

BOARD OF DIRECTORS

*Dorothy P. Harris, Chairperson
Conchita S.N. Taitano, Vice Chairperson
Fe R. Valencia-Ovalles, Board Secretary*



Resolution No. 2024-01

RELATIVE TO AUTHORIZING THE PORT AUTHORITY OF GUAM GENERAL MANAGER TO TEMPORARILY PAUSE H-WHARF CONSTRUCTION, PROCURE ADDITIONAL GANTRY CRANES, AND ESTABLISH COMPREHENSIVE STRATEGIC MEASURES FOR PORT OPERATIONAL ENHANCEMENT AND FINANCIAL REALLOCATION.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PORT AUTHORITY OF GUAM:

WHEREAS, in September 2009, Public Law 30-57 was enacted approving the Port Master Plan 2007 Update and mandated the Port Authority of Guam (PAG) to acquire two (2) gantry cranes no later than December 31, 2012; and

WHEREAS, in December 2007, the Port Authority entered into a license agreement for five (5) years between Matson and Horizon to place three (3) of their gantry cranes, Port of Los Angeles (POLA) cranes on its rails; and

WHEREAS, Public Law 31-145, enacted on November 2011, amended Public Law 30-57 and authorized the Port to enter into negotiations with Matson and Horizon for the specific purpose of acquiring or lease-to-own one (1) or more of the POLA gantry cranes; and

WHEREAS, on June 5, 2012, the Port Board of Directors approved the acquisition terms of the POLA cranes, and adopted the Sales and Interim Maintenance Agreements, by way of Resolution No. 2012-05, which was further approved by the Guam Public Utilities Commission as PAG Docket 12-01 on August 27, 2012; and

WHEREAS, in the Guam Public Utilities Commission report of PAG Docket 12-01, crane replacement schedule and replacement costs for 2012 and 2016 were as follows; and

Crane	2012 Analysis		2016 Analysis	
	Replacement Date	Cost (\$M)	Replacement Date	Cost (\$M)
POLA 4	2025	\$10.53	2028-2029	\$11.3
POLA 5	2025	\$11.54	2029	\$11.7
POLA 6	2028	\$12.65	2030-2031	\$12.3

WHEREAS, the PAG’s Owner Agent provided an assessment and found a dire need to replace the POLA cranes. The POLA cranes were originally built in 1983/1984 and were refurbished in 2009. They will reach the end of their expected service life and will need to be replaced by 2024; and

WHEREAS, the PAG Board, through the formal adoption of this Board Resolution, recognizes the indispensable role of its Ship-To-Shore (STS) Gantry Crane infrastructure in maintaining the Port’s operational efficiency, capacity, and its critical contribution to national security; and

WHEREAS, the existing fleet of STS gantry cranes, after decades of service, approaches the end of its reliable operational lifespan, posing significant risks to the Port’s ability to handle cargo effectively and to support military readiness; and

WHEREAS, the PAG is currently in a contract with Sumitomo Mitsui Construction Company (SMCC) as part of the \$46 million Hotel Wharf (H-Wharf) construction project, which aims to substantially enhance its operational capabilities by increasing vessel berth capacity for cargo and cruise ships, strategically expanding its design to accommodate larger vessels and potentially serve as a homeport for cruise liners, while also supporting military readiness through the efficient handling and deployment of military assets; and

WHEREAS, the planned expansion and enhancement through the H-Wharf construction project align with PAG’s modernization program, a long-term, unfunded strategic goal facing constant financial and operational recalibrations in light of current infrastructure challenges; and

WHEREAS, to further exacerbate the construction costs, there is the need to update the seismic code for H-Wharf, significantly increasing the unfunded budget, necessitating a strategic evaluation and reallocation of financial resources to ensure both immediate needs and long-term objectives are met; and

WHEREAS, the Leon Guerrero Administration, led by Governor Lou Leon Guerrero, has allocated significant funding from the American Rescue Plan, specifically \$15 Million, which, alongside 2018 Revenue Bonds and Port Revenue, provided enough funds to cover over the \$46 Million initial funding requirement; and

