



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

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FELIX P. CAMACHO
Governor of Guam

MICHAEL W. CRUZ
Lieutenant Governor

March 1, 2010

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

Hafa Adai Speaker Won Pat:

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The Board of Directors, Management and Staff of the Port Authority of Guam, wish to extend an Un Sen Dankulo Na Si Yu'os Ma'ase to the members of *I Mina' Trenta Na Liheslaturan Guåhan* for the February 26, 2010 passage of Bill No. 333-30(LS), "*An Act to Amend Section 4 of Public Law 30-57 Relative to the Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007 Report.*"

Upon learning who the recipients of ARRA/TIGER grant were, we were extremely upset that the U.S. Department of Transportation did not approve our grant application to kick start the implementation of the Phase 1A portion of the Port Modernization Plan. While the denial of ARRA requested funds is a setback, this has not dampened the Port's resolve and commitment to find alternate sources of federal funding for this project. The time extension that we were granted with the Bill's passage will enable us to continue our efforts to obtain contributions from the federal government for its share of the modernization plan.

As you and your colleagues will recall prior to the September 15, 2009 adoption of Public Law 30-57, we presented to the Legislature our financial strategy on funding the Port modernization. This strategy consisted of the following components that represent a balanced approach impacting all constituents of the modernization:

1. Increase in operating efficiency – impacts the Port employees and produces incremental cash flows.
2. Increase in tariffs – impacts all users of the Port – viewed by the legislature as the direct impact to the People of Guam. Tariff approval authority was transferred from the legislature to the Public Utilities Commission.
3. Borrowing of up to \$54 million – The Port's contribution to the modernization and that portion of the total modernization cost that relates to the current and organic growth needs of the Port.

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4. Hiring of a Performance Management Contractor to assist the Port in managing and operating its terminal operations and maintenance of cargo handling equipment and provide training to the Port employees – needed to operate at world class standards.
5. Federal funding of up to \$156 million – The federal government’s expected contribution to cover the cost of the Port modernization being driven by the military buildup. Failing this, we would be forced to impose a Capital Recovery Charge for all materials and supplies relating to the military buildup.
6. Strategic Port Designation and use of MARAD to control federal funds used in the modernization.

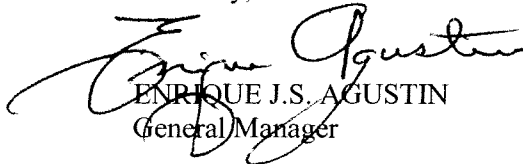
The Port has delivered on a large percentage of its commitments to execute on this strategy. The steps we have already taken in the balanced approach of our financial strategy for our Port Modernization Plan includes commencement of the Maritime Administration’s (MARAD) designation as the lead federal agency for our Port Modernization. The Port obtained the necessary legislative and administrative approvals for its Updated Master Plan, Financial Plan and Implementation Plan. Additionally, the Port was designated the 16th Commercial Strategic Seaport in September 2009.

Although we want to ensure the Port’s readiness for the proposed military buildup, we do not believe that this cost should be shouldered solely by the people of Guam, and again, state our commitment towards obtaining federal funding sources.

Madam Speaker, we fully share your concerns and those of Senator Vicente C. Pangelinan, and Senator Benjamin J.F. Cruz, as expressed during discussions on Bill No. 333-30(LS), and look forward to working closely with you to ensure that your concerns are addressed as we move forward with our modernization plans.

Again, our sincerest appreciation to the members of I Mina’ Trenta Na Liheslaturan Guahan for the passage of Bill No. 333-30 (LS).

Sincerely,



ENRIQUE J.S. AGUSTIN
General Manager

cc: Honorable Felix P. Camacho, Governor of Guam
Honorable Madeleine Z. Bordallo, Congresswoman
Honorable Thomas C. Ada, Port Oversight Chairman
PAG Board of Directors
John Jackson, Director, JGPO Forward