conditionally approved* the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report. Such public law further mandated the Port Authority of Guam to provide additional information for subsequent approval by the Guam Legislature on the following:

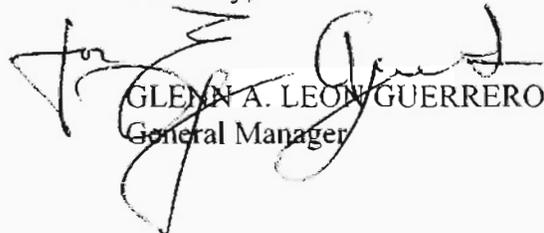
1. Financial Feasibility Plan
2. Economic Impact Assessment
3. Implementation Plan.

In compliance, the Port Authority hereby submits its *Master Plan Update 2007-Report to the Legislature* dated July 2009.

We are cognizant that new developments could impact the findings of the report, to include the proposed measure under consideration in the U.S. Congress to institute as the minimum wage standard for all construction workers on Guam the prevailing wage level for similar construction projects in Hawaii. The recommendations and conclusions contained in the report are prudently based on the most accurate official information available during its preparation.

We would also like to extend our sincerest appreciation to you and your colleagues at the Guam Legislature for your continued support of the Port Authority of Guam.

Sincerely,

  
GLENN A. LEON GUERRERO  
General Manager

  
**RECEIVED**  
7/14/09  
2:15pm

Enclosure



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guáhan

July 15, 2009

MEMORANDUM

To: All Senators

Fr: Thomas C. Ada

Re: Master Plan Update 2007- Report to the Legislature

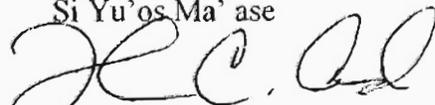
Dear Senators,

Pursuant to PL 29-125, the Jose D. Leon Guerrero Commercial Port Authority of Guam transmitted the Master Plan Update 2007- Report to the Legislature on July 14, 2009 to the Committee on Utilities, Transportation, Public Works and Veterans Affairs. This report contains components that were requested by the legislature in order to grant final approval of the Port Master Plan.

Enclosed is the transmittal letter from the Port, the Master Plan Update 2007- Report to the Legislature and Bill 30-178 for your review and consideration. I hope that you will find the information and analysis in the report useful and timely for your participation at the Public Hearing. The Committee on Utilities, Transportation, Public Works and Veterans Affairs will be conducting a Public Hearing for Bill 30-178 on **Wednesday, July 22, at 9:00 am** in the public hearing room of the Legislature.

Should you have any questions or concerns, please contact my office at 473-3301.

Si Yu'os Ma' ase



Thomas C. Ada

July 20, 2009

Hafa Adai Senators,

My name is John B. Santos and my position title is the Operations Manager for the Port. However, I am submitting this testimony in my capacity as the President for the Port Authority of Guam Goodwill and Morale Employee Association (PAGGMA).

I am writing this letter in support of Bill No. 30-178, Jose D. Leon Guerrero, Commercial Port Master Plan Update on behalf of PAGGMA. The association is comprised of 152, port employees who are working together to increase morale and foster goodwill between its membership, agencies and businesses through social functions and sporting activities.

PAGGMA supports the Master Plan because it establishes a roadmap for infrastructure and funding for the Port modernization and addresses Guam's future economic growth and the anticipated military buildup. The expansion of terminal yard, gates and advanced computer system and the purchase of state-of-art cargo handling equipment will provide the much needed capacity and tools for the employees to effectively handle, store and account for all cargo at the Port.

When first employed by the Port back in 1985, I arrived when the hotel construction boom was in full swing. The Port back then was bursting with cargo overflowing in the terminal yard. We handled containers, break-bulk, ro-ro, scrap, sand, cement, devanning and stuffing of autos and tuna operations.

With the different types of cargos handled then, we did not have the capacity for storage, our gates were congested, equipment old and out dated and we were still tracking and billing cargo manually. The increased of cargo and the long hours employees had to undergo to keep up with the pace contributed to a decrease in employee morale, productivity and costly vessel and cargo delays.

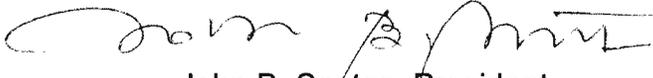
We now have the opportunity with this master plan to strategically plan and guide the development of the Port to ensure the employees have the proper facilities and equipment to effectively perform their work safely and productively.

Carriers, agents and the island businesses of Guam will also benefit knowing their cargo is safely handled and stored properly reducing damages and costly delays.

The approval of this Master Plan will continue to make us "Port Strong".

Thank you for your timely consideration on this important matter.

Sincerely,



John B. Santos, President

# PORT USERS GROUP GUAM



July 28, 2009

THE HONORABLE THOMAS C. ADA  
Chairman  
Committee on Utilities, Transportation, Public Works and Veterans Affairs  
I Mina' Trenta Na Liheslaturan Guåhan  
155 Hesler Place  
Hagåtña, Guam 96910

**RE: Port Authority of Guam Master Plan – Full Legislative Approval Testimony**

Dear Senator Ada,

The Jose D. Leon Guerrero Commercial Port of Guam is the life-line of Guam. More than 90% of Guam's products and supplies come through the port. The onset of the U.S. Department of Defense's Marine Corps realignment from Okinawa to Guam along with the natural growth of Guam and the Micronesian region will pose an immense challenge to the port and its infrastructure. It is vital that the supply chain is maintained so the lives of the communities are uninterrupted.

We applaud the Port Authority of Guam for completing its Master Plan and its financial feasibility studies. They have successfully contracted an Owner's Agent/Engineer (PBI) firm to manage the modernization plan and have had the Department of Transportation (DOT) Maritime Administration (MARAD) appointed to them as lead agency for the "Port of Guam Improvement Enterprise Program."

Now, with the Port Authority's completion of its Implementation Plan, Financial Plan, and Economic Impact Statement, the Port is one step closer to achieving its goal, pending approval from the Guam Legislature. We are encouraged by the Port's efforts in seeking up to \$50 million through a USDA loan and \$49.2 million in ARRA Title XII funds to complete Phase I of the Port Implementation Plan. We therefore ask that you support the Port's submission of the remaining requirements to the Master Plan to secure Legislative approval.

The Port Users Group Guam is comprised of local managers of the companies that are customers of the Port Authority. We have witnessed the progress and achievements of the Port, under its management, the board, and Chairman Monte Mesa's leadership since the effort began. Together, we are helping the port become more modern and efficient and prepared for the future.

*AS*  
**RECEIVED**  
7-28-09  
2:10pm

# PORT USERS GROUP GUAM



The recent visits by PAG management and the Guam Chamber of Commerce to The DOT, the Pentagon and Congress, has yielded positive support for the Ports modernization, so we must use the momentum gained to keep moving forward.

Thank you for your time and consideration.

Sincerely,

The Port Users Group of Guam

Greg David, Ambyth Shipping

Ariel Dumapat, Inchcape Shipping

Richard Sablan, Marianas Steamship

Paul Blas, Sea Bridge Inc.

Hugh Healey, Horizon Lines

Desmond Aw, Mariana Express Lines

Len Isotoff, Matson Navigation



**GUAM CHAMBER OF COMMERCE**  
PARTNERS IN PROGRESS

July 30, 2009

SENATOR TOM ADA  
Chairman  
Committee on Utilities, Transportation, Public Works and Veterans Affairs  
I Mina' Trenta Na Liheslaturan Guåhan  
155 Hesler Place  
Hagåtña, Guam 96910

Dear Senator Ada,

The Guam Chamber of Commerce Board of Directors would like to thank you for taking the initiative to continue forward progress for the Port Authority of Guam (PAG) Master Plan Update. We reiterate our concerns about the critical need for the Port of Guam to not only move forward with efforts to grow its capacity to support the ongoing and planned military buildup, but more importantly, to support the natural growth of our local community.

The Chamber supports the Port's initiatives for steadfast improvements. Time is of the essence and unless these improvements are rapidly implemented adverse affects will occur, such as possible loss of military cargo movements. This would leave a tremendous void and result in a commensurate increase in port costs for private businesses. These potential cost increases will ultimately be borne by the end consumer, the residents of Guam.

