

PORT OF THE AMERICAS

Request for Information 01-2014-PPA
by the Port of Ponce Authority



Puerto Rico ★
THE ALL STAR ISLAND

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1. INTRODUCTION.



1.1 PORT OF THE AMERICAS:

The Port of The Americas (the "Port") is a strategic economic development project for Puerto Rico, focusing on the development of a transshipment facility with added value research and development, and manufacturing applications establishing around it. Taking advantage of Puerto Rico's privileged geographic position along the Mona Passage in the Caribbean, an important shipping route between the Atlantic Ocean and the Panama Canal, this Port has the capacity to serve Post-Panamax and Panamax vessels and will serve as a world-class international transshipment port for carrying out value-added activities. The Port has been designed and built to be a modern, state-of-the-art, containerized import/export and transshipment cargo facility, with the ability to become an important containerized cargo hub in the Caribbean.

The Port is located in the Municipality of Ponce, on the south coast of the Island, towards the Caribbean Sea. Ponce is Puerto Rico's second largest city by population. The project comprises over 300 acres of government controlled land, occupied by the existing Port and future development areas. Through an investment of over \$285 Million U.S. Dollars, the Port currently offers a modern Post-Panamax berth with 50 foot depth, two Super Post Panamax ship-to-shore cranes, and a new container yard with a capacity of up to 500,000 Twenty-Foot Equivalent Units (TEUs) per year.

Having completed the development of these new facilities on the Port, the Government of the Commonwealth of Puerto Rico intends to procure an experienced and highly qualified Private International Operator for the Port, in order to commercialize this public infrastructure and further promote the expansion of the Port through private investment.

1.2 WHY PUERTO RICO:

Everyday Puerto Rico becomes more of a world-class investment destination. Structural reforms, economic programs, and an all-star lineup of incentives have positioned the island as a very competitive jurisdiction in the world. Many favourable conditions come together in

Puerto Rico to make The All-Star Island a premier location for business and investment. Puerto Rico offers companies the security and stability of operating in a U.S. jurisdiction while providing an unrivalled array of tax incentives that make it a compelling destination for businesses – big and small. At a glance, the following are some of our advantages:

U.S Legal Framework, Protection ad Political Stability:

As a Commonwealth of the United States of America, Puerto Rico operates under the U.S. legal framework and intellectual property protection; the U.S. currency and banking system and the Homeland Security Act protection, among many other considerations. Puerto Rico has access to US federal programs and funds and U.S. foreign trade zones and customs; goods enter U.S. market duty-free. No passports are required for U.S. citizens traveling to Puerto Rico.

Highly Skilled Workforce, Strong Demographics for Business Success:

With a well-earned reputation for its highly skilled and educated workforce, Puerto Rico is a dynamic location where companies can prosper and expand their operations. Highly educated, productive, and bilingual (Spanish and English are the official languages) workforce, with more than 30,000 university degrees granted each year in science, math and technology fields. The University of Puerto Rico at Mayagüez, the premier engineering and science institution of the Caribbean and Latin America, ranks 1st in graduating Hispanic engineers and 2nd in graduating female engineers. The World Economic Forum's (WEF) 2012-2013 Competitiveness Report ranked Puerto 3 out of 142 countries in the world in terms of Availability of Scientists and Engineers.

Strong Business Ecosystem, Global Competitiveness and Aggressive Incentives:

The World Economic Forum's (WEF) 2012-2013 Competitiveness Report ranked Puerto Rico 30 out of 142 countries in the world, first in Latin America and third in all of the Americas. Puerto Rico offers the benefits of operating within a United States jurisdiction while providing the tax benefits of a foreign tax structure. Several incentive acts have been approved to stimulate economic development and attract Foreign Direct Investment (FDI) in the following sectors: manufacturing, tourism, export services, insurance, financial services, agriculture, hospitality and hotel development, and renewable energy. The Island has the largest non-contiguous free trade zone in the U.S and was ranked among the top 15 Foreign Trade Zones by the US National Association of Foreign Trade Zones 2011 report.

