

4. Public Support



4A Who Will Benefit

What are the transportation and economic benefits of this project to the community, region and state? Do these benefits include impacts upon tax revenues, number of jobs generated and related pay and benefits of such jobs, training opportunities and programs, and the number and value of subcontracts generated for Virginia subcontractors? Identify who will benefit from the project, how they will benefit and how the project will benefit the overall transportation system.

Should this Proposal be accepted by Virginia, and the parties develop an agreeable comprehensive agreement, the primary beneficiaries would be the VPA and the Virginia Department of Transportation (“VDOT”), the maritime industry in Virginia, the customers of the Port (including shippers and beneficial users), local Virginia communities, and Virginia and its economy as a whole. This section includes material substantially similar to Section 5A.

The VPA and VDOT

Protecting and enhancing the competitiveness of the Port and thus the economic vitality of the Commonwealth is the primary mission of the VPA. There is inadequate capital funding for port expansion. A slowing economy will further reduce the availability of public financing. Craney Island’s estimated development cost alone is estimated at \$2.2 billion. Road connections to the Port are strained. Virginia must make surface investments to improve the efficiency of the existing terminals and to fully leverage the development of Craney Island. With declining state and federal resources for infrastructure improvements, and many competing projects, the outlook for road and rail improvements necessary to allow the Port of Virginia to successfully compete is pessimistic.

The VPA and VDOT cannot afford to sit idle because other East Coast ports are not. The existing excellent competitive position of the Port is at risk. Through the right collaboration - one with shared vision and shared rewards - the VPA, CenterPoint and the Virginia maritime community can position the Port for strong, sustained growth in the 21st century. Through a public/ private partnership with CenterPoint, the Port will have a partner that will enable the Port to fulfill its 2040 Master Plan and become the dominant East Coast port.

CenterPoint’s proposal offers three specific strategic advantages to the VPA and the VDOT. First, CenterPoint’s operating and strategic business plans will make the Port the most competitive facility it can be, driving volumes and increasing customer service. Second, the monetization of the existing assets will provide money critical to the VDOT and VPA in constructing needed road infrastructure to make the existing facilities successful. Third, CenterPoint is a partner that can help get Craney Island built.

The Virginia Maritime Industry

The Virginia maritime industry will benefit from having an investor and operator that understands and values the importance of the Port as an economic engine that requires constant re-investment. CenterPoint’s proposal to incorporate VIT as a private company, incentivizing management to optimize the Port, is consistent with its vision of leaving existing maritime relationships in place. This friendly proposal runs counter to other potential bidders, who might seek to tie their offer to instituting their own management teams and operating affiliates, potentially disrupting local maritime relationships and making the transition to a landlord port model more difficult. *See Section 3B for a description of CenterPoint’s operating plan.*

CenterPoint’s plan to increase so-called “hinterland” accessibility will make Virginia a preferred port for volumes headed to the Midwest. This drives value not only to Midwest based businesses, but also directly to the Virginia economy. A strong and vibrant port, growing to serve the needs of the nation, will have the side benefit of also reducing costs to Virginia-based businesses, which will want to take advantage of that same port. The result is a robust local maritime industry growing at the Port, and growing with the industry that uses the Port.



The Customers of the Port of Virginia

The Port's current and future customers will benefit from an efficiently operating port facility. This will attract customers to Virginia, which already has great natural advantages and a history of excellent customer service. These throughput increases will decrease marginal costs, making importing or exporting of goods cheaper, and the businesses that use the Port more cost-competitive. See Section 3B for more specifics on CenterPoint's plan to increase operating efficiencies.

Local Communities

We recognize the challenges that hosting the Port terminals presents to the localities involved. Currently the Port makes annual payments to the local communities in which they are located. CenterPoint's Proposal includes a significant increase in such payments.

Local communities benefit in more ways than just direct tax benefits, of course. The Proposal presents the clearest possible path toward the development of Craney Island and the many high paying jobs that it would generate, producing long term benefits for the community. In addition, the proposal, if accepted, would provide the Commonwealth significant new capital/bonding capacity to fund major infrastructure projects that would benefit the local communities as well as the Port, without the resulting deficits or tax increases that would otherwise be required.

Virginia and its Economy

The broader Virginia economy will benefit from the growth and continued vibrancy of the Virginia maritime industry, which generates more jobs for Virginians and more revenues for the Commonwealth. The Mason School of Business Compete Center at the College of William & Mary recently compiled an Economic Impact Study of the Port of Virginia. While not surprising the results of that study were impressive.

"The total Virginia economic activity produced or facilitated by the FY 2006 VPA port operations was revenues of \$41.1 billion, with Virginia employee compensation of \$13.5 billion to 343,001 employees. This economic activity generated state and local income, sales, and real property taxes amounting to an estimated \$1.2 billion, plus other government fees and taxes."

Those numbers and the overall economic impact of the Port should increase exponentially in the coming decades, if the Commonwealth can make the necessary investments to support that growth.

Some industry experts estimate that US cargo will double in volume by 2020. The Panama Canal Commission actually forecast East Coast cargo to triple by 2020 and has undertaken a \$5 billion project to widen and improve the Panama Canal to be completed in 2015. According to a Latin American Trade and Transportation Study (2001) the 13 Southern US States will reach capacity between 2008 and 2012.