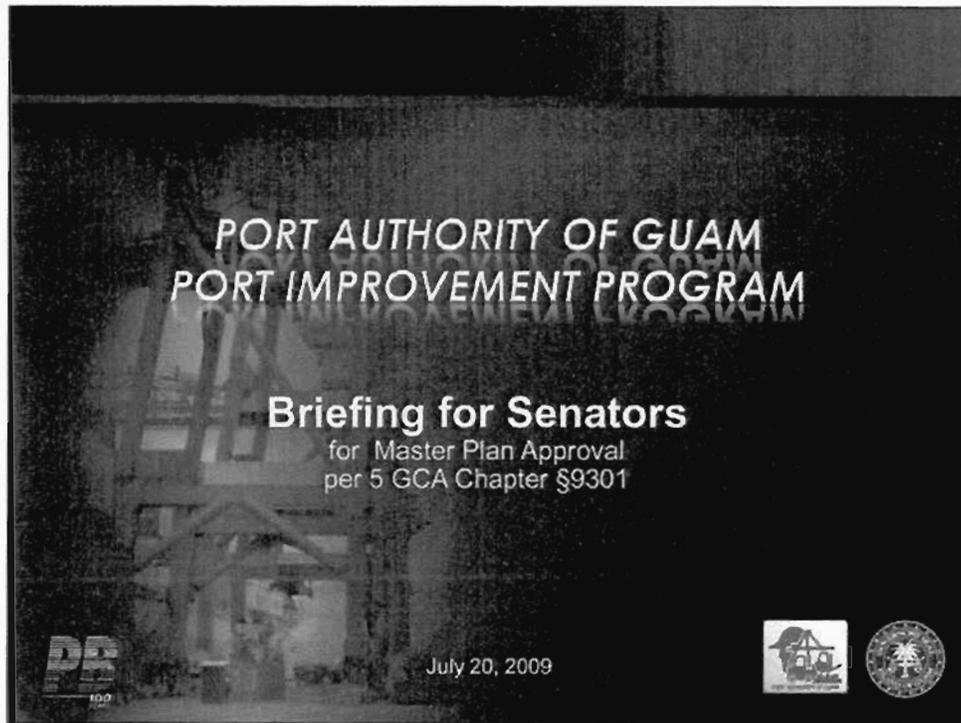
We are encouraged by the efforts of the PAG Board and Administration to seek adequate funding to begin the modernization process, beginning with the USDA loan to fund up to \$50 million for Phase 1 of the Port Master Plan. In June 2009, the Chamber sent a letter to the U.S. Secretary of Transportation seeking priority consideration of PAG's application for \$49.2 million in American Recovery and Reinvestment Act (ARRA) Title XII Funds. Additionally, placing the Port of Guam under the oversight of the Public Utilities Commission (Public Law 30-52) will ultimately assist the Port increase its eligibility for additional funding required to finance the modernization process.

We urge you and your colleagues in the 30<sup>th</sup> Guam Legislature to approve the Port Master Plan as expeditiously as possible. The Chamber, through our Maritime Affairs Committee, stands ready to assist, and looks forward to being an active participant in carrying out solutions presented in the Port Master Plan.

Sincerely,

FRANK J. CAMPILLO  
Chairman of the Board

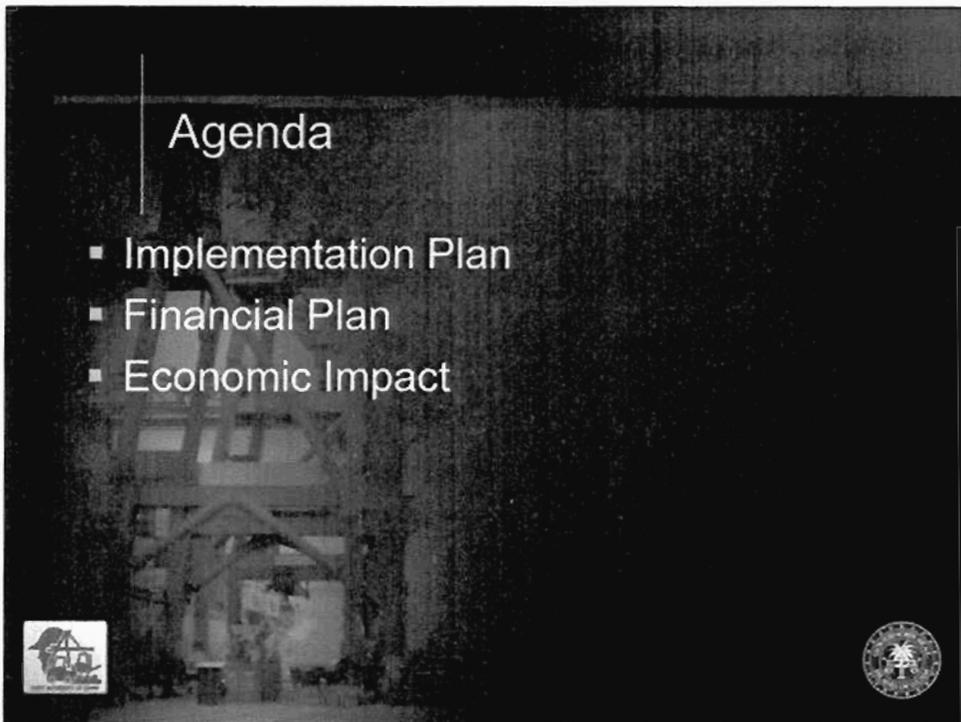
CC: The Honorable Felix P. Camacho, Governor of Guam  
Glenn Leon Guerrero, PAG General Manager



**PORT AUTHORITY OF GUAM  
PORT IMPROVEMENT PROGRAM**

**Briefing for Senators**  
for Master Plan Approval  
per 5 GCA Chapter §9301

July 20, 2009

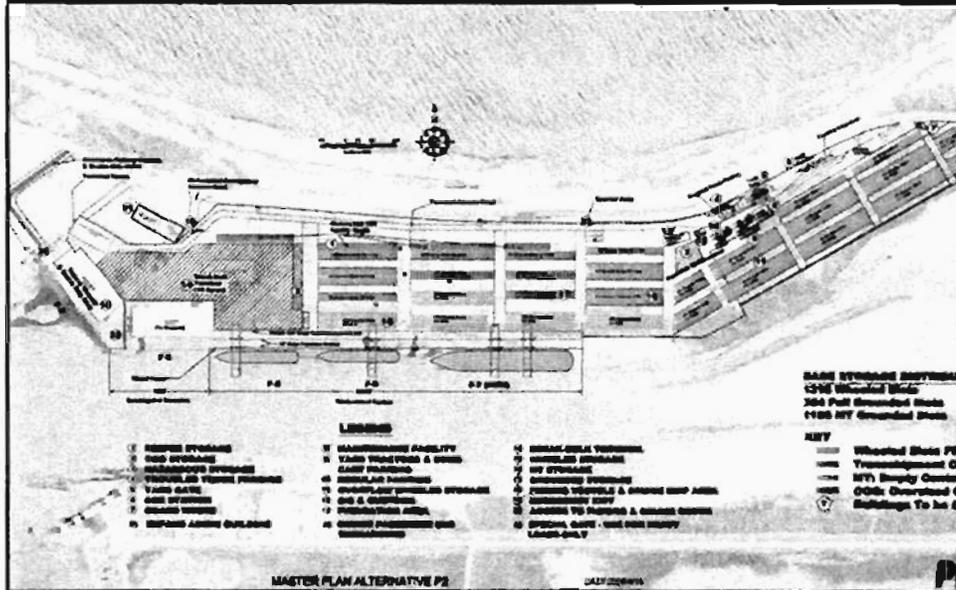


**Agenda**

- Implementation Plan
- Financial Plan
- Economic Impact



## Aerial Depiction of Port Improvements

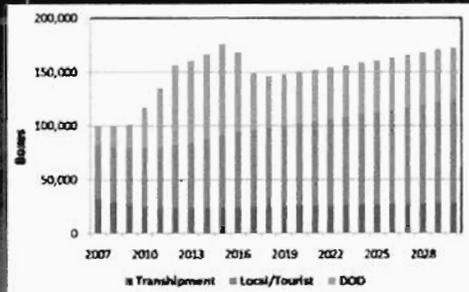


## Implementation Plan Key Drivers

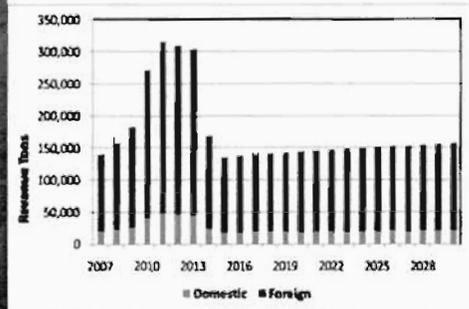
- Cargo Demand
- Timeframes for Environmental Clearances
- Impact of Construction on Port Operations
- Financing and Funding
- Phasing & Sequence of Facility Components
- Organizational Framework for Execution



