

***THE FISCAL YEAR 2013  
VIRGINIA ECONOMIC IMPACTS  
OF THE  
PORT OF VIRGINIA***

***January 27, 2015***



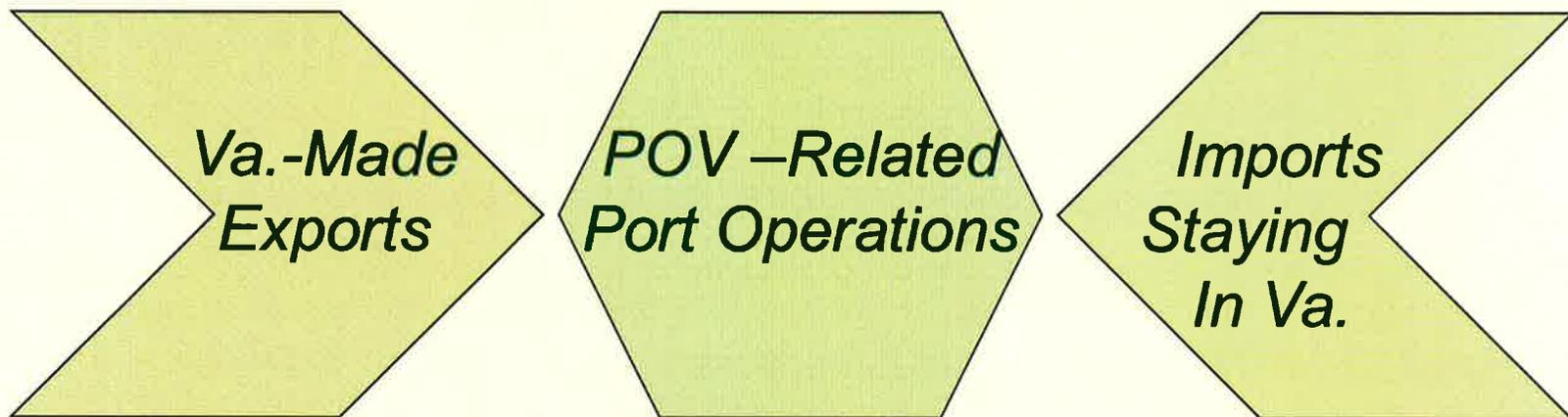
**Raymond A. Mason  
School of Business**

**WILLIAM & MARY**

---

## ***POV, center of a Va. value chain***

- ◆ **Center of a broader Virginia value chain that creates value through 3 main channels:**



- ◆ **The POV's full contribution to Virginia's economy includes the impacts flowing from exports produced in Virginia and the imports used here: The POV terminals' value-in-use to the Commonwealth.**

## ***Total FY 2013 POV economic impacts***

---

- ◆ **18 million tons of cargo valued at \$53.2 billion flowed through the POV terminals.**
- ◆ **Virginia impacts directly and indirectly flowing from use of the Port of Virginia were:**
  - **Virginia spending of \$60.3 billion,**
  - **Va. Gross State Product of \$30.5 billion, 1/15 of the total GSP,**
  - **with employee compensation of \$17.5 billion paid to 374 thousand Virginia employees, 9.4% of Virginia resident employment in FY 2013.**
  - **\$1.44 billion generated in the Big 3 Virginia tax sources.**

# ***POV economic and tax impacts***

## **Total Virginia Economic Impacts of the Port of Virginia**

(Dollar amounts in billions)

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Virginia Spending	\$34.2	\$15.0	\$11.1	\$60.3
Value added (GSP)	\$15.7	\$7.9	\$7.0	\$30.5
Employee Compensation	\$8.5	\$5.1	\$3.9	\$17.5
Number of Employees	190,986	96,145	87,333	374,464

## **Major FY 2013 Virginia Taxes Generated by POV activity**

(Dollar amounts in millions)

	<u>POV Related</u>	<u>Total Va. Collections</u>	<u>POV-Related % of Total</u>
Virginia income taxes	\$553.5	\$12,136.7	4.6%
Virginia 5% general sales tax	\$457.0	\$5,052.1	9.0%
<u>Local real property taxes</u>	<u>\$426.1</u>	<u>\$9,118.7</u>	<u>4.7%</u>
<b>Totals</b>	<b>\$1,436.6</b>	<b>\$26,307.5</b>	<b>5.5%</b>

# ***POV impacts outgrew the Va. economy***

	<b>Gross State Product</b>	<b>Employee Compensation</b>	<b>Employment</b>
<b><i>POV Impacts % Change, FY '06 to FY '13</i></b>	<b>31.8%</b>	<b>29.8%</b>	<b>9.2%</b>
<b><i>Va. % Change, '05- '06 Average to '12- '13</i></b>	<b>22.4%</b>	<b>20.7%</b>	<b>-0.1%</b>
<b><i>Difference, POV - Va.</i></b>	<b>9.4%</b>	<b>9.0%</b>	<b>9.3%</b>

# ***Port-related operations data***

## **FY 2013 POV-related cargo movement in Virginia**

<b>Total Containers</b>		<b>1,242,777</b>
<b>Total Rail Containers</b>	<b>410,947</b>	
<b>Total Barge Containers</b>	<b>53,514</b>	
<b>Total Truck Containers</b>	<b>778,316</b>	
<b>Total TEUs</b>		<b>2,165,435</b>
<b>Export TEUs</b>	<b>1,162,863</b>	
<b>Import TEUs</b>	<b>1,002,572</b>	
<b>Container Tonnage</b>		<b>17,633,216</b>
<b>Breakbulk Tonnage</b>		<b>348,155</b>
<b>Vehicle Units</b>		<b>34,534</b>
<b>Ship Calls</b>		<b>1,928</b>

# Port operations direct impacts

<b>POV-Related Port Operations (\$ in mil)</b>	<b>Spending</b>	<b>GSP (Value Added)</b>	<b>Employee Compensation</b>	<b>Employment</b>
<b>Ship &amp; harbor operations, vessel (un)loading</b>	<b>\$ 979.9</b>	<b>\$ 409.2</b>	<b>\$ 308.7</b>	<b>3,900</b>
<b>Warehousing/storage</b>	<b>\$ 114.7</b>	<b>\$ 69.1</b>	<b>\$ 65.3</b>	<b>1,412</b>
<b>Freight arrangement &amp; other transportation support</b>	<b>\$ 434.8</b>	<b>\$ 189.4</b>	<b>\$ 186.5</b>	<b>3,815</b>
<b>Truck &amp; rail transportation</b>	<b>\$ 934.4</b>	<b>\$ 445.7</b>	<b>\$ 301.8</b>	<b>5,001</b>
<b>Total</b>	<b>2,464</b>	<b>1,113</b>	<b>862</b>	<b>14,128</b>

# ***Port operations direct & indirect impacts***

<b><i>POV-Related Port Operations Impacts (\$ in mil)</i></b>	<b><i>Direct</i></b>	<b><i>Indirect</i></b>	<b><i>Induced</i></b>	<b><i>Total</i></b>
<b>Spending</b>	<b>\$2,463.7</b>	<b>\$1,040.5</b>	<b>\$1,721.3</b>	<b>\$5,225.5</b>
<b>Value Added (GSP)</b>	<b>\$1,113.4</b>	<b>\$ 645.4</b>	<b>\$1,086.7</b>	<b>\$2,845.5</b>
<b>Employee Compensation</b>	<b>\$ 862.2</b>	<b>\$ 480.5</b>	<b>\$ 588.4</b>	<b>\$1,931.1</b>
<b>Employment</b>	<b>14,128</b>	<b>9,062</b>	<b>13,581</b>	<b>36,771</b>

***POV-Related Port Operations***

# POV Virginia export impacts



*Of \$26.1 billion in exports handled,  
\$10.9 billion was made in Virginia.*

## POV Va.-Made Export Impacts (\$ in mil)

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Spending	\$ 10,857	\$ 4,704	\$ 2,880	\$ 18,441
Value Added (GSP)	\$ 2,536	\$ 2,211	\$ 1,818	\$ 6,566
Employee Compensation	\$ 1,453	\$ 1,455	\$ 1,016	\$ 3,924
Employment	27,261	31,407	22,728	81,395

# POV Virginia import impacts

*Of \$27.1 billion in imports handled,  
\$10.4 billion stayed in Virginia.*

Imports  
Staying  
In Va.

## POV Va.-Used Import Impacts (\$ in mil)

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
<b>Spending</b>	\$ 20,837	\$ 9,298	\$ 6,464	\$ 36,600
<b>Value Added (GSP)</b>	\$ 12,022	\$ 5,031	\$ 4,081	\$ 21,134
<b>Employee Compensation</b>	\$ 6,225	\$ 3,181	\$ 2,280	\$ 11,686
<b>Employment</b>	149,596	55,676	51,025	256,297

# ***POV total economic impacts, again***

	<i>POV Va.- Made Export Impacts (\$ mil)</i>	<i>POV-Related Port Operations Impacts (\$ mil)</i>	<i>POV Va.- Used Import Impacts (\$ mil)</i>	<i>POV Total Impacts</i>
<b>Spending</b>	\$ 18,441	\$ 5,225	\$ 36,600	\$60,266
<b>Gross State Product</b>	\$ 6,566	\$ 2,845	\$ 21,134	\$30,545
<b>Employee Comp.</b>	\$ 3,924	\$ 1,931	\$ 11,686	\$17,541
<b>Employment</b>	81,395	36,771	256,297	374,464

# ***Hampton Roads share of POV impacts***

## **Total POV-Related Hampton Roads Impacts as a Percent of Virginia Impacts**

	<b><u>Direct</u></b>	<b><u>Indirect</u></b>	<b><u>Induced</u></b>	<b><u>Total</u></b>
<b>Spending</b>	<b>32%</b>	<b>21%</b>	<b>36%</b>	<b>30%</b>
<b>Value-Added (GSP)</b>	<b>12%</b>	<b>14%</b>	<b>20%</b>	<b>14%</b>
<b>Employee Compensation</b>	<b>21%</b>	<b>22%</b>	<b>36%</b>	<b>25%</b>
<b>Employment</b>	<b>21%</b>	<b>23%</b>	<b>36%</b>	<b>25%</b>



**Port Logistics and Economic Development  
at the Port of Virginia:**

**A Competitive Port Appraisal**

*Presented to*

***Virginia Port Authority Board of Commissioners***

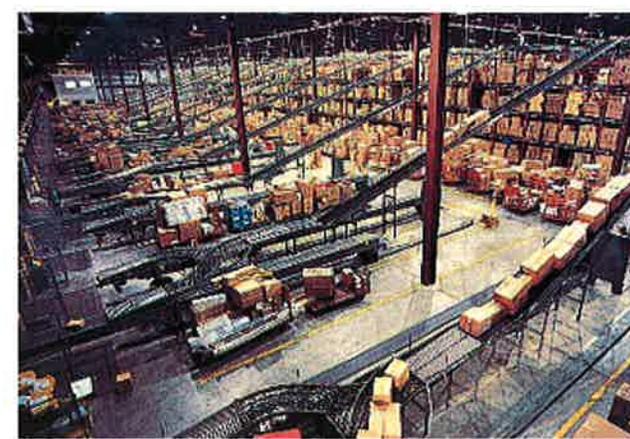
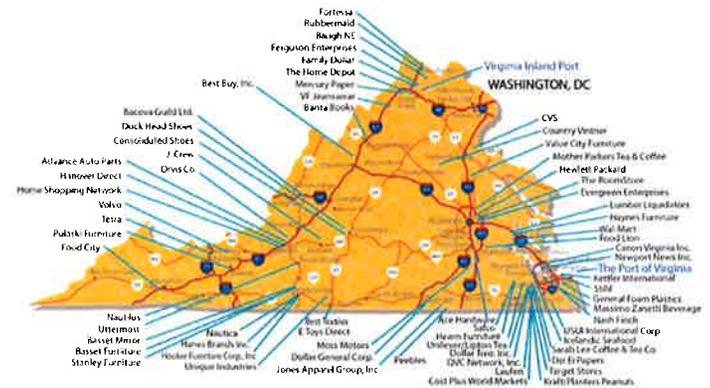
***Tuesday, January 27, 2015***



**R.K. Johns & Associates Inc.**

# Study Objective

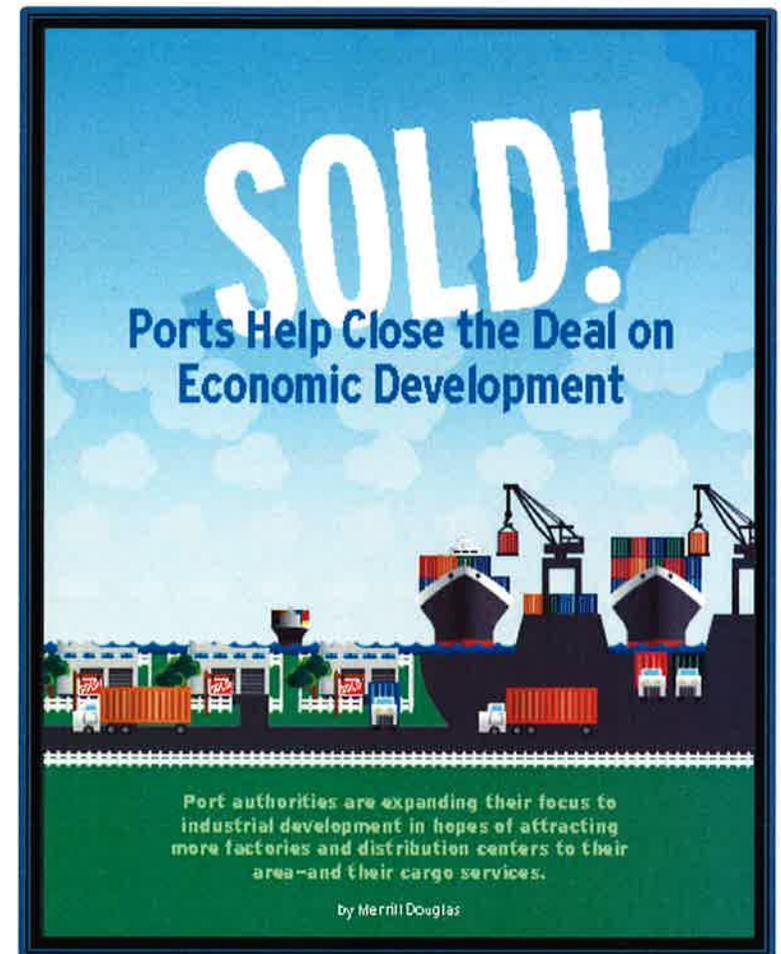
Understand how we can continue to secure and grow “captured” freight opportunities at the Port of Virginia by gaining insights about the success and failure of neighboring state/port development strategies.