World-Class Infrastructure

Puerto Rico has the busiest airport in the Caribbean and state-of-the-art port facilities, with around 5,000 cargo flights per month and around 2,200 weekly flights from San Juan International Airport. The Port of San Juan is ranked #9 in container movement in the U.S. The entire Island is fully accessible through 24,000 miles of highways and a mass-transit system recognized by the U.S. Federal Transit Administration as the safest and most efficient in the United States. In terms of communication, Puerto Rico has an Island-wide broadband service, a fiber-optic telecommunications network, and a robust satellite system. The Island provides 5,839 megawatt generating capacity with a vigorous energy source diversification plan for the next 10 years and water quality meets rigorous U.S. EPA standards.

In this context, the Government of Puerto Rico is confident that the Island presents an ideal business environment to establish the Port of the Americas as an important hub in the Caribbean.

1.3 PURPOSE OF THIS REQUEST FOR INFORMATION:

Considering the context presented in the previous section, The Port of Ponce Authority ("PPA"), the new governmental entity in charge of the development and operation of the Port, hereby invites interested parties to respond to this Request for Information ("RFI") regarding a prospective future solicitation to:

Use a Public-Private Partnership ("P3") framework for the partial privatization (Private Operation of the Port and other non-landlord activities) of the Port of the Americas, through legal tools that may include a management contract or a concession agreement, through a short or long term lease agreement.

The purpose of this RFI is to seek the industry's perspective and feedback on the questions presented herein (refer to **Appendix A – Questionnaire**). Interested firms and parties are strongly encouraged to submit responses with detailed comments. The information contained in the responses to this RFI will help PPA progress planning and development efforts for the Private Operation of the Port.

Should PPA decide to proceed with procurement for the Contract or Lease, PPA intends to release a Request for Proposals ("RFP"), which will include a Request for Qualifications, in late September 2014.

1.4 EFFECT OF THIS REQUEST FOR INFORMATION:

This RFI is an inquiry only, intended solely to assist PPA on an administrative level, and is not a formal solicitation or initiation of a procurement process. Submissions will not be evaluated. No contract or agreement will be entered into as a result of this process. This RFI does not represent a commitment to issue an RFQ or an RFP in the future, or a commitment that a subsequent procurement, if any, will follow any delivery approach described herein.

Submission of responses is not a prerequisite for participating in a future procurement. Such participation would be subject to demonstrating satisfaction of the criteria stipulated in subsequent solicitation documents. Participation in this RFI, or an election not to participate, will not confer on any Respondent any preference, special designation, advantage or disadvantage whatsoever in any subsequent procurement process related to the Private Operation of the Port.

1.5 RESPONDENTS TO THE RFI:

PPA welcomes responses to this RFI from independent companies or corporations, or from consortia or partnerships, that have a potential interest in acting as lead developers, operators, or equity investors for a P3 ("Respondents"). PPA is interested in the maximum amount of constructive comments. It is not necessary for Respondents to respond as the consortia or partnerships which are planning to submit future bids, although PPA is interested in being informed as to the formation of any future bidding groups for work on the Private Operation of the Port. Such information will not be binding on the Respondents.

1.6 SUBMISSIONS, QUESTIONS AND COMMENTS:

An electronic response to this RFI should be submitted on or before 12:00 P.M. local Puerto Rico time, Friday, September 19, 2014 to the attention of:

Carlos Iván Mejía Algarín, Executive Director of the Port of Ponce Authority, at carlos.mejia@ddec.pr.gov

With Copy to the following Port advisors:

David Miller millerd@pfm.com
 Kirk Claussen claussenk@pfm.com
 John Martin john@martinassoc.net

Respondents are required to comply with the page limits stipulated in Appendix A (Questionnaire) and to restrict their submissions to a short letter of transmittal together with the information specifically requested on the Questionnaire. PPA requests that the letter of transmittal include the firm name, reference **RFI 01-14-PPA**, and name, title and contact information of the person responsible for interfacing with PPA. Marketing materials are not to be submitted as part of a written response.

