

MINUTES

Board of Commissioners - Session 347

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia

September 25, 2012 – 11:00 a.m.

Pursuant to call by Chairman Quillen, the Virginia Port Authority (VPA) Board of Commissioners convened its regularly-scheduled meeting on this date at 11:10 a.m., in the Authority's Boardroom, 600 World Trade Center, Norfolk, Virginia. The following attended:

Commissioners:

Michael J. Quillen, Chairman
Jennifer D. Aument
Scott R. Bergeron
James M. Boyd
Juliann J. Clemente
The Hon. William H. Fralin, Jr.
Frank E. Laughon, Jr.
John N. Pullen
Robert M. Stanton
Ting Xu
Manju S. Ganeriwala, State Treasurer

Commissioners Absent:

Jeffrey D. Wassmer

Staff:

J. J. (Jeff) Kever, Senior Deputy Executive Director, External Affairs
Rodney Oliver, Deputy Executive Director and CFO
Jeffrey Florin, Deputy Executive Director, Operations and COO
Russell Held, Deputy Executive Director, Development
Linda G. Ford, Director, Port Promotion
David James, Director, Contracts and Real Estate
Heather Wood, Director, Environmental Affairs
Elizabeth Saxby, Director, Human Resources
Gregory Edwards, Director of External Affairs
Wendy King, Director of Finance
Carla Welsh, Manager, Creative Services
Joe Harris, Media/Public Relations Manager
Jodie Love, Community Relations Coordinator
Debra J. McNulty, Clerk to the Board
Jodie Asbell, Deputy Clerk to the Board

Guests:

Jeffrey R. Allen, Sr. Assistant Attorney General, Chief-Transportation Sector
Norman A. Thomas, Assistant Attorney General-Transportation Sector

Guests (continued):

Michael J. Ward, CEO, President, and Chairman, CSX Corporation
William Clement, CSX Transportation
Ellen Fitzsimmons, CSX Transportation
Quintin C. Kendall, CSX Transportation
Tony MacDonald, CSX Transportation
Chris Luebbers, Norfolk Southern Corporation
Ann M. Kirk, Portsmouth Port and Industrial Commission (PPIC)
Eric Sutton, Powell Tate
Brian Wommack, Powell Tate
Doug Smith, Kaufman & Canoles
Bob Harbour, CenterPoint Properties
Ryan J. Pedraza, Program Manager, OTPPP
Katrina Riddick, Strategic Solutions Center, LLC
Steven Bain, On Course Solutions, LLC
Joseph A. Dorto, President and CEO, VIT
Joseph P. Ruddy, Executive Vice President and Chief Operating Officer, VIT
Thomas Capozzi, Vice President, Global Sales and Customer Service, VIT
Regina P. Brayboy, Vice President, Administration and Financial Services, VIT
Robert Nestor, Manager, Pricing and Strategic Planning, VIT
Joel Rubin, Rubin Communications Group
Marty Leary, UNITE HERE Research
James C. Powell, Virginia Citizen
Robert McCabe, *The Virginian-Pilot*
Michael Shapiro, *The Daily Press*
Mathew Ward, *Suffolk Herald*

INTRODUCTIONS

Ms. Linda Ford introduced guests and members of the press in attendance.

PRESENTATION

Chairman Quillen introduced Mr. Michael J. Ward, CEO, President and Chairman of CSX Corporation. Mr. Ward provided an overview of CSX and he reported that the railroad operates and maintains more than 2,000 miles of track in the Commonwealth and employ over 1,220 Virginians. He announced that CSX handles nearly 1.2 million carloads of freight in Virginia and invested more than \$71 million on their network in the Commonwealth.

Mr. Ward described how CSX strengthened their presence here due to Virginia's strong pro-business climate, our port's channel depth, and VPA's commitment to moving 50% of port cargo by rail. Mr. Ward also described the railroad's export coal operations in Newport News – Pier IX and DTA coal terminals and mentioned the demand for Appalachian coal in the seaborne market and global demand for energy and steel production.

Mr. Ward talked about CSX intermodal connections in Virginia that include the on-dock rail access at APMT and the Kilby marshaling yard in Suffolk. He also explained the National Gateway project and efforts by CSX to clear the Virginia Avenue Tunnel – a 110-year old single-

stack, single-track railroad tunnel that runs through southeast Washington, D.C. Without clearing this tunnel, Mr. Ward advised that Virginia will remain locked out of CSX's double-stacked network. The tunnel project is currently in the federal environmental review process and CSX hopes to have it cleared for double-stack service by 2015.

