



COMMONWEALTH of VIRGINIA

Office of the

SECRETARY of TRANSPORTATION

## Joint Subcommittee Studying Public-Private Partnerships Related to Seaports in Virginia

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Virginia Department of Rail and Public Transportation

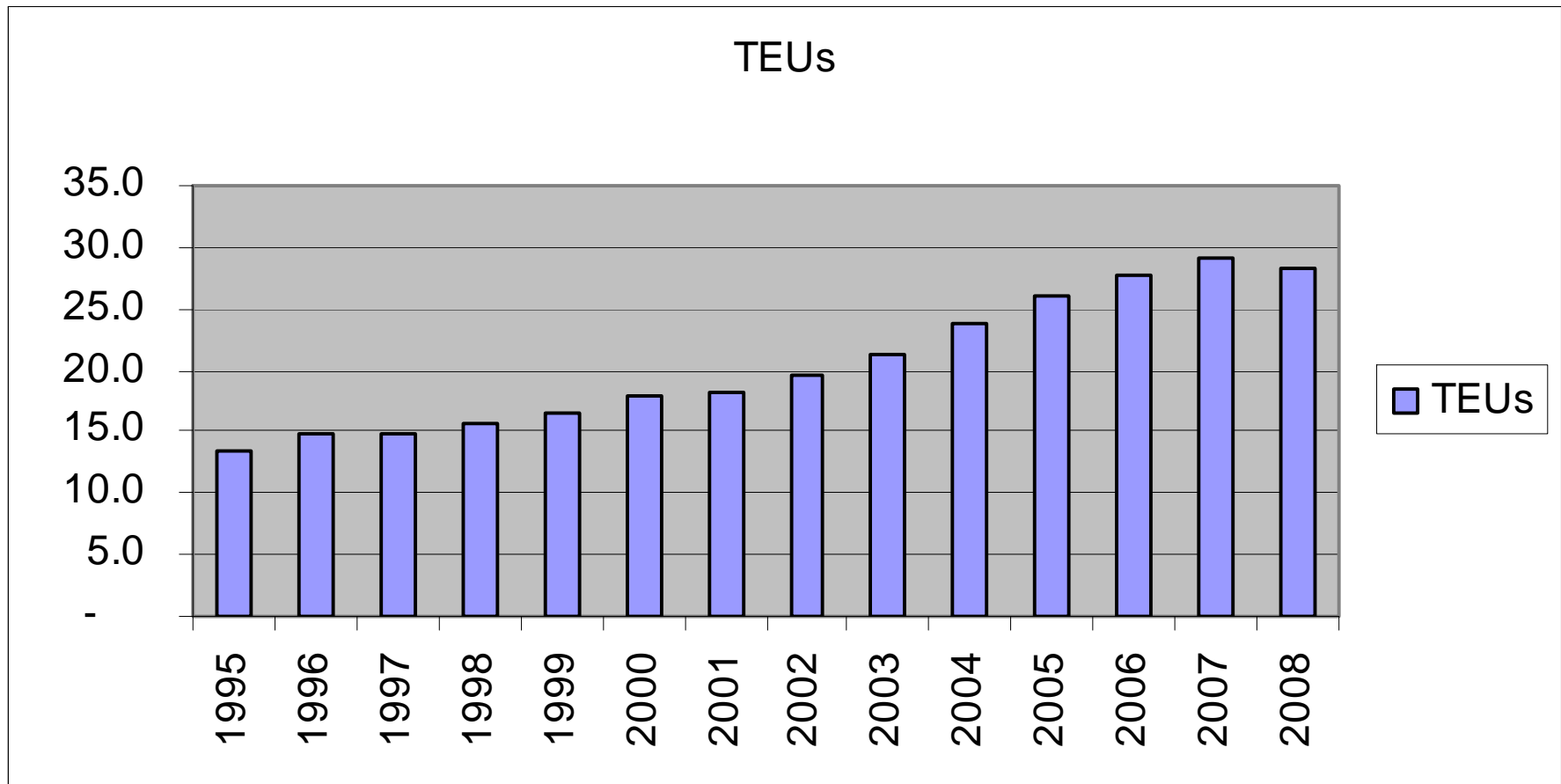


# Presentation Outline

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- **Maritime Trends**
- **Port of Virginia**
- **Surface Transportation Connections**
- **PPTA**