## Market sizing, port positioning & site selection

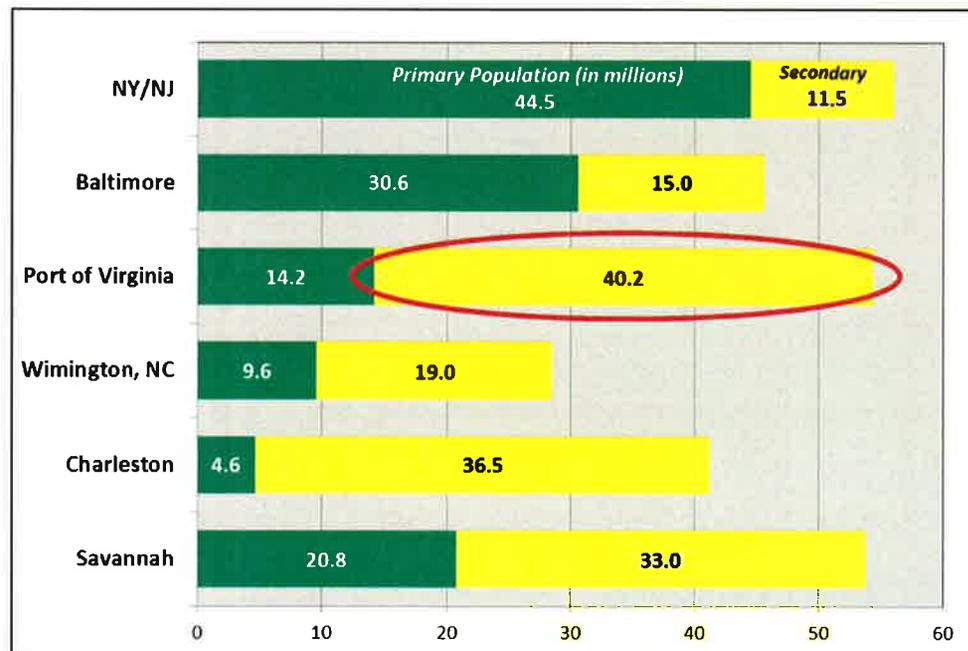
The following key determinants for market proximity and connectivity were evaluated:

- Population
- Rail and barge service availability
- Competitive port performance & trade balance
- Industrial warehouse capacity



*Inbound Logistics magazine, January 2012*

# Market sizing & port positioning: Population



Source: Colliers, population categories defined by R K Johns

*Primary: population proximate enough where the port is the preferred or exclusive gateway (based on inland distances)*

*Secondary: the discretionary population in areas that overlap in regards to the opportunity to be served by competing ports*

Population figures include 16 states (AL, CT, DC, FL, GA, KY, MD, NC, NJ, NY, OH, PA, SC, TN, VA, WV)

- Port of Virginia's market reach is competitive in size to NY/NJ & Savannah – all 3 ports able to serve a market potential of +50 million people
- Without a large, local population base, the Port of Virginia's trade prospects are substantial, but very competitive!
- The Port of Virginia needs to be savvy in its economic development efforts

# Market sizing & port positioning: Rail and barge service availability

Port	Rail Services (On dock)	Primary Rail Markets	Barge Service	Primary Barge Markets
NY/NJ	Yes, select terminals, others near dock	Ohio, Indiana, Illinois, Pennsylvania, Michigan, Missouri	No	
Baltimore	Yes (w/o double stack)	Ohio, Indiana, Illinois	Yes	Norfolk, Philadelphia
Port of Virginia	Yes <input checked="" type="checkbox"/>	Front Royal, Northern North Carolina, Ohio, Indiana, Illinois, Michigan, Missouri, Kentucky	Yes <input checked="" type="checkbox"/>	Richmond, Baltimore, Philadelphia
Wilmington, NC	No	No scheduled intermodal services	No	
Charleston	Near dock only	Western South Carolina, Atlanta, Alabama, Tennessee, Southwest North Carolina	No	
Savannah	Yes	Atlanta, Tennessee, Alabama, Florida, Southwest North Carolina	No	

- Port of Virginia maintains a competitive rail advantage over Baltimore (single stack restriction will remain for years) and Wilmington NC (no scheduled services)
- Short-haul intermodal business is a growth market for railroads:
 

*The growth of intermodal and its drivers, including tightening truck capacity and higher fuel costs, also make inland ports that are several hundred miles from seaports more feasible. The Virginia Inland Port was one of the first, and has been joined by projects in South Carolina and Georgia.*

The Journal of Commerce
- The success of inland barge services hinges on building two-way trade flows

## Market sizing & port positioning: Competitive port performance

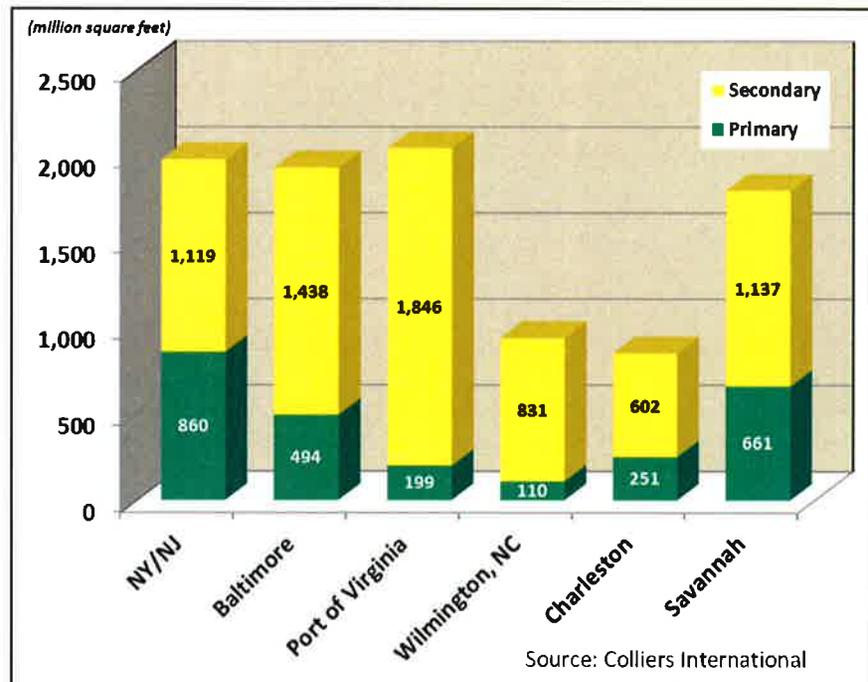
Port	FY 2014 Imports	% change vs. FY 2009	FY 2014 Exports	% change vs. FY 2009	FY 2014 Total Loads	% change vs. FY 2009
Port of Virginia	949	29%	958	39%	1,907	34%
NY/NJ	2,828	18%	1,357	7%	4,185	15%
Baltimore	332	10%	195	13%	527	11%
Wilmington, NC	101	(18)%	112	10%	213	(6)%
Charleston	702	21%	651	26%	1,353	24%
Savannah	1,217	25%	1,236	31%	2,453	27%

**Port of Virginia**

- Strongest volume growth among competitors since the recession
- Better trade balance than NY/NJ

- Most East Coast ports gained national market share since the recession. This is an on-going opportunity owing to the introduction of larger ships (via the Suez & Panama Canals) and systemic terminal operating issues on the West Coast. East Coast ports' share of imports from North Asia has risen from 16% (in 1993) to 26% (in 2013). Over the same period, market share for South Asia expanded from 21% to 33% (based on PIERs statistics).
- The Port of Virginia's trade balance is a competitive advantage over the Port of NY/NJ; and in parallel with development of more logistic center capacity, can further the port's business and market share.
- A concerted effort by the Port of Virginia with state and local economic development support to attract more exporters with sites for manufacturing, value-added activities and consolidation and transloading operations could attract carriers to divert discretionary import rail volumes from NY/NJ to Norfolk (assuming railroads price competitively)
- VEDP reports the state has over 700 international companies – creates opportunities to attract international & domestic suppliers to these companies

# Market sizing & port positioning: Industrial warehouse capacity



*Primary: industrial warehousing within 50 miles of a port, or within 100 miles if in the same state*

*Secondary: industrial warehousing within 300 miles of a port that is considered discretionary as to competitive port choice*

- The State and the Port of Virginia have been successful in attracting logistics center clusters. The approximate 2 billion square feet of warehouse capacity within the Port's market reach is competitive in size to NY/NJ, Baltimore & Savannah
- The Hampton Roads area residential & commercial density has forced most industrial development inland
- Competitive land use is an issue in Hampton Roads. As an example, the average warehouse in Savannah is one third larger than in Hampton Roads, with room for expansion.
- The Port of Virginia, as the most efficient port gateway, should promote and be a leader in development of logistics center clusters throughout Virginia – job creation is an important driver, but the economic impact created by increased port volume is even more beneficial
- Port of Virginia economic impact: as a benchmark, every 1,000 containers impacts about 300 jobs (direct/indirect/induced) at an average wage of \$46,000

# Role of State Agencies

“Winning the Jobs War” ... “Open for Business” ...priceless? Not quite but costs \$80 billion for economic development each year in the U.S. according to the NY Times

What matters most in industrial site selection:

Rank	Factor
1	Transportation Infrastructure
2	Ease of permitting and regulatory procedures
3	Existing workforce skills
4	Land/building prices and supply
5	Utility infrastructure
6	State and local tax schemes
7	Flexibility of incentive programs
8	Availability of incentives
9	Access to higher education resources
10	Legal climate

*Site Selection magazine, 2014 survey*

- “Incentives” was previously ranked #3
- “State economic development strategies” dropped out of the Top 10

How has Virginia fared?

Organization	Rank
Pollina/Amer. Econ. Dev. Institute	4
Forbes	4
Site Selection (Executives’ survey)	5
CNBC	8
Site Selection (overall)	10
Chief Executive magazine	11

*Criteria varies by publisher, usually based on rankings for either economic development or business climate*

- Virginia (10), South Carolina (6), North Carolina (3) and Georgia (1) are all top ranked by Site Selection magazine
- Amer. Econ. Dev. Institute ranks both Virginia and North Carolina’s incentive programs as “Excellent”

# Role of State Agencies

## What is changing in economic development?

- Increased funding & more discretionary uses (example: Governor's Closing Fund)

### South Carolina:

- ❖ *The SC General Assembly voted to give the Coordinating Council for Economic Development the authority to "transfer economic development funds at its disposal to the Governor's Closing Fund."*
- ❖ *Mid-year 2014, the SC Comptroller General's Office reported \$80 million in the combined Governor's Closing Fund and the Council's Set-Aside Funds*

### North Carolina:

- ❖ *No Governor's Closing Fund, "The closing fund is often times what is needed to differentiate your state from another state, it is a very big deal." [John Lassiter, head of the N.C. Economic Development Board]*

### Maryland:

- ❖ *"As the economy continues to recover, we face increasing opportunities competing against states with greater funding. Our history of underfunding and dwindling balances sends a clear message to competing states, site consultants and large companies that Maryland is not serious about economic development."*

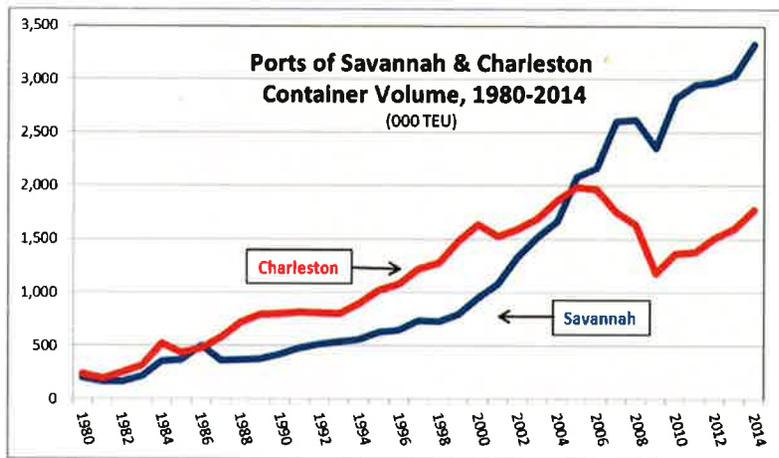
- Property differentiators (real or promotional) labeled as "shovel ready certified"