# Cargo Demand Forecast



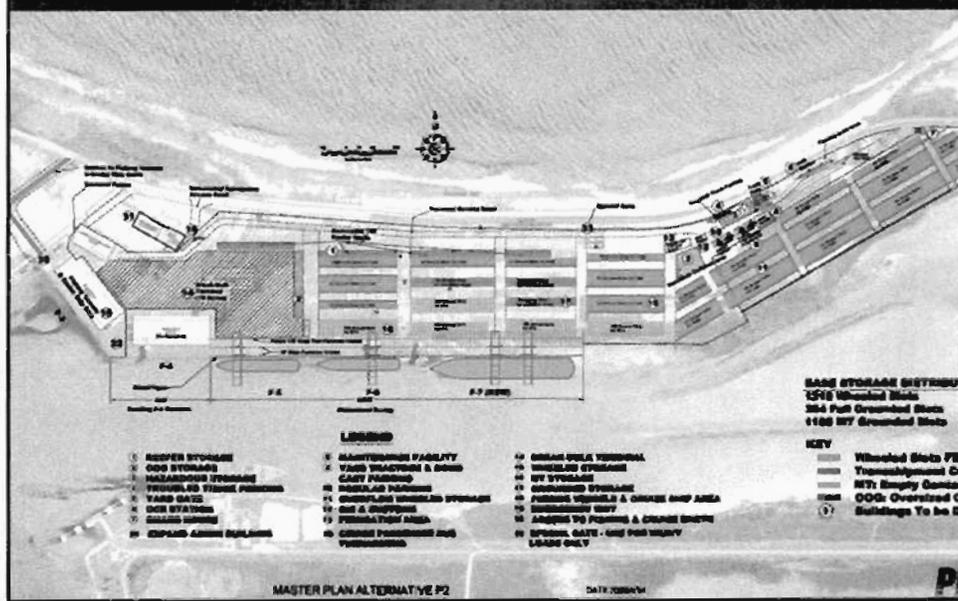
• Master Plan Container Cargo Forecast



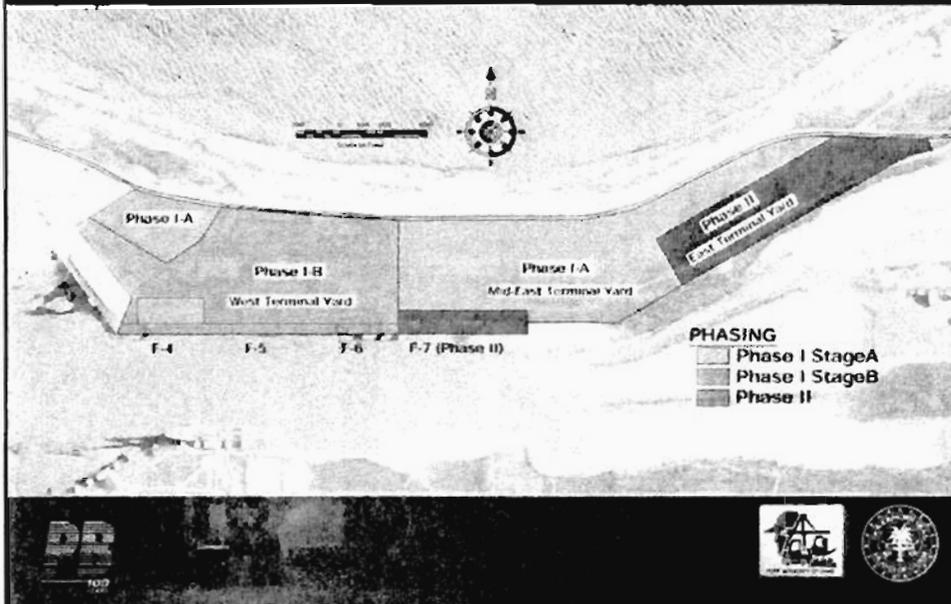
• Break-bulk Cargo Forecast



# Aerial Depiction of Port Improvements

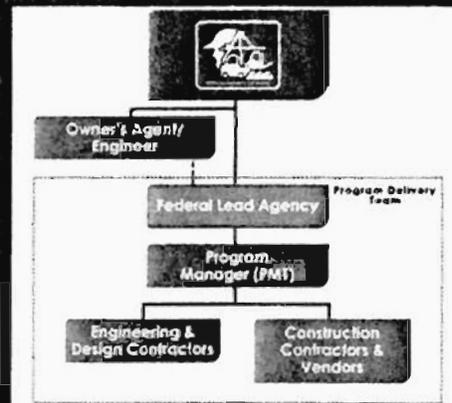


## Implementation Plan Phasing



## 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

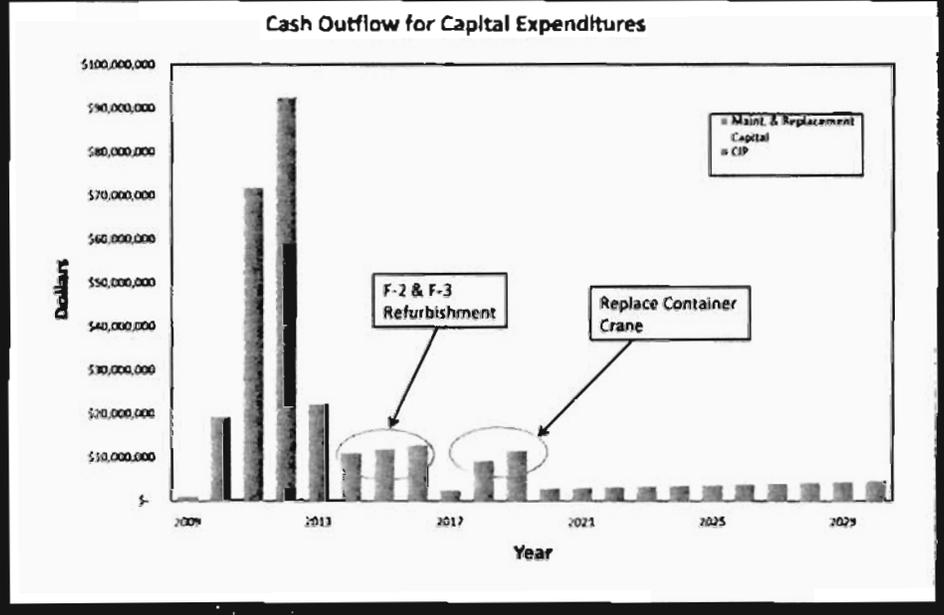
Yr.	2010	2011	2012	2013	Total
CF	\$18.3	\$75.6	\$91.9	\$21.1	\$206.9

