




PORT AUTHORITY OF GUAM





Who is here?

Our Delegation From Guam


- Governor of Guam, Gov. Eddie B. Calvo
 - Guam Legislature, Sen. Tom Ada
 - Office of the Governor, CoS, Franklin Arriola
 - Port Authority of Guam (PAG), Board of Directors, Daniel J. Tydingco
 - PAG, Board of Directors, Secretary, Mary Michelle Gibson
 - PAG, General Manager, Mary Torres
 - PAG, Opns Mgr, John B. Santos
 - PAG, OAE, Jeff Peck
 - Guam Port User Grp, Chairman, Richard Sablan
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Our Strategic Geographical Position





Discussion Agenda

- Purpose of Meeting – Dan Tydingco
 - Condition of the Wharf – John Santos
 - Managing Risks at the Waterfront – Jeff Peck
 - The Need for Timely Action – Senator Ada
 - Port's Objectives – Senator Ada
 - Implications of Buildup Re-Set – Senator Ada
 - Summary of Key Points – Dan Tydingco
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Purpose of This Meeting

- Provide Updates
 - Crane Negotiations
 - F5 Inspection
 - Insurance/Loan Issues
 - Share Perceptions On Critical Risks
 - Gain Alignment of All Stakeholders
 - Accelerate Where We Must
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Condition of the Port's Wharf



Significant Risk of Failure DOD-IG Report 2012-052 summarizes and validates the condition as follows: “the bulkhead is at significant risk of major failure; failure would have a severe impact on the Port’s throughput as well as progress on the military buildup”. The Port and local stakeholders are concerned about potential adverse impacts on shipments in and out of Guam.

Condition of the Port's Wharf (cont'd)

Focal Point Of Risk Concerns

Berths F-4, F-5, and F-6 are the focal point of risk concerns. It is these berths primarily that accommodate containerships, general cargo vessels, passenger vessels, and fishing vessels.



Condition of the Port's Wharf F5 Bulkhead

Comparison:

December 2010



February 2012



Bent 9D-E – Progressed damage: spalling

Condition of the Port's F5 Bulkhead

Comparison:

December 2010



February 2012



Pilecap 15B – Progressed damage: spalling and exposed rebar

Condition of the Port's F5 Bulkhead

Comparison:

December 2010



February 2012

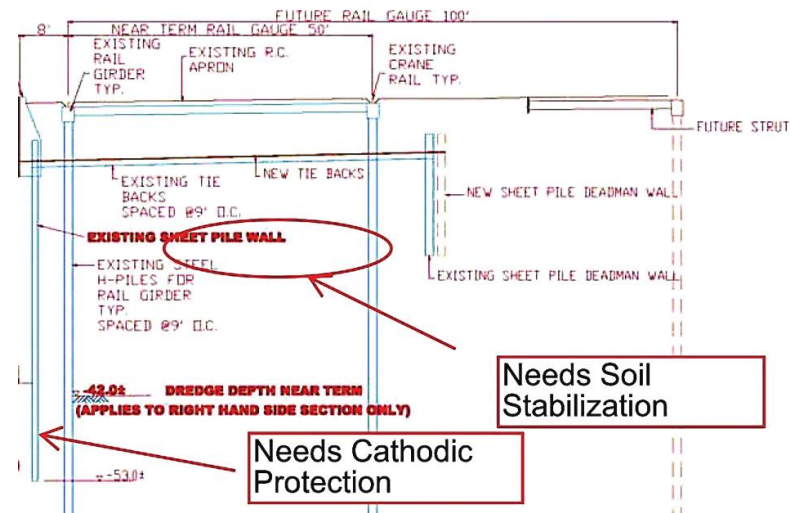
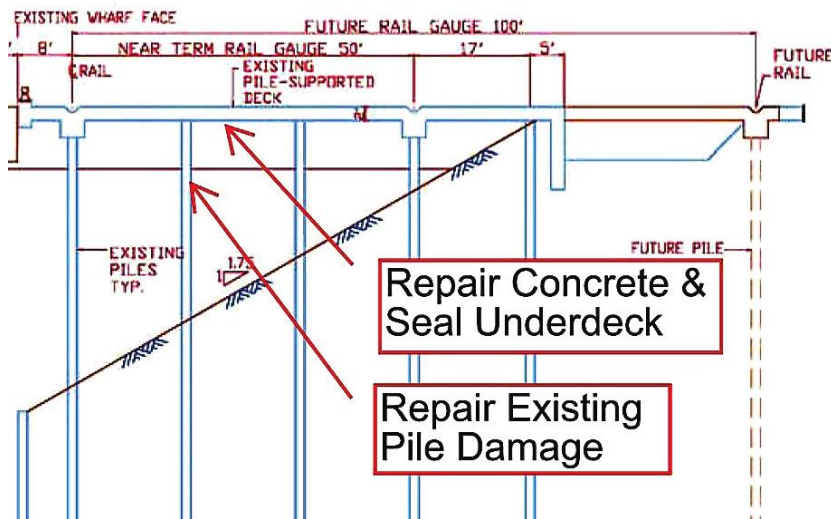


