

On August 26, 2008, the joint subcommittee studying public-private partnerships regarding seaports in Virginia held its first meeting at 1:00 pm in House Room D of the General Assembly Building in Richmond, VA.

Legislative members of the joint subcommittee in attendance were Delegates Purkey, Cosgrove, Massie, and Joannou and Senator Wagner. Nonlegislative members of the joint subcommittee in attendance were Messrs. Coffey, Milliken, Moye, Martinez, Sisco, Godfrey, Taylor, and Padgett.

Delegate Purkey called the first meeting of the joint subcommittee to order and delivered opening remarks. Afterwards, members of the joint subcommittee elected Delegate Purkey and Senator Wagner chairman and vice-chairman of the joint subcommittee, respectively.

Mr. Jerry A. Bridges, Executive Director, Virginia Port Authority

Mr. Jerry A. Bridges, Executive Director of the Virginia Port Authority, then delivered a presentation to the joint subcommittee. Mr. Bridges stated that the Port of Virginia, the third largest port on the East Coast and the fifth largest port in the United States in 2007, is an economic engine for the Commonwealth, attributable for 343,000 port and port-related jobs statewide, \$41 billion in business revenues, and \$1.2 billion in state and local taxes. He also described the growth plans (e.g., Craney Island Marine Terminal, estimated to bring to the Hampton Roads region 54,000 new jobs, \$1.7 billion in wages, and \$155 million in annual state and local tax revenue), which amount to a \$3 billion commitment, to accommodate projected cargo demand. Then, Mr. Bridges identified financing options available to the Port of Virginia to remain competitive and listed factors that contribute to the East Coast competitive environment in which it operates, such as terminal capacity, location of distribution centers and intermodal parks, channel depth, ease of access to the consuming population, and legislation affecting the Virginia Port Authority's master growth plans.

The information in the above paragraph is wholly attributable to Mr. Jerry A. Bridges, Executive Director of the Virginia Port Authority, and such information contained in Mr. Bridges' presentation can be found at <http://dls.state.va.us/GROUPS/ports/MEETINGS/082608/BridgesPPT.pdf>.

Mr. Joseph A. Dorto, President & CEO, Virginia International Terminals, Inc.

Mr. Joseph A. Dorto, President & CEO of Virginia International Terminals, Inc. (VIT) delivered the next presentation to the joint subcommittee entitled "Overview of Port Operations." In describing his employer, Mr. Dorto explained that "VIT is a non stock, non profit company created in 1983 by the [Virginia Port Authority] to operate the" State's ports. He further explained that VIT receives no state general fund dollars, that the entire operations of VIT and the Virginia Port Authority are funded by terminal revenue, and that the Transportation Trust Fund money received by the Virginia Port Authority can only be used for maintenance and capital improvements. In addition, Mr. Dorto stated that "VIT has 448 full time employees and

hires approximately 800 longshoremen per day," "VIT's fiscal year budget for [2009] is \$239,969,000 gross income," and "VIT's fiscal year budget for [2009] is \$9,293,000 net income." With regard to agreements in which it has entered, "VIT has successfully negotiated 10-year agreements with all but one of its customers," and "these agreements ensure the steady flow of cargo through [Virginia Port Authority] ports for the next 10 years, allowing the Virginia Port Authority/VIT to better plan [their] improvements and expenditures in the future." Moreover, VIT/Virginia Port Authority "have been successful in attracting major distribution centers to the Hampton Roads area in the past five years." Additionally, "VIT has a good balance of import/export containers (49%/51%, respectively, for 2007) which enables truck and rail to have two-way moves and balance their equipment. Lastly, Mr. Dorto told the joint subcommittee that "\$465 million has been reinvested into the ports' infrastructure and [has] paid the cost of operations for the Virginia Ports Authority."

The information in the above paragraph is wholly attributable to Mr. Joe Dorto, President & CEO of Virginia International Terminals, Inc., and such information contained in Mr. Dorto's presentation can be found at <http://dls.state.va.us/GROUPS/ports/MEETINGS/082608/operations.pdf>.

Mr. Pierce R. Homer, *Secretary of Transportation*, Office of the Secretary of Transportation

Mr. Pierce R. Homer, Virginia Secretary of Transportation, addressed the joint subcommittee by delivering a presentation entitled "Maintaining the Competitiveness of the Port of Virginia." After sharing background information on the Port of Virginia, Secretary Homer explained that the Port of Virginia has the ability to be competitive with other ports. He explained that the Port of Virginia "will be competitive well into the future because of external factors" such as (1) the completion of the Panama Canal expansion by 2015; (2) "deep natural channels that accommodate the largest cargo ships;" (3) existing freight rail network along with significant rail improvements" by the federal and state government, Norfolk Southern, and CSX. However, Secretary Homer noted that securing capital funding for (a) port expansion in Virginia Port Authority's 2040 plan and (b) "road and rail improvements consistent with the Commonwealth Transportation Board's long range plan" are "constraints on the Port [of Virginia's] future competitiveness."

Through illustration, Secretary Homer also discussed how cargo truck traffic will increase as business grows and how road and rail networks will support or constrain growth (i.e., road connections to the Port of Virginia are strained, but rail is a competitive advantage for the Port of Virginia). Secretary Homer then explained that the Port of Virginia could maintain its competitiveness through operational improvements (e.g., dwell time reductions for containers), expansions at APM and Craney Island, and expanded road and rail networks. Specifically, Secretary Homer suggested that "for the future competitiveness of the Port of Virginia, the critical highway corridors and rail networks are necessary." He also warned that the "slowing economy will reduce public funding for port-related infrastructure."