# U.S. International Maritime Containerized Activity: 1995-2008



# Status of Maritime Shipping Worldwide

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- **AXS Alphaliner - July 2009 the worst month on month figure since it began tracking liner fleet growth 10 years ago.**
- **The fleet currently stands at 4,690 ships totalling 12.82 million teu (of which 10.3% are currently lying idle or laid up)."**

**Published: 2009-08-04**

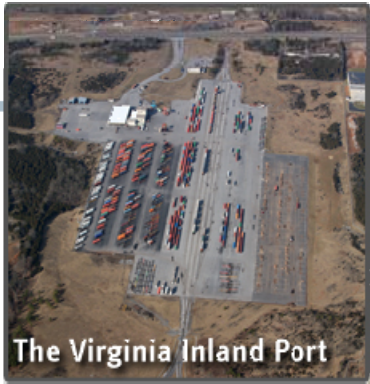
# May 2009 - U.S. Port TUEs

	YTD2009	YTD2008	Growth
Total U.S.	9,544,353	11,984,242	-20.4
West Coast	4,721,832	6,016,634	-21.5
East Coast	4,076,182	5,110,467	-20.2

- Total US containerized trade for May was down 21%, following an 18% decline in April.
- Imports were down 25%, while Exports were down 15%.

Source: Journal of Commerce

# Virginia Port Authority



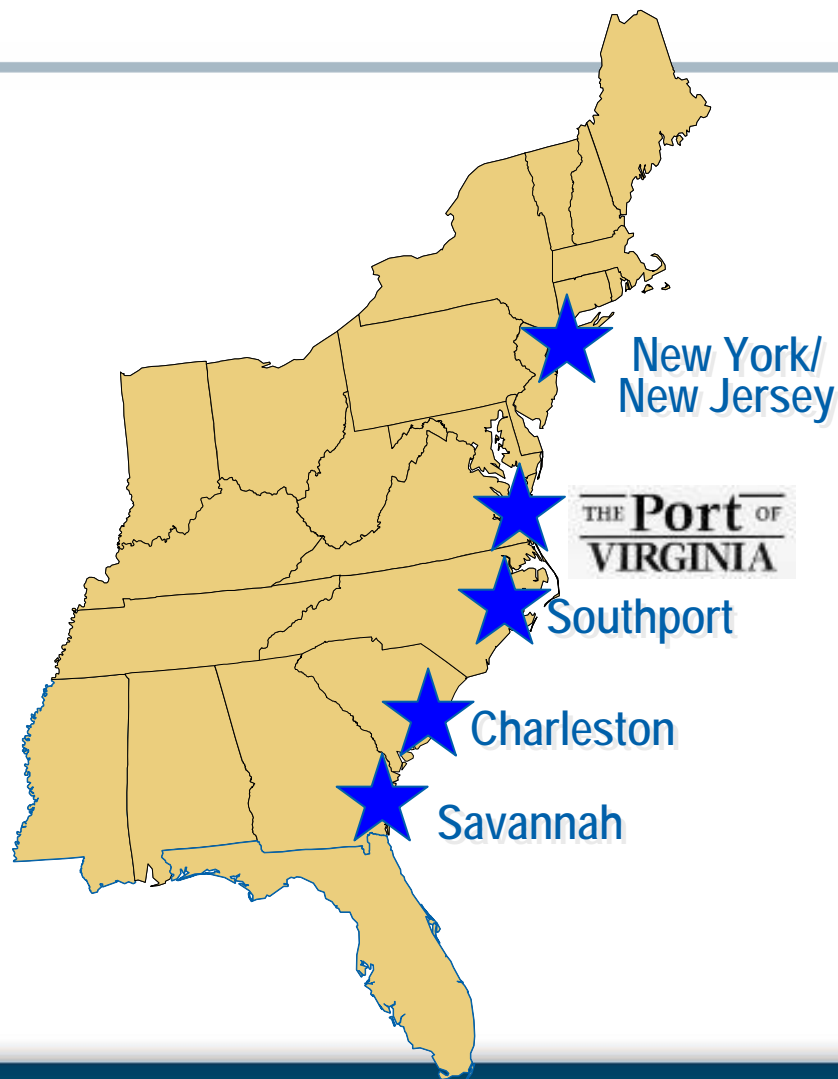
The VPA is An Agency of the Commonwealth