Mr. Ward advised that the railroad is committed to our Port to capture more cargo at Newport News in the break-bulk/bulk/ro-ro business and to help maximize the use of Portsmouth Marine Terminal by attracting additional agricultural, paper/pulp/forest products tenants to join the recently-approved ecoFuels operation.

Mr. Ward also talked about CSX's commitment to the environment and involvement in the Hampton Roads community. There were no questions from the Board. (A copy of Mr. Ward's remarks is attached.)

At this time, Chairman Quillen excused all guests with the exception of VPA and VIT staff, in order to discuss proprietary commercial information with Mr. Ward and CSX representatives. The Chairman advised that he would report at the conclusion of all closed sessions.

EXECUTIVE CLOSED SESSIONS

At 11:30 a.m., upon motion by Ms. Clemente and duly seconded by Mr. Bergeron, the Board voted to convene a closed meeting pursuant to §2.2-3711(A) (38) and pursuant to the provisions of Virginia Code §62.1-132.4, to review information and data furnished to the Virginia Port Authority in confidence, including but not limited to ship tally sheets, ship manifests, information relating to tonnages and cargoes, information, and annual budgets furnished to it by any entity, including but not limited to any entity operating a terminal on behalf of the Virginia Port Authority; and to discuss proprietary commercial information with CSX Corporation.

At 12:05 p.m., upon motion by Ms. Clemente, seconded by Mr. Bergeron, and having certified that the matters discussed in the preceding closed session met the requirements of §2.2-3712 of the Code, the Board reconvened in open session.

The resolution certifying the closed session was read and passed by a roll call vote of the Board as follows:

Ayes:10 (Bergeron, Boyd, Clemente, Fralin, Ganeriwala, Laughon, Pullen, Quillen, Stanton, Xu)

Nays: 0

Absent During Vote: 2 (Aument, Wassmer)

Absent During Meeting: 1 (Wassmer)

At 12:06 p.m., upon motion by Ms. Clemente and duly seconded by Mr. Bergeron, the Board voted to convene a closed meeting to hear a status report by Mr. Ryan Pedrazza, Program Manager with the Office of Transportation Public-Private Partnerships (OTPPP), regarding proposals under the Virginia Public-Private Transportation Act (PPTA) and discussion of same, in accordance with Code §2.2-3705.1 (5) and §2.2-3711(A)(28), (38) and (40), pertaining to the ongoing PPTA process, and specifically excluded from disclosure pursuant to §2.2-3705.6 (1), (3) and (11). VIT staff was excused at this time.

At 1:38 p.m., upon motion by Ms. Clemente, seconded by Mr. Bergeron, and having certified that the matters discussed in the preceding closed session met the requirements of §2.2-3712 of the Code, the Board reconvened in open session.

The resolution certifying the closed session was read and passed by a roll call vote of the Board as follows:

Ayes: 11 (Aument, Bergeron, Boyd, Clemente, Fralin, Ganeriwala, Laughon, Pullen, Quillen, Stanton, Xu)

Nays: 0

Absent During Vote: 1 (Wassmer)

Absent During Meeting: 1 (Wassmer)

At 1:43 p.m., upon motion by Ms. Clemente and duly seconded by Mr. Pullen, the Board voted to convene a closed meeting in accordance with the Virginia Freedom of Information Act, Code §2.2-3711(A)(1), to discuss personnel matters.

At 3:30 p.m., upon motion by Ms. Clemente, seconded by Mr. Fralin, and having certified that the matters discussed in the preceding closed session met the requirements of §2.2-3712 of the Code, the Board reconvened in open session.

The resolution certifying the closed session was read and passed by a roll call vote of the Board as follows:

Ayes: 11 (Aument, Bergeron, Boyd, Clemente, Fralin, Ganeriwala, Laughon, Pullen, Quillen, Stanton, Xu)

Nays: 0

Absent During Vote: 1 (Wassmer)

Absent During Meeting: 1 (Wassmer)

CHAIRMAN'S REMARKS

Chairman Quillen reported that VPA and VIT staff discussed confidential information with CSX with regard to competitive rates and future plans and that no action was taken. He advised that VPA staff received a briefing from Mr. Ryan Pedrazza, from the Office of Transportation Public-Private Partnership (OTPPP), on the PPTA progress along with a full question and answer session by Board members. The Chairman reported that the Board also discussed the recent news article with regard to tax calculations for the port cities which, he said, is an unresolved issue and needs further study.