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





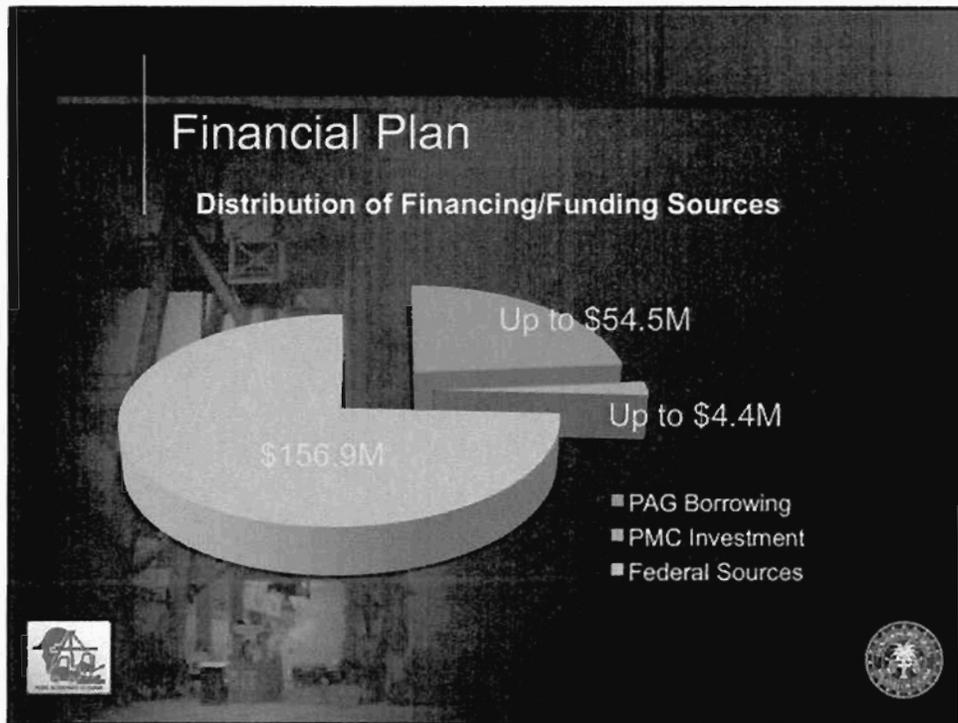
## CAPEX & Maintenance Program Set for 20 Years

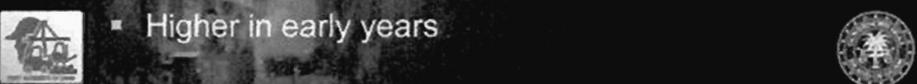


## Financial Plan

- Borrowing by PAG
- PMC Investment
- Federal 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
	<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

- 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.





## 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?





**PORT AUTHORITY OF GUAM**  
**ATURIDAT I PUEYTON GUAAHAN**  
**Jose D. Leon Guerrero Commercial Port**  
**GOVERNMENT OF GUAM**

1026 Cabras Highway, Suite 201  
Piti, Guam 96925



Telephone: (671) 477-5931/35

(671) 477-2683/85

Facsimile: (671) 477-2689/4445

Webpage: [www.portofguam.com](http://www.portofguam.com)

**FELIX P. CAMACHO**  
Governor of Guam

**MICHAEL W. CRUZ**  
Lieutenant Governor

July 14, 2009

The Honorable Thomas C. Ada  
Chairman, Committee on Utilities, Transportation,  
Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature  
Ada Plaza Center  
173 Aspinall Avenue, Suite 207  
Hagatna, Guam 96910

Dear Senator Ada,

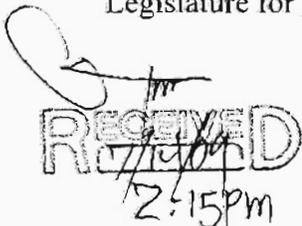
Pursuant to Public Law 29-125 duly enacted on December 15, 2008, the Guam Legislature *conditionally approved* the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report. Such public law further mandated the Port Authority of Guam to provide additional information for subsequent approval by the Guam Legislature on the following:

1. Financial Feasibility Plan
2. Economic Impact Assessment
3. Implementation Plan.

In compliance, the Port Authority hereby submits its *Master Plan Update 2007-Report to the Legislature* dated July 2009.

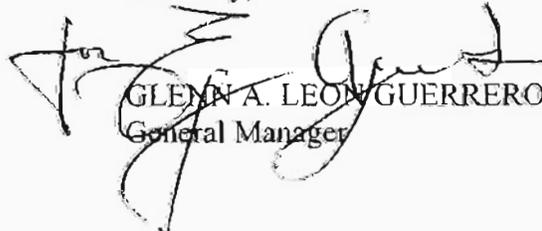
We are cognizant that new developments could impact the findings of the report, to include the proposed measure under consideration in the U.S. Congress to institute as the minimum wage standard for all construction workers on Guam the prevailing wage level for similar construction projects in Hawaii. The recommendations and conclusions contained in the report are prudently based on the most accurate official information available during its preparation.

We would also like to extend our sincerest appreciation to you and your colleagues at the Guam Legislature for your continued support of the Port Authority of Guam.



Enclosure

Sincerely,

  
GLENN A. LEON GUERRERO  
General Manager



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

July 15, 2009

### MEMORANDUM

To: All Senators

Fr: Thomas C. Ada

Re: Master Plan Update 2007- Report to the Legislature

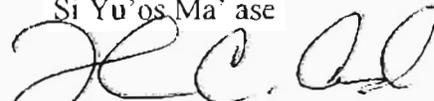
Dear Senators,

Pursuant to PL 29-125, the Jose D. Leon Guerrero Commercial Port Authority of Guam transmitted the Master Plan Update 2007- Report to the Legislature on July 14, 2009 to the Committee on Utilities, Transportation, Public Works and Veterans Affairs. This report contains components that were requested by the legislature in order to grant final approval of the Port Master Plan.

Enclosed is the transmittal letter from the Port, the Master Plan Update 2007- Report to the Legislature and Bill 30-178 for your review and consideration. I hope that you will find the information and analysis in the report useful and timely for your participation at the Public Hearing. The Committee on Utilities, Transportation, Public Works and Veterans Affairs will be conducting a Public Hearing for Bill 30-178 on **Wednesday, July 22, at 9:00 am** in the public hearing room of the Legislature.

Should you have any questions or concerns, please contact my office at 473-3301.

Si Yu'os Ma' ase



Thomas C. Ada



## COMMITTEE ON RULES

*I Mina' Trenta na Liheslaturan Guåhan* • 30th Guam Legislature

155 Hesler Place, Hagatña, Guam 96910 • tel: (671)472-7679 • fax: (671)472-3547 • roryforguam@gmail.com

**SENATOR  
RORY J.  
RESPICIO  
CHAIRPERSON**

**SENATOR  
Judith P. Guthertz  
VICE  
CHAIRPERSON**

**MAJORITY  
MEMBERS:**

**Judith T. Won Pat  
SPEAKER**

**Benjamin J. F. Cruz  
VICE SPEAKER**

**Tina Rose Muña Barnes  
LEGISLATIVE SECRETARY**

**Thomas C. Ada  
SENATOR**

**Frank B. Aguon, Jr.  
SENATOR**

**Adolpho B. Palacios, Sr.  
SENATOR**

**Vicente C. Pangelinan  
SENATOR**

**Matthew Rector  
SENATOR**

**MINORITY  
MEMBERS:**

**Frank F. Blas, Jr.  
SENATOR**

**James V. Espaldon  
SENATOR**

July 14, 2009

**MEMORANDUM**

**To: Pat Santos**  
*Clerk of the Legislature*

**Attorney Therese M. Terlaje**  
*Legislative Legal Counsel*

**From: Senator Rory J. Respicio**   
*Chairperson, Committee on Rules*

**Subject: Referral of Bill Nos. 30-175 and 30-178**

As Chairperson of the Committee on Rules, I am forwarding my referral of Bill Nos. 30-175 and 30-178.

Please ensure that the subject bills are referred, in my name, to the respective Chairpersons, as shown on the attachment. I also request that the same be forwarded to all senators of *I Mina' Trenta Na Liheslaturan Guåhan*.

Should you have any questions, please contact Elaine V. Tajalle or Stephanie Mendiola at 472-7679.

Si Yu'os Ma'åse'!