Any questions concerning this RFI should be directed to David Miller at millerd@pfm.com, Kirk Claussen at claussenk@pfm.com, and John Martin at john@martinassoc.net. Interpretation of this RFI or additional information will only be given by written addendum to this RFI from PPA's contact persons named above.

1.7 SCHEDULE:

The schedule for this RFI is as follows:

<u>Item</u>	<u>Date</u>
Publish RFI	September 3, 2014
Due Date for Responses to RFI	September 19, 2014

2. PPA HISTORY, PORT DEVELOPMENT AND OPERATION.

2.1 PPA HISTORY:

The Port of The Americas Authority (the "Authority"), PPA's predecessor, is a public corporation of the Commonwealth of Puerto Rico created by Law No. 171 of August 11, 2002, as amended. The main purpose of the Authority was the planning, development and construction of a large scale container terminal in the city of Ponce, Puerto Rico specifically to:

- (1) Enable the Port eventually to handle 1.5M TEU's per year.
- (2) Provide efficient port facilities to move cargo in Puerto Rico's Southern Region.
- (3) Complement services offered by the Port of San Juan.
- (4) Enhance Puerto Rico Value and Supply Chain.
- (5) Provide economic stimulus to the Southern Region.

On June 28, 2004 the law that created the Authority was amended by Law No. 166 to change the name of the port to "Puerto de Las Americas Rafael "Churumba" Cordero Santiago". Also, on September 22, 2004, the Puerto Rico Legislature enacted Law No. 409 to provide a \$250 million financing to promote the commencement of construction of this long term project. Since then and until recently, the authority has developed the first three development phases of the original Master Plan for the Port (shown below), which are described in Section 2.3 of this RFI.