The Chairman reported that the Board discussed hiring an advisor to assist them through the PPTA process and he asked for a motion at this time.

Action: Upon motion made by Mr. Bergeron, seconded by Ms. Clemente, the Board unanimously approved hiring Drewry, a UK maritime consulting firm, to advise the VPA Board through the PPTA process, subject to the negotiation of terms and compensation, which would be determined by a sub-committee of the Board made up of Chairman Quillen, Mr. Bergeron, and Mr. Pullen.

Chairman Quillen reported that the Board assigned Ms. Clemente and Mr. Boyd to work with VPA and VIT staff on due diligence requests from the various PPTA proposers and the handling of confidential information. The Chairman advised that there will be some additional postings of information by the proposers to the PPTA site. He noted that the revised schedule for the PPTA process had also been posted to the website. Detailed proposals will be submitted by November 1st and the VPA Board will receive a status report on November 27th.

Chairman Quillen reported that closed session Item #5 on the agenda (discussion of proprietary financial information relating to VPA and VIT operations) was tabled until a later date.

The Chairman reported that closed session Item #7 (personnel matter) was held to discuss Mr. Jerry Bridges' Severance Agreement and General Release. (Mr. Bridges terminated his employment with VPA as Executive Director, effective October 31, 2012.) Chairman Quillen asked for a motion at this time.

Action: Upon motion by Mr. Bergeron, seconded by Ms. Aument, the Board agreed to the Severance Agreement and General Release in principal, as written and presented, and directed Chairman Quillen to finalize the remaining terms and adjustments deemed fit to close the matter.

NOTE: Resolution 12-11, "A resolution regarding the cessation of employment of the Virginia Port Authority Executive Director and the entry of a negotiated Severance Agreement and General Release" was not adopted.

INTERIM EXECUTIVE DIRECTOR

Chairman Quillen reported that the Board also considered the Interim Executive Director and conducted interviews with several "very competent" candidates, both internal and external, who had been vetted over the last several weeks. At this time, the Chairman asked for a motion to appoint the Interim Executive Director.

Action: Upon motion by Mr. Fralin, seconded by Mr. Bergeron, and subject to the negotiation of terms and conditions, the Board unanimously approved the appointment of Mr. Rodney W. Oliver, VPA's Deputy Executive Director and CFO, to serve as Interim Executive Director.

Mr. Oliver expressed surprise and gratitude to the Board on his appointment as Interim Executive Director. He said he would do everything he could to make the right decisions over the next several months and to carry out the mission of the Port as best he could.

I. APPROVAL OF MINUTES – No Action. The following minutes will need to be approved at the November 27th board meeting:

- July 24, 2012 – Annual and Regular Meetings
- August 22, 2012 – Special VPA Board Meeting – Richmond
- September 25, 2012 – Regular Meeting

II. REPORTS OF COMMITTEES

A. Executive Committee – Mr. Michael J. Quillen, VPA Chairman

Chairman Quillen mentioned that the Investment and Administrative Committee did not meet today due to time constraints.

1. Notification of VIT Board of Directorship expiring November 30, 2012.

Chairman Quillen reported that the term of Wilson M. Goode expires November 30, 2012. Mr. Goode was reappointed for a full six-year term effective December 1, 2006 and is not eligible for reappointment. He is one of the Portsmouth/Chesapeake representatives on the VIT Board of Directors. According to the VIT Articles of Incorporation, the appointee's principal place of business or residence must be within the jurisdiction of Portsmouth or Chesapeake.

Chairman Quillen advised that Mr. Boyd and Mr. Stanton would be presenting a recommendation to replace Mr. Goode at the Board's November 27th meeting.

