



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

JAN 12 2017

The Honorable Eddie Baza Calvo
Governor of Guam
Ricardo J. Bordallo Governor's Complex
Adelup, Guam 96910

Subject: Closeout Notice – Evaluation of Guam Port Authority Cargo Handling Facilities
and Equipment
Assignment No. 2016-CR-035

Dear Governor Calvo:

We are discontinuing our evaluation of the Guam Port Authority's cargo handling facilities and equipment. Although our review identified a number of potential issues, we learned that the Port is aware of them and has begun implementing corrective action. Therefore, we believe that the Port should have an opportunity to finish implementing its changes before we complete a more thorough review.

Background

Our review focused on the Guam Port Authority's cargo-handling services. Specifically, we looked at the current condition of its cargo-handling facilities and equipment, the extent to which they are maintained and replaced, and whether cargo-handling services meet user needs.

The Port operates the only commercial seaport in Guam and serves as a transshipment point for the Western Pacific region. Its dock processes 90 percent of the region's consumer goods and supplies, illustrating the Port's vital contribution to all citizens living on Guam and throughout the territory.

In December 2015, the Port completed \$50 million in modernization projects intended to provide planning, design, and construction to improve facilities and provide for their greater access, while also relieving Port congestion.¹ That same month, however, a Guam news article reported a breakdown of obsolete cargo-handling equipment, resulting in backlogged shipping containers and their delayed release. The General Manager refuted the claim that the equipment was obsolete, attributing the problem to the procurement process at Guam General Services Agency (Guam GSA).

¹ The projects were part of the Port of Guam Improvement Enterprise Program, administered through the U.S. Department of Transportation Maritime Administration.

Results of our Review

We visited the Port in early June and again in late August 2016. Despite the Port's recently completed modernization efforts, we identified potential issues pertaining to cargo handling facilities and equipment. We also solicited concerns from Port users. We learned, however, that the Port is aware of the issues we identified and is implementing corrective actions.

Condition of Key Cargo Handling Facilities and Equipment

We found that the Port's building for equipment maintenance and repair needed improvement. Although the building, constructed in the late 1960s, was considered "acceptable for its current use," by an independent consultant in the Port's "Master Plan Update 2013," the consultant strongly recommended a code compliance check. During our site visit we observed leaks in the concrete roofing, as well as a crumbling surface. We also found the office space on the second floor to be cramped and congested; however, efforts were underway to frame out a new office space on the first floor. To provide additional work space outside, Port officials were procuring canopies to protect their mechanics from heat and rain while they worked. A Port official told us that the Port intends to continue pursuing its capital improvement plans for the new office and address other equipment maintenance and repair building repairs in its FY2017 budget.

Due to the environment at the Port, equipment easily corrodes. During our visits, we noted rusted, overused cargo handling equipment that was nearing the end of its useful life. We learned, however, that the Port acquired several pieces of new equipment in 2016 that doubled the Port's existing equipment capacity. We also understand that the arrival of additional equipment is anticipated in early 2017.

Maintenance and Replacement of Key Cargo Handling Equipment

We found that the Port had not been performing regular maintenance on cargo handling equipment because it did not have enough back-up equipment available to cover breakdowns, repairs, or regular maintenance needs. Consequently, when cargo equipment needed repair, it would be taken out of service for long periods, thus impacting Port operations. We learned, however, that the Port is building its reserve capacity by ordering new equipment. The new equipment will allow machinery to be rotated in and out of service for scheduled maintenance. The Port recently initiated a process to refurbish existing tractors to provide further reserve capacity.

We also learned that the Port did not have a supply of frequently used parts to complete necessary repairs on a timely basis. Acquiring a needed part could take months. Two or more months might be necessary to obtain an approved purchase order from Guam GSA, and then another 6 or more months, if the part needed to be manufactured and shipped from a remote location. To address this, the Port recently developed a fast-moving parts list for cargo handling equipment, submitting it to Guam GSA on August 2016 for bidding by prospective suppliers.

The Port anticipates having a regular supply of parts on hand in the near future, which should help reduce or avoid unnecessary procurement and shipment delays.

During our initial visit to the Port, we learned that it did not have a fully implemented preventive maintenance plan for existing and new cargo handling equipment. We understand that Port officials traveled to Honolulu to obtain best practices and hired a consultant to help develop a plan. We received a copy of the Port's new preventative maintenance plan during our last site visit. According to a Port official, the Port is working to implement procedures.

Concerns of the Port Users

The Port holds monthly meetings with Port users to help them keep up-to-date on current issues, ongoing projects, and services. During our visits to Guam, we spoke to several representatives of the Port Users Group of Guam. Their concerns focused primarily on the Port's ability to improve communications during operations, obtaining and maintaining operational equipment, and addressing staffing shortfalls. Some users acknowledged improvements made by the current Port administration, noting the increase in newer yard equipment. The Port also has taken steps to fund key vacancies in the stevedoring, transportation, and maintenance divisions, including recruitment of additional truck drivers, a maintenance planner and a maintenance work coordinator.

Conclusion

We appreciate the cooperation and assistance provided by management and staff of the Guam Port Authority during our evaluation. Although we identified a number of concerns regarding the Port's cargo handling facilities and equipment, we recognize that the Port is taking significant steps to improve cargo-handling operations and support the needs of Port users. Since changes are underway, we would like to give the Port time to implement them. We may consider conducting a more thorough review in the future.

If you have any questions regarding this report, please contact Ms. Amy Billings, Regional Manager, at 303-236-9243.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary L. Kendall". The signature is fluid and cursive, with the first name "Mary" and last name "Kendall" clearly distinguishable.

Mary L. Kendall
Deputy Inspector General