- ❖ "Ease of permitting" jumped from #8 to #2 in Site Selection key development issues list
- ❖ No standard criteria for "shovel-ready"
- ❖ Virginia's competitors have already jumped on the bandwagon at the state level (NC & GA) – Georgia has its "GRAD" program based on 11 property requirements, while North Carolina has its "Certified Sites" program with 31 prerequisites

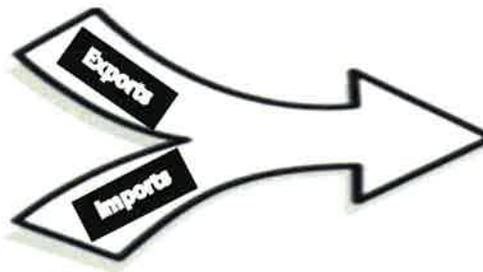
## Role of Port Authorities: Competitive efforts in economic development

- The Port of Virginia leads the competition in staff size, knowledge & outreach ... how do you parlay these talents and take a stronger leadership/partnership role in state/local development efforts?
- NY/NJ - \$300k budget for economic development but focused on retail/commercial. One staffer is liaison with states' agencies. Has only a secondary role in "Portfields" initiatives (IKEA, ProLogis warehousing on port property)
- Port of Baltimore – primarily leaves promotion & negotiations to the state/city
- Port of Wilmington – one dedicated staff person, lost "Port Tax Credit" this year
- SCSPA – AGGRESSIVE! (from the Chairman and CEO on down) ... spent \$22 million last 5 years to lock up deals by writing checks for infrastructure to county gov't., Port Chairman one of eleven members of state's CCED (in charge of discretionary economic development funds)
- Georgia Ports – long standing, active team of two reports to CCO. Works directly with state's economic development agency (GDEcD) and Savannah's city agency (SEDA). Port owns and promotes 1,000 acre site for development of trade-related distribution/manufacturing within 5 miles of their container terminal.

# A Case Study: The Savannah Model



- Issue: a carrier’s bankruptcy in late 1986 forces the port to find new carriers
- Solution: create a more balanced trade at the port
- Seeking imports: Walmart (‘94) and Home Depot (‘96) to the rescue!
- Building on success ... get more big-box retailers to have a local brick-and-mortar vested interest and ocean carriers will “follow the freight”
- Champion the cause ... buy property, lead/build partnerships (SEDA, Georgia DOT, Georgia Power) and implement a hands-on promotion strategy



## The Savannah Model: takeaways for success

- Legal and financial capacity to purchase land, enter into intergovernmental development agreements and sublease for commercial use (AND land availability!)
- Ability to finance and develop “shovel ready” properties
- Major roadway access between port facilities and developed industrial sites (and commitment to expand infrastructure as the port grows) ... *I-16 and I-95 are 5 miles from the port and both CSX and NS are on-terminal*
- Adequate, efficient and rate-competitive port rail capacity
- Strong port leadership/Board support in influencing and directing economic development efforts at state/local levels (logistics center developments may not be as “job beneficial” as other development interests but do create significant port economic impact)
- A trusting working relationship with port labor and truckers.
- Efficient, customer focused terminal facilities, equipment and gate and yard management systems. This emphasis may include the need to provide specific BCO activities. Examples include extended gate hours, dedicated gates and expedited container delivery.
- A port marketing plan that targets specific BCO activities and commodities that will broaden the port’s appeal and growth opportunity. Examples: refrigerated commodity trades requiring supporting warehouse infrastructure & retailers need for “Rapid Dispatch” of containers to import DCs.

Within Governor McAuliffe’s  
“New Economy” ... how do  
we align and orchestrate a  
unique “Virginia Model” for  
port related economic  
development?

# The Port of Virginia S.W.O.T. For Economic Development

<b>Internal</b>	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>* State's has an active &amp; funded economic development group in place</li> <li>* Traditional State and port incentives are rated excellent (Am. Econ. Dev. Instit.)</li> <li>* Port performance issues are being addressed &amp; the situation is improving quickly</li> <li>* Strong Port economic development organization</li> <li>* Cargo volume growth leader among East Coast competitors</li> <li>* Existing distribution/consolidation centers with major exporters &amp; importers</li> <li>* Port already has deep harbor &amp; permit for 55 ft.</li> <li>* Existing inland logistics clusters in Front Royal, Richmond &amp; Greensboro (NC)</li> </ul>	<ul style="list-style-type: none"> <li>* Truck turn times within the terminals</li> <li>* Restricted road use at NIT</li> <li>* 2-hour distance from I-95 north/south interstate impacts truck rates &amp; capacity</li> <li>* State's financial position and possible wait &amp; see approach regarding the success of "New Economy" strategies</li> <li>* Lack of shovel-ready land within 30 miles of the port &amp; at inland sites</li> <li>* Lack of a large primary market in Virginia</li> <li>* Media-driven message of only moderate support for the economic value of the port at state/regional/local levels</li> <li>* The new state long term plan for economic development has limited tie-ins to port</li> <li>* Partners' economic development teams/budgets not synchronized or aligned</li> </ul>

# The Port of Virginia S.W.O.T. For Economic Development

<b>External</b>	<b>Opportunities</b>	<b>Threats</b>
	<ul style="list-style-type: none"> <li>* Champion the Port's economic development plans with all levels of government, including new Port Board &amp; state executives</li> <li>* Educate and promote the Port's significant economic impact to prospective developers, manufacturers &amp; beneficial cargo owners (BCOs)</li> <li>* Build on barge service and operations in Richmond -expanded land, rail &amp; incentives</li> <li>* Grow existing networks of distribution centers, manufacturing &amp; FTZ developments in Hampton Roads and Front Royal</li> <li>* Establish stronger collaboration with private developers - partnerships to help advance occupancy of existing sites &amp; bring to market more shovel-ready sites</li> <li>* Build on work force development through military, universities and community colleges</li> </ul>	<ul style="list-style-type: none"> <li>* BCOs &amp; 3PLs remain unsure of Commonwealth's support of Port's future developments</li> <li>* Overall ability to handle expected volume growth &amp; to fund capex requirements</li> <li>* Prolonged congestion issues (road &amp; rail) force cargo to competing ports &amp; dampen logistics center cluster development activities</li> <li>* Growth of the Port of Baltimore through private partnership (vested interests of carrier &amp; terminal operator), and through repurposing of industrial property</li> </ul>

# The Port of Virginia

## What are the go-forward opportunities?

Build strong partnerships throughout the state and form a “group of champions” for port development among local, regional and state agencies. Establish “Board-to-Board” cross memberships.

Take an active leadership role in “selling” the importance of logistics center developments and the funding needed from the state as a stimulus for new clusters in Virginia. This focus should be on opportunities in and outside of the Port of Virginia’s local market.

Obtain or earmark additional funding (public or 3rd-party) with a directed purpose to advance the Port’s/Commonwealth’s economic development plans.

Advocate and implement a “Port Readiness” program – accelerate capital investment to have the capacity to grow business at the Port of Virginia

Enhance the Port’s efforts to secure new logistics developments with an emphasis on funding additional speculative “shovel ready” sites. Virginia is considered behind its competitors on “site and facility planning”.

Focus development on the inland ports in Richmond and Front Royal as incubators for new strategies (purchase land, establish shovel-ready sites, etc.)

Lead/foster such start-ups for expansion by developing specific marketing plans for each site and include other state agencies in building the strategies.

Work with state agencies & railroads to enhance service and offer competitive rates.

Strengthen partnership with private developers in Hampton Roads region to accelerate site use (use of incentives)

Communicate success stories to build awareness



Virginia Port Authority Board of Commissioners, Session 363, January 27, 2015  
November 2014 Financial Update

Rodney Oliver  
Chief Financial Officer



Stewards of Tomorrow



Virginia Port Authority/Virginia International Terminals, LLC  
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED  
November 30, 2014

---

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Operating Revenues</b>	\$35,439,217	\$36,575,855	\$ (1,136,638)	-3.1%

- Actual container volume was 119,267 vs. 117,909 budgeted, a 1.2% increase
- Operating Revenue was 3.1% below budget, primarily due to lower than budgeted container unit rate revenue

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED**  
**November 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Operating Revenues</b>	\$35,439,217	\$36,575,855	\$ (1,136,638)	-3.1%
<b>Operating Expenses:</b>				
Terminal operations	14,878,112	16,084,303	1,206,191	7.5%
Terminal maintenance	7,051,245	6,852,396	(198,849)	-2.9%
General and administrative	4,050,996	4,133,719	82,723	2.0%
Facility Rental	4,621,019	4,603,768	(17,251)	-0.4%
Depreciation and amortization	3,934,314	4,288,367	354,053	8.3%
<b>Total operating expenses</b>	<b>34,535,686</b>	<b>35,962,553</b>	<b>1,426,867</b>	<b>4.0%</b>

- Terminal operating expense was \$1.2 million (7.5%) lower than budget primarily due to increased efficiencies on the rail and gate at NIT
- Terminal maintenance expense was \$198.8 thousand (2.9%) over budget primarily due to volume and the costs to repair aging equipment
- Overall, operating expenses were \$1.4 million (4%) below budget

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED**  
**November 30, 2014**

---

	<b>Actual</b>	<b>Budget</b>	<b>\$ Variance</b>	<b>% Variance</b>
<b>Operating Revenues</b>	\$35,439,217	\$36,575,855	\$ (1,136,638)	-3.1%
<b>Operating Expenses:</b>				
Terminal operations	14,878,112	16,084,303	1,206,191	7.5%
Terminal maintenance	7,051,245	6,852,396	(198,849)	-2.9%
General and administrative	4,050,996	4,133,719	82,723	2.0%
Facility Rental	4,621,019	4,603,768	(17,251)	-0.4%
Depreciation and amortization	3,934,314	4,288,367	354,053	8.3%
<b>Total operating expenses</b>	<b>34,535,686</b>	<b>35,962,553</b>	<b>1,426,867</b>	<b>4.0%</b>
<b>Operating income (loss)</b>	<b>903,531</b>	<b>613,302</b>	<b>290,229</b>	<b>47.3%</b>

- Lower than budgeted operating expenses resulted in an operating income of \$903.5 thousand, \$290.2 thousand (47.3%) ahead of budget

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED**  
**November 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Operating Revenues</b>	\$35,439,217	\$36,575,855	\$ (1,136,638)	-3.1%
<b>Operating Expenses:</b>				
Terminal operations	14,878,112	16,084,303	1,206,191	7.5%
Terminal maintenance	7,051,245	6,852,396	(198,849)	-2.9%
General and administrative	4,050,996	4,133,719	82,723	2.0%
Facility Rental	4,621,019	4,603,768	(17,251)	-0.4%
Depreciation and amortization	3,934,314	4,288,367	354,053	8.3%
<b>Total operating expenses</b>	<u>34,535,686</u>	<u>35,962,553</u>	<u>1,426,867</u>	<u>4.0%</u>
<b>Operating income (loss)</b>	<u>903,531</u>	<u>613,302</u>	<u>290,229</u>	<u>47.3%</u>
<b>Non-operating revenues (expenses)</b>	(1,615,110)	349,105	(1,964,216)	-562.6%
<b>Capital contributions and transfers</b>	3,035,729	3,012,624	23,105	0.8%

- Non-operating revenues (expenses) are \$2.0 million below budget due to timing of budgeted Federal Grant Receipts

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED**  
**November 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Operating Revenues</b>	\$35,439,217	\$36,575,855	\$ (1,136,638)	-3.1%
<b>Operating Expenses:</b>				
Terminal operations	14,878,112	16,084,303	1,206,191	7.5%
Terminal maintenance	7,051,245	6,852,396	(198,849)	-2.9%
General and administrative	4,050,996	4,133,719	82,723	2.0%
Facility Rental	4,621,019	4,603,768	(17,251)	-0.4%
Depreciation and amortization	3,934,314	4,288,367	354,053	8.3%
<b>Total operating expenses</b>	<b>34,535,686</b>	<b>35,962,553</b>	<b>1,426,867</b>	<b>4.0%</b>
<b>Operating income (loss)</b>	<b>903,531</b>	<b>613,302</b>	<b>290,229</b>	<b>47.3%</b>
<b>Non-operating revenues (expenses)</b>	<b>(1,615,110)</b>	<b>349,105</b>	<b>(1,964,216)</b>	<b>-562.6%</b>
<b>Capital contributions and transfers</b>	<b>3,035,729</b>	<b>3,012,624</b>	<b>23,105</b>	<b>0.8%</b>
<b>Increase (decrease) in Net Assets</b>	<b>\$ 2,324,149</b>	<b>\$ 3,975,031</b>	<b>\$ (1,650,882)</b>	<b>-41.5%</b>

- Increase in Net Assets was \$2.3 million, \$1.7 million (41.5%) below Budget

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED**  
**November 30, 2014**

---

	<b>Actual</b>	<b>Budget</b>	<b>\$ Variance</b>	<b>% Variance</b>
<b>Operating Revenues</b>	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%

- Operating Revenue was \$5.4 million (3.0%) ahead of budget primarily due to increased volumes and favorable cargo mix

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED**  
**November 30, 2014**

