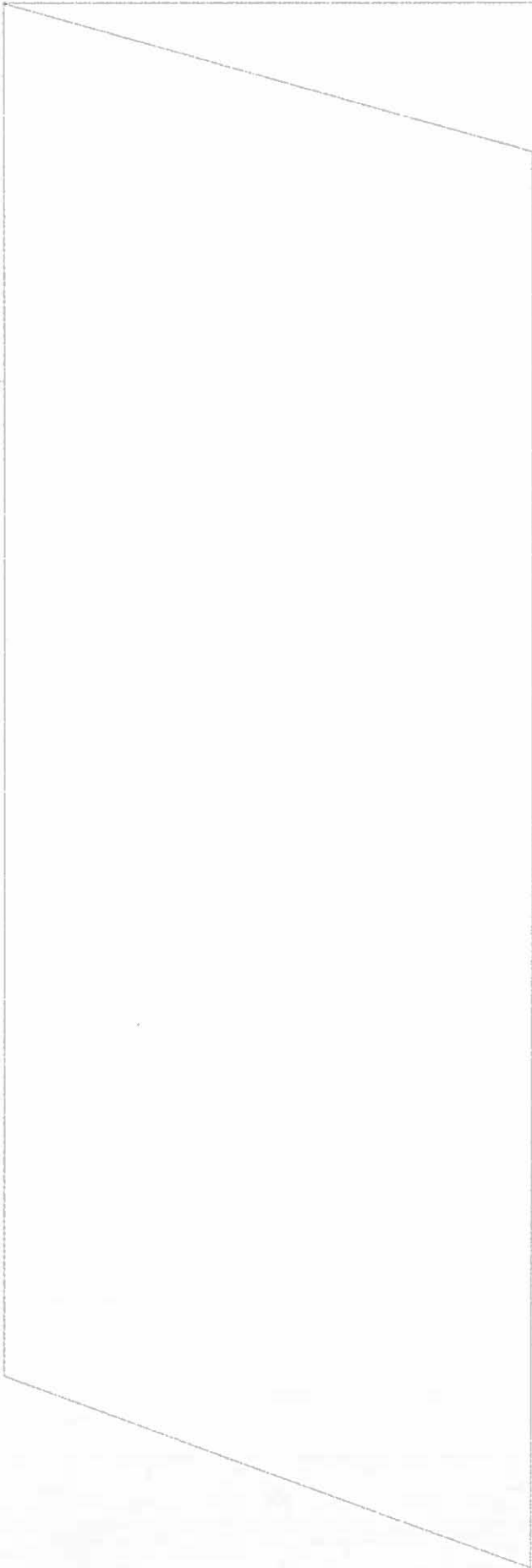


2010

2009





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> Introduction

The Port Authority of Guam is undergoing one of the largest modernization programs in the history of Guam's community. Hundreds of millions of dollars will be spent to transform this commercial sea port into a world-class facility ready to meet the demands of the future. Sheltered within the inner reaches of Apra Harbor, Guam's deepwater port offers facilities and services to ships of all registries. Dedicated to providing a combination of maritime, commercial, transportation, and recreational services in a safe, efficient, and reliable manner, the Port Authority of Guam is striving to develop into the world-class container terminal port of the Western Pacific Region through the development of modern facilities, information technology and a skilled workforce.

It is the Port's vision and objective to modernize the Port as a first class facility in the region providing cargo handling services in a safe, efficient, and sustainable manner. To achieve this, the Port must increase capacity, execute infrastructure development and Port expansion to meet the community's organic growth and the impending military buildup, promote economic growth and opportunities for maritime related industries and address the needs of port users.

The Port Authority has begun an important and challenging journey that will span a number of years. A strategy for upgrading its facility and replacing aging equipment is taking shape and efforts are being made to increase the awareness to going green and making environmentally safe decision, thus, the production of this annual report online and on DVD.



