

# *MINUTES*

## ***Board of Commissioners - Session 349***

Virginia Port Authority  
600 World Trade Center  
Norfolk, Virginia  
January 22, 2013 – 11:00 A.M.

---

Pursuant to call by Chairman Fralin, 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:

The Hon. William H. Fralin, Jr., Chairman  
Jeffrey D. Wassmer, Vice Chairman  
Jennifer D. Aument  
James M. Boyd  
Juliann J. Clemente  
Craig P. Coy  
Frank E. Laughon, Jr.  
John N. Pullen  
Robert M. Stanton  
Ting Xu  
Manju S. Ganeriwala, State Treasurer

### Commissioner Teleconferencing:

Scott R. Bergeron

### Staff:

Rodney W. Oliver, Interim Executive Director  
J. J. (Jeff) Keever, Senior Deputy Executive Director, External Affairs  
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  
Kevin Abt, Chief Engineer  
Mike Brewer, Port Police Chief  
Bill Burket, Director, Maritime Incident Response Team  
Erin Corrie, Economic Development Coordinator  
Carla Welsh, Manager, Creative Services  
Joe Harris, Media/Public Relations Manager  
Debra J. McNulty, Clerk to the Board  
Jodie Asbell, Deputy Clerk to the Board

Guests:

David Tyeryar, Deputy Secretary of Transportation  
Jeffrey R. Allen, Sr. Assistant Attorney General, Chief-Transportation Sector  
Norman A. Thomas, Assistant Attorney General-Transportation Sector  
Ryan J. Pedraza, Program Manager, Office of Transportation Public-Private Partnerships  
(OTPPP)  
Phil Rinehart, Virginia Department of Transportation  
Morteza Farajian, Program Manager, OTPPP  
William W. Harrison, Jr., Williams Mullen  
Steven Bain, On Course Solutions LLC  
Adam Beauchamp, APM Terminals  
Neil Davidson, Senior Advisor-Ports, Drewry, London, UK  
Shawn O'Neil, Allen & Overy, NY  
LaToya Edwards, Allen & Overy LLP  
Declan McManus, KPMG LLP  
Piyush Mishra, KPMG LLP  
David White, Virginia Maritime Association  
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  
Mark Geduldig-Yatofsky, Portsmouth Watch Organization  
Robert McCabe, *The Virginian-Pilot*  
Michael Shapiro, *The Daily Press*  
Mathew Ward, *Suffolk News Herald*  
Bill Cresenzo, *Inside business*

**INTRODUCTIONS**

Chairman Fralin welcomed Governor McDonnell's newest appointment to the VPA Board – Mr. Craig P. Coy, Chief Executive Officer of Command Security Corporation. Mr. Coy replaces the seat vacated by Mr. Michael J. Quillen.

The Chairman announced that Commissioner Scott Bergeron would be joining the meeting by telephone soon.

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

**PRESENTATIONS**

Chairman Fralin presented a shadowbox honoring the services of Michael J. Quillen who served as VPA Chairman and was a long-term member of the Board. The Chairman explained that Mr. Quillen was traveling on business to Australia and could not be present. Chairman Fralin explained that Mr. Quillen's service on the Board spanned three Governors. He expressed his appreciation and said that "Mike's brand of leadership was really extraordinary" and that he was proud to serve after him.

Mr. Morteza Farajian presented a “U.S. Route 460 Corridor Improvements Project” update that was presented to the Commonwealth Transportation Board. Mr. Farajian gave a brief overview of the PPTA project that involves a 55-mile toll road from Suffolk to Prince George County that will be parallel to the existing Route 460. He reviewed the project benefits, described the partners involved, funding sources, and next steps for procurement and construction. Mr. Farajian explained the road would be a safer corridor and would serve as an emergency evacuation route. He also mentioned that the new Route 460 will not only provide construction jobs but will facilitate economic development for the region and provide a faster route from Norfolk to the Petersburg/Richmond area.

