

Port of the Americas

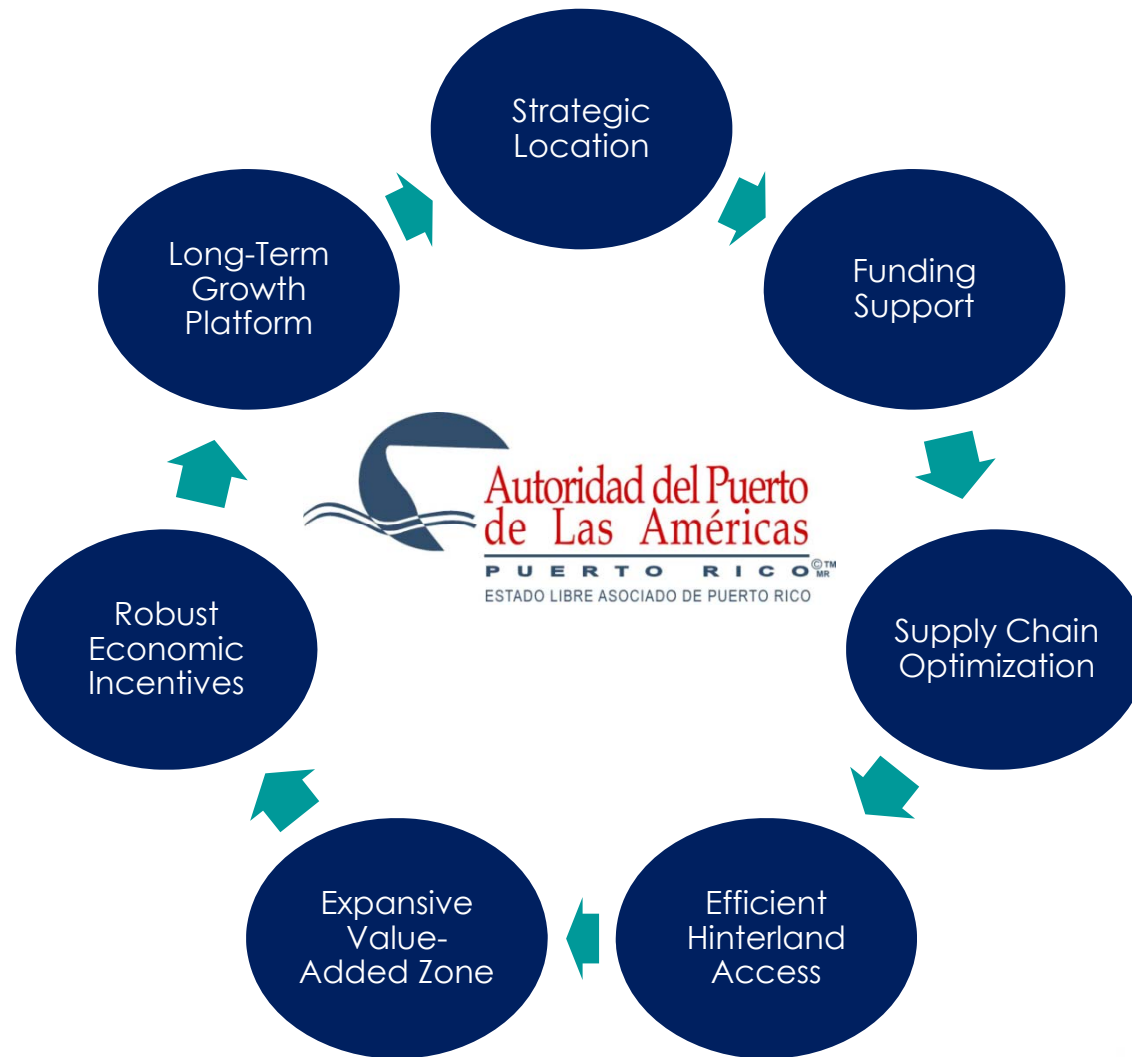
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Executive Director, Port of the Americas Authority*



Public Corporation created by Law 171 of August 11, 2002

- 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



DEPARTAMENTO DE DESARROLLO ECONÓMICO Y COMERCIO





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.