*(1) Attachment*

## Bill Referral 7/14/09

Page 1 of 1

<b>Bill</b>	<b>Sponsor</b>	<b>Description</b>	<b>Date Introduced</b>	<b>Date Referred</b>	<b>Committee Referred</b>
30-175 (COR)	T. C. Ada, F. B. Aguon, Jr., F. F. Blas, Jr., T. R. Muña Barnes	An act to add Subsections (14) and (15) to Section 8104 of Chapter 8 of Title 12 of the Guam Code Annotated and to add Subsections (n) and (o) to Section 14104 of Chapter 14 of Title 12 of the Guam Code Annotated, and to amend Subsection (c) of Section 14104.1, and Section 14404 of Chapter 12 of Title 12 of the Guam Code Annotated, relative to permitting the Guam Power Authority, and the Guam Waterworks Authority to enter into long term contracts.	7-14-09	7-14-09	Committee on Utilities, Transportation, Public Works and Veterans Affairs
30-178 (COR)	T. C. Ada, F. B. Aguon, Jr., F.F. Blas, Jr.	An act to approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report.	7-14-09	7-14-09	Committee on Utilities, Transportation, Public Works and Veterans Affairs

# Public Notices



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guáhan

July 14, 2009

### MEMORANDUM

To: All Senators

From: Chairperson, Committee on Utilities, Transportation, Public Works and Veterans Affairs

Subject: **Public Hearing Notice: July 22, 2009 at 9:00 am and 2:00 pm**

Please be advised that the Committee on Utilities, Transportation, Public Works and Veterans Affairs is holding a public hearing on July 22, 2009 at 9:00 am and 2:00 pm. This meeting will take place in the Public Hearing Room of *I Liheslatura*.

The agenda is as follows:

**9:00 am**

**Bill No. 30-178 (COR) – T.C. Ada**

An act to approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report.

**2:00 pm**

**Bill No. 30-175 (LS) – T.C. Ada / F.B. Aguon, Jr. / F.F. Blas, Jr. / T.R. Muña-Barnes**

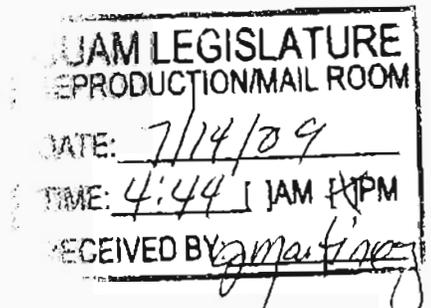
An act to add subsections (14) and (15) to section 8104 of Chapter 8 of Title 12 of the Guam Code Annotated and to add subsections (n) and (o) to section 14104 of Chapter 14 of Title 12 of the Guam Code Annotated, and to amend subsection (c) of section 14104.1, and section 14404 of Chapter 12 of Title 12 of the Guam Code Annotated, relative to permitting the Guam Power Authority, and the Guam Waterworks Authority to enter into long term contracts.

Copies of these agenda items may be found on the official Guam Legislature website ([www.guamlegislature.com](http://www.guamlegislature.com)). Please feel free to contact our office should you have any questions or concerns.

Si Yu'os Ma'ase,

Thomas C. Ada

cc: Clerk of the Legislature  
Sergeant at Arms and Protocol  
MIS





## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

July 14, 2009

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The Committee will continue to accept written or electronic testimonies until 5pm, August 3, 2009; please address these testimonies to Senator Thomas C. Ada, Chairperson, Committee on Utilities, Transportation, Public Works, and Veterans Affairs. Copies of these agenda items may be found on the official Guam Legislature website ([www.guamlegislature.com](http://www.guamlegislature.com)). Please feel free to contact our office should you have any questions or concerns.

Si Yu'os Ma'ase,

A handwritten signature in black ink, appearing to read "T.C. Ada", written over a white background.

Thomas C. Ada

cc: Clerk of the Legislature  
Sergeant at Arms and Protocol  
MIS



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

### PUBLIC HEARING NOTICE

July 22, 2009 at 9:00 am and 2:00 pm  
Public Hearing Room, *I Liheslaturan Guåhån*

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#### 2:00 pm

**Bill No. 30-175 (LS)** – T.C. Ada / F.B. Aguon, Jr. / F.F. Blas, Jr. / T.R. Muña-Barnes

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Copies of these agenda items may be found on the official Guam Legislature website ([www.guamlegislature.com](http://www.guamlegislature.com)). Please feel free to contact the Office of Senator Thomas C. Ada with any questions or concerns.

# WorkCentre 7232 Broadcast Report

GS ID

6714733303

Date/Time: 07/14/2009:05:03PM

Page: 1

Local Name  
Logo

SENATOR THOMAS ADA

Document Size 8.5x11"SEF



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

### PUBLIC HEARING NOTICE

July 22, 2009 at 9:00 am and 2:00 pm

Public Hearing Room, I Liheslaturan Guåhan

Please be advised that the Committee on Utilities, Transportation, Public Works and Veterans Affairs is holding a public hearing on July 22, 2009 at 9:00 am and 2:00 pm. This meeting will take place in the Public Hearing Room of I Liheslaturan.

The agenda is as follows:

#### 9:00 am

**Bill No. 30-178 (COR)** – T.C. Ada

An act to approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report.

#### 2:00 pm

**Bill No. 30-175 (LS)** – T.C. Ada / F.B. Aguon, Jr. / F.F. Blas, Jr. / T.R. Muña-Barnes

An act to add subsections (14) and (15) to section 8104 of Chapter 8 of Title 12 of the Guam Code Annotated and to add to add subsections (n) and (o) to section 14104 of Chapter 14 of Title 12 of the Guam Code Annotated, and to amend subsection (c) of section 14104.1, and section 14404 of Chapter 12 of Title 12 of the Guam Code Annotated, relative to permitting the Guam Power Authority, and the Guam Waterworks Authority to enter into long term contracts.

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Ada Plaza Center, Ste. 207 • 173 Aspinall Avenue • Hagåtña, Guam 96910  
Phone: (671) 473-3301 • Fax: (671) 473-3303 • Email: [Tom@SenatorAda.org](mailto:Tom@SenatorAda.org) • [www.SenatorAda.org](http://www.SenatorAda.org)

No.	Doc.	Remote Station	Start Time	Duration	Pages	Mode	Contents	Status
1	5579	671 646 7989	7-14: 4:51PM	17s	1 / 1	SG3 BC	CP	-
2	5579	671 472 1917	4:52PM	30s	1 / 1	ECM BC	CP	-
3	5579	4772689	4:54PM	29s	1 / 1	ECM BC	CP	-
4	5579	6474032	4:55PM	0s	- / 1	G3 BC	EN	-
5	5579	6714774445	4:56PM	17s	1 / 1	SG3 BC	CP	-
6	5579	Horecky and Assoc.	4:57PM	16s	1 / 1	SG3 BC	CP	-
7	5579	6496178	4:58PM	15s	1 / 1	SG3 BC	CP	-
8	5579	648 3164	4:58PM	19s	1 / 1	SG3 BC	CP	-

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G3 ID 6714733303

Date/Time: 07/14/2009; 05:03PM

Page: 2 (Last Page)

Local Name SENATOR THOMAS ADA  
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11	5579	4726202	5:02PM	15s	1/1	SG3 BC	BC	CP -

Note:  
RE: Resend MB: Send to Mailbox BC: Broadcast MP: Multi Polling RV: Remote Service  
PG: Polling RB: Relay Broadcast RS: Relay Send BF: Box Fax Forward CP: Completed  
SA: Send Again EN: Engaged AS: Auto Send TM: Terminated

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Date/Time: 07/14/2009: 04:51PM

Page: 1 (Last Page)

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Document Size: 8.5x11"SEF



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenla Na Liheslaturan Guåhan

July 14, 2009

### MEMORANDUM

To: All Media  
From: Chairperson, Committee on Utilities, Transportation, Public Works and Veterans Affairs  
Subject: **Public Hearing Notice: July 22, 2009 at 9:00 am and 2:00 pm**

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Si Yu'os Ma'ase,

Thomas C. Ada

cc: Clerk of the Legislature  
Sergeant at Arms and Protocol  
MIS

Ada Plaza Center, Ste. 207 • 173 Aspinall Avenue • Hagåtña, Guam 96910  
Phone: (671) 473-3301 • Fax: (671) 473-3303 • Email: [Tom@SenatorAda.org](mailto:Tom@SenatorAda.org) • [www.SenatorAda.org](http://www.SenatorAda.org)