Mr. Farajian reported that the financial close and comprehensive agreement took place on December 20, 2012 and he described the funding involved. He advised that they were able to get very good interest rates on the tax-exempt bonds that were sold. A diagram outlining the first 180 days of the project and list of public outreach meetings that had been held was also presented. Mr. Farajian mentioned that Mr. Oliver serves on the Board of the Route 460 Funding Corporation of Virginia (a 63-20 Corporation).

Mr. Farajian thanked Mr. Held for his assistance with investor meetings in New York and Boston as well as site visits along the corridor. He explained that, while they have completed the financial close, his office has applied for a TIFIA loan and is in the process of responding to some of their inquiries about the project. He thanked Mr. Florin for his assistance with the TIFIA loan application. Mr. Farajian explained the loan process and interest rate structure. Construction on Route 460 is expected to start in 2014.

Chairman Fralin recommended, from the Port’s perspective, that the sequencing of construction begin more towards the Port than at I95. Mr. Oliver advised that Mr. Florin is working together with the Secretary’s office and the P3 office on this project.

Mr. Farajian announced that the website provides status updates on the project at: [www.Route460PPTA.org/](http://www.Route460PPTA.org/) . A copy of his presentation is posted on VPA’s website.

## **I. APPROVAL OF MINUTES**

**Action:** Upon motion made by Ms. Clemente, seconded by Mr. Wassmer, the minutes of the meeting held November 27, 2012, were unanimously approved, as circulated.

## **II. REPORTS OF COMMITTEES**

### **A. Executive Committee – Mr. William H. Fralin, Jr., VPA Chairman**

Chairman Fralin presented Resolution 13-3 at this time. The Chairman thanked Mr. Dorto for his leadership at the Port and wished him the best in his retirement from VIT.

**Action:** Upon motion made by Ms. Clemente, seconded by Mr. Laughon, the Board unanimously approved Resolution 13-3, announcing the retirement of Joseph A. Dorto, President and CEO of Virginia International Terminals, Inc. (VIT) and naming his successor, Joseph P. Ruddy, to the position of VIT President and CEO.

**B. Finance/Planning Committee – Ms. Julie Clemente, Committee Vice Chair**

1. VPA/VIT Combined Financial Reports

Ms. Clemente announced that the Finance/Planning Committee did not meet.

Ms. Wendy King presented the following financial highlights for the first six months of the fiscal year, ended December 31, 2012:

- Operating revenues continue to remain above budget due to strong container volumes that are up 14.1% fiscal year-to-date. A budgeted rate increase of 5% that was to go into effect October 1<sup>st</sup> was delayed due to ongoing ILA negotiations. It is anticipated that a portion of rate increases will go into effect in January/February.
- Operating expenses are up about \$11 million over budget due to increased rail activity, impacts from hurricane Sandy, and November/December increases from holiday pay.
- Terminal Maintenance Expenses continue to stay under budget due to conservative efforts and efficiencies put in place by management.
- Administrative expenses were below budget which should level out and be more in-line with budget towards year-end. There have been some one-time expenses amounting to \$600,000 this fiscal year.
- Facilities rental is under budget due to a lower than anticipated CPI increase this year.
- Depreciation expenses are within budget.
- Non-Operating Income Expense (Interest expense net of interest income) – Above budget due to some grant revenues not yet received.
- Capital Transfers (primarily Commonwealth Port Fund revenues) are ahead of budget.
- Net assets are up about \$2.3 million compared to budget and about \$5 million ahead of the same period last year.

Mr. Oliver announced that the Finance/Planning Committee will schedule a meeting in March in order to begin FY14 budget planning and to review opportunities for a refunding bond issue.

**C. Facilities Committee – Mr. John N. Pullen, Committee Chair**

In the absence of Mr. Florin, Mr. Kevin Abt presented the Capital Outlay Program and Facilities Maintenance Overview and he described each of the following projects:

- NIT Gate Improvements
- NIT Customs Border Patrol (CBP) Interchange
- NIT Customer Service Area Improvements
- NIT Shuttle Road Repair
- Commonwealth Railway Road Crossing Restoration
- PMT Rail - Replacement and upgrade to Class I railroad standards of the east and west rail leads into PMT
- APMT Rail Yard Expansion Design – 2<sup>nd</sup> Phase involves six additional tracks
- Craney Island Cross Dikes Stage 2A

Mr. Abt announced that the land at Craney Island would be visible this time next year after the completion of Cross Dikes Stage 2A.