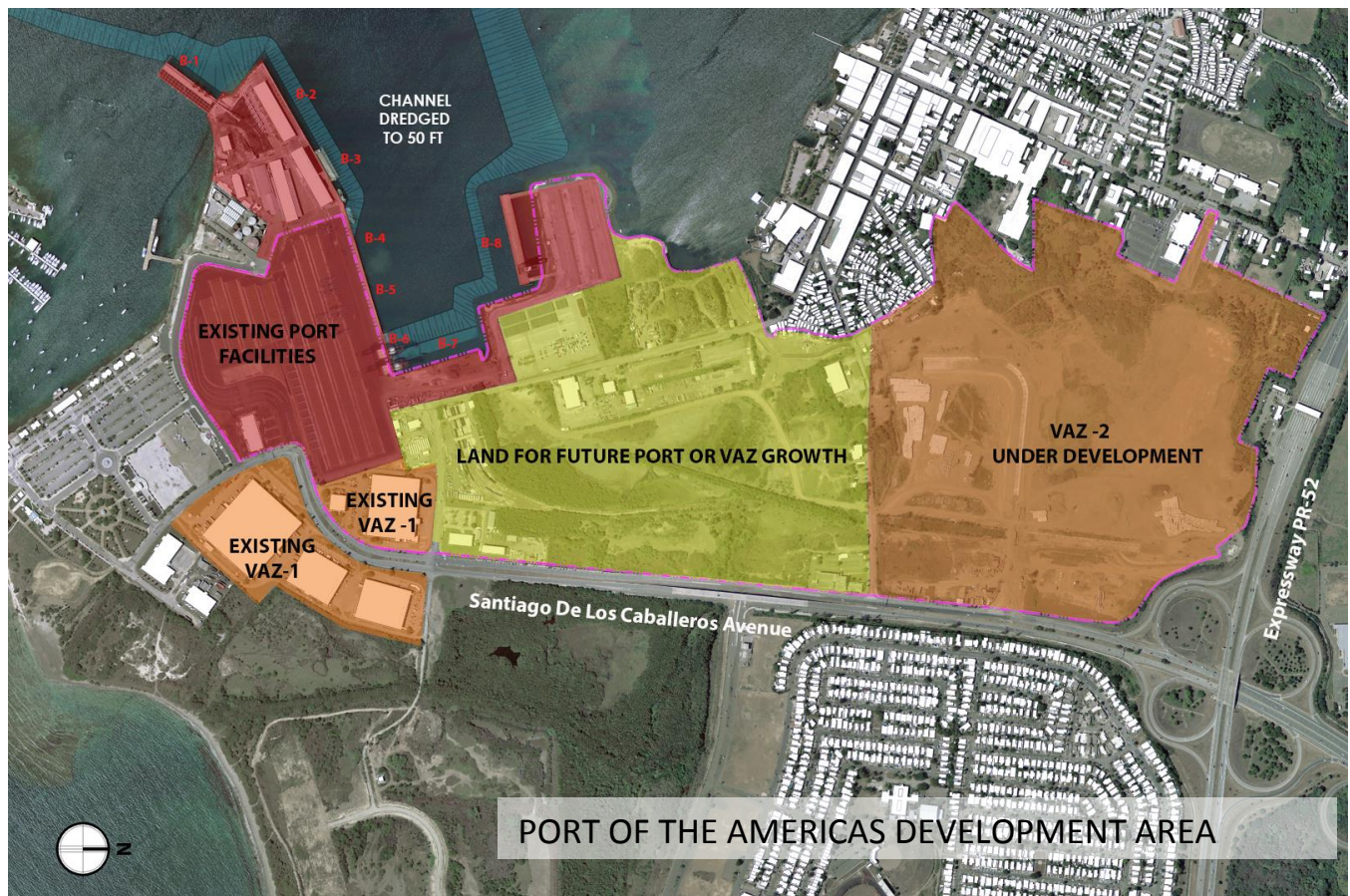
On December 12, 2011, Law No. 240 (the "New Law") created the Port of Ponce Authority This Law established general directives for the further development of the Port of the Americas and its integration with certain development strategies proposed by the Municipality of Ponce. The Law created PPA for continuing the development of the port and handling of the port's future operations through the Municipality of Ponce. Pursuant to the New Law, all of the rights, faculties and duties of the initial Port of the Americas Authority were transferred to the PPA, without considering it as a successor of the first. As a result, the PPA as the new port authority does not carry the previous legal or economic burdens of the Port of the Americas Authority, which shall continue to handle the obligations, liabilities and commitments incurred prior to the enactment of the New Law.

More recently, on December 19, 2013, Law No. 240-2011 was amended by Law 156, which restructured PPA's Board of Directors to include members assigned by the Governor and the

Mayor of Ponce. Thus, the Authority now enjoys the representation from the central government as well as the municipal government. This amendment also provides for additional financing of the project through a new line of credit to be repaid by the general fund of the central government and gives control to the PPA of all the properties and equipment required for the operation and further development of The Port.

Pursuant to the provisions this Law, PPA now has the responsibility of engaging an “Operator of International Caliber” for the already developed Port facilities and an “Administrator for the Value Added Zones”.

2.2 PORT DEVELOPMENT AND IMPROVEMENTS CONSTRUCTION:



The above image shows an update of the total development area of the Port of the Americas project, which comprises the Port Facilities and the Value Added Zones. As per the original Master Plan for the Port, the construction project was initially focused on the improvements of the existing Port facilities, its harbor and the surrounding infrastructure for the Port and new VAZ. The development has been accomplished as follows:

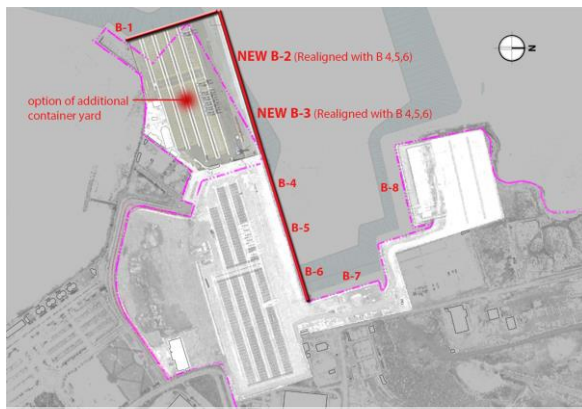
- Phase 1 — The first phase of the project was the reconstruction of berths 4, 5 and 6, which added 1,200 ft (365.76 m) of quay of Post-Panamax capability to the existing piers. The new construction was designed to accommodate four modern quay cranes with a rail gauge of 100 ft (30.48 m). There are currently two Ship-to-Shore cranes (ZPMCs) installed here, as well as the Harbor Mobile Crane specified above. The berth was designed for a

depth of -50ft (15.24 mts) MLW. Currently a length of 830 ft (253 mts) is dredged to -50ft (15.24 mts) MLW. The depth of the berth shallows progressively towards the ends to 36 ft (11 mts) due to design constraints of contiguous berths. These constraints are planned to be addressed through the reconstruction of the contiguous berths 2 & 3 in future development phases.

- Phase 2 — This phase included the dredging of the federal channel and turning basin to a depth of -50 ft (15.24 m) MLW. Construction included the development of 18 acres (73,000 m²) adjacent to the current piers to increase its yard capacity by 250,000 twenty-foot equivalent units (TEU) of annual throughput.
- Phase 3 — Expansion of the container yard to increase total annual designed capacity to 500,000 TEUs. Construction of ancillary facilities including: 6-lane interchange gate and a 20,000 sq ft (1,858 m²) administration building. Additional infrastructure and site improvements are currently under construction on the VAZ-2, which will enable this area and the future growth area to be ready for development. This construction will be completed during December, 2014.

Future construction phases of the project envision converting the land reserved for Port growth, adjacent to the current Port towards north, into a 50 ft (15.24 m) deep canal to add 3,000 linear feet (914 m) of quay side for new Post Panamax berths and developing new container yards along the new berths to increase the Port's annual throughput to a total of up to 2.2 million TEU's.

A more immediate construction project is being planned for the reconstruction of Berths 2 & 3. These old berths' structural condition does not allow for additional dredging to accommodate deeper draft vessels, and limits the dredging of one end of the new berth built on Phase 1. PPA is considering the reconstruction of these berths by realigning them with the new Berths 4, 5 and 6, allowing for the Ship-to-Shore cranes rails to continue through the renovated berths. These improvements will add great capabilities to the Port, promote a more efficient operation of the Port facilities, allow for use of previous improvements to its full extent, and provide a growth option for the Port in the near future.