	<b>Actual</b>	<b>Budget</b>	<b>\$ Variance</b>	<b>% Variance</b>
<b>Operating Revenues</b>	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%
Terminal operations	79,113,601	78,815,723	(297,878)	-0.4%
Terminal maintenance	37,470,129	34,555,766	(2,914,363)	-8.4%
General and administrative	20,200,978	21,931,221	1,730,243	7.9%
Facility Rental	23,105,095	23,018,842	(86,253)	-0.4%
Depreciation and amortization	19,593,413	20,114,764	521,352	2.6%
<b>Total operating expenses</b>	<b>179,483,216</b>	<b>178,436,315</b>	<b>(1,046,900)</b>	<b>-0.6%</b>

- Terminal operating expenses were \$298 thousand below budget despite the increase in container volume, primarily due to efficiencies
- Terminal maintenance expense was \$2.9 million over budget primarily due to the increased volume, increased utilities costs, and the costs to repair aging equipment
- We continue to take a conservative approach with general and administrative expenses
- Total Operating expense was \$1.0 million (0.6%) over budget

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED**  
**November 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Operating Revenues</b>	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%
Terminal operations	79,113,601	78,815,723	(297,878)	-0.4%
Terminal maintenance	37,470,129	34,555,766	(2,914,363)	-8.4%
General and administrative	20,200,978	21,931,221	1,730,243	7.9%
Facility Rental	23,105,095	23,018,842	(86,253)	-0.4%
Depreciation and amortization	19,593,413	20,114,764	521,352	2.6%
<b>Total operating expenses</b>	<b>179,483,216</b>	<b>178,436,315</b>	<b>(1,046,900)</b>	<b>-0.6%</b>
<b>Operating income (loss)</b>	<b>5,526,307</b>	<b>1,151,574</b>	<b>4,374,733</b>	<b>379.9%</b>

- Higher than budgeted revenue combined with operating expenses in line with budget resulted in and operating income of \$5.5 million, \$4.4 million (379.9%) ahead of budget for the first five months of the fiscal year

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED**  
**November 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Operating Revenues</b>	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%
Terminal operations	79,113,601	78,815,723	(297,878)	-0.4%
Terminal maintenance	37,470,129	34,555,766	(2,914,363)	-8.4%
General and administrative	20,200,978	21,931,221	1,730,243	7.9%
Facility Rental	23,105,095	23,018,842	(86,253)	-0.4%
Depreciation and amortization	19,593,413	20,114,764	521,352	2.6%
<b>Total operating expenses</b>	<u>179,483,216</u>	<u>178,436,315</u>	<u>(1,046,900)</u>	<u>-0.6%</u>
<b>Operating income (loss)</b>	<u>5,526,307</u>	<u>1,151,574</u>	<u>4,374,733</u>	<u>379.9%</u>
<b>Non-operating revenues (expenses)</b>	(7,629,864)	1,745,527	(9,375,392)	-537.1%
<b>Capital contributions and transfers</b>	15,099,556	15,415,076	(315,520)	-2.0%

- Non-operating revenues were \$9.4 million (537.1%) below budget due to timing of budgeted Federal Grant Receipts
- Capital contributions and transfers were \$316 thousand (2.0%) below budget

Virginia Port Authority/Virginia International Terminals, LLC  
**CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED**  
**November 30, 2014**

	<b>Actual</b>	<b>Budget</b>	<b>\$ Variance</b>	<b>% Variance</b>
<b>Operating Revenues</b>	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%
Terminal operations	79,113,601	78,815,723	(297,878)	-0.4%
Terminal maintenance	37,470,129	34,555,766	(2,914,363)	-8.4%
General and administrative	20,200,978	21,931,221	1,730,243	7.9%
Facility Rental	23,105,095	23,018,842	(86,253)	-0.4%
Depreciation and amortization	19,593,413	20,114,764	521,352	2.6%
<b>Total operating expenses</b>	<b>179,483,216</b>	<b>178,436,315</b>	<b>(1,046,900)</b>	<b>-0.6%</b>
<b>Operating income (loss)</b>	<b>5,526,307</b>	<b>1,151,574</b>	<b>4,374,733</b>	<b>379.9%</b>
<b>Non-operating revenues (expenses)</b>	<b>(7,629,864)</b>	<b>1,745,527</b>	<b>(9,375,392)</b>	<b>-537.1%</b>
<b>Capital contributions and transfers</b>	<b>15,099,556</b>	<b>15,415,076</b>	<b>(315,520)</b>	<b>-2.0%</b>
<b>Increase (decrease) in Net Assets</b>	<b>\$ 12,995,999</b>	<b>\$ 18,312,177</b>	<b>\$ (5,316,179)</b>	<b>-29.0%</b>

- The overall results show an increase in Net Assets of \$13 million through the first five months of the fiscal year



INNOVATION • HELPFULNESS • ACCESSIBILITY

# STEWARDS OF TOMORROW

EFFICIENCY • SUSTAINABILITY



THE PORT OF  
VIRGINIA



Virginia Port Authority Board of Commissioners, Session 363, January 27, 2015  
Growth and Operations Committee

Thomas Capozzi  
Chief Sales Officer



Stewards of Tomorrow



# Calendar Year 2014

Complete Calendar Year: January - December				
	CY13: Jan-Dec	CY14: Jan-Dec	Change	% Change
<b>Total TEUs</b>	2,223,532	2,393,038	169,506	7.6%
<b>Export TEUs</b>	1,187,231	1,298,389	111,158	9.4%
<b>Import TEUs</b>	1,036,301	1,094,649	58,348	5.6%
<b>Total Containers</b>	1,274,911	1,373,138	98,227	7.7%
<b>General Cargo Tonnage</b>	18,840,304	19,061,402	221,098	1.2%
<b>Container Tonnage</b>	18,504,244	18,733,342	229,098	1.2%
<b>Breakbulk Tonnage</b>	336,060	328,060	(8,000)	-2.4%
<b>Total Rail Containers</b>	430,894	448,096	17,202	4.0%
<b>VIP Containers</b>	32,179	36,841	4,662	14.5%
<b>Total Barge Containers</b>	48,104	56,934	8,830	18.4%
<b>Total Truck Containers</b>	795,913	868,108	72,195	9.1%
<b>Ship Calls</b>	1,865	1,957	92	4.9%
<b>Vehicle Units</b>	28,178	27,950	(228)	-0.8%

# Fiscal Year to Date

Fiscal Year-to-date: July - December				
	FY14: Jul-Dec	FY15: Jul-Dec	Change	% Change
<b>Total TEUs</b>	<b>1,169,257</b>	<b>1,256,384</b>	<b>87,127</b>	<b>7.5%</b>
<b>Export TEUs</b>	<b>618,963</b>	<b>679,716</b>	<b>60,753</b>	<b>9.8%</b>
<b>Import TEUs</b>	<b>550,294</b>	<b>576,668</b>	<b>26,374</b>	<b>4.8%</b>
<b>Total Containers</b>	<b>669,746</b>	<b>723,384</b>	<b>53,638</b>	<b>8.0%</b>
<b>General Cargo Tonnage</b>	<b>9,901,540</b>	<b>9,441,941</b>	<b>(459,599)</b>	<b>-4.6%</b>
<b>Container Tonnage</b>	<b>9,729,253</b>	<b>9,302,096</b>	<b>(427,157)</b>	<b>-4.4%</b>
<b>Breakbulk Tonnage</b>	<b>172,287</b>	<b>139,845</b>	<b>(32,442)</b>	<b>-18.8%</b>
<b>Total Rail Containers</b>	<b>226,003</b>	<b>226,814</b>	<b>811</b>	<b>0.4%</b>
<b>VIP Containers</b>	<b>17,508</b>	<b>19,044</b>	<b>1,536</b>	<b>8.8%</b>
<b>Total Barge Containers</b>	<b>24,575</b>	<b>31,476</b>	<b>6,901</b>	<b>28.1%</b>
<b>Total Truck Containers</b>	<b>419,168</b>	<b>465,094</b>	<b>45,926</b>	<b>11.0%</b>
<b>Ship Calls</b>	<b>938</b>	<b>1,016</b>	<b>78</b>	<b>8.3%</b>
<b>Vehicle Units</b>	<b>15,198</b>	<b>8,894</b>	<b>(6,304)</b>	<b>-41.5%</b>

# Customer Service

Customer Service Interactions							
Month	CS Emails	VACIS Emails	Rate Emails	CS Calls	Rate Calls	N4 Help Desk	Totals
October	2,645	1,103	1,232	606	298	112	5,996
November	3,630	842	1,559	690	360	224	7,305
December	4,878	975	1,694	910	317	145	8,919
Totals	11,153	2,920	4,485	2,206	975	481	22,220
%	50.2%	13.1%	20.2%	9.9%	4.4%	2.2%	100.0%



# 2014 Carrier Highlights

---

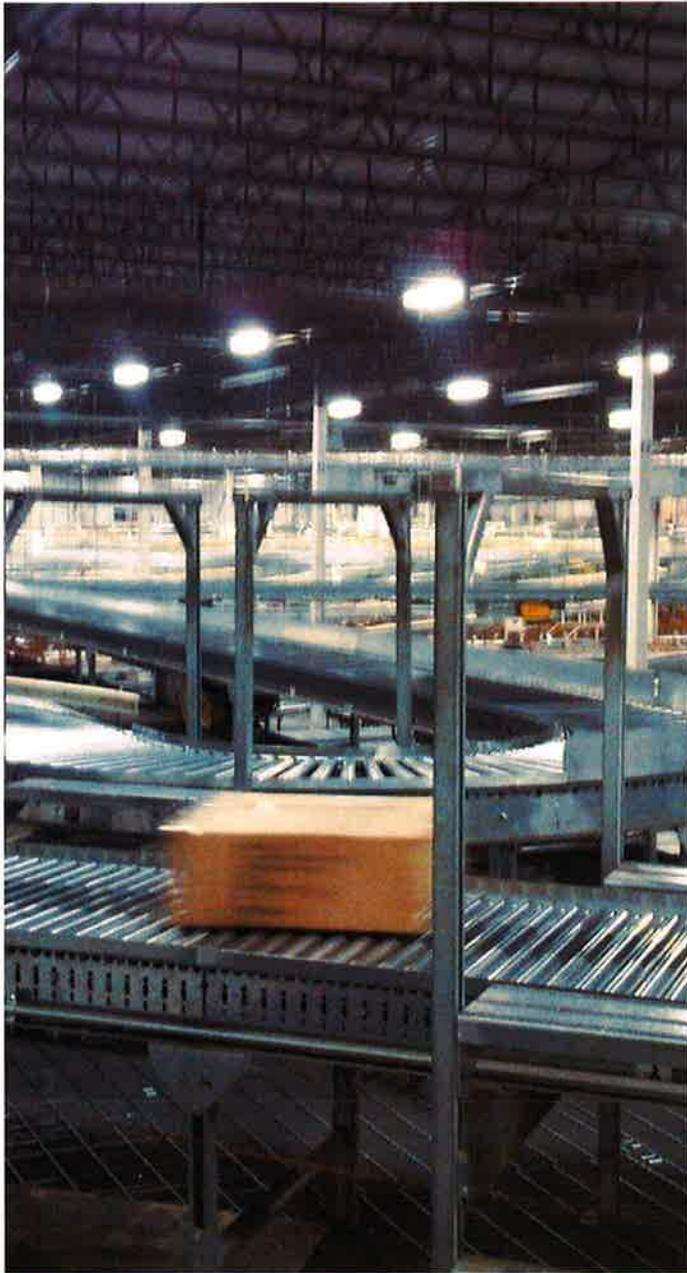
## Contracts

- Turkon – 3 year contract
- Evergreen NIT – 1 year extension
- Zim – ZCA letter agreement addendum