Mr. Pullen asked if the APM rail design was related to the APMTII expansion or if it was needed for more rail capacity. Mr. Abt advised that more track was necessary for both the expansion and to grow more rail business at the facility.

Chairman Fralin asked if the rail expansion would help with the congestion problems APMT is having with CSX. Mr. Dorto advised that by the time the rail expansion is done, CSX will be closer to double-stack service. Mr. Ruddy explained that there might be a different design to APMTII with regard to rail. Chairman Fralin asked about the timeframe and Mr. Abt estimated 18-24 months.

Mr. Boyd asked if funding was an issue and if there were grants available from the Department of Rail and Public Transportation. Mr. Abt advised that funding is not an issue and he reported that VPA is in the process of submitting an application for Rail Enhancement Funds.

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

Ms. Aument reported that that Marketing/Business Development Committee met in Richmond on January 4, 2013, and reviewed a Customer Satisfaction Survey. She advised that a lot of good news came out of the survey and that the Committee identified some areas for improvement relating to benchmarking our competitors.

Mr. Held reported strong growth in both exports and imports. He presented Calendar Year-to-Date and Fiscal Year-to-Date statistics as follows:

**2012 Calendar Year-to-Date, January-December**

	<u>CY 2012</u>	<u>CY 2011</u>	<u>%Change</u>
Total TEUs	2,105,887	1,918,029	+ 9.8
Export TEUs	1,132,376	1,032,136	+ 9.7
Import TEUs	973,511	885,893	+ 9.9
B/B Tonnage	372,144	347,558	+ 7.1
Total Rail Containers	385,804	330,331	+16.8
VIP Containers	34,306	34,105	+ 0.6
Vehicles	40,031	31,147	+28.5
Ship Calls	1,966	1,828	+ 7.5
JRB Containers	8,009	4,388	+82.5
(James River Barge)			

## 2013 Fiscal Year-to-Date, July-December

	<u>FY 2013</u>	<u>FY 2012</u>	<u>%Change</u>
Total TEUs	1,111,160	974,122	+14.1
Export TEUs	594,595	524,482	+13.4
Import TEUs	516,565	449,640	+14.9
B/B Tonnage	184,382	178,619	+ 3.2
Total Rail Containers	206,056	170,313	+21.0
VIP Containers	16,866	16,477	+ 2.4
Vehicles	21,554	19,009	+13.4
Ship Calls	1,001	933	+ 7.3
JRB Containers	3,212	2,040	+57.5

Mr. Held reported that rail volumes have increased due to CSX on-dock services at APMT and Norfolk Southern's Heartland Corridor and Greensboro services. Mr. Held congratulated Mr. Capozzi and the marketing staff of VIT for the increase in ship calls with six new services this year – two last-out calls and two first-in calls. He explained that the James River Barge took 8,000 trucks off of I64. Mr. Held mentioned that truck volumes actually grew because of freight resulting from new economic development business.

Mr. Held presented the U.S. East Coast Calendar Year-to-Date Growth (Jan-Dec 2012 vs. 2011). He explained that several ports did not have December figures available. Mr. Held announced that The Port of Virginia was the fastest growing East Coast port with 9.8% growth in TEUs for CY2012, beating out New York/New Jersey (0.3%) and Charleston (9.6%). The Port of Virginia exceeded the 2.6% average for U.S. East Coast ports.

Mr. Held also reviewed Container Units Budgeted vs. Actual, FY 2013. He reported that the first six months of this fiscal year has been the strongest growth in the history of the Port.