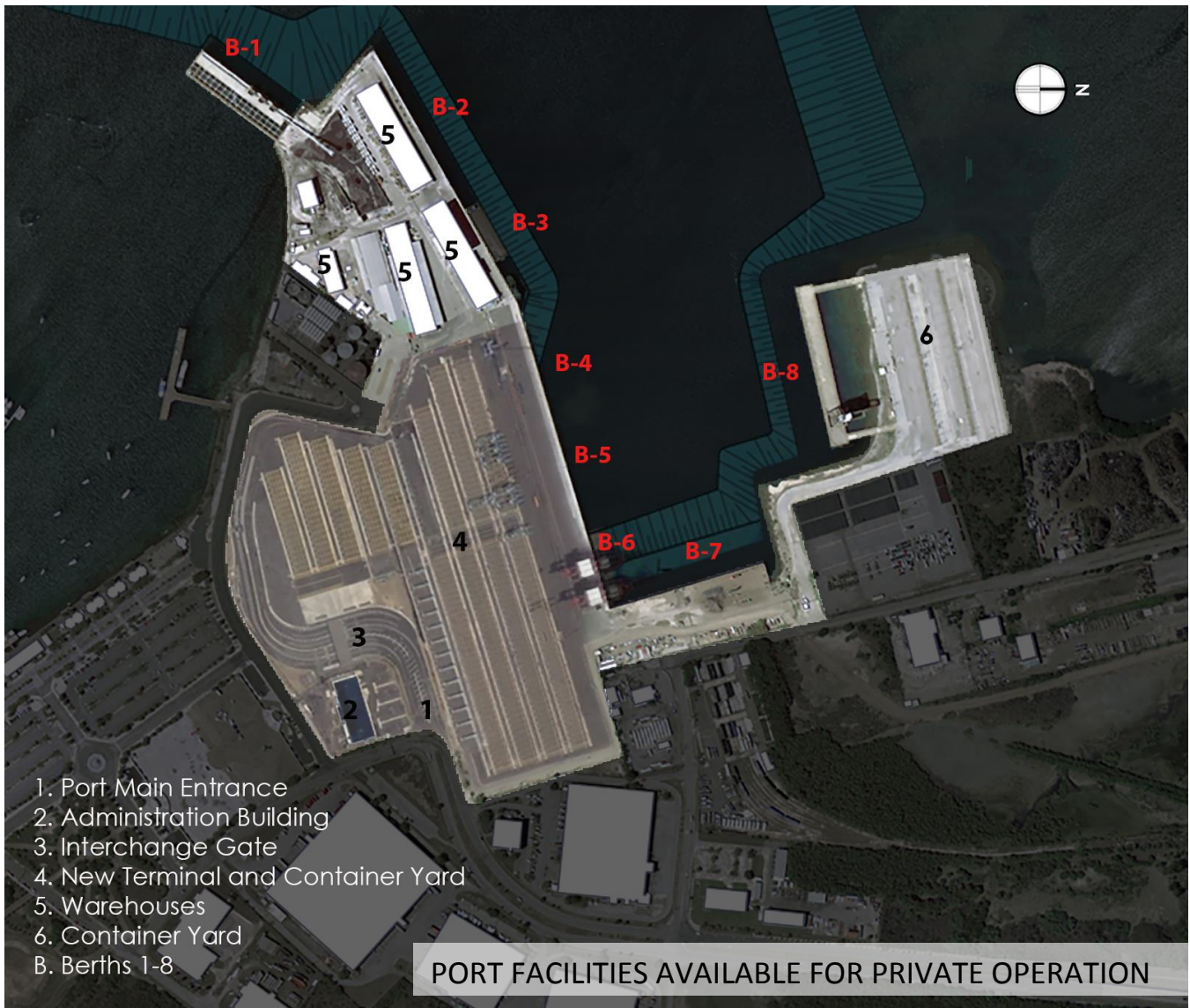
ALTERNATIVE FOR RECONSTRUCTION OF BERTHS 2 & 3



NEW CONTAINER TERMINAL & SURROUNDING INDUSTRIAL

2.3 PORT OPERATION AND CONDITION:

As previously stated, through the improvements built up to now, the Port is being developed into a modern and efficient logistics center striving to create better supply chains for clients in Puerto Rico and the Caribbean. As per Appendix A (Questionnaire), PPA is issuing this RFI in order to gauge the level of interest from prospective private partner(s) to lease and use the existing facilities shown in the next image, as well as to potentially fund additional improvements as they become commercially viable.



Following is a summary of the Port's current operation and condition:

Port Attributes:

- Deepest port in Puerto Rico with maximum depth of 50 ft (15.24 m) MLW.
- Immediate access to main highway network.

- Easy access to Mercedita Airport at only 5 miles.
- 4,400 linear feet (1,341 m) of quayside.
- 800 passenger cruise terminal.
- 2 container yards amounting to 50 acres and a 630,000-TEUs annual capacity.
- 80,000 square feet (7,432 m²) of warehouse space within the Port.
- 500,000 square feet (46,451 m²) of warehouse space (currently occupied, government owned) adjacent to the Port.
- 1,200 acres of land zoned for light and heavy industrial development in the Autonomous Municipality of Ponce, over a 150 of them within the development area of the Port.
- Current clients include: PepsiCola Manufacturing Limited, Serrallés Distillery, PR Distributors, Cemex, Shnitzer PR, Homeca Recycling, Marine Response Spill Company, and CODEZOL (free trade zone administrator), among others.
- Cargo operations include: sand, coal, clinker, cement, molasses, concentrate juice, lumber, scrap metal, military operations and cruise ships.