# Virginia Is Positioned To Become The East Coast's Dominant Port

- **The East Coast Gateway Leader Will Need:**
  - **Deep Water Channels**
  - **Terminal Capacity**
  - **Good Road and Rail**
  - **Market Awareness**





# Panama Canal Expansion



- **Currently, Panamax vessels (up to 4,500 TEUs) are the largest vessels that can transit the Panama Canal.**
- **The Panama Canal Expansion Project is scheduled to be completed in 2014 or 2015, allowing larger vessels (up to 12,000 TEUs) to transit.**
- **The Port of Virginia is the only Port on the U.S. East Coast that can handle the new Post-Panamax vessels.**

	Panamax	Post-Panamax
<b>Capacity</b>	<b>4,500 TEUs</b>	<b>12,000 TEUs</b>
<b>Length</b>	<b>965'</b>	<b>1,200'</b>
<b>Draft</b>	<b>39.5'</b>	<b>50'</b>
<b>Beam</b>	<b>106'</b>	<b>160'</b>



**Future Craney Island  
Marine Terminal**

**Phase 1**

**Total Acreage: 220 (89.03 hectare)**

**Pier Length: 3000 ft. (914.4 meters)**

**Depth: 52 ft. (15.85 meters)**

**Cranes: 6**

**Capacity: 1.5M TEUs**

**Cost: \$1.2B**

# Outstanding Port Debt

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- **Master Equipment Leases - \$80Million**
- **Terminal Revenue Bonds - \$294 Million**
- **Commonwealth Port Fund Bonds - \$190 Million**
  - All renovations at NIT and PMT
  - New and replacement equipment all terminals
- **\$65 Million Terminal Revenue Bonds to refund bond anticipation notes in 2010**



# Recent North American Port Transactions

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- **Maryland Port Authority issues RFQ to lease Seagirt Marine Terminal**
- **Port of Oakland awards concession to operate, maintain, and further develop 175 acres of maritime operations**
- **SSA Marine managed container terminals at Port of Seattle and 120 marine and rail operation worldwide. Sold nearly 1/2 of company to Goldman Sachs Infrastructure Partners**
- **Port of Miami Tunnel Project - concessionaire will design, build, finance, operate and maintain tunnel**
- **Maher Terminals privately held operator of port terminals in NY and British Columbia acquired by RREEF Infrastructure**