No.	Doc.	Remote Station	Start Time	Duration	Pages	Mode	Contents	Status
1	5577	KUAM	7-14; 4:45PM	16s	1 / 1	SG3 BC		CP -
2	5577	Pacific Daily News	4:46PM	29s	1 / 1	ECM BC		CP -
3	5577	Pacific News Centr	4:47PM	16s	1 / 1	SG3 BC		CP -
4	5577	Marianas Variety	4:47PM	17s	1 / 1	SG3 BC		CP -
5	5577	K-Stereo	4:48PM	30s	1 / 1	ECM BC		CP -
6	5577	Hit Radio	4:49PM	15s	1 / 1	SG3 BC		CP -
7	5577	K-57	4:50PM	15s	1 / 1	SG3 BC		CP -

Note:  
RE: Resend MB: Send to Mailbox BC: Broadcast MP: Multi Polling RV: Remote Service  
PG: Polling RB: Relay Broadcast RS: Relay Send BF: Box Fax Forward CP: Completed  
SA: Send Again EN: Engaged AS: Auto Send TM: Terminated



Senator Tom Ada

Cyrus Luhr <cyrus@senatorada.org>

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## Office of Senator Ada - Public Hearing Notice - July 22

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Cyrus Luhr <cyrus@senatorada.org>

Tue, Jul 14, 2009 at 4:52 PM

To: news@guampdn.com, gdumat-ol@guampdn.com

To whom it may concern,

Can you please include information regarding the attached Public Hearing Notice in your governmental notice section? Thank you.

Best wishes,  
Cyrus

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Cyrus Luhr  
Staff Analyst  
Office of Senator Thomas C. Ada  
I Mina' Trenta na Liheslaturan Guåhan - 30th Guam Legislature



**Public Notice - July 28 - All Media.pdf**

35K

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## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

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Si Yu'os Ma'ase,

A handwritten signature in black ink, appearing to read "T.C. Ada".

Thomas C. Ada

cc: Clerk of the Legislature  
Sergeant at Arms and Protocol  
MIS

# WorkCentre 7232 Transmission Report

G3 ID

6714733303

Date/Time: 07/16/2009:03:15PM

Page: 1 (Last Page)

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SENATOR THOMAS ADA

Document has been sent.

Document Size: 8.5x11" SEF



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
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Total Pages Scanned: 1 Total Pages Sent : 1

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PG: Polling RB: Relay Broadcast RS: Relay Send BF: Box Fax Forward CP: Completed  
SA: Send Again EH: Engaged AS: Auto Send TM: Terminated



Senator Eon Ada

Cyrus Luhr <cyrus@senatorada.org>

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## Public Hearing Notice - July 22

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Cyrus Luhr <cyrus@senatorada.org>

Thu, Jul 16, 2009 at 3:14 PM

To: Jeffrey Johnson <jeffcharjohnson@hotmail.com>, lpalomo@guampuc.com, monte@guam.net, glennlg@portguam.com, Horecky and Associates <horeckylaw@teleguam.net>, ratnathicam@pbworld.com, "Paul L. Blas" <plblas@seabridgeguam.com>, "Lawrence 'Larry' P. Perez" <zerepyrral@yahoo.com>, jflores@gpagwa.com, leno@guamwaterworks.org, chairman@guamchamber.com.gu, ccastro@guamchamber.com.gu, gdcmgr@ite.net, lsablan@gpagwa.com

Hafa Adai,

Please see the attached pdf document regarding the upcoming Public Hearing on July 22. On the agenda are Bills 30-175 (Port Master Plan) and 30-178 (GWA long-term contract). Copies of the bills may be downloaded from the Guam Legislature website ([guamlegislature.com](http://www.guamlegislature.com)), or from a direct link here: for 30-175, <http://tr.im/syR9>; and for 30-178, <http://tr.im/syQU>.

If you have any questions or concerns, or difficulty opening the document, please contact me at [Cyrus@SenatorAda.org](mailto:Cyrus@SenatorAda.org).

Sincerely,  
Cyrus

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Sent: Thursday, July 16, 2009 3:14 PM  
To: 'Cyrus Luhr' <cyrus@senatorada.org>  
Subject: Public Hearing Notice - July 22 - Stakeholders.pdf

 **Public Hearing Notice - July 22 - Stakeholders.pdf**  
36K



## **Senator Thomas C. Ada**

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
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Senator Cyrus Luhr

Cyrus Luhr <cyrus@senatorada.org>

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## Public Hearing Notice - July 22

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Cyrus Luhr <cyrus@senatorada.org>

Thu, Jul 16, 2009 at 3:21 PM

Bcc: "Davita D. Palacios" <ddpalacios@portguam.com>, vcleon@portguam.com

Hafa adai,

Please see the attached pdf document regarding the upcoming Public Hearing on July 22. On the agenda are Bills 30-175 (Port Master Plan) and 30-178 (GWA long-term contract). Copies of the bills may be downloaded from the Guam Legislature website ([guamlegislature.com](http://guamlegislature.com)), or from a direct link here: 30-175, <http://tr.im/syR9>; and 30-178, <http://tr.im/syQU>.

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Best wishes,

Cyrus

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[cyrus@senatorada.org](mailto:cyrus@senatorada.org)

<http://www.senatorada.org>

<http://www.guamlegislature.com>

<http://www.portguam.com>

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G3 ID

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Date/Time: 07/17/2009:04:54PM

Page: 1

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SENATOR THOMAS ADA

Document Size: 8.5x11"SEF



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6	5725	6716499564	4:45PM	14s	1/ 1	SG3 BC		CP -
7	5725	477 2465	4:45PM	16s	1/ 1	SG3 BC		CP -
8	5725	6496178	4:47PM	15s	1/ 1	SG3 BC		CP -





Senator Tom Ada

Cyrus Luhr &lt;cyrus@senatorada.org&gt;

## Public Hearing Notice - July 22 - Bills 30-175 and 30-178

Cyrus Luhr &lt;cyrus@senatorada.org&gt;

Fri, Jul 17, 2009 at 4:59 PM

To: judiguthertz@pticom.com, senjim@ite.net, "Adolpho B. Palacios" <senabpalacios@gmail.com>, Ben Pangelinan <senbenp@guam.net>, "Edward J.B. Calvo" <sencalvo@gmail.com>, "Frank B. Aguon, Jr." <aguon4guam@gmail.com>, "Frank F. Blas, Jr." <frank.blasjr@gmail.com>, Jimmy Espaldon <senator@espaldon.com>, Judi Won Pat <info@judiwonpat.com>, Matt Rector <matt@mattrector.com>, Ray Tenorio <ray@raytenorio.com>, "Rory J. Respicio" <roryforguam@gmail.com>, Telo Taitague <senatortelo@gmail.com>, Tina Muna Barnes <tinamunabarnes@gmail.com>, Tom Ada <tom@senatorada.org>, aokada@guamlegislature.org, chris.budasi@guamlegislature.org, ciquinata@gmail.com, cyrus@senatorada.org, delta9marlo@gmail.com, doc.wyppenbachsantos@gmail.com, edpocaigue@judiwonpat.com, edpocaigue@yahoo.com, elg@guamlegislature.org, epogue@hotmail.com, fba\_irenem@yahoo.com, fbotorres@yahoo.com, jamespcastro@gmail.com, jennifer@mattrector.com, jessica@raytenorio.com, jonbdiaz@gmail.com, justin@mattrector.com, laurielista@gmail.com, legislativesecretary1@gmail.com, lizama.frances@gmail.com, mark@judiwonpat.com, maryfejeran@gmail.com, maya.alonso@gmail.com, mermae@raytenorio.com, mjperez48@yahoo.com, mona.duenas@gmail.com, patrickcepeda@hotmail.com, pjtcruz@yahoo.com, rjquitugua@gmail.com, rlikeke05@gmail.com, rob.tupaz@gmail.com, roberto.phil@gmail.com, roland@judiwonpat.com, rsmuna@yahoo.com, sahara@judiwonpat.com, sayama01@yahoo.com, teddytaz\_222@yahoo.com, the2006er@hotmail.com, tpmatane@yahoo.com, vel.komiyama@yahoo.com, zunior0831@hotmail.com, bill phillips <phillipsguam@gmail.com>, Carlos Pangelinan <carlospguam@yahoo.com>, Chris Odoca <codoca@gmail.com>, Derick Hills <derickhills@live.com>, Elaine Tajalle <elainevtll@gmail.com>, Frank Torres <fbtorres@judiwonpat.com>, Fred Burgos <fred@mattrector.com>, Gina Tabonares <aguonmedia@gmail.com>, Jay Sunga <ajsunga@senatorada.org>, Jose Cruz <josecruzjr17@yahoo.com>, Joy Unpingco <joyunpingco@gmail.com>, Lisa Cipollone <cipo@guamlegislature.org>, Mary Lou Wheeler <mlwheeler2000@yahoo.com>, Mike Lidia <mike.lidia9@gmail.com>, Nicole Santos <nsantos@senatorada.org>, Phillip Leon Guerrero <phill@raytenorio.com>, Ron Taitague <ez2plez57@yahoo.com>, "teddytaz@ite.net" <teddytaz@ite.net>, Tony Quitugua <tq@guamlegislature.org>, sem@guamlegislature.org, mcarlson@ite.net