***Mr. Bergeron joined the conversation at this time, teleconferencing from LISCR (Deutschland) GmbH, Hohe Bleichen 11, 20354 Hamburg, Germany.***

### **F. Security/Safety Committee – Mr. Robert M. Stanton, Committee Chair**

Mr. Stanton introduced Mr. Bill Burket, Director, Maritime Incident Response Team (MIRT). Mr. Brewer, VPA's Chief of Police was asked to speak first on security. Chief Brewer reported on the development of the Security Strike Plan and liaison with outside agencies. The Chief announced that most TWIC enrollments are reaching the five-year expiration of cards. He advised that the three-year extension (\$60) would be preferred over five years and that it is a much more streamlined process now with functionality of group enrollments.

Chief Brewer also described the annual Maritime Transportation Security Act (MTSA) exercise that was conducted.

Mr. Burket reviewed the Lost Work Days (LWD) report for CY12 compared to CY11. He reported there were seven LWDs in November and three in December, which is still below the industry average.

The Personal Injury Mishap reporting system began in July 2012 which includes anyone who works at the terminals. Mr. Burket reviewed the categories of injuries that are classified A-E. The classification of "E" was added to include "near-misses". Mr. Burket also reviewed the Property Damage Mishap report.

Mr. Burket advised that the safety management team (SMT) continues to meet on a monthly basis to review and develop all components of the OHSAS 18001 process and that VPA is still on schedule to apply for registration in June 2013.

Mr. Burket announced that the Terminal Safety Unit (TSU) just completed a successful first year in operation and he reviewed the results of their activities reported at NIT and APMT. He reported that the TSU escorted 32,996 individuals back and forth between the berths and outside the terminals. He concluded with a description of MIRT's regional activities, recent tasking, and training and exercises. MIRT has grown from a membership of four to over 100 and expanded its services from responding to fires to responding to all emergencies. Mr. Burket explained how MIRT provides support and grants to other organizations for training and security/safety programs.

Chairman Fralin was concerned about the number of accidents at the terminals and he wanted to know if there was a plan in place to lower those numbers. Mr. Ruddy described how Mr. Ron Babski works to mitigate these accidents/injuries in coordination with Mr. Burket. Mr. Ruddy explained that VIT has seen an increase in reports since the impending ILA strike and uncertainty with PPTA. He also explained that the increase includes a lot of "soft tissue" injuries rather than breaks/sprains/cuts.

Chairman Fralin advised that the Security/Safety Committee needed to look into what is happening with the increases in LWDs. Ms. Aument asked Mr. Ruddy if he could pull data from other ports. Chairman Fralin also expressed concern with "0" near misses being reported on the injury side when the property report shows seven near misses.

Mr. Burket explained that Mr. Babski has a process in place for employees to submit near-misses on the website. He said that Mr. Babski and his team have done a good job recognizing trends and monitoring information and that there is a training process in place to educate the workers and supervisors and there should be a drop in the numbers. Mr. Ruddy explained how VIT has partnered with ILA and is monitoring activity at the terminals within four-hour watches. He advised that, of the 41 LWDs, 35 were soft tissue. Chairman Fralin emphasized that supervisors and managers also need to support the reporting of this information.

#### **IV. REPORT OF EXECUTIVE DIRECTOR**

Mr. Oliver asked Mr. Keever to provide a legislative update at this time. Mr. Keever referred to the legislative package that was contained in the agenda materials, particularly the spreadsheet listing bills that VPA is tracking. Mr. Keever reported that the VPA Board met in special session in Richmond on January 4<sup>th</sup> and, after consulting with the Secretary and the Governor's Chief of Staff, a legislative package was immediately submitted to the legislature that resulted in SB1351 (Patron-Senator McWaters). Mr. Keever reported that there is no House version of the bill but that HB2276 (introduced by Delegate Chris Jones) and SB1305 (introduced by Senator Frank Wagner) are very similar to SB1351.

Mr. Keever reported that Delegate Jones has also introduced HJ621 relating to JLARC. He advised there are a number of privatization bills that would exclude the Port Authority from PPTA. Mr. Keever advised he is monitoring port-related legislation very closely.

Chairman Fralin asked Mr. Keever to keep the Board apprised of the legislative actions as the General Assembly website is not always updated immediately. The Chairman also asked Board members to contact their friends and associates in the legislature to let them know what is going on at the Port and to get their support. Mr. Keever offered to provide everyone with talking points.