Pilecap 19B – Progressed damage: spalling and exposed rebar

Managing Waterfront Risks

Service Life Extension

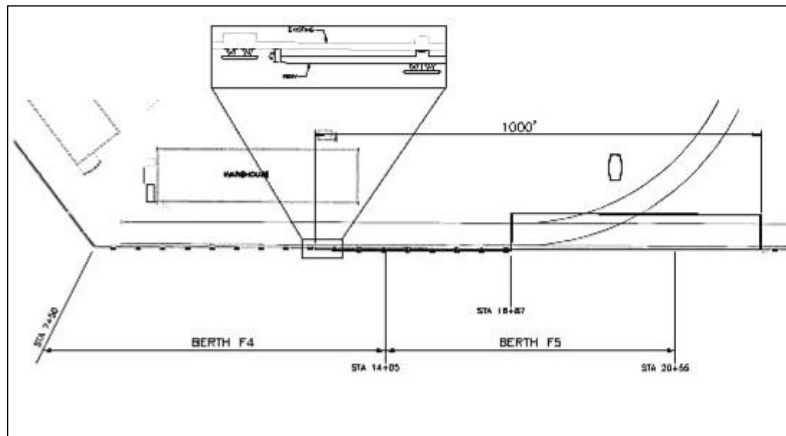
- Ground Improvement at F4 and F6
- F5 Concrete Repairs
- Cathodic Protection All Berths
- \$15 M (est. cost) and 10-15 Years Life Extension
- Proceed under Nationwide Permit
- Commercial Loan or DOD Funds



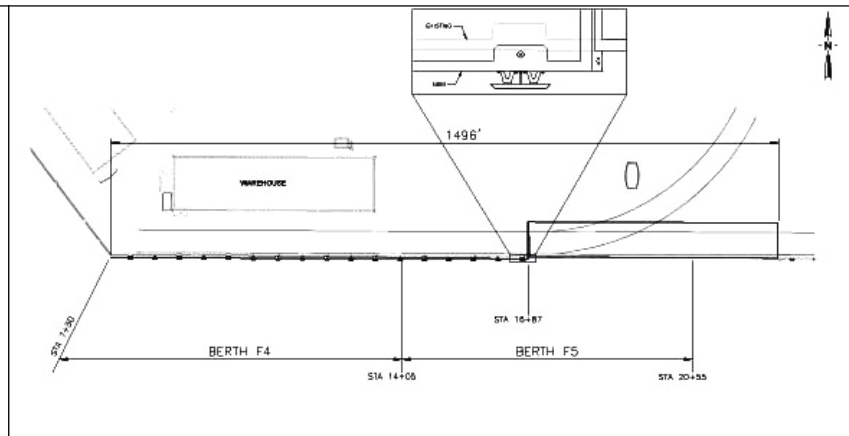
Managing Waterfront Risks (Continued)