Hafa Adai,

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Sincerely,  
Cyrus

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Cyrus Luhr  
Staff Analyst  
Office of Senator Thomas C. Ada  
I Mina' Trenta na Liheslaturan Guahan - 30th Guam Legislature

 **Public Hearing Notice - July 22 - All Senators.pdf**  
32K



## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

July 14, 2009

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Thomas C. Ada

cc: Clerk of the Legislature  
Sergeant at Arms and Protocol  
MIS

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An act to approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report.

#### 2:00 pm

**Bill No. 30-175 (LS) – T.C. Ada / F.B. Aguirre, Jr. / F.F. Blas, Jr. / T.R. Muña-Barnes**

An act to add subsections (14) and (15) to section 8104 of Chapter 8 of Title 12 of the Guam Code Annotated and to add to add subsections (n) and (o) to section 14104 of Chapter 14 of Title 12 of the Guam Code Annotated, and to amend subsection (c) of section 14104.1, and section 14404 of Chapter 12 of Title 12 of the Guam Code Annotated, relative to permitting the Guam Power Authority, and the Guam Waterworks Authority to enter into long term contracts.

The Committee will continue to accept written or electronic testimonies until 5pm, August 3, 2009; please address these testimonies to Senator Thomas C. Ada, Chairperson, Committee on Utilities, Transportation, Public Works, and Veterans Affairs. Copies of these agenda items may be found on the official Guam Legislature website ([www.guamlegislature.com](http://www.guamlegislature.com)). Please feel free to contact our office should you have any questions or concerns.

Si Yu'os Ma'ase,

Thomas C. Ada

cc: Clerk of the Legislature  
Sergeant at Arms and Protocol  
MIS

Ada Plaza Center, Ste. 207 • 173 Aspinall Avenue • Hagåtña, Guam 96910  
Phone: (671) 473-3301 • Fax: (671) 473-3303 • Email: [Tom@SenatorAda.org](mailto:Tom@SenatorAda.org) • [www.SenatorAda.org](http://www.SenatorAda.org)

No.	Doc.	Remote Station	Start Time	Duration	Pages	Mode	Contents	Status
1	5724	KUAM	7-17: 4:32PM	21s	1/1	SG3 BC		CP
2	5724	Pacific Daily News	4:33PM	40s	1/1	ECM BC		CP
3	5724	Pacific News Centr	4:34PM	15s	1/1	SG3 BC		CP
4	5724	Marianas Variety	4:35PM	17s	1/1	SG3 BC		CP
5	5724	K-Stereo	4:36PM	30s	1/1	ECM BC		CP
6	5724	Hit Radio	4:37PM	15s	1/1	SG3 BC		CP
7	5724	K-57	4:37PM	14s	1/1	SG3 BC		CP

Note:  
RE: Resend MB: Send to Mailbox BC: Broadcast MP: Multi Polling RV: Remote Service  
PG: Polling RB: Relay Broadcast RS: Relay Send BF: Box Fax Forward CP: Completed  
SA: Send Again EN: Engaged AS: Auto Send TM: Terminated



Senator Tom Ada

Cyrus Luhr <cyrus@senatorada.org>

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## Reminder: Public Hearing Notice - July 22

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Cyrus Luhr <cyrus@senatorada.org>

Fri, Jul 17, 2009 at 4:42 PM

To: Jeffrey Johnson <jeffcharjohnson@hotmail.com>, lpalomo@guampuc.com, monte@guam.net, glennlg@portguam.com, Horecky and Associates <horeckylaw@teleguam.net>, ratnathicam@pbworld.com, "Paul L. Blas" <plblas@seabridgeguam.com>, Len Isotoff <lisotoff@matson.com>, ariel.dumapit@iss-shipping.com, desmond\_aw@mariana-express.com, hhealey@horizonlines.com, rsablan@msa-guam.com, gdauid@ambyth.guam.net, vcleon@portguam.com, ddpalacios@portguam.com, "Lawrence 'Larry' P. Perez" <zerepyrral@yahoo.com>, jflores@gpagwa.com, leno@guamwaterworks.org, chairman@guamchamber.com.gu, ccastro@guamchamber.com.gu, gdcmgr@ite.net, lsablan@gpagwa.com, sbblas@gpagwa.com  
Cc: Jay Sunga <ajsunga@senatorada.org>, Nicole Santos <nsantos@senatorada.org>

Hafa Adai,

Please see the attached pdf document regarding the upcoming Public Hearing on July 22. On the agenda are Bills 30-175 (Port Master Plan) and 30-178 (GWA long-term contract). Copies of the bills may be downloaded from the Guam Legislature website ([guamlegislature.com](http://guamlegislature.com)), or from a direct link here: for 30-175, <http://tr.im/syR9>; and for 30-178, <http://tr.im/syQU>.

If you have any questions or concerns, or difficulty opening the document, please contact me at [Cyrus@SenatorAda.org](mailto:Cyrus@SenatorAda.org).

Sincerely,  
Cyrus

---  
Cyrus Luhr  
Staff Analyst  
Office of Senator Thomas C. Ada  
1 Main, 1<sup>st</sup> Floor, Legislature Building, Guam - 30th Guam Legislature

 **Public Hearing Notice - July 22 - Stakeholders.pdf**  
36K

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## Senator Thomas C. Ada

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guåhan

July 14, 2009

### MEMORANDUM

To: All Media

From: Chairperson, Committee on Utilities, Transportation, Public Works and Veterans Affairs

Subject: **Public Hearing Notice: July 22, 2009 at 9:00 am and 2:00 pm**

Please be advised that the Committee on Utilities, Transportation, Public Works and Veterans Affairs is holding a public hearing on July 22, 2009 at 9:00 am and 2:00 pm. This meeting will take place in the Public Hearing Room of *I Liheslatura*.

The agenda is as follows:

**9:00 am**

**Bill No. 30-178 (COR) – T.C. Ada**

An act to approve the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report.

**2:00 pm**

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An act to add subsections (14) and (15) to section 8104 of Chapter 8 of Title 12 of the Guam Code Annotated and to add to add subsections (n) and (o) to section 14104 of Chapter 14 of Title 12 of the Guam Code Annotated, and to amend subsection (c) of section 14104.1, and section 14404 of Chapter 12 of Title 12 of the Guam Code Annotated, relative to permitting the Guam Power Authority, and the Guam Waterworks Authority to enter into long term contracts.

The Committee will continue to accept written or electronic testimonies until 5pm, August 3, 2009; please address these testimonies to Senator Thomas C. Ada, Chairperson, Committee on Utilities, Transportation, Public Works, and Veterans Affairs. Copies of these agenda items may be found on the official Guam Legislature website ([www.guamlegislature.com](http://www.guamlegislature.com)). Please feel free to contact our office should you have any questions or concerns.

Si Yu'os Ma'ase,

A handwritten signature in black ink, appearing to read "T.C. Ada".

Thomas C. Ada

cc: Clerk of the Legislature  
Sergeant at Arms and Protocol  
MIS



Senator Tom Ada

Cyrus Luhr <cyrus@senatorada.org>

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## 2-day notice: Office of Senator Ada - Public Hearing Notice - July 22

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Cyrus Luhr <cyrus@senatorada.org>

Fri, Jul 17, 2009 at 4:46 PM

To: news@guampdn.com, gdumat-ol@guampdn.com

To whom it may concern,

Can you please include information regarding the attached Public Hearing Notice (to take place on July 22) in your governmental notice section? Thank you.