> Our Message

By virtue of our location and status as the transshipment hub of the Micronesia, the Port of Guam is ideally positioned for growth and development. With more than 90 percent of the region's population is served by Guam's deepwater port. Upgrading and improving our facility not only supports tomorrow's commerce, but also acts as a channel to drive the island's economy forward. We have embarked on a massive program with aggressive time lines. A great deal of effort is being expended to seek different sources of funding to maximize the opportunities available to us all and the modernization program is taking shape allowing the Port to build for the future.

Much of our progress can be attributed to the long-term commitment made by our Port users tenants and customers. We are pleased to see the progress of our longtime partners as they evolve along with the Port and the collaborated effort to bring our seaport into the next century.

Rest assured we are working to meet all of our challenges with staff and management working diligently as a team to achieve a host of aggressive goals and objectives, further establishing the Port as a vital regional asset. We are confident that we have the right people with the right talents to meet those challenges and we are proud to help steer the agency during this time of unprecedented opportunities. The past two years have been spent on laying out the road map to bringing our port to world class standards. A bright future lies ahead and we won't stop working to move our port and community forward.





> Our Modernization Journey

Since its construction in 1969 the Port has remained largely unchanged with the exception of the repair of F5 in 1999. The modernization of the Port has been long overdue. With many areas near capacity, congested or unusable, the expansion of the Port's facilities and equipment upgrades will enable PAG to create operational efficiencies and maximize Port capacity. In August 2007, Parsons Brinckerhoff International, Inc. (PBI) began its work to update the agency's 1999 Master Plan. The updates and recommendations address future expansion and development based on typical commercial growth, as well as the impending military buildup. Needs assessments for the military buildup were based on preliminary information of cargo volumes and personnel relocation provided by the Joint Guam Program Office (JGPO).

After taking its plans to the community and numerous outreach efforts to share its vision, the Port garnered the support of port stakeholders and users. Public Law 30-57 was passed in September 2009 authorizing the Port to move forward with its modernization program designed to meet the unprecedented growth of the island, largely in part by the expansion of U.S. military bases to the island as well as the overall growth of Guam's

economy. The plans ensure that Guam's only commercial sea port is developed and managed to adequately accommodate and capitalize on the rapid expansion expected to occur over the next decade. Some of these key modernization initiatives include:

- Upgrade of terminal operating system to allow for automated invoicing, cargo and container tracking, financial management and maintenance management.
- Expansion of Wharf Space to accommodate larger vessels as well as increase overall vessel handling capacity.
- Acquisition of additional gantry cranes to allow for increased cargo movement through the Port and more importantly, to enhance overall productivity and efficiency.
- Expansion of existing facilities to support fishing and cruise line industries.
- Port's ability to meet the aggressive schedule of the DOD build-up on Guam.

Under the Nation Defense Authorization Act for 2009, Section 3512 of Public Law 110-471 designated MARAD, the U.S. Maritime Administration as the lead Federal Agency for the "Port of Guam Improvement Enterprise Program."



The Maritime Administration is responsible for coordinating with and on behalf of the Port Authority of Guam in conducting and overseeing all the work related to the \$195 Million modernization plan.

The commercial Port of Guam is a critical port of entry into Guam for goods and supplies. The signing of the Memorandum of Understanding between the Port and MARAD signified a major federal commitment to the buildup efforts in Guam directly affecting the civilian community. This partnership recognizes Guam's vital to our national security, not only because of its location, but also because of its ability to assist in the deployment of defense assets. It means more resources and greater opportunities to build port facilities that will sustain the economic future envisioned for Guam.

Furthermore, MARAD will coordinate with other federal agencies that receive annual Congressional appropriations and other funding that is identified for port the modernization, assist the port on the NEPA process and expedite the modernization of the port by engaging professionals to perform environmental studies inclusive of overall engineering design and construction activities.

Aggressive efforts were launched to explore and obtain funding through various sources, particularly through federal grants and loans. After the Port was unsuccessful with its ARRA grant application, \$50 Million was received for the modernization program from the FY 2010 Supplemental Appropriations Act which authorized the Department of Defense to transfer up to a maximum of \$50 Million from the Operations and Maintenance Fund into the Port of Guam Improvement Enterprise Fund. Another \$54.5 Million in loans was received from the United States Department of Agriculture. Monies will be used to fund projects in Phase 1-A of the Port Modernization Program which includes reconfiguration and expansion of the cargo terminals, creation of a new gate complex, reconfiguration and expansion of selected buildings, upgraded utilities and security features, and state-of-the-art terminal and gate operating systems. Phase 1-B which is still unfunded includes wharf repairs, dredging, cranes,

and additional security equipment.