B. Finance/Planning Committee – Mr. Scott R. Bergeron, Committee Chair

1. VPA/VIT Combined Financial Reports

Mr. Oliver announced that revenues have increased for the first two months of the fiscal year and he presented the following financial highlights:

- Operating revenues year-to-date were up by 10.9%.
- Operating expenses are up about \$3 million over budget due to the surge in rail volumes and increased traffic.
- Terminal Maintenance Expenses were \$2.1 million under budget, and management is continuing to take a conservative approach to maintenance projects until financial performance is consistently positive.
- Administrative expenses were about \$1.2 million below budget which should level out and be more in-line with budget towards year-end.
- Facilities rent is slightly below budget in spite of higher volumes. VPA anticipated a higher CPI adjustment when the budget was approved.
- Depreciation expenses are within budget.
- Non-Operating Income Expense (Interest expense net of interest income) – Slightly higher than expected due to lower interest rates.
- Commonwealth Port Fund revenues (capital transfers) were 7.8% (actual) versus 6.2% (budgeted) - VPA received some federal funds that were not anticipated for capital projects.
- Financial results for the first two months of the fiscal year = \$6 million ahead of budget.

C. Facilities Committee – Mr. William H. Fralin, Jr., Committee Chair

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview and he described each of the following projects:

- NIT Marshaling Yard
- NIT Gate Improvements – Three-phased project
 - NIT CBP Interchange – Completion by March 2013

- NIT Customer Service Area Improvements – Completion by February 2013
- PMT Empty Yard Improvements – Project Complete (Additional 10 acres)
- New NNMT Warehouse – 100,000 SF Rubb Warehouse-Project Complete October 2012
- VIP Rail Repairs – For safe handling of heavy-lift rail cargo slated to pass through VIP – Completed by VPA engineering and VIT maintenance staff.
- Median Rail Crossings – Removal of 14 former rail crossings and road repair – Completion by October 31, 2012
- Craney Island Cross Dikes Stage 2A –
 - USACE bid and will implement Stage 2A
 - Placing foundation lifts of sand
 - Land will be visible this time next year
 - Contractor: Manson Construction Company
 - Project cost: \$26.8 M in federal appropriations
 - No new VPA money will be appropriated
 - Low bid came in at \$21.5 M
 - Project completion by April 2013
- Paradise Creek Mitigation - 11 acres of wetlands planting - Completion by November 6, 2012

D. Marketing/Business Development Committee – Ms. Jennifer D. Aument, Committee Chair

Ms. Aument announced that the VPA Board is hosting a Public Hearing on Thursday, October 4, 2012, from 3:00-7:00 p.m. at the Nauticus Museum theatre. She noted that the location changed from the Half Moon Cruise and Celebration Center.

At this time, Ms. Aument asked Mr. Boyd to report on the economic development initiative with the Virginia Economic Development Partnership (VEDP). It was reminded by Mr. Boyd that the VPA and VEDP met on June 27, 2012, to sign a Memorandum of Understanding that memorializes, for the first time, a closer working relationship between the two agencies. Mr. Boyd reported that he and Ms. Clemente met with VEDP in Richmond and he also noted that there is an ad hoc committee made up of four board members each from VPA and VEDP. He reported that Commissioners Aument, Boyd, Clemente, and Pullen make up the membership from VPA.

Mr. Boyd explained that the committee will examine how both agencies can work together to attract economic development to the Commonwealth, identify the best sites available and make them as “turn-key” as possible, utilizing our Foreign Trade Zone status, and have both Secretaries and the legislature onboard for a seamless approach to attracting business to Virginia.

Mr. Held thanked the staff of VPA and VIT for working together on initiatives to bring in new services and new trade lanes and he attributed their efforts to the economic development announcements that he presents at each meeting.

Mr. Held reported that August 2012 vs. 2011 was the best month-over-month of growth since 2003 for container units. He presented Fiscal Year-End and Calendar Year-End results as follows:

July/August 2012 vs. July/August 2011			
	July 2012	July 2011	%Change
Total Containers	104,430	96,557	+8.2
Total Rail Containers	32,941	26,882	+22.5
Ship Calls	173	156	+10.9
Aug 2012 vs. Aug 2011			
	Aug 2012	Aug 2011	Change
Total Containers	109,136	87,048	+25.4
Total Rail Containers	34,528	28,113	+22.8
Ship Calls	172	151	+13.9

2012 Calendar Year-to-Date, January-August			
	CY 2012	CY 2011	%Change
Total TEUs	1,363,769	1,262,957	+8.0
Export TEUs	730,970	676,506	+8.1
Import TEUs	632,799	586,452	+7.9
Total Rail Containers	247,217	215,013	+15.0
VIP Containers	23,233	22,177	+4.8
Vehicles	23,300	19,533	+19.3
Ship Calls	1,310	1,202	+9.0
JRB Containers	5,978	2,915	+105.1
B/B Tonnage	237,570	222,961	+6.6

Mr. Held reported that growth is attributed to the ro/ro business for the Midwest, the Greensboro rail service, as well as four new ship call services with first-in and last-out calls.