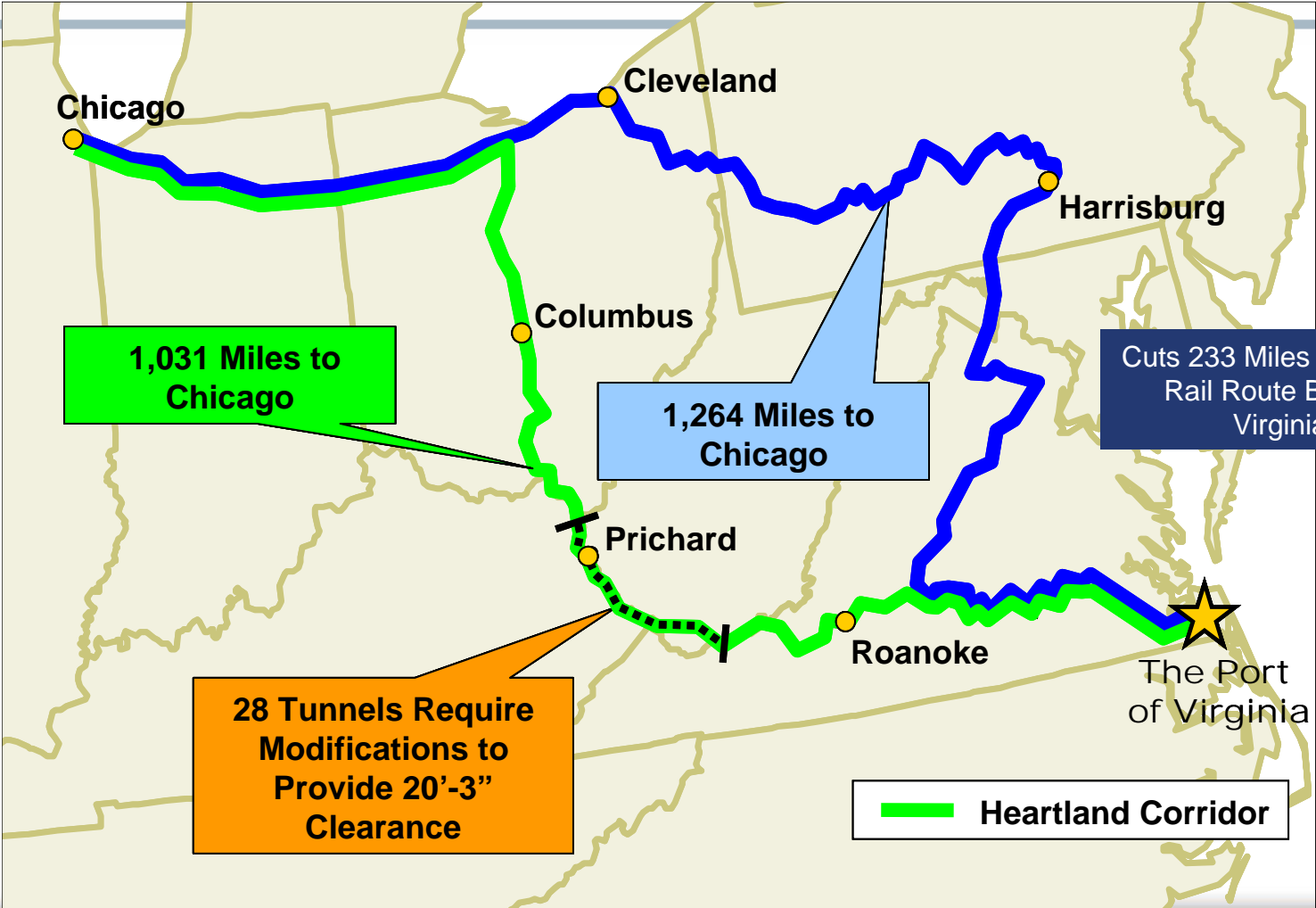
# Surface Transportation Connections

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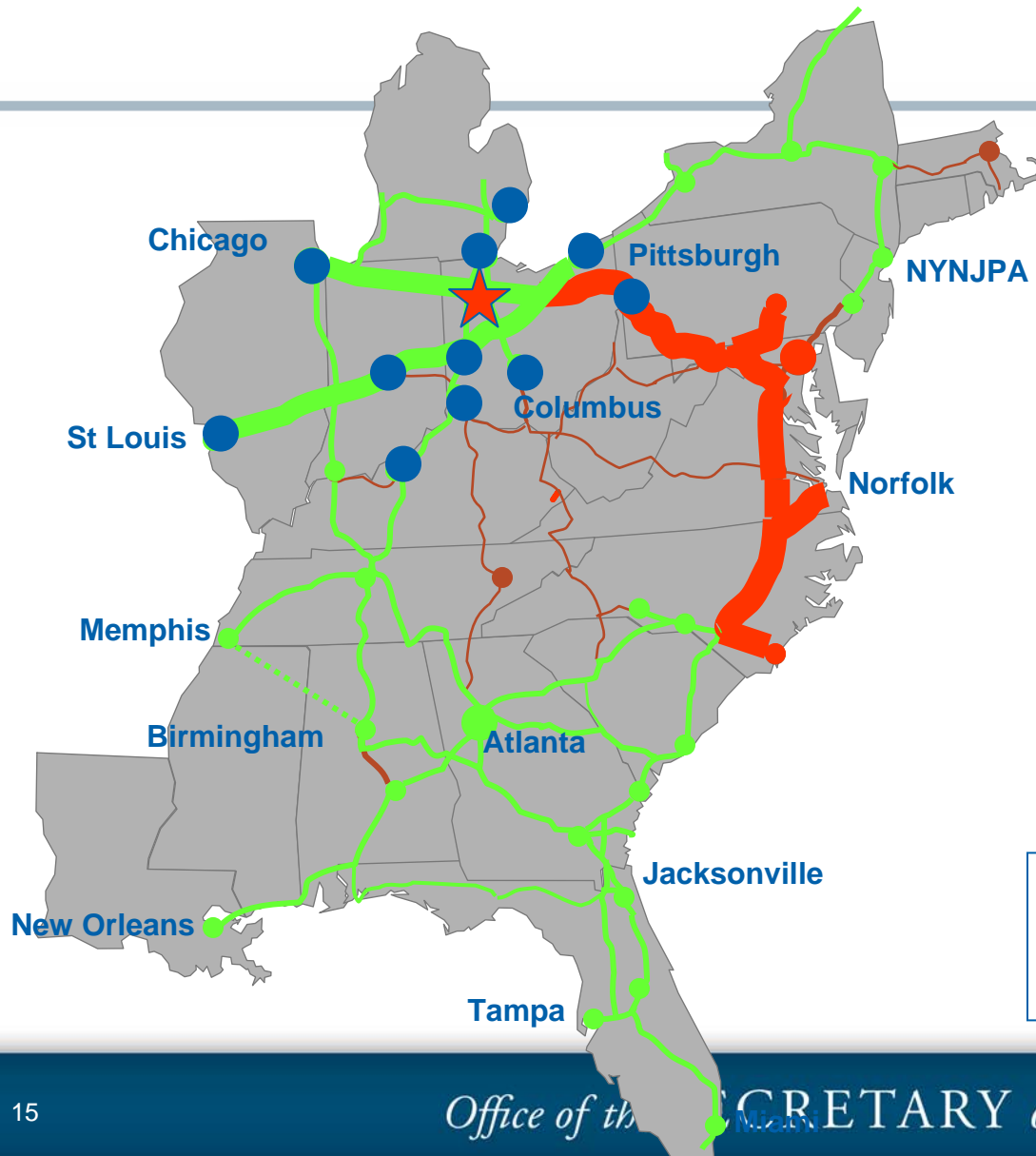


# The Heartland Corridor

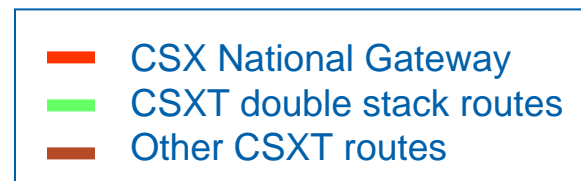
## Gateway for Port of Virginia Cargo



# The National Gateway



- Connects Norfolk to the Midwest and beyond
- NW Ohio Transfer Yard enables CSX service to new major markets
- Expedites traffic through Chicago and St Louis gateways



