Port of the Americas

Rhonda M. Castillo Gammill, Esq., P.E.
Executive Director, Port of the Americas Authority
• Objective: promote, develop, improve, possess, operate, administer all of the installations and regulate all activities at the Port.
The Port of the Americas is a compelling infrastructure platform for numerous key reasons:

- Strategic Location
- Funding Support
- Long-Term Growth Platform
- Supply Chain Optimization
- Robust Economic Incentives
- Efficient Hinterland Access
- Expansive Value-Added Zone

Each of these elements contributes to the overall strength and appeal of the Port of the Americas as a hub for trade and commerce in the Americas.
The Port can strategically connect high-volume trade routes and provide access to the $14.4 trillion U.S. economy.

### Selected U.S. East Coast Imports/Exports (MM TEUs – 2007)

<table>
<thead>
<tr>
<th>Route</th>
<th>Imports/Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia(1) ↔ US East Coast</td>
<td>2.6 / 1.1</td>
</tr>
<tr>
<td>EU ↔ US East Coast</td>
<td>1.3 / 1.1</td>
</tr>
<tr>
<td>South America ↔ US East Coast</td>
<td>0.5 / 0.3</td>
</tr>
<tr>
<td>South Asia(2) ↔ US East Coast</td>
<td>0.4 / 0.2</td>
</tr>
<tr>
<td>SE Asia(3) ↔ US East Coast</td>
<td>0.4 / 0.2</td>
</tr>
<tr>
<td>Caribbean ↔ US East Coast</td>
<td>0.3 / 1.1</td>
</tr>
</tbody>
</table>

**Source:** Moffatt & Nichol, PIERS

1. North Asia: 7 countries, including China, Japan, South Korea
2. South Asia: 7 countries, including India, Bangladesh, Sri Lanka
3. Southeast Asia: 14 countries, including Indonesia, Malaysia, Philippines, Singapore
The Port is the only greenfield container terminal in the Western Hemisphere with operational pre-funding of up to $250 million…

• The Government Development Bank of Puerto Rico has already facilitated over $190 million of financing to PAA:
  - 3 series of PAA Bonds (Series A, B, C) guaranteed by the Commonwealth

<table>
<thead>
<tr>
<th>Bond Series</th>
<th>Amount Approved</th>
<th>Amount Disbursed to Date</th>
<th>Date of Approval</th>
<th>Use of Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAA Bond Series A</td>
<td>$70,000,000</td>
<td>$70,000,000</td>
<td>March-05</td>
<td>2nd Phase financing</td>
</tr>
<tr>
<td>PAA Bond Series B</td>
<td>$40,000,000</td>
<td>$40,000,000</td>
<td>June-05</td>
<td>1st Phase re-financing*</td>
</tr>
<tr>
<td>PAA Bond Series C</td>
<td>$85,000,000</td>
<td>$85,000,000</td>
<td>September-05</td>
<td>3rd Phase financing</td>
</tr>
<tr>
<td>PAA Additional Funding</td>
<td>$15,400,000</td>
<td>$7,000,000</td>
<td>Novembert 09</td>
<td>3rd Phase financing</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$210,400,000</strong></td>
<td><strong>$202,000,000</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Phase I included the construction of docks 4, 5 and 6.

**Source:** Government Development Bank for Puerto Rico (data as of June 30, 2009)
...leading to newly-constructed facilities, modern equipment and a dredged 50-foot channel

Selected Key Investments

**Description:**

1. **500,000 TEU Container Facility Expansion**
   - **($38.8 MM)**

2. **2 ZPMC PPX Cranes**
   - **($22.7 MM)**

3. **7 Paceco RTGs**
   - **($4.4 MM)**

**Sources:** Port of the Americas Authority, Moffatt & Nichol
The Port can meaningfully improve supply chain efficiency, particularly related to east-bound Trans-Pacific trade volumes to Puerto Rico.