A kick-off ceremony was held in October 2009 to officially commence the Modernization Program, with local and federal officials in attendance along with MARAD and USDA executives. To further commemorate the Port's largest improvement transformation to ever take place, a 30 minute television special was aired, Harbor of Promise, promoting a deeper appreciation of how Port operations greatly affect day-to-day existence on the island and paying tribute to the hardworking men and women who keep it "Port Strong."



> On going Developments

Rail Replacement

Modernization efforts at the Port received another boost with the completion of wharf upgrades and gantry crane rail replacement. This was the first time wharf upgrades have been conducted in the past 18 years and the first replacement ever of the Gantry Crane Rail system which is more than 30 years old. The \$4 million project was conducted by Black Construction and included other upgrades to the wharf, including asphalt pavement repairs to all depression and low areas that have been accumulating water, replacement of fendering system, underwater sheetpile repairs, concrete bulkhead repairs and utilities.

Crane Railway lease agreement (POLA)

Guam's two domestic carriers, Matson Navigation and Horizon Lines partnered to purchase three refurbished gantry cranes in anticipation of the increased cargo volume expected to arrive along with the relocation of 8000 marines and their families. The \$18 million investment was made to purchase, refurbish, transport, and install the equipment to ensure that no loading and off loading delays occur when the military buildup begins. The cranes are equipped with state-of-the-art electronic control drives and modern diesel generator power packs with lifting beams capable of handling 45-foot containers and new disc-style main function brakes. The Port of Los Angeles (POLA) cranes joined the port's fleet of equipments providing Guam's customers with a higher level of service and reliability.



OAE

As modernization efforts continue, the Port Authority of Guam partnered with one of the world's leading planning and engineering firms to help execute the plans laid out for the island's commercial sea port. Parsons Brinckerhoff International (PBI) was awarded the Owner's Agent/Engineer (OAE) contract to serve as the professional and technical consultants for the Port Modernization Program. As the OAE, Parsons Brinckerhoff represents the port in developing the engineering designs to begin implementing the modernization program. Our partnership with Parsons Brinckerhoff International will help the Port Authority of Guam reach its full potential as we transform into a world-class sea port. This is an exciting time for the port and the people of Guam as we prepare for significant growth at our island's commercial sea port.

PBI has previously partnered with the Port Authority of Guam by assisting in the updates to the master plan in 2007. The corporation has experience conducting large infrastructure development projects at the Port of Long Beach, Panama Canal, the Port of Ningbo in the People's Republic of China and the Palm Island Project in Dubai.

Grants:

Exclusive of the amounts received through DOD's FY 2010 Supplemental Appropriations Act and the USDA loan totaling

\$104.5 million, the Port was successful in securing nearly \$20 million in grant appropriations from various federal agencies. More than \$7 million was secured from the Department of Interior Office of Insular Affairs for preliminary engineering and environmental studies and implementation programs relevant to the Ports modernization. Another \$4.8 million was obtained from the Department of Defense Office of Economic Adjustment for the development of the modernization's implementation plan, protocol manual, terminal preliminary design, and project controls and program accountability services. The Economic Development Authority and MARAD awarded the port nearly \$2 million for the environmental assessment and A/E design of proposed wharf modernization and container yard expansion. Under the Port Security Grant Program, \$4.8 million was awarded for the deployment of access control/standardized credentialing system and acquisition of TWIC reader systems, acquisition and installation of radar/intrusion detection system for the entire Apra Harbor area, and the acquisition and installation of command and control integration of CCTV security surveillance systems. The Department of Agriculture awarded the Port \$570,106 for repairs and phase 1 renovations and site improvements to the Gregorio D. Perez Marina (Agana Marina). Another \$50,000 was obtained through the Guam Homeland Security Office for emergency response vehicles.