# Surface Transportation Connections

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- APM and NIT On- Dock Rail
- APM Terminal/Route 164 interchange
- Heartland Rail Corridor \*
- National Gateway Rail Corridor \*
- Route 164 Rail relocation – double track funded through ARRA
- Hampton Boulevard grade separation
- NIT Central Rail Yard – on dock rail expansion
- Route 460 PPTA \*
- Midtown/Downtown Tunnel/ MLK Expressway\*

*\*Partnership projects requiring substantial public sector support*

# Commonwealth Port and PPTA Priorities

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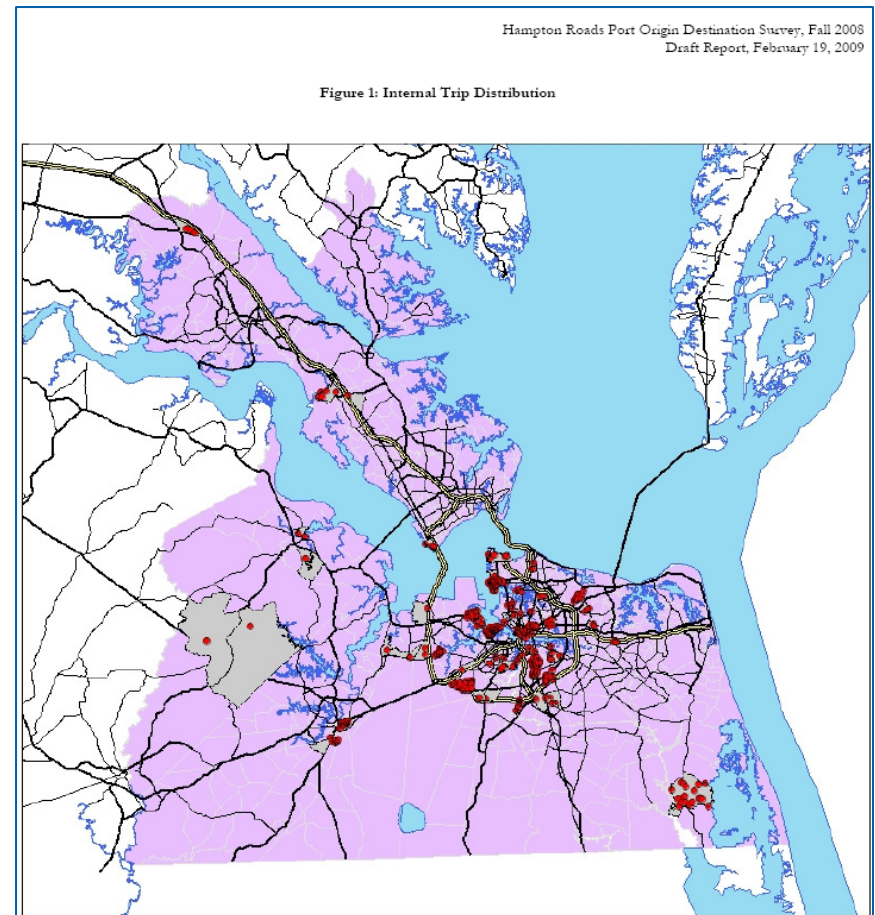
- **Promote and realize benefits of continued economic growth**
  - **Jobs**
  - **Return on Investment**
  - **Hampton Roads**
  - **Statewide**
- **Provide surface transportation network to serve community and Port**
  - **Highway**
  - **Rail**
  - **Transit**
- **Address community impacts of Port**

# Commonwealth's Priorities

**63% of VPA truck trips have an origin or destination in the region**

– Stop in region for warehouse/distribution or transload/transfer

- **An economic opportunity**
- **A transportation challenge**





# PPTA Overview

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# Virginia's Public-Private Partnership Program

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- **Virginia Public-Private Program Has Several Components:**
  - Transportation Partnership Opportunity Fund
  - Rail Enhancement Fund
  - Public-Private Education Facilities and Infrastructure Act of 2002 (PPEA)
  - Public-Private Transportation Act of 1995 (PPTA)
  - Special Taxing Districts
  - Tolling and Dedicated Revenues
- **Common policy goals with other components of Commonwealth's transportation program:**
  - Public benefit and clearly articulated public need for the project
  - Private resources or risk sharing to help address public need
  - More timely
  - Less costly
  - Transparency and accountability
  - Stable investment climate