**Estimated Shipping Cost Comparison - N. Asia to Puerto Rico**

- **Ponce Direct**
  - Panama Canal Tolls
  - All-Water Ship (6,000 TEU)

- **SJ via Land Bridge**
  - JAX Port Handling
  - Intermodal Rail
  - Transload

- **SJ via JAX (All Water)**
  - JAX to SJ Ship (2,000 TEU)
  - Panama Canal Tolls
  - All-Water Ship (6,000 TEU)
  - Transpacific Ship (10,000 TEU)

**Note:**
- All costs estimated on a cost basis; actual rates may vary.
- All Water shipping schedule to Ponce based upon modified HMM/AAP service.
- JAX to San Juan shipping based upon Horizon Jones Act service.
- Puerto Rico port handling costs not included.
- Savings due to transloading included in intermodal rail cost and JAX port handling for SJ via Land Bridge.
- Round Voyage includes return of empty container to N. Asia.
- SJ = San Juan, JAX = Jacksonville, FEU = Forty ft Equivalent Unit = 2 TEU.
The Port of the Americas can handle Super Post Panamax Vessels

<table>
<thead>
<tr>
<th>Country</th>
<th>Port</th>
<th>Water depth (ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahamas</td>
<td>Freeport</td>
<td>52.5</td>
</tr>
<tr>
<td>(2) Puerto Rico</td>
<td>Port of the Americas</td>
<td>50.0</td>
</tr>
<tr>
<td>(3) Panama</td>
<td>Colón</td>
<td>45.9/49.2</td>
</tr>
<tr>
<td>(4) DR</td>
<td>Caucedo</td>
<td>45.9</td>
</tr>
<tr>
<td>(5) DR</td>
<td>Manzanillo</td>
<td>42.7/49.2</td>
</tr>
<tr>
<td>(6) Jamaica</td>
<td>Kingston</td>
<td>37.7/42.0</td>
</tr>
<tr>
<td>(7) Venezuela</td>
<td>Port of Spain</td>
<td>37.7</td>
</tr>
<tr>
<td>(8) Colombia</td>
<td>Cartagena</td>
<td>35.1/43.9</td>
</tr>
<tr>
<td>(9) Trinidad &amp; Tobago</td>
<td>Rio Haina</td>
<td>34.1</td>
</tr>
<tr>
<td>(10) Puerto Rico</td>
<td>San Juan</td>
<td>29.5/40.0</td>
</tr>
</tbody>
</table>
The Port provides efficient hinterland access, as PR-52 highway is located ~1 mile from the terminal’s gate.

Distance from Port of the Americas to:

<table>
<thead>
<tr>
<th>Location</th>
<th>Distance (km)</th>
<th>Est. Pop.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ponce Centro</td>
<td>6.5</td>
<td>186,475</td>
</tr>
<tr>
<td>San Juan Metro</td>
<td>126</td>
<td>442,447</td>
</tr>
<tr>
<td>Mayaguez</td>
<td>73</td>
<td>98,434</td>
</tr>
<tr>
<td>Caguas</td>
<td>93</td>
<td>140,502</td>
</tr>
<tr>
<td>Aguadilla</td>
<td>101</td>
<td>64,685</td>
</tr>
</tbody>
</table>

Source: www.gobierno.pr
To facilitate an expansive Value-Added Zone (VAZ) near the Port, the Municipality of Ponce has designated over 1,200 acres for light and heavy industrial uses.

**Value-Added Zone Parcels Near the Port of the Americas:**

1. **Adjacent VAZ**
   - Light Industrial
   - 46.4 acres

2. **Vayas Torres**
   - Light Industrial
   - 742 acres

3. **Mercedita**
   - Light Industrial
   - 242 acres

4. **Baramaya**
   - Heavy Industrial
   - 360 acres

**Source:** Port of the Americas Authority, Autonomous Municipality of Ponce
Puerto Rico’s robust economic and tax incentives can support large scale industrial investments in the VAZ

**Eligible Businesses:**
- Export activities, 80% of employees must be PR residents

**Income Tax Rates:**
- 4% & 12% withholding tax for royalties, or 8% along 2% withholding tax on royalties
- 0% on investment income and dividend distribution

**Special Deductions:**
- Accelerated depreciation for buildings and structures

**Income Tax Credits:**
- For initial investment, purchase of products manufactured in PR, jobs created, R&D, machinery and equipment, energy cost, intellectual property transfer