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

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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)

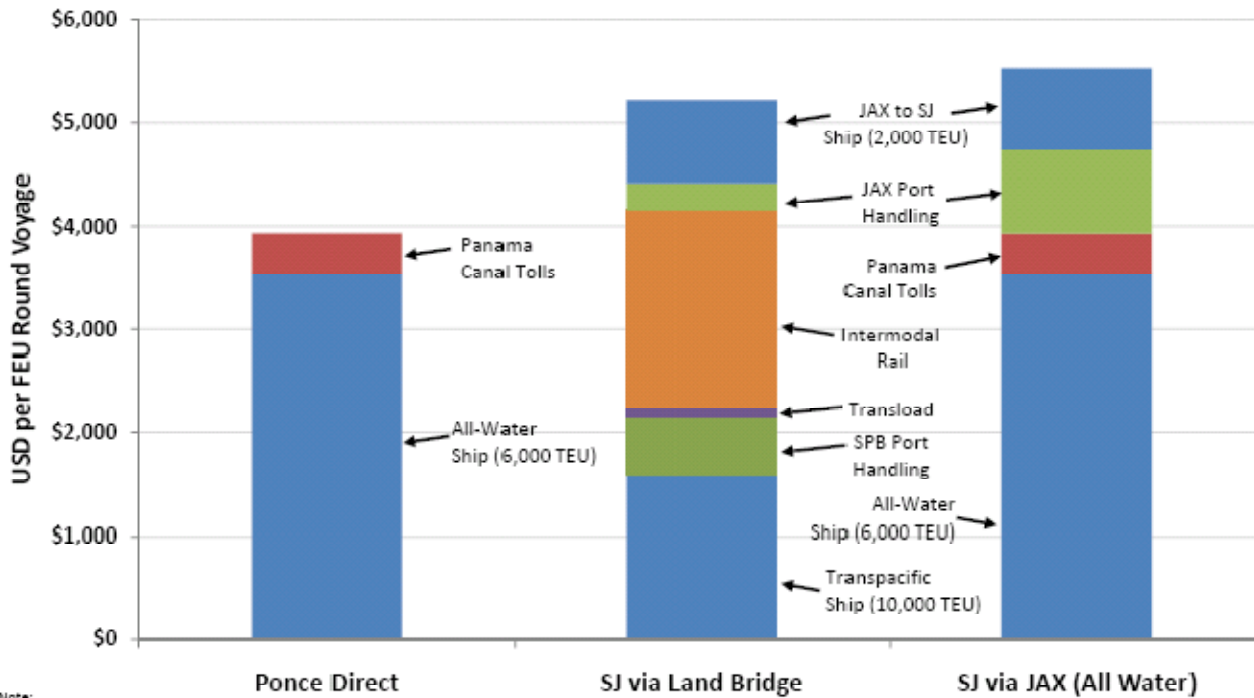




The Port can meaningfully improve supply chain efficiency, particularly related to east-bound Trans-Pacific trade volumes to Puerto Rico



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



moffatt & nichol

DEPARTAMENTO DE DESARROLLO ECONÓMICO Y COMERCIO



The Port of the Americas can handle Super Post Panamax Vessels

| <u>Country</u> | <u>Port</u> | <u>Water depth (ft)</u> |
|-------------------------|-----------------------------|-------------------------|
| (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

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Distance from Port of the Americas to:

| Location: | Distance (km) | Est. Pop. |
|--------------------|---------------|-----------|
| (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 |



Source: www.gobierno.pr

DEPARTAMENTO DE DESARROLLO ECONÓMICO Y COMERCIO



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

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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

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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

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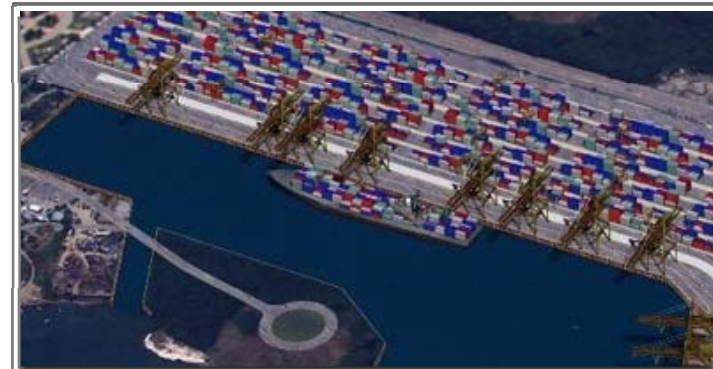
Facilities Summary

| | <u>Status</u> |
|--|---|
| <ul style="list-style-type: none"> Phase I Berth Reconstruction | <p>✓</p> |
| <ul style="list-style-type: none"> Phase II 50-foot dredging 250,000 TEU Container Yard | <p>✓ ✓</p> |
| <ul style="list-style-type: none"> Phase III A 500,000 TEU Container Yard Basic Infrastructure | <p><i>In Progress (Aug 2011)</i> <i>In Progress (Aug 2011)</i></p> |
| <ul style="list-style-type: none"> Phase III B 1MM TEU Container Yard & 2nd Post Panamax Berth | <p>Fully Designed</p> |
| <ul style="list-style-type: none"> Phase IV 1.4 MM TEU Container Yard & additional berth | <p>Based on Market Demand</p> |

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



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