Wharf Replacement (MARAD's Recommendation)

Option 1



Option 2



- Option 1: Costs \$ 48 M... leaves portion of Berths 4 and 6 unrepaired
- Option 2: Costs \$ 98 M... leaves portion of Berth 6 unrepaired
- Maximum Funds Available: \$ 48 M...USDA funds not available
- Requires Expanded Environmental Assessment
- Life-Expectancy...75-Years New Structures, Existing Structures Unknown
- Operations Disjointed With Notched Pierhead Line



Urgent Action Needed

- **Preserve Sustainable Operations.**

The Port needs to commence certain critical Maintenance & Repair (M&R) work in order to preserve sustainable operations on the waterfront.

- **Recent earthquake exacerbates deterioration.**

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

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

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

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

- Break-Bulk Yard and Container Yard Expansion
 - Get Out In Front of Military Buildup
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Port's Desired Plan of Action

Risk Mitigation Approach:

- *De-link M&R from Port Modernization Program.* Treat the work as separate M&R that can be cleared under a Nationwide Permit.



Port's Desired Plan of Action

Risk Mitigation Approach Cont'd:

- ***Do What Is Affordable.*** Due to funding limitations, the scope of work will be to achieve Service Life Extension (SLE) of 10 to 15 years, requiring an estimated budget of up to \$15M.
- ***Operating with calculated risk.*** Due to the Port's limited funding and the uncertainties of future cargo revenue, PAG needs to operate with calculated risks until adequate funding for complete waterfront facility replacement provides another option.



Port's Desired Plan of Action (Cont'd)


M&R (SLE) Funding Alternatives

- **DOD Funding.**

The Port requests favorable consideration to fund the SLE work from the DOD grant that is currently deposited in the Port Enterprise Fund.

- **Commercial Borrowing.**

In the event DOD does not find this feasible, the Port stands ready to secure funds through a lending institution, and undertake the SLE work on its own.





Port's Desired Plan of Action (Cont'd)

Use of Port Enterprise Funds

- **Fund M&R** (\$ 15 M) within the framework of the PAG-MARAD MOU.
- **Concurrent commencement of Uplands Improvement**, within the framework of the PAG-MARAD MOU.
- **Port to Execute USDA Direct Loan** (up to \$ 15 M) to supplement funding for Uplands Improvements.





Port's Desired Plan of Action (Cont'd)

Alternative to DOD Funded M&R (SLE):

- Port to obtain \$ 15 M commercial loan and initiate contracting of M&R (SLE) work.
 - MARAD to not delay Uplands work while continuing with planned additional studies and documentation, ie. Risk Management Analysis, Geotechnical Study, EA associated with unfunded future wharf replacement.
 - MARAD would adjust use of DOD Funds to account for deleted F5 repairs budget and added “future waterfront studies” and proceed with Uplands work within the constraints of remaining DOD funding.




Implications of Military Buildup Re-Set

- Warrants adjustments to Port's revenue projections.
 - Sustainability requirements prescribe immediate Waterfront M&R, and execution of Uplands Modernization without delay
 - De-linking of Phase 1-A USDA Loan(s) from Port Modernization Program
 - Original Pro-Forma no longer valid.
 - Problems with Guaranteed Loan.
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Implications of Military Buildup Re-set (Cont'd)

