

On December 1, 2008, the joint subcommittee studying public-private partnerships relating to seaports in Virginia held its fourth meeting at 1:00 pm at Old Dominion University in Norfolk, Virginia.

Legislative members of the joint subcommittee in attendance were Delegates Purkey (Chairman), Joannou, Massie, and Melvin and Senators Lucas and John Miller. Nonlegislative members of the joint subcommittee in attendance were Messrs. Coffey, Godfrey, Martinez, Moye, Padgett, and Sisco. A designee represented Mr. Whyte, also a nonlegislative member.

Delegate Purkey called the fourth meeting of the joint subcommittee to order and delivered opening remarks.

Eric Sisco
President and CEO
APM Terminals Americas

Mr. Sisco delivered a presentation to the joint subcommittee after first answering questions posed by Dr. Wayne K. Talley, Executive Director of the International maritime Ports and Logistics Management Institute at Old Dominion University. Mr. Sisco began his presentation by discussing the history, portfolio, and commitments of APM Terminals Americas. Next, Mr. Sisco showed to the joint subcommittee a video that highlighted the operations of APM Terminals Americas. He then described, quantitatively, APM Terminals Americas' impact on the Hampton Roads community, specifically noting the \$6 million it pays to the City of Portsmouth in property taxes. Mr. Sisco stated that APM Terminals Americas' supports the surrounding community through its provision of "technologically-advanced jobs and workforce training" to residents of the community. He also described those industry structures relating to the ownership and operation of ports; Mr. Sisco provided a chart illustrating such description.

Type:	Publicly Owned and Operated	Lease/Concession	Public-Private Partnership
Description:	Port authority is responsible for capital investment in infrastructure and equipment	Port authority leases land to private operator, typically for 30-50 years	Greater responsibility to private sector for infrastructure development
Description:	Port authority	Port authority	Public entities

	typically runs yard, gate, and vessel operations	invests in major infrastructure development and quay wall	invest in connecting infrastructure (roads, rail, channel)
Description:	Port authority may subcontract operations or other to stevedoring company in shorter-term contract	Port operator typically invests in equipment, buildings, and paving to ready the land for operational use	Private operator invests in major port infrastructure, taking increased risk in return for a long-term concession
Examples:	Savannah; Charleston; Houston; Kingston	Los Angeles; New York; New Jersey; Tacoma; Jacksonville; Miami; Oakland	Vancouver; Mobile; ~Virginia

While noting the benefits of private investment and operation in or of Virginia seaports, Mr. Sisco discussed how strategic operators contribute most to the seaports' value in the long-term and how financial investors with "high-levered investments are being challenged in the current economic environment." Moreover, Mr. Sisco opined that economic development and a "more efficient approach toward capacity development" could be maximized through permissible coordination between APM Terminals Americas and the Virginia Port Authority and Virginia International Terminals. Mr. Sisco concluded his presentation by suggesting future examinations, explorations, and reviews the joint subcommittee could make.

Bill Ralph
Senior Consultant, Economist
R.K. Johns & Associates

Mr. Ralph delivered a presentation to the joint subcommittee regarding port-related, public-private partnerships. He discussed the attractiveness of public-private partnerships to governing bodies of port authorities, citing the resulting redeployment of government spending and asset monetization. Likewise, Mr. Ralph discussed what attracts private investors to the

seaport industry, and noted such attraction results from "visible and predictable earnings, "long-term leases [and] low risk assets," and "inflation linked revenues." Next, Mr. Ralph discussed the two types of private buyers of ports: "strategic buyers (carriers and global terminal operators)" and financial buyers, which include both aggressive investors who seek to "maximize the purchased asset value through debt leverage" and passive investors who "focus on the asset providing a stable, longer term yield for the owners." Furthermore, Mr. Ralph discussed changes in 2008 regarding the new availability and cost of debt (e.g., higher rate; more stringent leverage requirements), the availability of capital as infrastructure funds, the reemergence of strategic buyers in "build-to-suit" concessions and open bidding, and the pursuit of public-private partnerships and sale opportunities by ports and terminal operators. Lastly, Mr. Ralph listed several key considerations he suggested that the joint subcommittee and other public bodies take into account when reviewing public-private partnerships relating to ports.

Each joint subcommittee member commented on the past and future workings of the subcommittee. Additionally, Jerry A. Bridges, Executive Director of the Virginia Port Authority and Joseph A. Dorto, President and CEO of Virginia International Terminals, Inc., both offered statements in response to the presentations made and the discussions that took place.

The joint subcommittee plans to meet four times, as authorized under House Joint Resolution 72 (2008), in 2009.