Mr. Keever announced that the Virginia Maritime Association (VMA) will be organizing their annual "Port Day" at the General Assembly on February 12<sup>th</sup> that involves a large contingency of port representation. He advised that final details of the event will be provided. Chairman Fralin encouraged Board members to attend.

## **V. UNFINISHED BUSINESS**

No unfinished business.

Chairman Fralin announced that there was one request for public comment and he introduced Mr. David White of the VMA. Mr. White reported that he will provide additional information on VMA's Port Day.

Mr. White read a letter written by Mr. Art Moyer to Chairman Fralin, dated late yesterday (January 21) urging the VPA Board "to end further consideration of the proposals submitted under the PPTA..." A copy of the letter is attached hereto.

## **EXECUTIVE CLOSED SESSIONS**

Chairman Fralin excused all guests and staff with the exception of the Deputy Secretary of Transportation, representatives from the Attorney General's office, and VPA senior management.

At 12:30 p.m., upon motion by Ms. Clemente and duly seconded by Mr. Stanton, the Board voted to convene a closed meeting pursuant to the Virginia Freedom of Information Act, Code §2.2-3705.1 (5), §2.2-3705.6 (1), (3) and (11), and §2.2-3711(A)(1), (28), (38); pursuant to §62.1-132.4, and (40), to discuss the valuation of the P3 proposals as compared to the VPA/VIT restructuring proposal, which discussions are considered in-part related.

At 5:00 p.m., upon motion by Mr. Wassmer, seconded by Mr. Laughon, 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, Boyd, Clemente, Coy, Fralin, Ganeriwala, Laughon, Pullen, Quillen, Stanton, Wassmer, Xu)

Nays: 0

Absent During Vote: 1 (Bergeron-disconnected phone call after closed discussions)

Absent During Meeting: 0

## **VI. NEW BUSINESS**

No new business.

## **VII. ADJOURNMENT**

Chairman Fralin asked for a motion to adopt Resolution 13-4 at this time.

**Action:** Upon motion by Ms. Clemente, seconded by Ms. Ganeriwala, the Board unanimously approved Resolution 13-4, authorizing further exploration and development of a proposed plan of corporate restructuring of Virginia Port Authority and Virginia International Terminals, Inc.

There being no further business and no public comments, the open meeting adjourned at 5:05 p.m.

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

***The VPA Board will convene a special meeting on February 4, 2013, at 2:00 p.m. and will meet in closed session to receive confidential data from the PPTA proposers. (Agenda posted). Immediately following the meeting, the VPA will conduct a second PPTA Public Hearing, from 5:00 to 8:00 p.m., at the Nauticus Museum theatre, located on Boush Street in Norfolk. Registration for speakers opens at 4:15 p.m.***

***The next regularly-scheduled meeting of the VPA Board will be held Tuesday, March 26, 2013, at 11:00 a.m. (tent.) in the Authority's Boardroom, 600 World Trade Center, Norfolk.***

The VPA Board of Commissioners meeting schedule for the remainder of 2013 is:

March 26

May 28

July 23 (Annual Meeting-Election of Officers to the Board)

September 24

November 26

Respectfully submitted,

  
Debra J. McNulty  
Clerk to the Board

**Virginia Port Authority  
Resolution 13-3**

**A RESOLUTION ANNOUNCING THE RETIREMENT OF JOSEPH A. DORTO,  
PRESIDENT AND CEO OF VIRGINIA INTERNATIONAL TERMINALS, INC. (VIT)  
AND NAMING HIS SUCCESSOR, JOSEPH P. RUDDY, TO THE POSITION OF VIT  
PRESIDENT AND CHIEF EXECUTIVE OFFICER**

**WHEREAS**, on December 20, 2012, Mr. Joseph A. Dorto met in closed session with the Board of Directors of Virginia International Terminals, Inc. (VIT) and announced his plan to retire after 34 years of service, effective March 31, 2013; and