Mr. Held presented Container Units-Budgeted vs. Actual-FY2013, and U.S. East Coast Ports Calendar Year-to-Date Growth-Total TEUs January-July 2012 vs. 2011 (August figures were not available.). Mr. Held reported Virginia TEUs are up by 5.8% compared to 2.5% for New York and that the average for East Coast ports was 2.8% growth through July.

Mr. Held advised that the Port of Virginia has increased business in every trade lane and is trying to attract more business with Australia and New Zealand.

Mr. Held announced MSC's new first-in call to Norfolk from the East Coast of South America. He advised that this is not a new service but an elimination of one port which makes Norfolk first. Mr. Held described each of the following:

Economic Development Announcements:

- o The Vitamin Shoppe – Governor recently announced the distribution center in Hanover County that will produce 174 jobs. Virginia competed against N.C.
- o Continental Terminals – Expanding operations in Wilroy Industrial Park, Suffolk
- o Trans-Ocean Import Company – Expanding by 30,000 square feet in Suffolk Industrial Park – Manufacturing will move from Asia to Suffolk location.

Port Economic Development Success:

- o Virginia Regional Commerce Park, Suffolk - Sumitomo Machinery Corporation has signed an Operator's Agreement with VPA to operate within Virginia Regional Commerce Park. In late August, Customs and Border Protection granted SMA activation to receive inventory, into the zone, as a Foreign Trade Zone operator.
- o Patco Industries - Signed an Operator's Agreement with The Port of Virginia to become an active user of Foreign Trade Zone #20. Patco is designated as a General Purpose Zone Site; allowing the public to utilize their two facilities. In August, Customs and Border Protection (CBP) authorized activation of the two sites located in Virginia Beach.

Action: Upon motion by Ms. Aument, seconded by Ms. Clemente, the Board unanimously approved Resolution 12-12, authorizing the Virginia Port Authority Application for Reorganization of Foreign Trade Zone #20 under Alternative Site Framework reorganization and addition of the Suffolk Intermodal Center as a Magnet Site and Katoen Natie as a Usage-Driven Site to FTZ#20.

Chairman Quillen reported that Resolution 12-13, regarding the role of VPA relating to the PPTA process, which was presented in draft form to the Marketing/Business Development Committee, would be tabled until a later date.

E. Security/Safety Committee – Mr. Frank Laughon, Committee Vice Chair

Mr. Florin presented the Port Security and Safety Overview and he reviewed the following:

Security

- Update on Security Contract Renewal
 - o Request for Proposal issued and emailed electronically
 - o Local newspapers, eVa, VPA website
 - o Pre-proposal meeting conducted September 17
 - o 17 companies expressed interest
 - o All proposals due Oct. 1, 2012 by 11:00 am EST
 - o Electronically submitted
- Port of Richmond suspicious package response
 - o Camera installers located package
 - o All responsible agencies were notified
 - o Terminal secured
 - o USCG closed James River
 - o Bomb squads disrupted the device
 - o Device appeared to be a training aid
 - o ATF is continuing the investigation
- Update on integration of legacy and APMT Facility Security Plans
 - o Continuing the process of combining FSP between VPA legacy terminals and APMT - 50% complete - Target date – January 2013

Safety Review

- July/August lost work days – reviewed
- July/August mishap classifications – reviewed
- OHSAS 18001 - Three workshops have been completed to educate and provide direction for the SMT for implementation of the 18001 program
 - o SMT is meeting on a monthly basis to review and developing all components of the 18001 process
 - o Apply for registration June 2013
 - o Continue to support the SMT through administrative support and team building

For the next meeting, Chairman Quillen asked Mr. Florin to report on the transition for security after the departure of Mr. Ed Merkle, Director of Port Security and Emergency Services.