Existing Equipment Ready for Operation:

- Two (2) super post-panamax gantry cranes with twin-pick capability (Manufacturer: ZPMC; Year: 2009; Capacity: 80mt);
- One (1) harbor mobile crane (Manufacturer: Gottwald; Year: 2009; Capacity: 100 mt);
- One (1) ship-to-shore gantry crane (Manufacturer: Paceco; Year: 2009; Capacity 38 mt); and
- Seven (7) Rubber-Tire Gantry Cranes (Manufacturer: Paceco-Mitsui; Year: 1992-1995).

Economic Incentives Highlights:

- Lowest tariffs in Puerto Rico (independent tariff structure).
- No collective bargaining agreement between the Port Authority and the longshoremen.
- Fully designated as a Free Trade Zone, providing all TFZ benefits including exemptions from many U.S. and Puerto Rico taxes and duties.
 - 4% income tax on industrial development income.
 - 0% or 1% tax rate on income for pioneer or novel products manufactured in Puerto Rico.
- 50% tax credit on purchases of products manufactured or recycled locally.

- \$5,000 for each job created during the first year of operation.
- 50% tax credit on Research and Development activities.
- Special deductions on investments from structures, machinery and equipment.
- 50% tax credit for investment in eligible agricultural business.
- 100% exemption on taxes for agricultural equipment.

3. CONDITIONS FOR THE SUBMISSION OF INFORMATION.

3.1 CHANGES TO THIS RFI:

At any time, in its sole discretion, PPA may by written addenda to this RFI, modify, amend, cancel and/or reissue this RFI. If an addendum is issued prior to the date information is due, it will be made available via the same media as was used to issue the RFI. If an addendum is issued after information has been received, it may, at PPA's discretion, be provided only to those Respondents whose submissions may be impacted by such change/addendum.

3.2 INFORMATION PREPARATION COSTS:

PPA shall not be liable for any costs incurred by any Respondent in the preparation, submission, presentation, or revision of its information and response, or in any other aspect of the Respondent's pre-information submission activity. All such costs shall be borne solely by the Respondent. In no event shall PPA be bound by, or liable for, any obligations with respect to the project until such time (if at all) as PPA authorizes and executes a written agreement, and then only to the extent set forth in such agreement.

3.3 CLARIFICATION OF RESPONSES:

PPA reserves the right, at its sole option, to contact a Respondent to seek clarification regarding information contained in its response, but shall have no obligation to do so. The decision to contact and request clarification from a Respondent rests solely with PPA. In submitting its response, a Respondent should not assume that it will be provided an opportunity to subsequently clarify or otherwise discuss any feature thereof.

3.4 DISCLOSURE OF INFORMATION CONTENTS:

All materials and information submitted in response to this RFI, and any materials delivered to PPA, are subject to the laws, regulations and case decisions (collectively, the "Public Records Laws") applicable to the disclosure of materials and information submitted under this RFI. PPA may disclose the contents of all responses to this RFI, except to the extent that a portion of the response may be exempt from disclosure in accordance with applicable Public Records Laws. By delivering a response, each Respondent consents to such disclosure and expressly waives any right to contest such disclosure unless exempt under applicable provisions of the Public Records Laws.

3.5 OWNERSHIP OF SUBMITTED MATERIALS:

All materials and information submitted in response to or in connection with this RFI shall become the property of PPA and will not be returned to the submitting parties. PPA shall have the right to use such materials and information and ideas set forth therein without restriction.