**WHEREAS**, the VIT Board of Directors, by motion, recommended that the Virginia Port Authority (VPA) Board concur with appointing Mr. Joseph P. Ruddy, VIT's Executive Vice President and Chief Operating Officer, as the President and CEO of VIT, effective upon Mr. Dorto's retirement on March 31, 2013; and

**WHEREAS**, the Virginia Port Authority Board (VPA), at a special meeting of the VPA Board held in Richmond on January 4, 2013, were also notified of Mr. Dorto's plans to retire, wherein at said meeting, the VPA Board approved of Mr. Dorto's recommended successor, Mr. Joseph P. Ruddy; and

**WHEREAS**, on January 15, 2013, Mr. Dorto met with the entire staff of VIT and announced his impending retirement; and

**WHEREAS**, on January 16, 2013, at the annual State of the Port Address, Mr. Dorto announced his impending retirement to the Maritime Community and business associates who were in attendance; and

**THEREFORE BE IT RESOLVED**, that the VPA Board of Commissioners, after thoughtfully considering and discussing the matter, and after accepting the recommendation of the VIT Board of Directors hereby concurs with the VIT Board recommendation which action thereby appoints Joseph P. Ruddy to serve as VIT's President and CEO, and charges him to perform all of the duties and responsibilities of the position of President and CEO, as provided for by applicable Virginia law, the Articles of Incorporation and By-Laws of VIT, the Amended and Restated Service Agreement Between Virginia Port Authority and Virginia International Terminals, Inc. and as may be assigned to him from time to time by the Board of Directors of VIT and by the VPA Board of Commissioners.

**BE IT FURTHER RESOLVED**, that Joe Dorto will be properly honored for his long-term service and dedication to VIT, to the Port, and to the Commonwealth at a maritime function planned prior to his retirement date of March 31, 2013.

**PASSED AND ADOPTED** this 22<sup>nd</sup> day of January, 2013



---

William H. Fralin, Jr.  
Chairman of the Board

Attest:



---

Debra J. McNulty  
Clerk to the Board

**Virginia Port Authority  
Resolution 13-4**

RESOLUTION AUTHORIZING FURTHER EXPLORATION  
AND DEVELOPMENT OF A PROPOSED PLAN OF  
CORPORATE RESTRUCTURING OF VIRGINIA PORT  
AUTHORITY AND VIRGINIA INTERNATIONAL  
TERMINALS, INC.

IT IS RESOLVED by the Board of Commissioners (the "Board") of Virginia Port Authority (the "Authority"), as follows:

Section 1. Findings and Determinations.

(a) Pursuant to Chapter 10, Title 62.1 of the Code of Virginia of 1950, as amended (the "Act"), it is the duty of the Authority, on behalf of the Commonwealth of Virginia (the "Commonwealth"), to foster and stimulate the commerce of the ports of the Commonwealth, to promote the shipment of goods and cargoes through the ports, to seek to secure necessary improvements of navigable tidal waters within the Commonwealth, and in general to perform any act or function which may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of the ports of the Commonwealth.

(b) The Act directs the Authority to effect consolidation of the marine terminals of the several cities within the ports of the Commonwealth and to bring about the centrally directed operation of all state-owned port facilities in Hampton Roads by such means as may prove necessary or desirable, not inconsistent with state law.

(c) The Board has reviewed a preliminary plan of corporate restructuring (the "Restructuring Plan") which should provide the Authority, among other things, greater operational efficiencies, increased oversight and control of port operations, and ability to grow market share while decreasing operational costs.

(d) Specifically, the Restructuring Plan calls for the conversion of Virginia International Terminals, Inc. ("VIT") from a non-stock corporation with no members to a single member Virginia limited liability company pursuant to Article 17.1 of Title 13.1 of the Code of Virginia of 1950, as amended, with the Authority becoming the sole member.

Section 2. Authorization of Further Exploration and Development. The officers and staff of the Authority are hereby authorized to take such actions, as they deem necessary in their discretion, to further explore and develop the Restructuring Plan, subject to and upon the advice of counsel. The officers and staff of the Authority shall report to the Board on the progress of the Restructuring Plan at the Authority's next meeting to be held on March 26, 2013.