IV. REPORT OF EXECUTIVE DIRECTOR

No Report.

V. UNFINISHED BUSINESS

No unfinished business.

VI. NEW BUSINESS

No new business.

VII. ADJOURNMENT

Chairman Quillen announced that he plans to convene a meeting of the Executive Committee on October 4, 2012, prior to the 3:00 p.m. Public Hearing. The Chairman asked Ms. McNulty to poll the Commissioners by email to determine a quorum.

The Chairman announced that VPA was invited to appear before the House Appropriations Committee on October 15, 2012, and he mentioned that VIT and the Secretary were also invited to speak. He noted that VIT Board Chair, Charlotte Herndon, will present on behalf of VIT. The Chairman advised that the Committee asked for certain information from VPA. Mr. Fralin, given his experience with the legislature, suggested that VPA prepare a package of information for each member of the House Appropriations Committee.

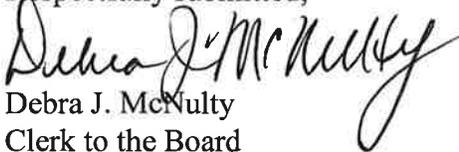
Chairman Quillen expressed appreciation to the staff of VPA and VIT and to the Commissioners who were delegated certain responsibilities. He reported that the detailed PPTA proposals are due on November 1, and that the VPA Board would receive a report at its next meeting scheduled for November 27th (after the Thanksgiving holiday).

There being no further business and no public comments, the open meeting adjourned at 4:16 p.m.

(Copies of public session presentations can be viewed at:
<http://www.portofvirginia.com/about/board-room.aspx>)

The next regularly scheduled meeting of the Board of Commissioners will be held on Tuesday, November 27, 2012, in the Authority's Conference Room, 600 World Trade Center, Norfolk.

Respectfully submitted,


Debra J. McNulty
Clerk to the Board

CSX CEO Michael J. Ward Remarks to Virginia Port Authority Board of Commissioners

September 25, 2012, 11 am

Norfolk, VA

PUBLIC SESSION

Welcome

- Thank you for the opportunity to be with you today. At CSX, we are highly optimistic about the future of the Port of Virginia.
- We are investing significant amounts of capital in to our network, because we believe world class rail service is the key to spur growth at your port and bring more CSX business to Hampton Roads.
- As we move forward and grow together, you can count on CSX as a committed partner.

Overview/Background on CSX in Virginia

- We operate and maintain more than 2,000 miles of track in Virginia, and employ over 1,220 Virginians.
- Last year, we handled nearly 1.2 million carloads of freight in Virginia and invested more than \$71 million in our network in the Commonwealth.

CSX Port Strategy

- In 2008, CSX began to sharply refocus on growing our presence at the Port of Virginia, specifically in the intermodal business.
- At that time, the terminals at Hampton Roads represented CSX's largest presence at any east coast port in terms of revenues due to the export coal business.
- But we recognized the Port of Virginia's huge future growth potential. Due to Virginia's strong pro-business climate, your port's channel depth and VPA's commitment to moving 50% of port cargo by rail, CSX made a conscious decision to strengthen our presence here.
- Since that time, we have supported port growth through network investments, expanded presence in the region, attracting new rail-served business and expanding the business of existing customers.

Coal

- CSX has been serving the coal terminals at Newport News since 1881. Export coal remains a core part of our business, and a major driver of economic benefits in the Hampton Roads region.

- Beginning in 2008, the demand for Appalachian coal in the seaborne market has created strong and consistent coal traffic delivered to Newport News.
- In 2011, CSX delivered a record 26 million tons to the Pier IX and DTA coal terminals. Based on 2012 half-year totals and projections, we expect those volumes to increase this year.
- With global demand for energy and steel production forecasted to grow, we believe that the strong demand for export coal through Newport News to continue.

