

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



The Port can strategically connect high-volume trade routes and provide access to the \$14.4 trillion U.S. economy

Strategic Location

Funding Support

Supply Chain Optimization

Efficient Hinterland Access

Expansive Value-Added Zone

Robust Economic Incentives

Long-Term Growth Platform

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

North Asia⁽¹⁾ ↔ US East Coast **2.6 / 1.1**

EU ↔ US East Coast **1.3 / 1.1**

South America ↔ US East Coast **0.5 / 0.3**

South Asia⁽²⁾ ↔ US East Coast **0.4 / 0.2**

SE Asia⁽³⁾ ↔ US East Coast **0.4 / 0.2**

Caribbean ↔ US East Coast **0.3 / 1.1**

East-West & North-South Crossroads



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

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

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

...leading to newly-constructed facilities, modern equipment and a dredged 50-foot channel

Strategic Location

Funding Support

Supply Chain Optimization

Efficient Hinterland Access

Expansive Value-Added Zone

Robust Economic Incentives

Long-Term Growth Platform

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)



The Port can meaningfully improve supply chain efficiency, particularly related to east-bound Trans-Pacific trade volumes to Puerto Rico

Strategic Location

Funding Support

Supply Chain Optimization

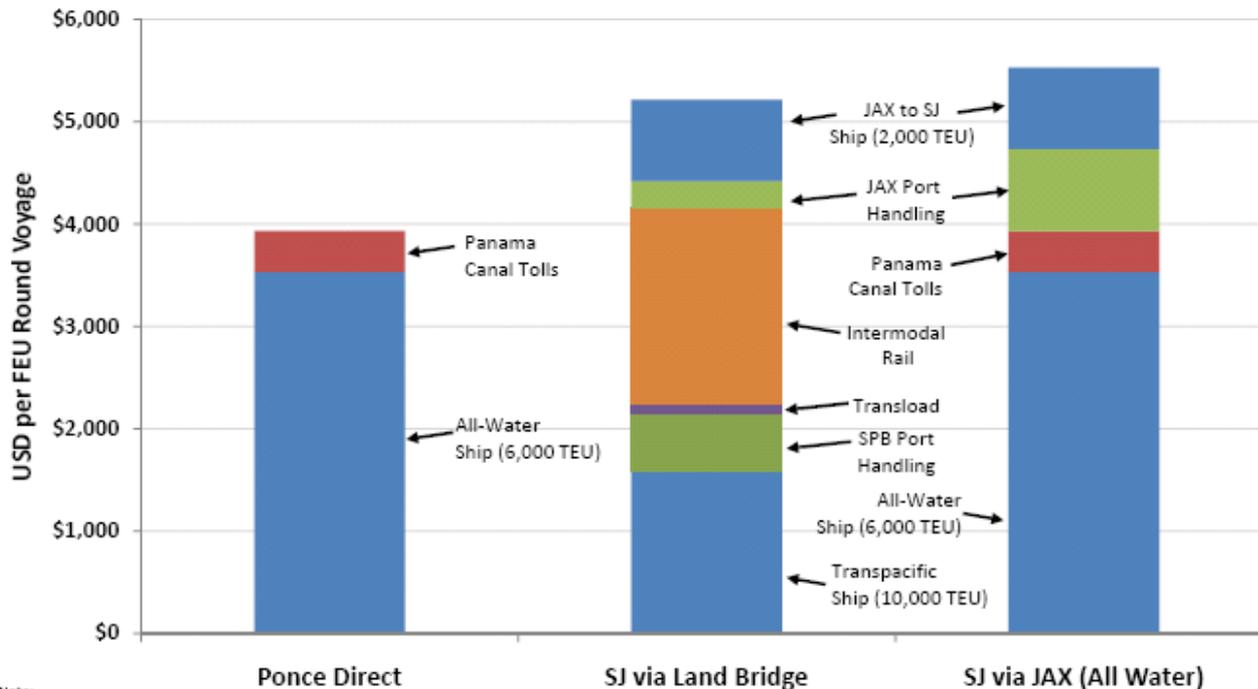
Efficient Hinterland Access

Expansive Value-Added Zone

Robust Economic Incentives

Long-Term Growth Platform

Estimated Shipping Cost Comparison - N. Asia to Puerto Rico



Note:

All costs estimated on a cost basis- actual rates may vary.

All Water shipping schedule to Ponce based upon modified HMM APX service.

Jacksonville 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

Country	Port	Water depth (ft)
(1) Bahamas	Freeport	52.5
(2) Puerto Rico	Port of the Americas	50.0
(3) Panama	Colón	45.9/49.2
(4) DR	Caucedo	45.9
(5) DR	Manzanillo	42.7/49.2
(6) Jamaica	Kingston	37.7/42.0
(7) Venezuela	Port of Spain	37.7
(8) Colombia	Cartagena	35.1/43.9
(9) Trinidad & Tobago	Rio Haina	34.1
(10) Puerto Rico	San Juan	29.5/40.0

The Port provides efficient hinterland access, as PR-52 highway is located ~1 mile from the terminal's gate

Strategic Location

Funding Support

Supply Chain Optimization

Efficient Hinterland Access

Expansive Value-Added Zone

Robust Economic Incentives

Long-Term Growth Platform



Distance from Port of the Americas to:

<u>Location:</u>	<u>Distance (km)</u>	<u>Est. Pop.</u>
(1) Ponce Centro	6.5	186,475
(2) San Juan Metro	126	442,447
(3) Mayaguez	73	98,434
(4) Caguas	93	140,502
(5) Aguadilla	101	64,685

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

Strategic Location

Funding Support

Supply Chain Optimization

Efficient Hinterland Access

Expansive Value-Added Zone

Robust Economic Incentives

Long-Term Growth Platform



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

Puerto Rico's robust economic and tax incentives can support large scale industrial investments in the VAZ

Strategic Location

Funding Support

Supply Chain Optimization

Efficient Hinterland Access

Expansive Value-Added Zone

Robust Economic Incentives

Long-Term Growth Platform

Investment Incentives Provided by Act No. 73 of 2008

- **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

Strategic Location

Funding Support

Supply Chain Optimization

Efficient Hinterland Access

Expansive Value-Added Zone

Robust Economic Incentives

Long-Term Growth Platform

Facilities Summary

Status

- **Phase I**
Berth Reconstruction

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

✓
✓
- **Phase III A**
500,000 TEU Container Yard

Basic Infrastructure

*In Progress
(Aug 2011)*
*In Progress
(Aug 2011)*
- **Phase III B**
1MM TEU Container Yard &
2nd Post Panamax Berth

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

**Based on
Market
Demand**

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



Phase 3 B & 4



Challenges: 2008 Ports Rankings

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

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

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

- 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