The information in the two above paragraphs is wholly attributable to Secretary Pierce Homer, Virginia Secretary of Transportation, and such information contained in Secretary Homer's presentation can be found at <http://dls.state.va.us/GROUPS/ports/MEETINGS/082608/competitiveness.pdf>.

Dr. Roy Pearson, *Professor Emeritus*
Mason School of Business, The College of William & Mary

Dr. Roy Pearson, Professor Emeritus at the Mason School of Business at the College of William & Mary, gave a presentation to the joint subcommittee that discussed how the Virginia Port Authority operations added value for Virginia businesses, governments, and households in fiscal year 2006. Dr. Pearson first explained the components impacting his findings (i.e., impact components): direct impact, indirect impact, induced impact, and total impact. "Direct impact" is the production and sale of goods or services being analyzed; "indirect impacts" are purchases from other businesses to carry out the direct activities; "induced impact" are earnings created by direct and indirect impacts that are spent by households, businesses, and state and local governments, and "total impact" is the sum of the three types of impacts. The impacts were modeled using IMPLAN Professional 200, which is based on government data about national, state and local production of goods and services and market transactions and other specific state and local information from surveys and other sources. Dr. Pearson then remarked that the Virginia Port Authority's full contribution to Virginia's economy includes contributions flowing from exports produced in Virginia and imports used in Virginia.

Dr. Pearson then shared his findings. He said that Virginia Port Authority-related port operations impacts (which include the Virginia Port Authority, Virginia International Terminal, port service companies, and companies transporting goods to and from the terminals) included \$4.46 billion in revenue/sales, \$1.6 billion in employee compensation, and 35,665 employees. Total Virginia economic impacts of the Virginia Port Authority include \$41.07 billion in revenue/sales, \$13.52 billion in employee compensation, and 343,000 employees. With regard to exports, of \$14.7 billion in exports handled, \$8.1 billion was made in Virginia. Virginia Port Authority Virginia-made export impacts included \$16.28 billion in revenue sales, \$4.29 in employee compensation, and 93,520 employees. By contrast, with regard to imports, of \$21.5 billion in imports handled, \$8.5 billion stayed in Virginia. Impacts of Virginia use of Virginia Port Authority imports include \$20.31 billion in revenue/sales, \$7.59 billion in employee compensation, and 213,816 employees.

The information in the two above paragraphs is wholly attributable to Dr. Roy Pearson, Professor Emeritus at the Mason School of Business at the College of William & Mary, and such information contained in Dr. Pearson's presentation can be found at <http://dls.state.va.us/GROUPS/ports/MEETINGS/082608/VPA.pdf>.

Mr. Chick Rosemond, *Vice-President of Sales & Marketing, Wyatt Transfer Inc.*

Mr. Chick Rosemond, Vice-President of Sales & Marketing at Wyatt Transfer Inc., then delivered a presentation to the joint subcommittee. Mr. Rosemond expressed concerns of truck drivers who are independent-operators and deliver cargo to/from the ports. He noted, however, the good relationship with such truck drivers and the Virginia Port Authority, which is due, in part, to the monthly meetings in which Mr. Bridges, Executive Director of the Virginia Port Authority, meets with such truck drivers.

David Mills, Senior Vice President and Corporate Secretary
Nobuo Ishida, Senior Vice President
"K" Line America, Inc.

Finally, David Mills, Senior Vice President and Corporate Secretary of "K" Line America, Inc. and Nobuo Ishida, Senior Vice President of "K" Line America, Inc. delivered the final presentation to the joint subcommittee. Mr. Mills discussed "K" Line America, Inc.'s history, corporate principles, and financial highlights (e.g., \$13.3 billion in revenues; \$1.3 billion in operating income). He also discussed the international operations of "K" Line America, Inc., such as its containership, dry bulk carrier, car carrier, logistics, short sea and coastal shipping, energy transportation, and tanker and heavy lift businesses. Next, Mr. Mills shared why "K" Line America, Inc. decided to relocate from New York, NY and headquarter in Richmond, VA. One, a low cost of living, enjoyable climate, and a well-educated, quality workforce were found in Richmond, VA. Also, locating in Virginia allowed "K" Line America, Inc., as an ocean carrier, to enjoy (1) a strategic location within the Mid-Atlantic Coast, (2) a superior inland rail network, (3) favorable relationships with labor, (4) state economic development efforts, (5) a deep harbor, (6) close proximity to open ocean, and (7) no ice free or air draft from bridges. Finally, Mr. Mills discussed factors affecting port competition (e.g., good infrastructure to deliver goods to customers, high productivity for vessels, and fast rail connections to/from inland destinations) and means to enhance a port's competitiveness (e.g., recruit exporters and manufacturers, invest in Virginia's infrastructure).

The information in the above paragraph is wholly attributable to David Mills, Senior Vice President and Corporate Secretary of "K" Line America, Inc. and Nobuo Ishida, Senior Vice President of "K" Line America, Inc. and such information contained in the presentation of these officers of "K" Line America, Inc. can be found at <http://dls.state.va.us/GROUPS/ports/MEETINGS/082608/KLinePPT.pdf>.

Chairman Purkey expressed interest in having an individual or individuals representing labor at Virginia ports, an individual or individuals representing one or more railway companies, and an individual or individuals representing one or more investment banking and management firms present at the next meeting. The next meeting has not been scheduled.