# Current PPTA Program Requirements

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- **Since 2003, PPTA proposals have been subject of greater public participation and more sophisticated risk analysis**
- **Since 2005, the PPTA law and guidelines have been updated to strengthen program**
- **Current Program Requirements:**
  - **Requires commitments or guarantees by private sector – mandatory revenue or risk sharing**
  - **Rejects unsolicited proposals which do not include private risk or do not meet Commonwealth priorities**
  - **Identifies timelines and activities within each phase of the PPTA process**
  - **Allows for interim agreements to accelerate required development activities**
  - **Requires eligibility for federal funding**

# PPTA Concessions

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- **In 2006 Virginia developed a statutory framework for the use of any up-front concession payments**
  - **Payments may be used only for programs and projects that benefit “payers” or “users”**
- **Examples of concession payment use include:**
  - **Increased access or mobility within the project scope**
  - **Support other transportation projects in corridor**
  - **Support HOV or transit in corridor**

# \$9 billion in Public Private Partnerships

	Construction complete	Phase Two underway	Reassigned from original private partner	Private Investment	Concession Agreement
Route 28	√	√		√ - tax district	
APM/Maersk Private Port Terminal	√			√ - equity and risk	
Coalfields Expressway			√	√ - equity and risk	
Pocahontas Parkway	√	√	√	√ - equity and risk	√
Jamestown 2007	√				
Route 288	√			√ - pavement risk	



# \$9 billion in Public Private Partnerships

	Construction complete	Next Phase underway	Reassigned from original private partner	Private Investment	Concession Agreement
Route 58	√	√		√ - risk	
Heartland Corridor				√ - equity and risk	
Dulles Rail				√ - tax district and risk	
I-495 HOT Lanes				√ - equity and risk	√

# APM/Maersk Terminal, Portsmouth, VA



**Phase 1 – Sept. 2007**  
**Total Acreage: 230**  
**Pier Length: 3200 ft.**  
**Depth: 55 ft.**  
**Cranes: 6**  
**Capacity: 1.5 Million**  
**TEUs**  
**Cost: \$500 Million**

# PPTA Program Status

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- **Since 2002, 4 PPTA Construction Projects Cancelled or Withdrawn**
  - I-81 Corridor
  - Western Transportation Corridor
  - Hampton Roads Third Crossing
  - Powhite Parkway Western Extension
- **Three PPTA projects are under some level of negotiation**
  - I-395/I-95 HOT Lanes
  - Downtown/Midtown Tunnels/Martin Luther King Freeway Extension\*
  - Route 460 Improvements\*
- **Weak credit markets challenge ALL PPTA projects**

*\* Partnership projects requiring substantial public sector support*

# Port PPTA Process

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- **Governed by same statute and guidelines as highway and transit PPTA's**
- **CenterPoint Properties submitted unsolicited proposal on March 27, 2009**
  - **Proposal reviewed for compliance and posted on Port website**
- **Two competing proposals deemed compliant and competitive**
  - **Carlyle Group**
  - **Carrix (SSA Marine)/Goldman Sachs**
- **Appointment of Independent Review Panel**