3.6 RIGHTS OF PPA:

PPA reserves to itself all rights available to it under applicable law, including but not limited to the unqualified right, at any time and in its sole discretion, to change or modify this RFI, to reject any and all information, to waive defects or irregularities in information received, to seek clarification of information, to request additional information, and to undertake discussions with one or more Respondents who, at any time, subsequent to the deadline for submissions to this RFI, may express an interest in the subject matter hereof.

No Respondent or any other person or entity shall have any rights against PPA arising from the contents of this RFI, the receipt of information, or the incorporation in or rejection of information contained in any response or in any other document. PPA makes no representations, warranties or guarantees that the information contained herein, or in any addenda, is accurate, complete, or timely or that such information accurately represents the conditions that would be encountered during the performance of any subsequent contract issued from a separate procurement. The furnishing of such information by PPA shall not create or be deemed to create any obligation or liability upon it for any reason whatsoever; and each Respondent, by submitting its information, expressly agrees that it has not relied upon the foregoing information, and that it shall not hold PPA liable or responsible therefore in any manner whatsoever.

3.7 NO PERSONAL LIABILITY:

No PPA officer, agent or employee shall be charged personally with any liability by a Respondent or another or held liable to a Respondent or another under any term or provision of this RFI or any statements made herein or because of the submission or attempted submission of information or other response hereto or otherwise.

APPENDIX A - QUESTIONNAIRE

Respondents are invited to return the following questionnaire together with a short cover letter to PPA. Total page count for the questionnaire should not exceed 25 pages, utilizing 12 point Arial type font, exclusive of the cover letter. Please follow the format below.

GENERAL INFORMATION

- (1) Please briefly provide the following descriptive information for the Respondent and its team members (if any). The purpose of this question is to aid PPA in understanding the identity and business of the Respondent. The information provided will not be evaluated.
 - a) Name of Respondent and its team members (if any)
 - b) Key principals for Respondent and its team members (if any)
 - c) Organizational structure of Respondent and its team members (if any)
 - d) Previous experience in seaport development and operation of Respondent and its team members (if any)
- 2) What is/are your company's primary business lines as it relates to the maritime industry and potentially to the Port of the Americas?
- 3) Do you have previous knowledge of the Port of The Americas? If so, please explain.

Business Arrangements:

- 4) Would you be interested in leasing & using the existing terminal facilities?
- 5) Do you prefer a long-term lease & use agreement, concession including financing, or management contract?
- 6) Would you be interested in developing additional container terminal facilities, as per PPA's development plan?
- 7) Bearing in mind the public investment already made, Are you willing to take the responsibility of financing the construction or would you require having PPA facilitate financing, such as tax-exempt financing via conduit Private Activity Bonds ("PABs"), or any other participation from PPA?
- 8) Would you consider being responsible for the construction, as applicable, as well as the long term capital replacement & rehabilitation of the Port?
- 9) Are you willing to make an upfront payment to PPA for exclusive use of Port of the Americas?
- 10) Are you willing to provide revenue sharing to PPA for exclusive use of Port of the Americas?

- 11) Are you willing to negotiate minimal annual throughput guarantees with the PPA?
- 12) What do you consider to be the optimal length of a potential lease or concession term? Please explain.
- 13) What equity internal rate of return ("IRR") do you expect to achieve over the lifetime of a potential concession?
- 14) Would you be interested in a business transaction that included the Port's general cargo, bulk and break bulk, and cruise businesses?
- 15) Are you willing to commit to promoting the development of a logistic trade zone, through the attraction of new companies that can establish operations in the Value Added Zones while doing business with the Port? If so, explain how you envision such effort.
- 16) What other considerations are important to you in regards to the development and operation of the Port of the Americas?
- 17) List, in order of priority, those items which are valuable to you in regards to the Port of the Americas which could result in increasing the overall attractiveness of the project.

PROCUREMENT:

- 18) What do you think are reasonable conditions to qualify proponents as a "*Port Operator of International Caliber*"?
- 19) Indicate the maximum length of time that you would be willing to commit to the terms of your proposal (i.e. 90 days, 180 days, or other).