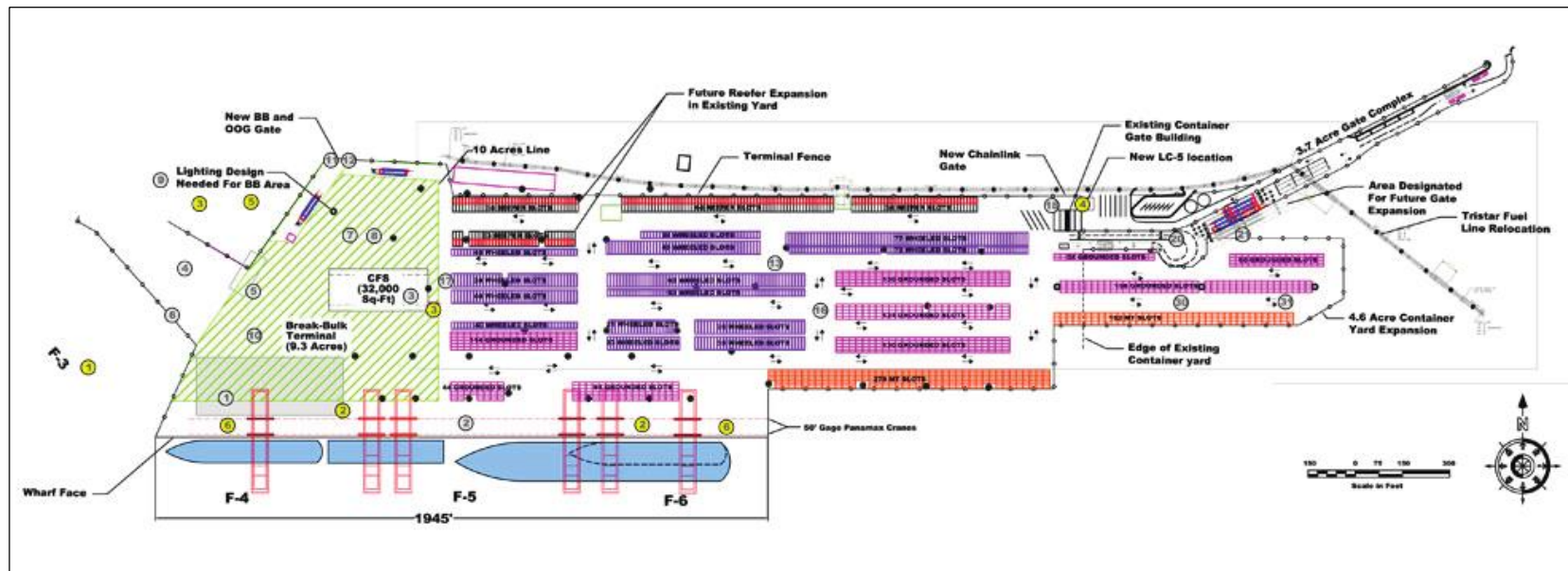
Near-term Port Investments: \$87M

- Wharf, M&R (SLE) \$15M
 - Cathodic Protection
 - Ground Stabilization
 - F5 Repairs
 - Crane Purchase & Retrofits \$ 20M
 - Two New, Retrofit G3
 - Three POLA, Retrofit G3
 - Phase 1-A Uplands Improvements \$ 45M
 - System Upgrades \$ 7M
 - TOS, GOS, FMS
 - IT Network
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Implications of Military Buildup Re-set (Cont'd)


Uplands Improvement \$45M (DOD & USDA Loan)

- Reconfigure/Expand Break Bulk Yard
- Expand Container Yard
- Building Demolition (selected facilities)
- Modernized Gate Complex
- Building Renovations (Minor)
- Infrastructure upgrades





Summary of Key Points

- 1. Port to initiate risk mitigation on wharf, at an accelerated pace.**
 - De-link wharf M&R from Modernization Program
 - 2. Request DOD to fund \$15M M&R**
 - Alternatively, Port to pursue \$15M commercial loan to fund M&R (SLE) work.
 - 3. Request MARAD to commence Upland Improvements without delay** on the basis of current environmental documentation, assuming separate waterfront studies and environmental documentation for future and currently unfunded wharf replacement work.
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**Si Yu'us Ma'se
Thank you!**