# Comparison of Port PPTA Conceptual Proposals

Proposal Element	Current Status <sup>1</sup>	Carlyle	Carrix/Goldman	CenterPoint
<b>Commercial Elements</b>				
Proposed Commercial Structure	VPA owns all port assets, VIT operates all assets	Concession/Lease	Operating Partnership w/Financial Restructuring & Strategies	Concession/Lease
Term (Years)	n/a	60+	30	60
VPA role	Security, planning, economic development, public outreach, debt issuance, capital investment.	Similar, but with reduced staff and no capex. Might serve as tax-exempt issuer for concessionaire.	No change	Monitoring, security, economic development, advocacy
VIT role	Operations and maintenance, marketing, commercial arrangements with carriers.	Becomes subsidiary of concessionaire, role largely unchanged.	Partner through operating agreement w/Carrix (optional)	Becomes subsidiary of concessionaire, role largely unchanged.
Craney Island	Included in Master Plan	Included, timing based on demand	TBD, timing based on demand	Included, terms TBD
Impact on Employees	Total employees (VPA + VIT) ~ 500	Possible shift of some VPA employees to VIT. VIT continues to operate.	VIT continues to operate.	VIT continues to operate.
<b>Financial Elements</b>				
Upfront Payment	n/a	\$500 - \$700 million	\$250 million	\$500 million
Ongoing Annual Payment to VPA	2009 annual VPA opex = \$20.3 mil.	Yes, index to CPI	\$25 million/year	\$7 million, indexed
Profit/Revenue Sharing	n/a	Yes, based on profitability	Yes, based on Op. CF	Yes, based on profitability
Payments to Local Gov's	2009 PILOT = \$1.0 million	Yes, index to CPI	No, VPA responsible	\$5 million/year, indexed
Commonwealth Port Fund	2009 = \$34 million	No longer required	No longer required	No longer required
Disposition of existing debt	Port fund bonds outstanding = \$190m Revenue bonds outstanding = \$294m	Partial assumption?	Goldman would underwrite, arrange and advise (optional) refinancing	Partial assumption, w/impact on upfront payment?
<b>Capital Investment Responsibilities</b>				
Ongoing 2040 Plan	VPA	Concessionaire	Operator	Concessionaire
Craney land mass and surface transportation connections	VA and Federal	VA and Federal, w/some private sharing?	TBD?	VA and Federal
Craney terminals	VPA	TBD	Operator to fund per M&N report?	Concessionaire

<sup>1</sup> Figures shown are FY 2009  
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# CenterPoint Proposal Overview

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- **60 year lease of all port facilities**
- **Operate port facilities through VIT**
  - VPA to maintain public oversight and security
  - VIT to become a subsidiary of CenterPoint
- **Provide funding for Port capital improvements**
- **Other provisions of conceptual proposal**
  - Up front \$500 million concession payment
  - Return Commonwealth Port Funds
  - Payments to port localities
  - Vertical development of Craney Island
  - Potential revenue sharing with Commonwealth



# Carlyle Group Proposal Overview

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- **60 year lease of all port facilities**
- **Operate Port Facilities through VIT**
  - VPA to maintain public oversight and security
  - VIT to become a subsidiary of Carlyle Group
- **Provide funding for Port capital improvements**
- **Other provisions of conceptual proposal**
  - Upfront \$500- \$700 million concession payment
  - Return Commonwealth Port Funds
  - Payments to port localities indexed
  - Craney Island role possible
  - Potential revenue sharing

# Carrix/Goldman Proposal Overview

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- **30 year operating partnership**
- **Flexible operating partnership among VIT, VPA and Carrix/Goldman**
- **Other provisions of conceptual proposal**
  - **Upfront \$250 million payment**
  - **Return Commonwealth Port Funds**
  - **Payments to port localities a VPA responsibility**
  - **Craney Island role possible**
  - **Potential revenue sharing**

# Port PPTA Next Steps

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- **Independent review panel (IRP) will be constituted**
- **IRP will hold public meetings, receive formal public comments, discuss proposal and make a recommendation to the Virginia Port Authority and the Secretary of Transportation on whether to advance PPTA process**
  - **All public materials shared with HJR 72 Joint Subcommittee**
- **IRP may recommend to advance all or none of the PPTA proposals to the detailed proposal phase. A request for a detailed proposal would require affirmative action by VPA. Execution of a comprehensive agreement would require successful submission of a detailed proposal and subsequent negotiation of comprehensive agreement between VPA and a private entity.**



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