Section 3. Effective Date. This Resolution shall take effect immediately upon its adoption.

[END OF RESOLUTION]

PASSED AND ADOPTED this 22nd day of January, 2013



\_\_\_\_\_  
William H. Fralin, Jr., Chairman

Attest:



Debra J. McNulty  
Clerk



# Virginia Maritime Association

INCORPORATED

236 E. PLUME STREET

P.O. BOX 3487

NORFOLK, VIRGINIA 23514-3487

PHONE (757) 622-2639

FAX (757) 622-6302



Recipient of the  
Presidential "E" and "E Star"  
Awards for Excellence  
In Export Services

January 21, 2013

William H. Fralin, Jr.  
Chairman, Board of Commissioners  
Virginia Port Authority  
600 World Trade Center  
Norfolk, VA 23510

Dear Chairman Fralin,

The mission of the Virginia Maritime Association (VMA) is to promote, protect and encourage international and domestic commerce through the ports of Virginia, with a membership of over 400 companies, employing over 70,000 Virginians. To a large degree the VMA and the Virginia Port Authority (VPA) and its Board of Commissioners work toward a common purpose.

The paid consultants recently produced reports that have called into question the structure, performance, and financial posture of the Port of Virginia. By now the VPA Board is aware of the January 11 report by the General Assembly's Joint Legislative Audit and Review Committee (JLARC) that concludes: (1) Claims that the VPA market performance and outlook are negative are inaccurate and fail to consider all relevant factors to Port success; (2) Statements by the Secretary of Transportation and others that the VPA is financially unsustainable are incorrect. In fact, the report finds that the VPA is well-positioned to generate a net profit during the next five years; and (3) Additional improvements can be made at both VPA and VIT to increase operational efficiency and lower administrative costs.

Further, 2012 was the Port of Virginia's second best year on record, with container volume growing faster than the ports of NY/NJ and Savannah. JLARC determined the tariffs paid by shipping lines and services received by customers are competitive. Continued fiscal success is supported by the fact that bond ratings by all three rating agencies have remained stable since 2007.

The expansion of the Panama Canal is expected to significantly increase the flow of trade from Asian ports to U.S. East Coast ports, as well as anticipated increase in trade from Southeast Asia via the Suez Canal, greatly expanding commerce through the ports with the best competitive position for that trade. The Port of Virginia is definitely prepared for success.

The VPA Board has been working to make improvements and enhance the position of the VPA and Virginia International Terminals (VIT) for over 1-1/2 years. On January 22, the VPA Board is expected to implement a restructuring plan "which should provide the Authority, among other things, greater operational efficiencies, increased oversight and control of port operations, and ability to grow market share while decreasing operational costs."

Further, the General Assembly is currently considering companion bills SB1305 and HB2276 (with 30 sponsors) that provide additional comprehensive reforms to better position the Port of Virginia for success. Among the provisions of these bills, neither the Commonwealth nor the Authority would be permitted to accept unsolicited proposals under the PPTA regarding the ownership or operation of port facilities. While the proposals submitted under the PPTA process have presented the Board with another alternative to consider, the processes that

resulted from unsolicited bids submitted by The Carlyle Group in 2009 and APM Terminals in 2012 have created a cloud of uncertainty that has been an impediment to port business. These bills will remove that cloud while preserving the VPA's ability to partner with the private sector. The VMA supports these bills.

The Port of Virginia is in good shape with changes underway that position us for even greater success. However, the proposals currently being considered under the PPTA have raised numerous concerns regarding their impacts to the competitiveness of the Port of Virginia and may in fact be a threat to the Port's ability to achieve its fullest potential. Therefore, the VMA urges the VPA Board of Commissioners to end further consideration of the proposals submitted under the PPTA so the benefits of restructuring, reform, and the changes that will occur in shipping in the next few years can be realized before going any further with privatization.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur W. Moya, Jr.", with a stylized flourish at the end.

Arthur W. Moya, Jr.  
Executive Vice President

Cc: The Honorable Robert F. McDonnell, Governor of Virginia  
Members, Virginia General Assembly  
Virginia Port Authority Board of Commissioners