Layout of Terminal

LEGEND

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

NEW GATE AREA

- ① WHARF IMPROVEMENTS CATHODIC PROTECTION
- ② GROUND STABILIZATION OF T4/F6
- ③ TERMINAL OPERATING SYSTEM
- ④ GATE OPERATING SYSTEM
- ⑤ FINANCIAL MANAGEMENT SYSTEM
- ⑥ MARINE REPAIRS

BB YARD

- ① WAREHOUSE #2 DEMOLITION
- ② REPAIRS OF F5
- ③ CFS MODIFICATIONS AND RESTROOM
- ④ OIL WATER SEPARATORS ON EXISTING OUTFALLS
- ⑤ GAS STATION DEMOLITION
- ⑥ CHAINLINK FENCE AND GATE
- ⑦ BREAK BULK GATE DEMOLITION
- ⑧ PAVING EXPANDED BB YARD
- ⑨ LIGHTING DESIGN NEEDED FOR BB
- ⑩ DRUM LOT/WASH DOWN
- ⑪ BREAKBULK TERMINAL GATE AND CMU WALL

EXISTING CY YARD

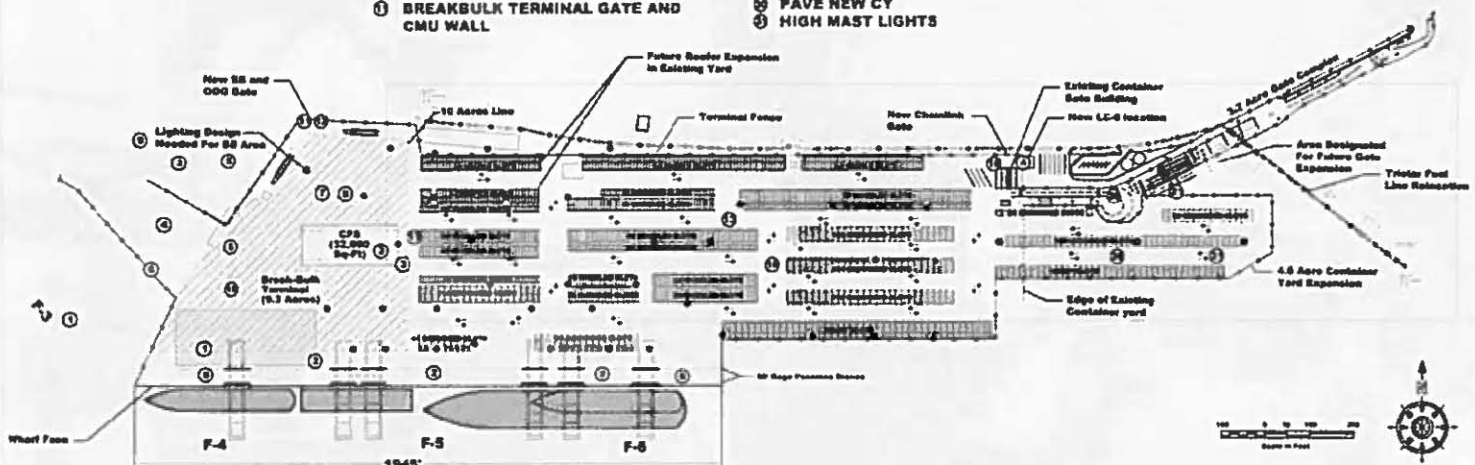
- ① BB GUARD SHACK
- ② HIGH/LOW MAST LIGHTING AND ELECTRICAL UPGRADES
- ③ DEMO AND REPLACE DAMAGE WHEEL STOPS
- ④ SHOP AND DEMO CRANE PAVE AREA
- ⑤ LV AND COMMUNICATION LINES
- ⑥ HIGH TOWER

NEW CY YARD

- ① PAVE NEW CY
- ② HIGH MAST LIGHTS

NEW GATE AREA

- ① NEW GATE ADMIN BUILDING UPGRADE
- ② LOW TOWER
- ③ OUTBOUND OCR (FUTURE)
- ④ CONTAINER GATE AREA (SEE GATE DRAWING)
- ⑤ WIM SCALE LOCATION
- ⑥ LC#5 LOCATION



* Configuration shown to reflect maximum capacity only. Operations to remain wheeled or mixed as feasible.