## New services

- Zim ZCA
- CKYHE AWE8
- MSC Indus





## 2014 Cargo Highlights

---

- Chrysler
- New Business
- ICE Designation





## Carrier Sales Group

---

- Hapag/CSAV merger
- Indamex Service relocation



# Prichard, WV ramp



- October 2015 opening
- NS served
- Direct connection to The Port of Virginia



# Port of Richmond

---



Yang Ming offering  
Richmond bill of  
lading



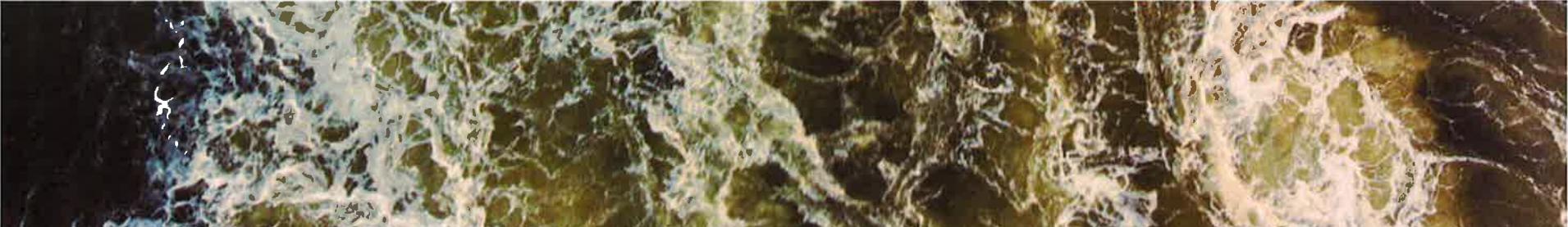


## PMT

---

- MSC at PMT
- CMA-CGM  
“Liberty Bridge”  
service to start  
1/28

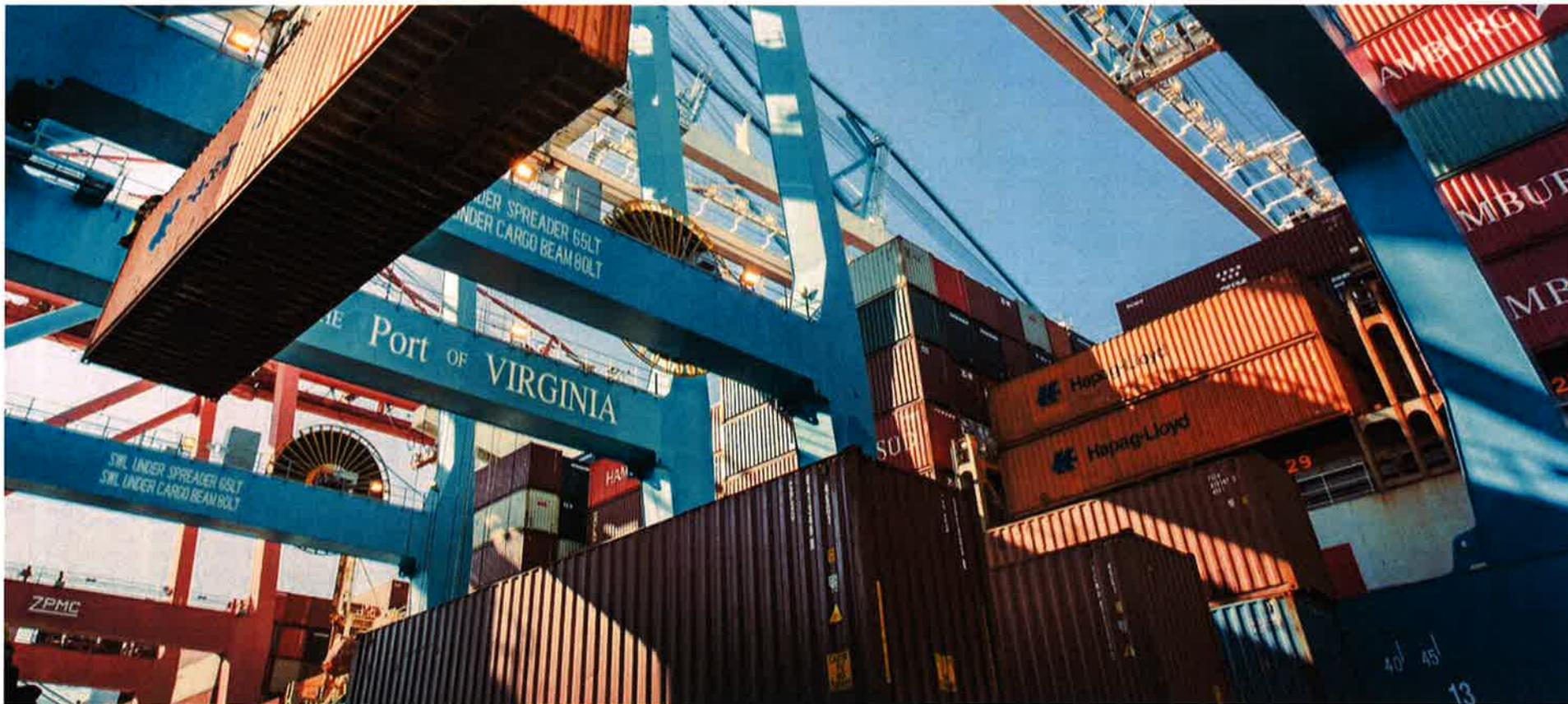




HELPLESSNESS • ACCESSIBILITY • INNOVATION  
**STEWARDS OF TOMORROW**  
FORTITUDE • SUSTAINABILITY • MINDFULNESS



THE PORT OF  
**VIRGINIA**



Virginia Port Authority Board of Commissioners, Session 363, January 27, 2015  
Growth and Operations Committee

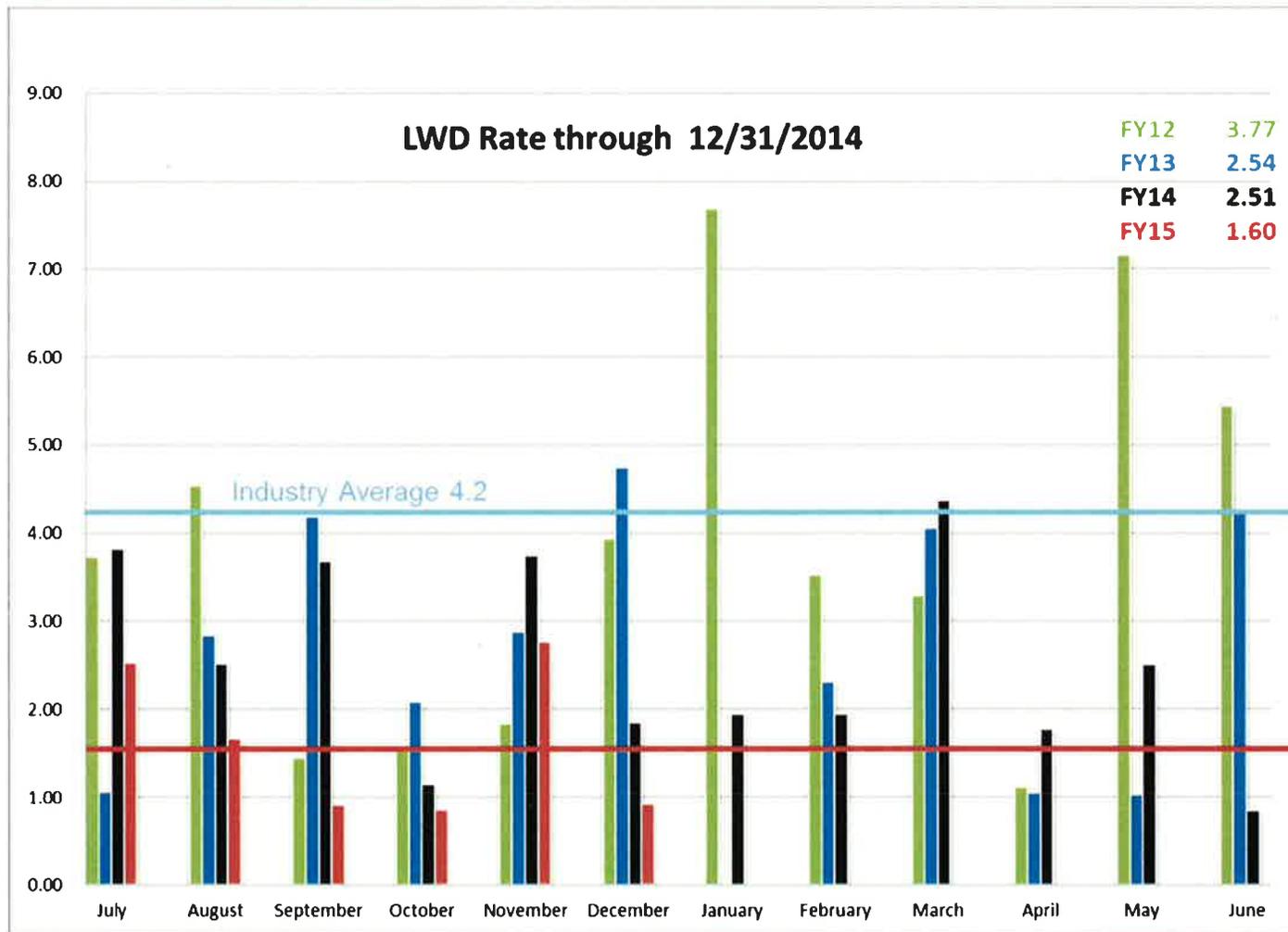
Shawn Tibbetts  
Chief Operations Officer