WHEREAS, the commitment of the Leon Guerrero-Tenorio administration to the Port Modernization Program, Port Readiness Plan, which includes critical infrastructure expansion and upgrades to address project shortfalls, reflects a strategic vision for diversifying the Port’s revenue base and capturing the attention of the Department of Defense as a significant customer, underscoring the administration’s dedication to pursuing every opportunity for further development, thereby signifying the H-Wharf project’s critical role in the broader effort to modernize and enhance the Port’s infrastructure and ensuring Port readiness; and



WHEREAS, the procurement of three new STS gantry cranes has been identified as critical to enhancing the Port's cargo handling efficiency, operational capacity, and competitiveness in Guam's local and regional maritime industry; and

WHEREAS, the Board recognizes the necessity of reassessing our project priorities to align with current financial, logistical, and operational realities to ensure resiliency and reliability in the supply chain into and from Guam; and

WHEREAS, given the unforeseen requirement to update seismic codes for H-Wharf, which substantially increases the project's cost, the decision to pause construction on H-Wharf becomes even more pressing, consequently the Port must now navigate this considerable funding gap, which emphasizes the strategic importance of reallocating resources towards immediate operational improvements, such as the procurement of STS gantry cranes, underscoring the fact that STS gantry cranes are essential for maintaining and enhancing the Port's efficiency and capacity while providing critical operational advantages as the Authority seeks additional funding sources or financial strategies needed to proceed with the construction of H-Wharf; and

WHEREAS, the Port Authority of Guam diligently pursued a grant application with the Maritime Administration (MARAD) seeking \$92 million in funding support for the H-Wharf project, representing a substantial increase from the initial \$46 million budget, illustrating the significant investment required to fulfill the Port's infrastructure enhancements and operational objectives; however, regrettably, the Port's grant application was denied, highlighting the challenges in securing external funding for critical infrastructure projects; and

WHEREAS, this situation underscores the complexity of large-scale infrastructure projects, particularly those in environmentally sensitive zones. It also highlights the importance of flexibility in project management and financial planning, ensuring that the Port can adapt to changing circumstances and requirements without compromising its strategic objectives or operational capacity; and

WHEREAS, with approximately 100,000 containers currently passing through the Port annually, the acquisition of STS cranes are essential to the Port's functions of servicing the island of Guam, serving as the transshipment hub for the West Pacific region and supporting military missions within the Indo-Pacific Command; and

WHEREAS, WSP, the PAG's Owner Agent, prepared an analysis that shows if one STS gantry goes down military buildup activities will be delayed by up to four years, and the failure of two could critically impair the Port's ability to meet both commercial demand and Department of Defense missions, highlighting the urgency of procuring three new STS gantry cranes; and

WHEREAS, the strategic importance of Guam in the Indo-Pacific defense strategy necessitates the PAG to maintain the highest standards of operational resiliency, readiness and efficiency, with the acquisition of three new STS gantry cranes being pivotal for sustaining the Port's commercial and military operations; and

WHEREAS, recognizing that the replacement of STS gantry cranes are critically needed for the Port of Guam to maintain its operational and financial sustainability to properly service the military buildup and future mission capabilities on Guam and within the Mariana Islands; and

WHEREAS, on September 2019, the PAG submitted a grant application to the USDOT/MARAD through its Port Infrastructure Development Program (PIDP) for two (2) STS gantry cranes and although the application was well written, it was not awarded due to its nonconformance to the Buy American Act Requirements. Subsequently, on August 2023 the PAG once again submitted a grant application to the USDOT/MARAD's PIDP and was likewise unsuccessful due to the non-approval of the PAG's Build America, Buy America (BABA) waiver request; and

WHEREAS, the Biden Administration has announced plans to improve cybersecurity at U.S. ports, including the replacement of port infrastructure and equipment manufactured outside the United States, thereby aligning the procurement of new STS gantry cranes with national security policies and priorities; now therefore, be it