Strategic Designation

In September 2009, the Military Surface Deployment and Distribution Command designated the Port as the United States' 16th commercial Strategic Seaport recognizing its critical role for Guam and the Mariana Islands, and its strategic importance to National security. The designation is given to a seaport only after an intense evaluation process by the Department of the Army's Military Traffic Management Command (MTMC) and the Department of Transportation's U.S. Maritime Administration (MARAD).

Strategic Military Seaport designation is assigned to those U.S. seaports that the Department of Defense intends to utilize for the quick movement of military equipment and personnel overseas in times of crisis, and for military exercises.

The benefits of Strategic Port designation to a U.S. seaport are numerous and significant. They include: increased federal investment in the port district; improved access to federal security and port infrastructure funding; dramatically increased cargo volumes during periods of military deployment; and the establishment of an ongoing partnership between the seaport and the Department of Defense, resulting in the development of joint projects benefiting both the military and the commercial port. This As a vital intermodal conduit for the deployment of forces and associated supplies to the Pacific theater, this designation is a great opportunity for Guam and an operational advantage for the United States.



Milestone Legislation

Working closely with members of the 31st and 32nd Guam Legislature, several key legislation were passed into law allowing the port to make adjustments to its personnel rules and regulations and its tariff rates. Public Law 29-24 30-43 authorized the Port to promulgate personnel rules and regulations and provided limited authority to establish pay scales for certified, technical and professional positions subject to the provisions of the Administrative Adjudication Act. Upon satisfying the AAA process, Public Law 30-43 was passed adopting the Rules and Regulations for Maritime-Related Positions Unique to Port Operations and Certified, Technical and Professional Employees. The law also allowed for the adjustments of employee compensation and benefits according to the new compensation plan.

As the Port moves toward the implementation of its modernization plans, sufficient revenues must be generated to fund the capital improvements to be undertaken. Public Law 32-52 was passed, placing the Port under the oversight of the Public Utilities Commission as the Port's tariff and fee schedule has not been adjusted for 16 years. Regulatory oversight by the will provide a timely and appropriate review of proposed rate changes to adequately cover operational costs.



Queen Mary 2 Visits Guam

Although the Port's primary function is cargo handling, it has always recognized and contributed to Guam's tourism industry. The largest passenger cruise ship to ever sail into Apra Harbor was welcomed in February 2010 bringing 3,750 passengers and crew to Guam. The Queen Mary 2 is recognized as the grandest, most luxurious ocean liner ever built. It is the flagship of the Cunard Cruise Lines and is as tall as a 21-story building and more than four city blocks in length. Port staff spent weeks painting murals and beautifying inside the dock area where passengers disembarked. Showcasing our island hospitality, visitors were met by Miss Guam Earth pageant winners, along with local dancers and entertainers from Irensian Taotao Tano. Operation Starboard made its debut with 30 vendors set up along the dock side to sell their local products to the tourists.

> Preparing for our Future

As the only commercial seaport on Guam and the primary seaport for the Micronesia, the Port Authority of Guam recognizes its vital role to the quality and sustenance of life for residents of the region. The Port Modernization Program spans a 30-year planning horizon designed to address the near-term and long-term needs of the region. Phase I-A and Phase I-B of the program is anticipated to take place over the next five years, focusing on critical maintenance and repairs of waterfront facilities and upland expansions to handle cargo demands of the impending military buildup. Phase II of the program will occur 30 years into the future and focuses on the expansion needed to address cargo demands of long term organic growth of Guam and neighboring islands. The Port is committed to carrying out the plans that have laid out in the updated master plan. The accomplishments made in 2009 and 2010 is a testament to the Board of Directors, Management and staff's pledge to making the Port Authority of Guam a world-class cargo terminal facility, one we will all be proud of.



PORT AUTHORITY OF GUAM

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