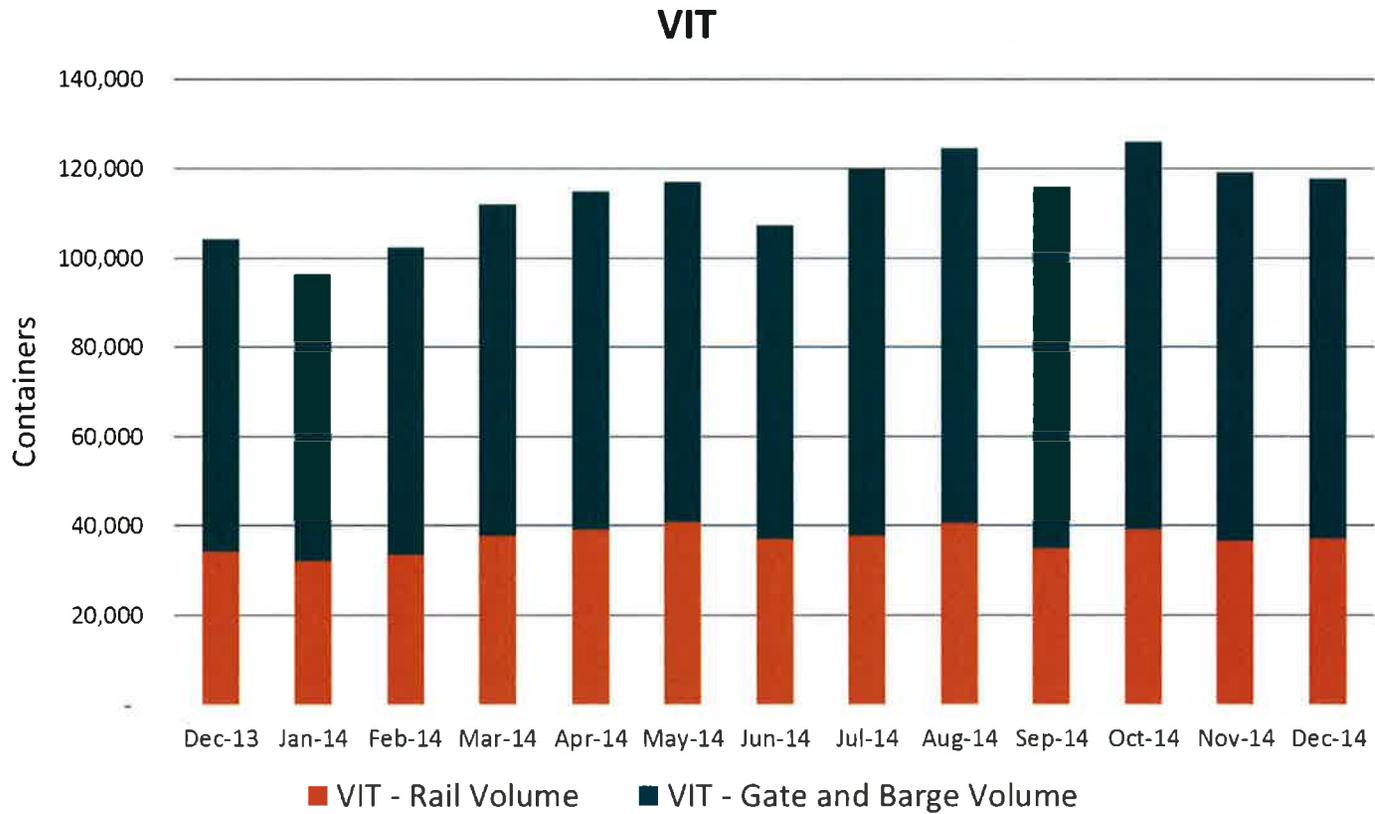
Stewards of Tomorrow



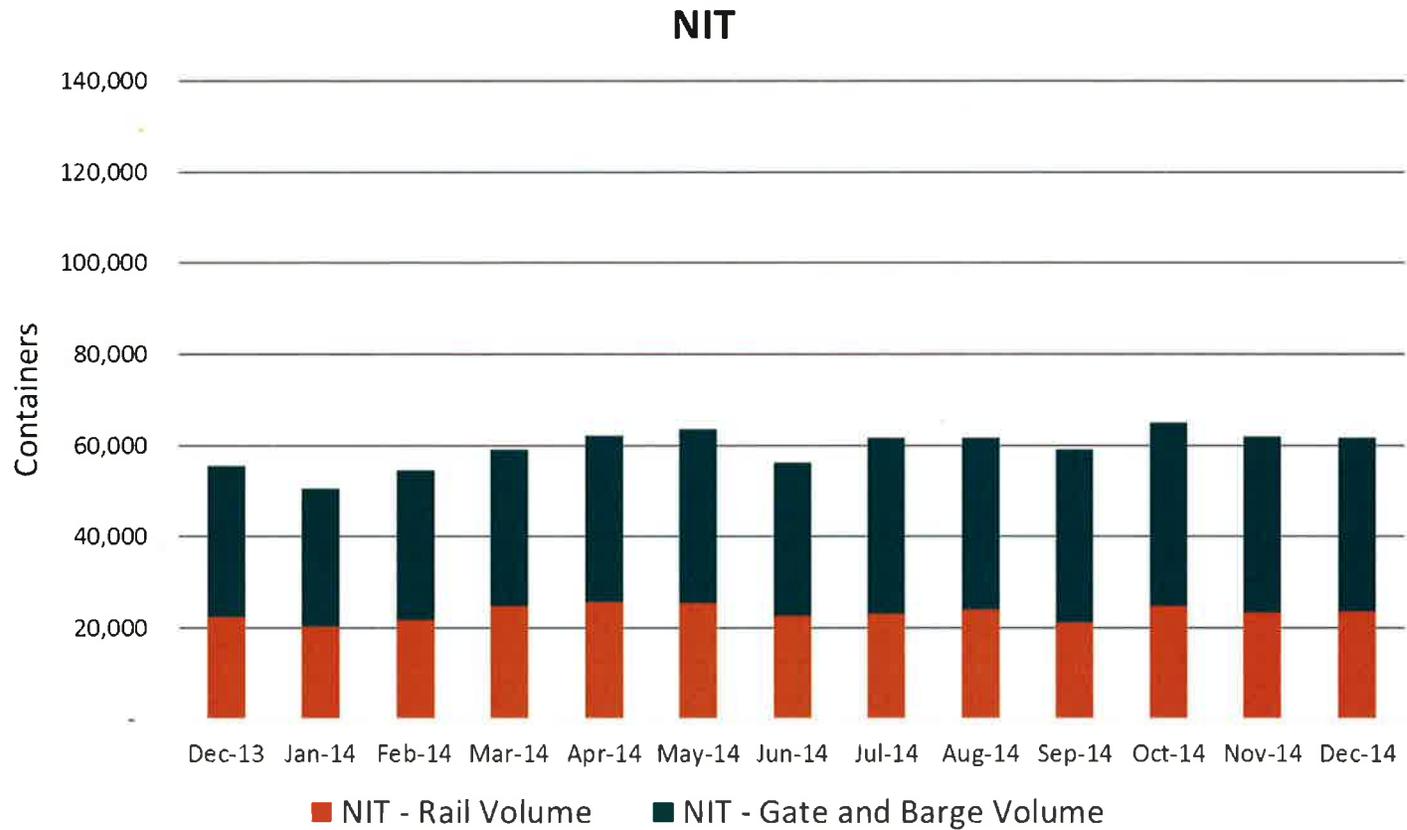
# Safety Report – Lost Work Day Report



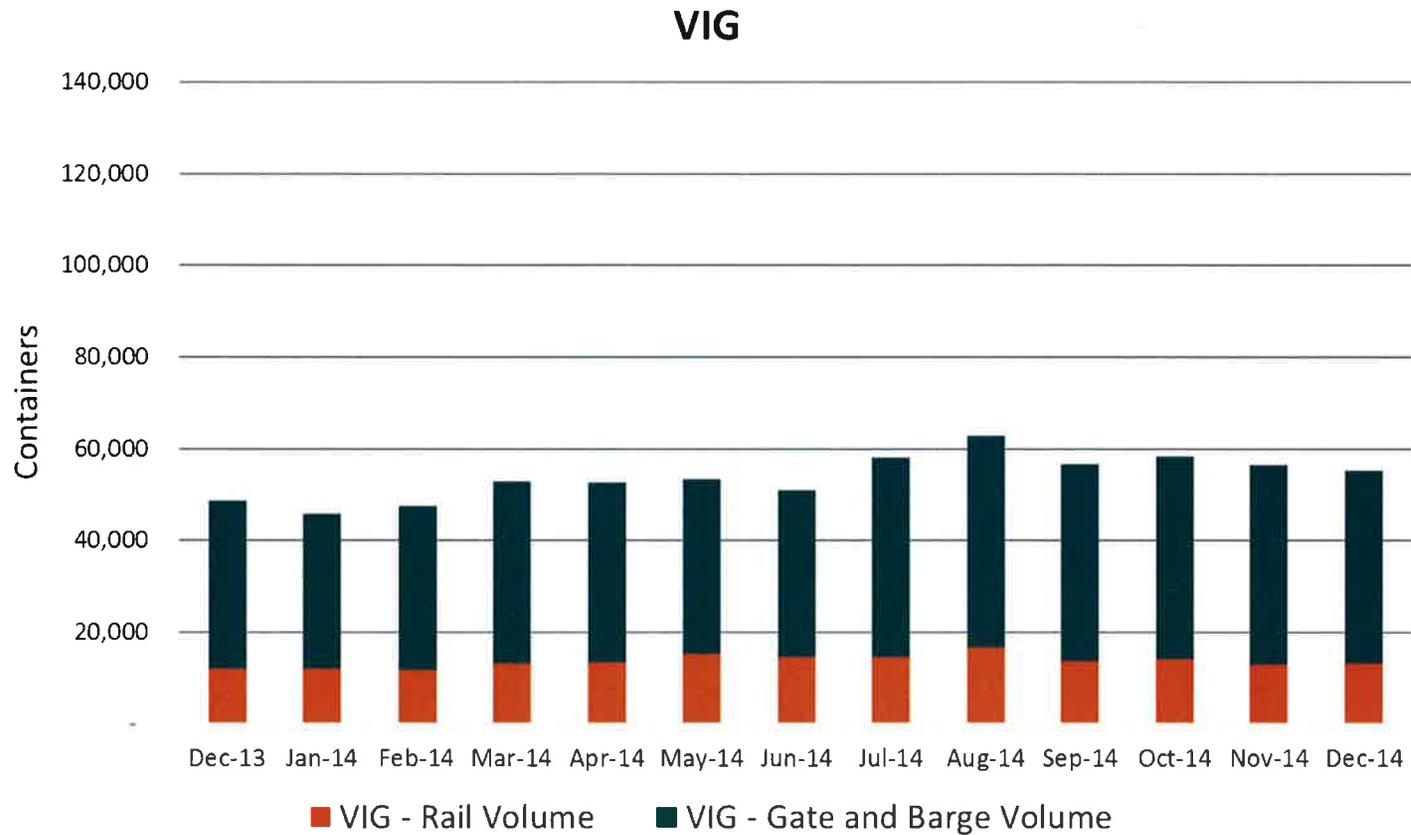
# VIT Rail vs. Gate/Barge Volume



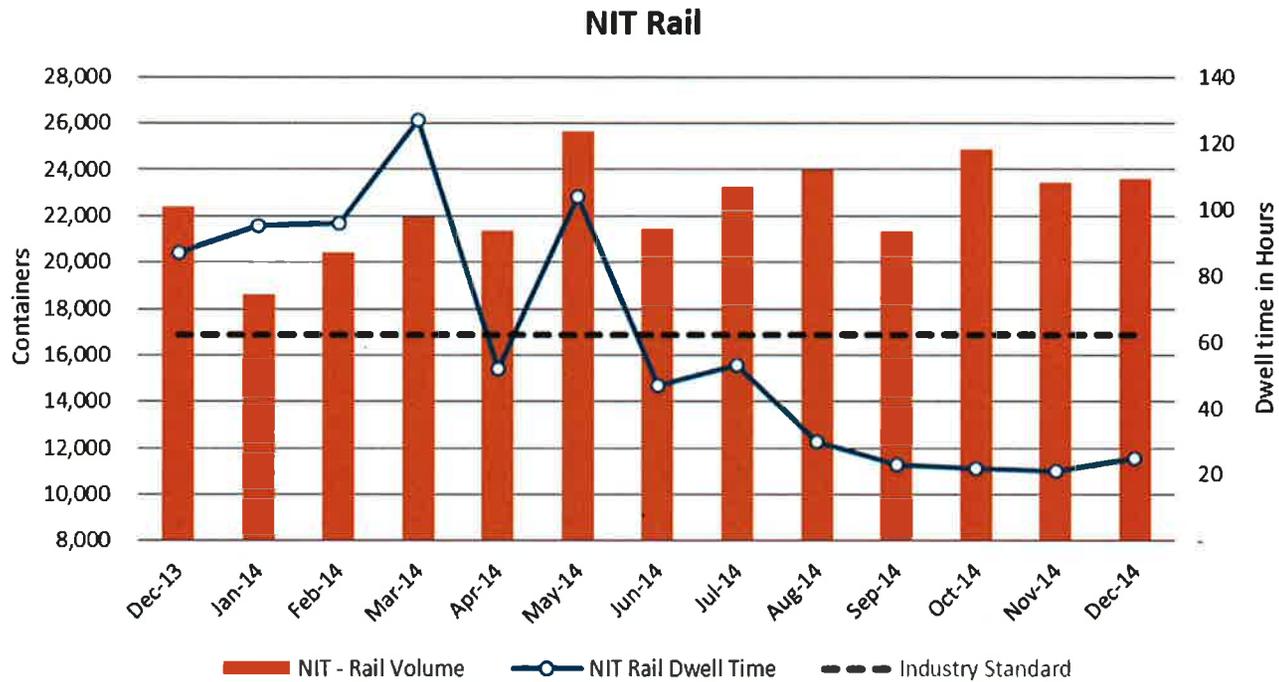
# NIT Rail vs. Gate/Barge Volume



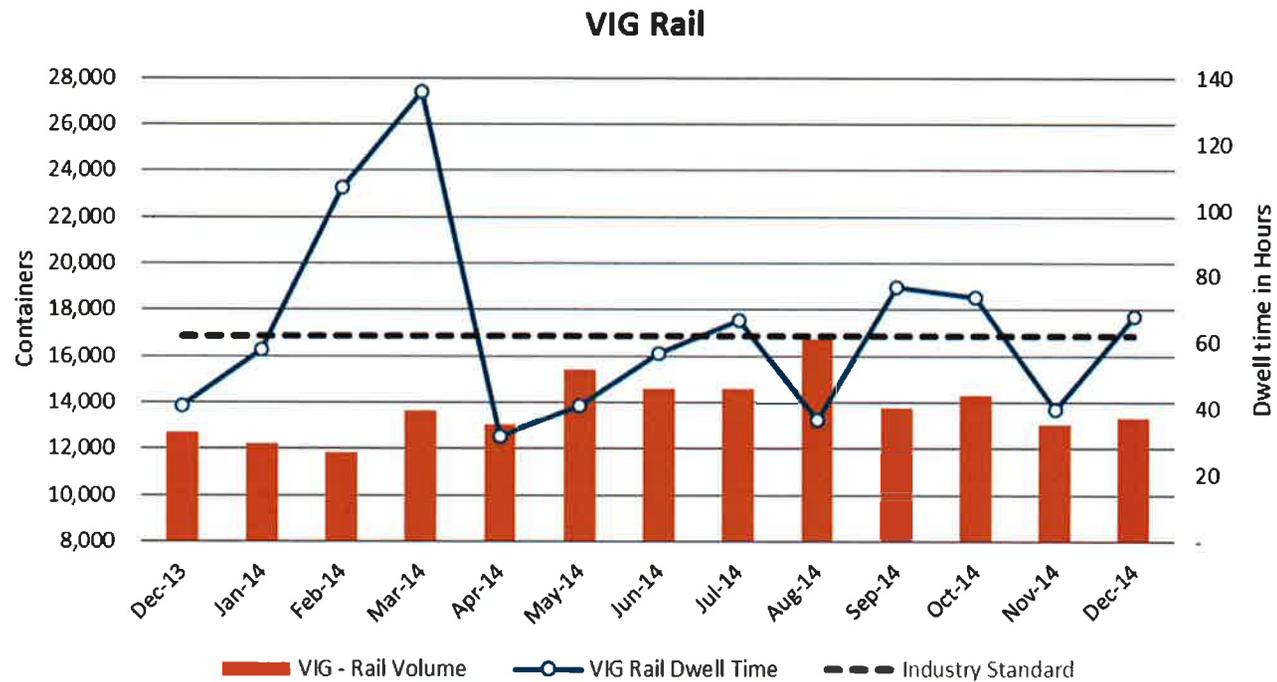
# VIG Rail vs. Gate/Barge Volume



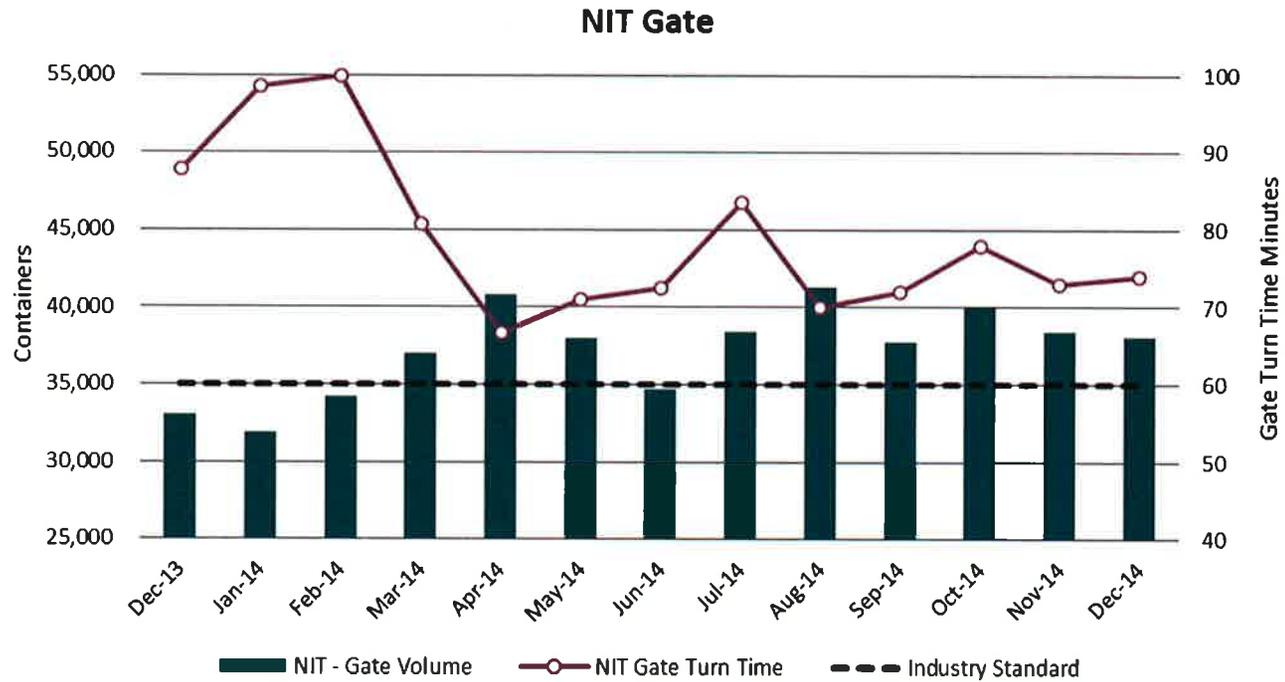
# NIT Rail Volume



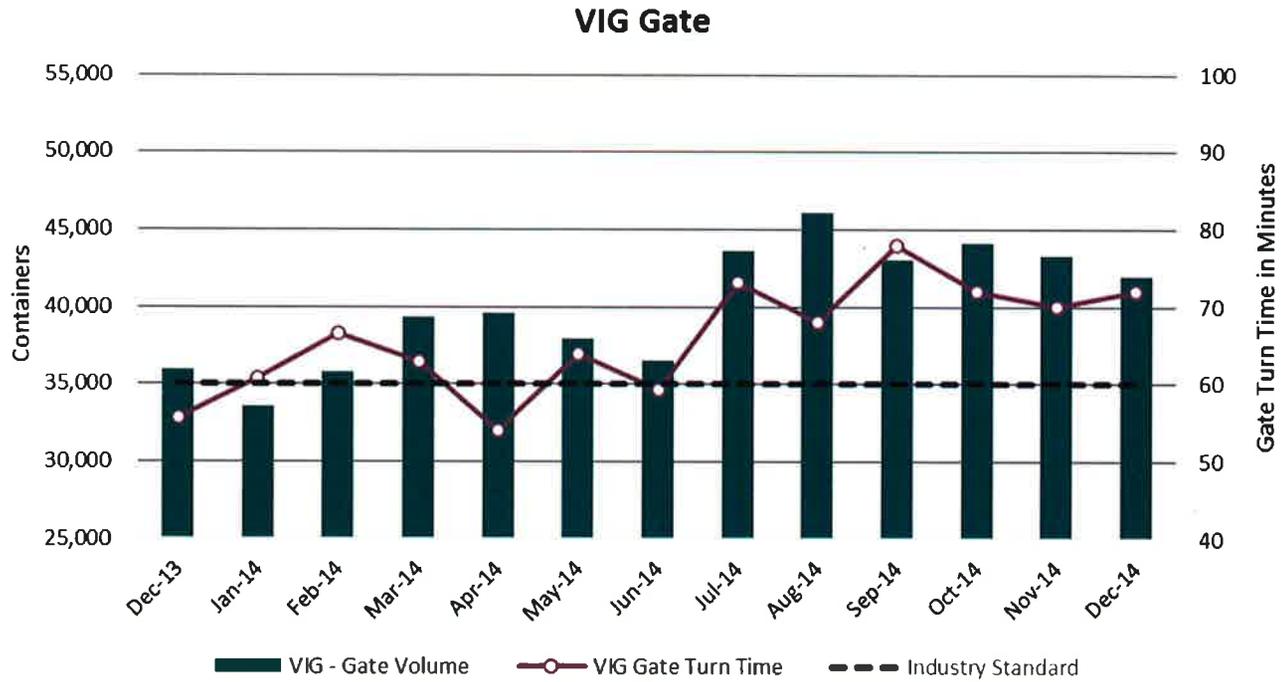
# VIG Rail Volume



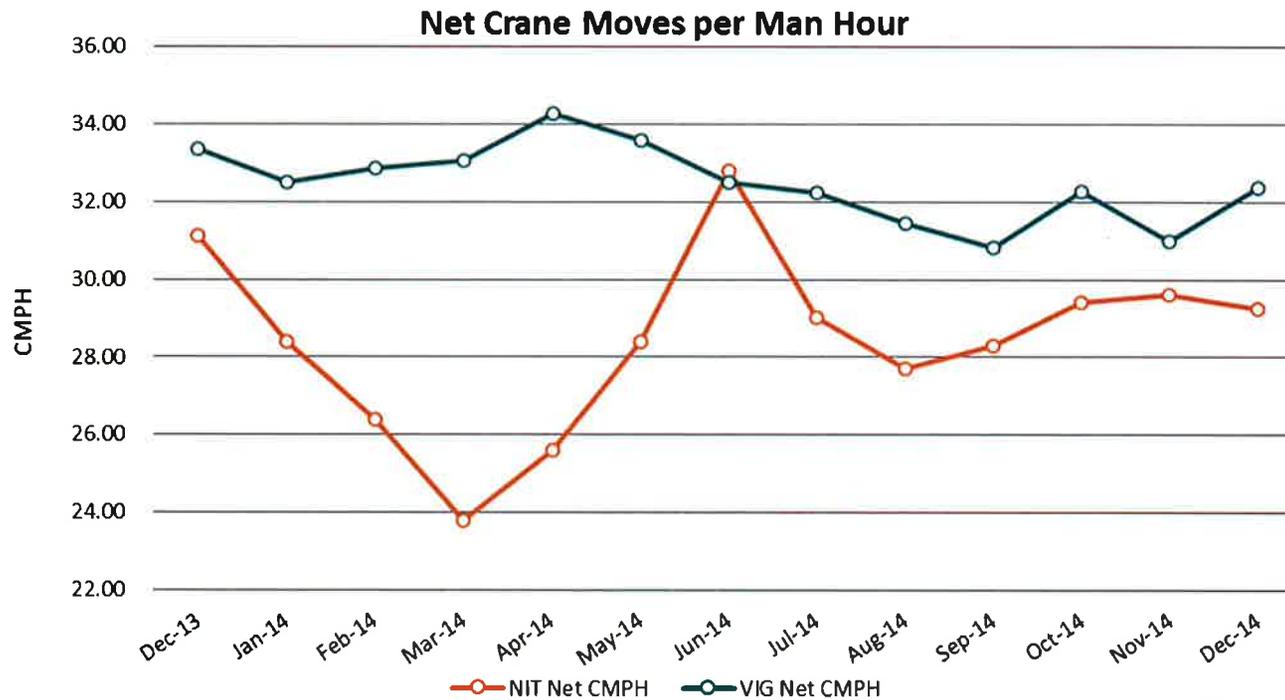
# NIT Gate Turn Times



# VIG Gate Turn Times



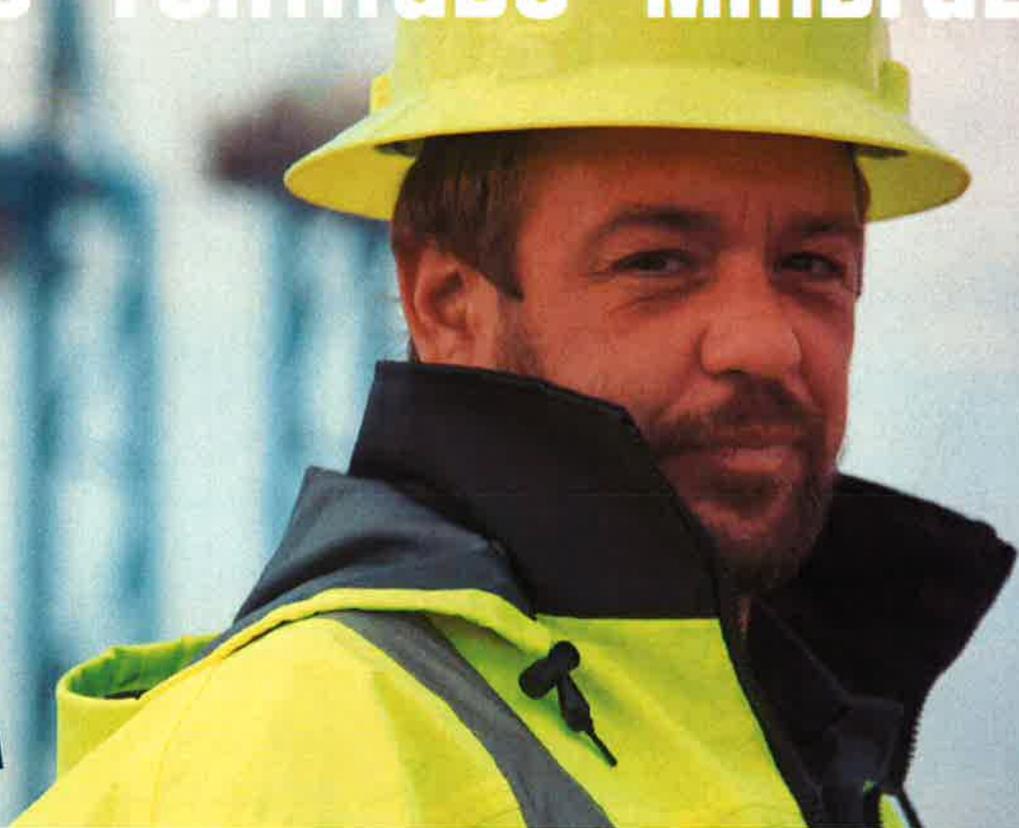
# Net Crane Moves per Man Hour



ACCESSIBILITY • HELPFULNESS • INNOVATION  
**STEWARDS OF TOMORROW**  
SUSTAINABILITY • FORTITUDE • MINDFULNESS



THE PORT OF  
**VIRGINIA**





Virginia Port Authority Board of Commissioners, Session 363, January 27, 2015  
Growth and Operations Committee

Joseph P. Ruddy  
Chief Innovation Officer



Stewards of Tomorrow





# Agenda

---

- Strategic Planning and Analytics
- Port Development
- Sustainability
- Information Technology





# Strategic Planning

---

**The following analyze were performed in support of the organization:**

- CE Report for refinancing of current debt
- Capital Prioritization Analysis
- Service Movement to PMT
- Report of Automated Gate efficiencies
- Fuel Purchase Analysis for FY 2016
- William & Mary Economic Impact Study