Best wishes,  
Cyrus

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Cyrus Luhr  
Staff Analyst  
Office of Senator Thomas C. Ada  
I Mina' Trenta na Liheslaturan Guåhan - 30th Guam Legislature



**Public Notice - July 22 - All Media.pdf**

35K

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## **Senator Thomas C. Ada**

CHAIRMAN - Committee on Utilities, Transportation, Public Works, and Veterans Affairs  
30<sup>th</sup> Guam Legislature • I Mina' Trenta Na Liheslaturan Guahan

### **PUBLIC HEARING NOTICE**

**July 22, 2009 at 9:00 am and 2:00 pm**  
**Public Hearing Room, *I Liheslaturan Guahan***

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Copies of these agenda items may be found on the official Guam Legislature website ([www.guamlegislature.com](http://www.guamlegislature.com)). Please feel free to contact the Office of Senator Thomas C. Ada with any questions or concerns.

Pacific Daily News, Monday, July 20, 2009 guampdn.com

# Paradise Bingo \$5,000 GIVEAWAY

Sponsored by: OSCA Center  
**Monday, July 20, 2009**  
 Royal Orchid Hotel, Ground Floor Banquet Room  
 Doors Open at 4:00 pm... Game Starts 7:15 pm, Phone 649-8102/8103

Package purchased include ALL Regular Jackpot Games

<b>\$3,000</b> COVER ALL GIVEAWAY	<b>\$2,000</b> BABY JACKPOT GIVEAWAY	<b>\$30 10 Across</b> +Buy One Get One Free
<b>\$1,500</b> REG GAME PAYOUT	<b>\$2,500</b> LETTER X JUNIOR JACKPOT AT 15 NOS. OR LESS	<b>\$17,083</b> BUILD YOUR OWN PROGRESSIVE JACKPOT At 51 nos. or less
<b>\$2,500</b> Lucky 7 Jackpot at 16 nos. or less		

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<h3>Home Phone</h3> <p>Typhoon Ready                  6 Calling Features including:                  Caller ID, Call Waiting                  3 Way Calling &amp; Call Forwarding                  Emergency 911 Backup                  FREE Voicemail</p>	<h3>Wireless</h3> <p>*Exclusive Quatro Rate Plan                  FREE GSM Wireless                  1000 Local Minutes                  Unlimited Nights                  Unlimited Weekends</p>

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### GOVERNMENT MEETINGS

**July 22**  
**A. & W. Pat Guam International Airport Authority:** Board of directors regular meeting 3 p.m., terminal conference room 3, Tamuning. Agenda copies available. Parking available in public parking lot. For special accommodations, call 646-0900.  
**Committee on Utilities, Transportation, Public Works and Veterans Affairs:** Public hearing 9 a.m., Legislature's public hearing room, Hagåtña, on Bill 30-178, to approve Jose D. Leon Guerrero Commercial Port of Guam master plan update 2007 report, 2 p.m. on Bill 30-175, relative to permitting Guam Power Authority and Guam Waterworks Authority to enter into long-term contracts.  
**July 23**  
**Civil Service Commission:** Board meeting 5:30 p.m., seventh-floor conference room, ITC Building, Tamuning. Motion hearing: Glorise R. Sanchez vs. Guam Public School System, bills and laws relating to CSC. For special accommodations, call Blanca at 647-1855/7 or TDD 647-1872.  
**Guam Economic Development Authority:** Board of directors regular meeting 1:30 p.m., Suite 511, ITC Building, Tamuning. For special accommodations, call Lori Villaverde, 647-4332, ext. 128.  
**Guam Visitors Bureau:** Board of directors regular meeting 4 p.m., GVB main conference room, Tumon. For special accommodations, call 646-5278.  
**Port Authority of Guam:** Board of directors meeting 5 p.m., board conference

room, Cabras Island, Pitt. For special accommodations, call Simeon Delos Santos, 477-5931/4, ext. 430 or pager 635-1351.  
**July 27**  
**Public Defender Service Corp. Board of Trustees:** Regular meeting 12:30 p.m., Supreme Court conference room, Guam Judicial Center, Hagåtña. Agenda copies available. For special accommodations, call Bernadette Changkial, 475-3100.  
**July 28**  
**Civil Service Commission:** Board meeting 5:30 p.m., seventh-floor conference room, ITC Building, Tamuning. Hearing on merits: Johnny R. Newby vs. Guam Fire Department, bills and laws relating to CSC. For special accommodations, call Blanca at 647-1855/7 or TDD 647-1872.  
**Committee on Public Safety, Law Enforcement and Senior Citizens:** Public hearing 9 a.m., Legislature's public hearing room, Hagåtña. Bill 162, creating on-line warrant repository, Bill 30-176, establishing separate Military Public reentry fund, and establishing new fees collected by GovGuam for notary applications and for issuing certificates of authenticity and apostilles, and to clarify that apostilles are issued by Department of Administration director or deputy director; Bill 30-177, authorizing attorney general's office to collect fee for its AG clearance, and establishing separate fund for deposit of such fees. For special accommodations, call 472-5047/5048.  
**Guam Board of Examiners for Optometry:** Regular meeting 8:30 a.m., Health Professional Licensing Office board room, Suite 9, Legacy Square Commercial Complex, Mangilao. Call 735-7406/11.

**July 29**  
**Civil Service Commission:** Board meeting 5:30 p.m., seventh-floor conference room, ITC Building, Tamuning. Hearing on merits: Johnny R. Newby vs. Guam Fire Department, bills and laws relating to CSC. For special accommodations, call Blanca at 647-1855/7 or TDD 647-1872.  
**Governor's Prevention and Early Intervention Advisory Community Empowerment (PEACE) Council:** Meeting as a whole 10 to 11:30 a.m., PEACE office, 36G Commercial Complex, building F, second floor, Suites 203-204F, Hagåtña. Call 477-9079/9083 or 477-8861.  
**Guam Board of Registration for Professional Engineers, Architects and Land Surveyors:** Regular meeting 4 p.m., board conference room, Upper Tumon. For special accommodations, call 646-3113.  
**Guam Education Policy Board:** Regular meeting 6 p.m., Upl Elementary School, Yigo. For special accommodations, call 508-1627/9.  
**July 30**  
**Guam Community College:** Board of Trustees monthly meeting 6 p.m., president's conference room, second floor, student services and administration building 2000. For special accommodation, call 735-5597/5638.  
**Guam Pardon Review Board:** Regular hearing 3 p.m., Parole Services Division, fifth floor, Suite 505, DNA building, Hagåtña. For special accommodations, call 473-7001.  
**Guam Parole Board:** Regular hearing 8:30 a.m., Parole Services Division, fifth floor, Suite 505, DNA building, Hagåtña. For special accommodations, call 473-7001.  
**Guam Workforce Investment Board:** Meeting 4 p.m., third-floor conference room, GCIC building, Hagåtña. Agenda copies available upon request. For special accommodations, call JoyJean Mantorosa, 475-7079/7075.

**July 31**  
**Government of Guam Retirement Fund:** Board of Trustees regular meeting noon, Retirement Fund conference room, Route 8, Maite. For special accommodations, call 475-8900/1.  
**Aug. 3**  
**Guam Board of Barbering and Cosmetology:** Regular meeting 9 a.m., Health Professional Licensing Office board room, Suite 9, Legacy Square Commercial Complex, Mangilao. Call 735-7406/11.  
**Guam Board of Barbering and Cosmetology:** Public hearing on licensing fees 10:30 a.m. to 12:30 p.m., Health Professional Licensing Office board room, Suite 9, Legacy Square Commercial Complex, Mangilao. Call 735-7406/11.  
**Aug. 5**  
**Mayors Council of Guam:** Regular meeting 10 a.m., council's conference room, J & G Commercial Center, Suite 111E, Hagåtña. Call Elaine Schaal, 472-6940 or 477-0461.  
**Aug. 19**  
**Mayors Council of Guam:** Special meeting 10 a.m., council's conference room, J & G Commercial Center, Suite 111F, Hagåtña. Call Elaine Schaal, 472-6940 or 477-0461.