**Other Tax Exemptions:**
- 60% exemption from municipal licenses taxes
- 90% exemption from state and local property taxes
- Tax credit of up to $5,000 per job created during the first year of operation
- 50% tax credit for qualified R&D expenses

**Energy Affairs Administration:**
- Tax credits for renewable energy generation
- Tax credits for investment in equipment for production of energy
- Up to 10% tax credit for industrial energy consumption
The Port is scaleable; Master Plan provides for multiple Post-Panamax berths and capacity of over 1.4 MM TEU

### Facilities Summary

- **Phase I**
  Berth Reconstruction

- **Phase II**
  50-foot dredging
  250,000 TEU Container Yard

- **Phase III A**
  500,000 TEU Container Yard
  Basic Infrastructure

- **Phase III B**
  1MM TEU Container Yard & 2nd Post Panamax Berth

- **Phase IV**
  1.4 MM TEU Container Yard & additional berth

### Federally Secured Permits

- ✔ Section 10 of the Rivers and Harbors Act
- ✔ Section 404 of the Clean Water Act
- ✔ Section 103 of the Marine Protection, Research and Sanctuaries Act

### Phase III-B & IV Rendering

- Based on Market Demand
- In Progress (Aug 2011)
- Fully Designed
- In Progress (Aug 2011)
Phase 3 B & 4
# Challenges: 2008 Ports Rankings

<table>
<thead>
<tr>
<th>ranking 2008</th>
<th>port</th>
<th>country</th>
<th>TEU's</th>
<th>Ranking change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
<td>Singapore</td>
<td>29,973,000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Shanghai</td>
<td>China</td>
<td>28,006,400</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Hong Kong</td>
<td>China</td>
<td>24,494,000</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Shenzhen</td>
<td>China</td>
<td>21,416,400</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Busan</td>
<td>S Korea</td>
<td>13,420,000</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Dubai</td>
<td>UAE</td>
<td>11,800,000</td>
<td>↑</td>
</tr>
<tr>
<td>16</td>
<td>Los Angeles</td>
<td>US</td>
<td>7,849,984</td>
<td>↓</td>
</tr>
<tr>
<td>26</td>
<td>Tokyo</td>
<td>Japan</td>
<td>4,134,549</td>
<td>↓</td>
</tr>
<tr>
<td>23</td>
<td>Panama</td>
<td>Panama</td>
<td>4,651,556</td>
<td>↑</td>
</tr>
<tr>
<td>64</td>
<td>Kingston</td>
<td>Jamaica</td>
<td>1,830,000</td>
<td>↓</td>
</tr>
<tr>
<td>72</td>
<td>Freeport</td>
<td>Bahamas</td>
<td>1,698,000</td>
<td>↑</td>
</tr>
<tr>
<td>73</td>
<td>San Juan</td>
<td>US</td>
<td>1,684,883</td>
<td>↓</td>
</tr>
</tbody>
</table>

1 San Juan ranking in 2006 – 59  
Source: Container Management
Challenges

• Unstable economy with reduced volumes
• Other Caribbean Ports are expanding
• Aggressive competition
• Limited market recognition
• Highly regulated market
• Skilled and efficient labor must offset higher cost
• Require new shipping routes to be established
Port of The Americas Advantages

- Access to 6th generation vessels
- Designed for Container high efficiency management
- Bilingual, highly skilled and experienced labor
- Minimum tide changes
- Stable climate
Puerto Rico Competitive Advantage

- Overall transportation cost reduction
- Strategic location
- Skilled labor: cargo handling, manufacturing, and distribution
- Made in USA Capability
- U.S. Foreign Trade Zones
- Economic Incentives: Central Government and Municipality
- Stable government
- Security and Reliability
- Overall Government support to industry
What’s next...
Receipt of S-T-S cranes January 21, 2010
Open for Business!

- Upgraded Interchange gate facilities to be completed by 2Q2010
- Draft to be published worldwide
- Finalize negotiation with a world class operator
- Joint Government-Private Sector Marketing to attract volume for the Port and the value added zones
- Expand to 500K TEU by 3Q2011
- Expand Master Plan for future port expansion
“Worldwide commerce is the motor that moves civilization”

Anonymous