# Port Development



**PROJECT:** NIT North Gate Complex

**COST:** \$30 Million (\$15M TIGER)

**PROJECT ELEMENTS:**

NIT-N Yard Expansion Design	9/14
Tiger Grant Award	9/14
NIT-N Yard Expansion Earthwork	10/14 - 3/15
NEPA CATEX - MARAD/FHWA	10/14 – 1/15
TIGER Grant Agreement Review/Execution	1/15 - 3/15
NIT-N Yard Design Review – MARAD	1/15 - 3/15
IFB for NIT N Yard Expansion	3/15 - 4/15
NIT-N Yard Expansion Construction	5/15 - 2/16
Final Gate Complex Design / MARAD Approval	7/15 - 9/15
IFB for Gate	9/15 - 10/15
Gate Complex Construction	11/15 – 11/16

# Port Development



**PROJECT:** I-564 Intermodal Connector

**COST:** \$169 Million

**PROJECT ELEMENTS:**

Contract Award 2/2014

Notice to Proceed Issued 3/2014

Final Design Approval 3/14-3/15

Construction 6/15-6/17

# Port Development

---

- Port of Richmond Mobile Harbor Crane

Cost \$4.2M CMAQ Grant

FHWA approval to issue RFP

12/14

RFP

1/15 – 2/15

Crane manufacture/delivery

(6-12 months)

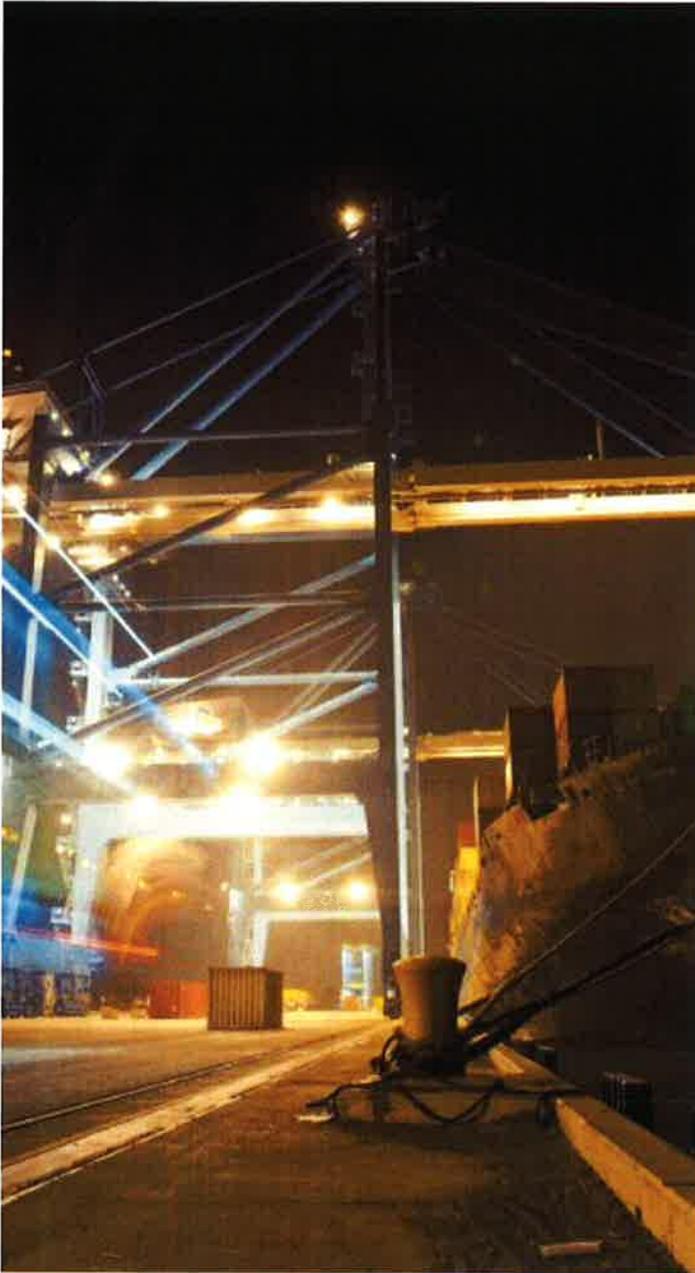


# Sustainability

---

- **Sustainability Program Planning (ISO 14000/9001)**
  - Development of a Business Operating System to merge Environment and Quality Programs into structure for the Sustainability Program.
- **Re-launch of the Green Operator Clean Truck Program, February 1, 2015**
  - Open to all truck owners transporting cargo through POV facilities.
  - Program funded entirely by CMAQ funding awarded to the Port in 2011
- **POV awarded it's 12<sup>th</sup> RiverStar from the Elizabeth River Project for Sustained Distinguished Service at the Model Level.**