RESOLVED, that the Board of Directors hereby authorize the General Manager to pause the construction activities on the H-wharf project temporarily, ensuring that this decision is made in recognition of the imperative need to prioritize the procurement and deployment of additional STS gantry cranes, considering the strategic benefits they present to the Port's critical operations; and be it further

RESOLVED, that the Board of Directors hereby authorize a temporary pause on the H-Wharf construction project, directing a strategic reallocation of these resources and additional funds towards the procurement of up to three new STS gantry cranes, depending on available funds; and be it further

RESOLVED, that the Board of Directors acknowledge the potential consequences of delaying H-Wharf construction, including possible operational bottlenecks, financial implications such as cost overruns, and the impact on stakeholder relationships; however, despite these challenges, the Board of Directors believe that prioritizing gantry crane procurement is in the best immediate and long-term interest of the Port and its stakeholders; and be it further

RESOLVED, that the General Manager shall ensure effective stakeholder communication, and provide regular updates to the Board on progress, challenges, and the financial impact of these strategic adjustments; and be it further



RESOLVED, that the Board of Directors reaffirm its commitment to the strategic vision, namely the Port's 2023 Masterplan and the 2024 Look Ahead, recognizing the need for flexibility and adaptability in our decision-making processes, calling for the continued support and collaboration of all stakeholders as we navigate these adjustments; and be it further

RESOLVED, that the General Manager is tasked with leading a comprehensive procurement strategy, through the Port's Procurement Team guided by the Port's in-house counsels, including all PAG end-users, that emphasizes engagement with global suppliers, leverages technological innovation for cost-effective operations, and aligns with the highest standards of operational readiness and national security priorities; and be it further

RESOLVED, that the General Manager is further hereby authorized to reallocate budgetary resources, negotiate with suppliers, and adjust project timelines accordingly, all in accordance with the Guam Procurement Law; and be it further

RESOLVED, that the General Manager is hereby authorized and directed to take all necessary actions to pause construction activities on H-Wharf, negotiate, adjust, or terminate related contracts, and prioritize the procurement of gantry cranes, thereby expediting the procurement process for three new STS gantry cranes, recognizing the critical nature of this procurement in maintaining the operational efficiency, safety, and strategic readiness of the Port Authority of Guam; and be it further

RESOLVED, that the General Manager shall pursue all available funding avenues, including but not limited to federal grants, loans, and partnerships, to ensure the timely acquisition of these gantry cranes in alignment with U.S. national security policies and the strategic interests of the PAG and its stakeholders, however, if Port funds or any funds whereby no geographical restrictions exists, i.e., Buy American or Do Not Engage with the Enemy Clause," then the General Manager is statutorily bound to proceed accordingly; and be it further

RESOLVED, that STS gantry cranes that are needed at the Port are defined as 50-foot gauge Panamax STS gantry cranes and in the procurement of these critically important assets, the total cost shall include, but not be limited to: crane design specifications; storm tie-down and stowage pin socket design and construction; rail and wharves analysis, design and construction; manufacturing plant quality and control inspection and oversight; crane manufacturer and sea-fastening calculation reviews; testing and commissioning; and freight charges; and be it further

RESOLVED, that this procurement is deemed an urgent priority, given the geopolitical significance of Guam's location and the critical role the Port plays in supporting military readiness in the context of the Department of Defense's Indo-Pacific Strategy and the Pacific Deterrence Initiatives; and be it further

RESOLVED, that the Chairperson certify, and the Secretary attest to, the adoption hereof.

PASSED AND ADOPTED UNANIMOUSLY BY THE BOARD OF DIRECTORS THIS 25th DAY OF APRIL, 2024.

DOROTHY P. HARRIS
CHAIRPERSON, BOARD OF DIRECTORS
PORT AUTHORITY OF GUAM

FE R. VALENCIA-OVALLES
SECRETARY, BOARD OF DIRECTORS
PORT AUTHORITY OF GUAM