Intermodal

- Our export coal business has been historically strong in Hampton Roads, but our intermodal, presence was considerably smaller here. In 2008, we were moving less than 10,000 containers a year through Portsmouth, and held only 3% of the containerized market share.
- But thanks to the efforts of the state government, who promoted competitive rail access into the APM Terminal for both Class I railroads serving Virginia, we saw a tremendous opportunity to grow our business here.
- In 2012, we ushered in a new era of partnership between CSX and The Port of Virginia.
- In January, we achieved on-dock status at APM Terminal and opened the Kilby marshaling yard in Suffolk. Kilby Yard is a key component of our National Gateway, and has created import and export growth at the Port of Virginia.
- Kilby is used for six day a week service to and from our new, state-of-the-art Northwest Ohio terminal, which will enhance discretionary cargo growth at the port.
- Kilby also hosts daily direct service from Chicago, carrying exports from Maersk Line, one of the world's largest shipping lines.
- Because of these initiatives, we expect to haul close to 20% of the container rail market share in 2012, and we are committed to working with you to continue to increase those volumes in the future.

National Gateway

- We believe our National Gateway project will strengthen the Port of Virginia, giving it the access to CSX's double-stack network to Midwest markets that is current enjoyed by New York and Savannah.
- These markets are important to Virginia because they are the main destination for discretionary cargo. Double-stacked trains can deliver more freight with fewer trains, increasing efficiency while reducing rail line and highway congestion

- The Gateway is a \$900 million public-private partnership that will clear 61 overhead obstructions in six states from North Carolina to Ohio, and build or enhance six intermodal terminals using the latest technology.
- When it's complete, it will efficiently connect Virginia and the Port to markets in the Midwest and Southeast, creating new opportunities for market growth.
- The National Gateway directly connects the Port of Virginia to CSX's Northwest Ohio Terminal Facility, an efficient and technologically-advanced 185-acre world-class intermodal freight distribution hub that serves as a good match for the APM Terminal.
- The Northwest Ohio terminal allows CSX to combine freight from Virginia with freight from other origination points, resulting in faster and more reliable transit time to key markets such as Chicago, Cincinnati, Cleveland and Detroit.
- The terminal also creates greater connectivity to western railroads, allowing cross-country freight to bypass Chicago and reduce transit times. At full capacity, the terminal can handle over 30 trains per day and move close to 2 million containers and trailers per year.
- One very important clearance for Virginia is the Virginia Avenue Tunnel, a 110-year old single-stack, single track railroad tunnel that runs through southeast Washington DC.
- Without clearing this tunnel, Virginia will remain locked out of CSX's double-stacked network, while Baltimore will enjoy the benefits of double-stack efficiencies. The tunnel project is currently in the federal environmental review process, and we hope to have it cleared for double stack service by 2015.
- We see this project as so important to our mutual growth at the Port of Virginia that in May 2011 we decide to commit an additional \$160 million of CSX capital to make sure Virginia joined our double-stack network as soon as possible.
- This additional capital expenditure increases CSX's overall National Gateway financial commitment to nearly \$600 million.
- And we are very appreciative of the ongoing support from Virginia, our largest state funding partner among the Gateway states. Virginia has provided \$24 million for the Virginia Avenue Tunnel projects, as well as funding for Kilby yard and other clearance work in Virginia.

Break bulk/Bulk/Ro-Ro

- On non-container traffic, we are working to identify long-term, sustainable business at the Newport News and Portsmouth terminals.
- We are developing an action plan with VIT to capture more cargo at Newport News. Our primary targets are paper/pulp/forest products and metals commodities. When the National Gateway is complete, we hope we can bring additional automobile and machinery business to the Newport News.

- And we continue to work with the Port Authority staff to maximize the use of the Portsmouth Terminal. We were pleased that the Board approved the contract with EcoFuels recently, and we are working on attracting additional agricultural, paper/pulp/forest product tenants.

CSX Commitment to Environment/Involvement in Hampton Roads Community

- With our growing commercial presence in the Hampton Roads, we have also increased our charitable and community presence. Since 2009, CSX has invested \$750,000 into the Hampton Roads region, partnering with charitable, environmental and civic groups to help improve regional quality of life.
- We are nationally recognized leaders in green business practices and corporate governance, and are the only US railroad listed in the 2012 Dow Jones Sustainability Index.
- And volunteerism among our employees is a core value at CSX. Coming in off I-264 to Waterside Drive this morning you may have noticed one of our recent projects in the medians of Norfolk's downtown "gateway," which the CSX team completely replanted in 2011.

Closing/Q&A

- In summary, CSX has a lot to be excited about in Hampton Roads and we are highly optimistic about the future of the Port of Virginia. We are committed to partnering with you to deliver world class rail service, which we believe is the key to your future growth. I'd be happy to take any questions you may have.