CenterPoint, for its part, is more cautious. The all water route through the Panama Canal has become increasingly attractive as a result of West Coast port congestion and increasing land bridge costs. However, in CenterPoint's opinion, growth at East Coast ports in general will be driven primarily by the growth of the gross domestic product. To grow above the level of organic growth, individual East Coast ports will need to compete to offer the most efficient and cost-effective service to the greatest amount of customers. Attracting the right private partners, quickly and efficiently developing port facilities, clustering services, and establishing effective routes and volumes for containerized goods will drive shippers to the ports that will succeed in this competitive landscape.

Fortunately for the Commonwealth, the Port is positioned to succeed. Planning in the 1970's resulted in port unification and state ownership that has served the Port of Virginia well. Public funding made Virginia "world class with a plan." That plan included the assurance of deep channels, avoidance of air draft issues, excellent rail access, and positive working relationships with state and local economic development agencies and labor. The 2040 VPA Master Plan outlines a plan for continued growth driven by Craney Island and supported by improvements at the existing facilities at Norfolk and Portsmouth. Coupled with development of the private APM Terminal in Portsmouth and creation of the Heartland Corridor, Virginia is the only East Coast Port that could meet the projected



capacity of the more optimistic forecasts. On the other hand, if the overall volume projections are more modest for the East Coast, as CenterPoint believes, Virginia's natural attributes and past planning have put it in a position to successfully compete to remain as a top port destination for shippers on the East Coast, taking more than its share of growth and continuing to drive the Commonwealth's economy for decades to come.

The economic impact of success in this competition is huge, but it requires investment. At a recent hearing of the legislature's Joint Subcommittee Studying Public-Private Partnerships Related to Seaports (the "Purkey Commission"), every industry leader who testified emphasized the critical importance of the development of Craney Island to the future success of the Port of Virginia. VPA Executive Director Jerry Bridges explained during his presentation that Craney Island would benefit the entire Commonwealth, generating more than 54,000 new jobs, \$1.7 billion in wages and \$155 million in annual state and local tax revenue. Mr. Bridges described several critical road and rail infrastructure projects needed to support the growth of the Port of Virginia including: the completion of the Norfolk Southern Heartland Corridor, the development of the CSX National Gateway and Virginia's investment in the Hampton Roads Third Crossing. The Commonwealth and the Department of Transportation must find a way to make this investment.



4B Support or Opposition for the Project

Identify any known government support or opposition, or general public support or opposition for the project. Government/public support should be demonstrated through resolutions of official bodies, minutes of meetings, letters, etc.

CenterPoint believes VIT, the VPA, the Virginia maritime community and the customers at the Port will all support our Proposal. For a description of the benefits to their interest groups, please see the prior section. CenterPoint is committed to working with the general public and local communities as our Proposal is reviewed to assure support.



4C Strategy and Plans

Explain the strategy and plans that will be carried out to involve and inform the agencies and the public in areas affected by the project.

We have included two Virginia based firms on our team: Kaufman & Canoles Consulting and Rubin Communications Group. These firms will support our efforts to explain the features and benefits of our proposal to the many stakeholders as soon as that becomes appropriate. Our team has crafted a number of materials that we can use to inform impacted agencies and the public about our proposal including: talking points, presentations, and a questions and answers booklet.

We recognize that any proposed change to the current operating model should be shared with all major stakeholders in the Port of Virginia. Immediately upon filing this application, CenterPoint will begin a process of meeting local, state, and federal officials, industry representatives, and various government agencies. CenterPoint expects to have an ongoing dialogue with leaders of each during the entire process, including: the Virginia federal delegation, the Maritime Administration, the Navy, the Office of Homeland Security, the Coast Guard, and the Army Corps of Engineers.





5. Project Benefit/Compatibility



5A *Benefits to the Community, Region or State*

Describe the project's significant benefits to the community, region or state. Identify any state benefits resulting from the project including the achievement of state transportation policies or other state goals and compatibility with existing and planned multi-modal facilities.

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Local Communities

CenterPoint sees little or no adverse impact to the local communities. We recognize the challenges that hosting the Port terminals present to the localities involved. Currently the Port makes annual payments to the local communities in which they are located. CenterPoint's Proposal includes a significant increase in such payments.

Local communities benefit in more ways than just direct tax benefits, of course. The Proposal presents the clearest possible path toward the development of Craney Island and the many high paying jobs that it would generate, producing long term benefits for the community. In addition, the proposal, if accepted, would provide the Commonwealth significant new capital/bonding capacity to fund major infrastructure projects that would benefit the local communities as well as the Port, without the resulting deficits or tax increases that would otherwise be required.

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5B Benefits to the Economic Condition

Describe significant benefits to the state's economic condition to include steps taken for coordination with local land use and comprehensive plans. Discuss whether this project is critical to attracting or maintaining competitive industries and businesses to the state or region. What is the impact upon local economy, jobs and job market?

See the prior section and Section 4A for a full description of benefits to all of the affected stakeholders.



5C Land Use

Describe how the project has been coordinated with local land use and comprehensive plans. What steps have been taken with local officials to coordinate land use and proposed transportation facilities? Does the project support improving safety, reduce congestion, increase capacity, and/or enhance economic efficiency?

This is not a typical transportation project normally contemplated through the PPTA process. We are not proposing any significant land use changes. We are providing revenue streams that can be used to significantly improve the transportation infrastructure that supports the Port. Those improvements will improve safety, reduce congestions, increase capacity and enhance economic efficiency. The CenterPoint model relies heavily on transporting container traffic by rail. Every container that travels by rail is one that is not adding to the congestion on Virginia's highway system.