# Information Technology

---

- Full Automated Gate System implementation
- Migration of Employees cross-organizational
- Testing the NIT automated Transfer Zone due to go live in January 2015
- Performed the first successful upgrade to the NIT Terminal Operating System on December 6<sup>th</sup>





Virginia Port Authority Board of Commissioners, Session 363, January 27, 2015  
Public Affairs Update

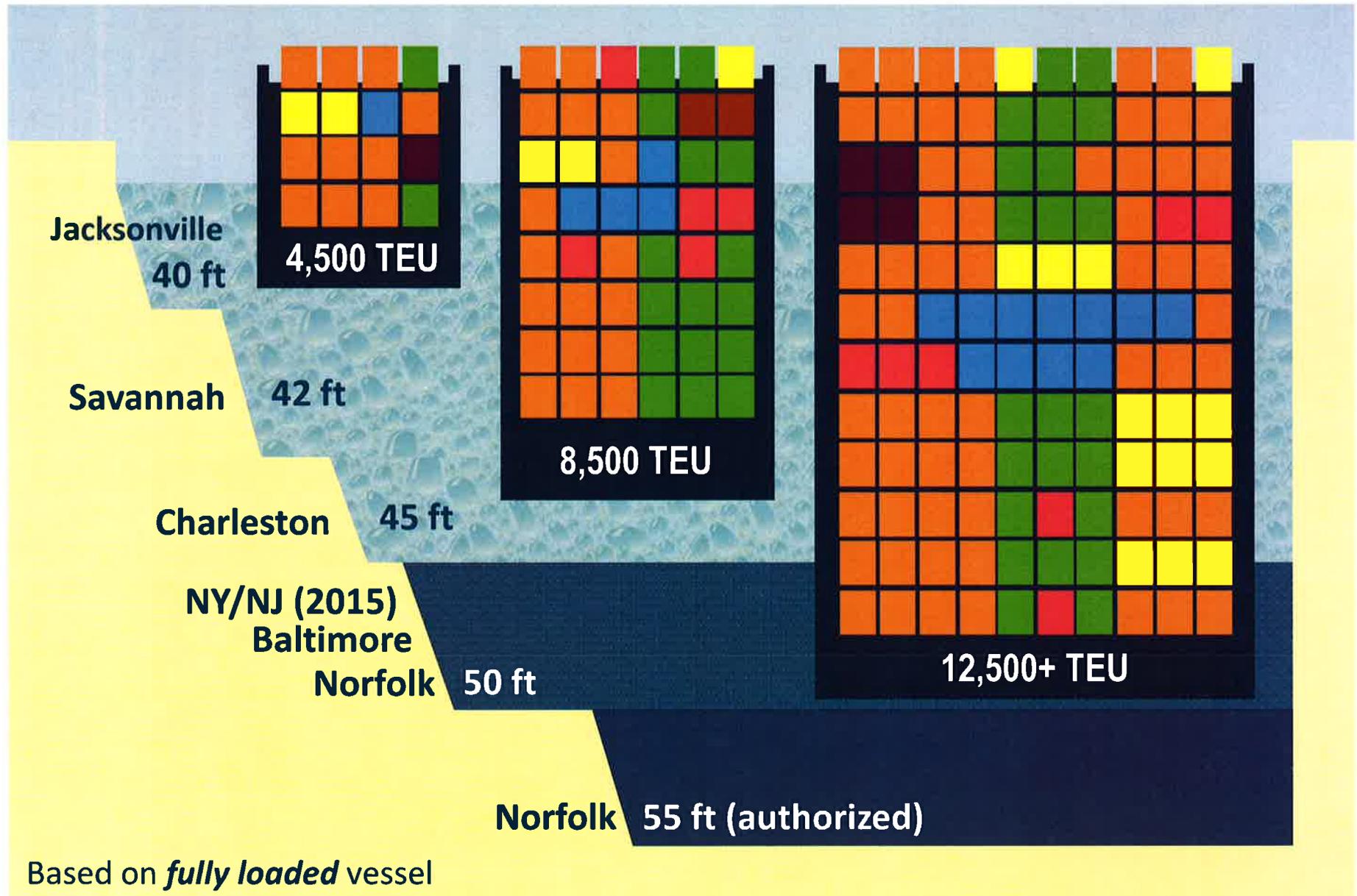
Cathie J. France  
Chief Public Affairs Officer



Stewards of Tomorrow

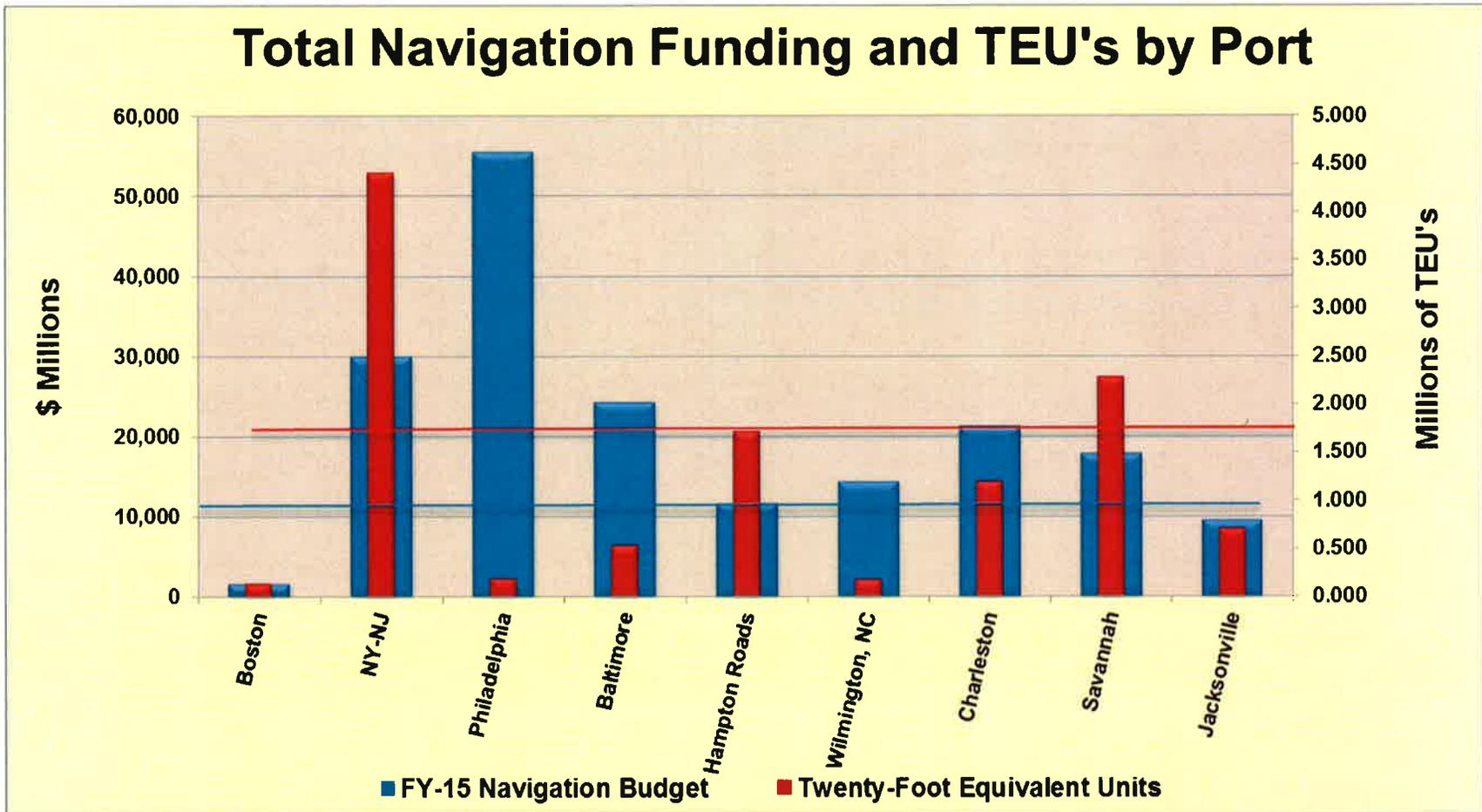


# U.S. East Coast Competitive Ports Water Depth





# Comparison of Major East Coast Ports



# 55-foot Channel



# Federal Activities

---





# General Assembly

---

- Fully Implement VPA/VIT Reorganization
- Fiscal Responsibility – Efficient Operations and Smart Investment
- Economic Development





# Community Relations

---

- Virginia Inland Port
- Richmond Task Force
- Workforce Development



# Communications



\$17.5 billion in wages  
374,000 employees  
9.4% Va workforce



18 million tons  
\$53.2 billion



4.5 million tons  
\$10.9 billion



GSP \$30.5 billion  
6.9% of GSP

Source: *The Fiscal Year 2013 Economic Impacts of The Port of Virginia*, Raymond A. Mason School of Business, William & Mary

# Branding



Stewards of Tomorrow

# Branding



# Economic Development Announcements

---

- Canon Virginia
- Pacorini
- Becker Hydraulics
- Copper Fox Distillery
- Mersen
- Nature's Touch
- Lindenburg Industry, LLC



# 2014 Virginia Economic Development Totals

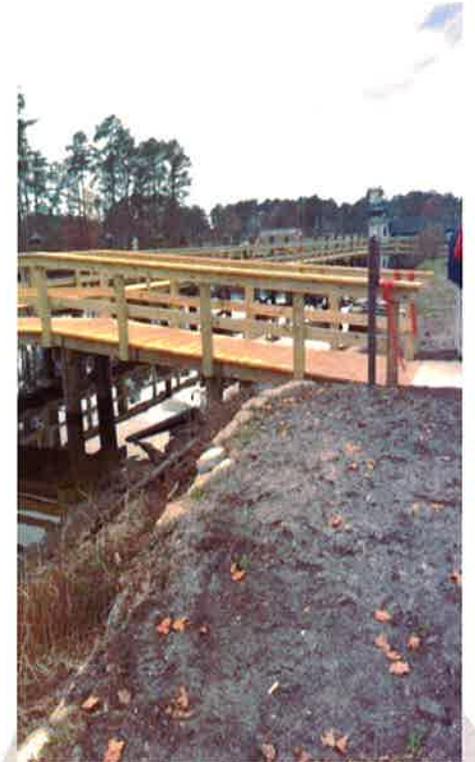
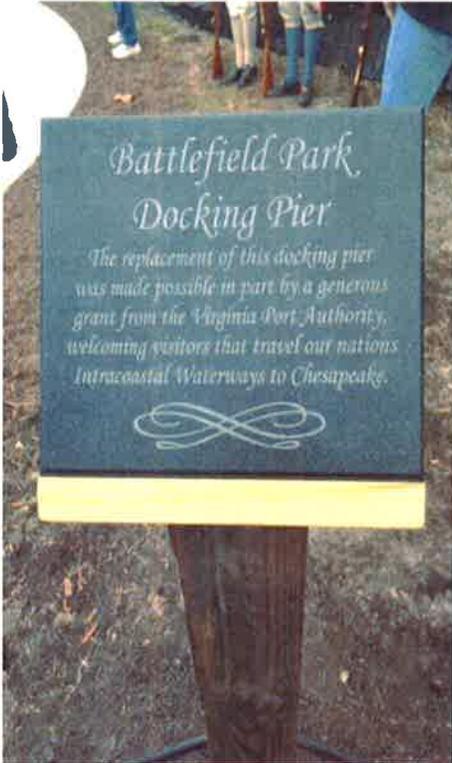
---

- Total Announcements: 34
- Total Square Footage: Over 4.3 million
- Total Investment: Over \$2.6 billion
- Total Jobs Created: Over 5,000



# Aid to Local Ports

## Great Bridge Battlefield & Waterways Park



# Aid to Local Ports

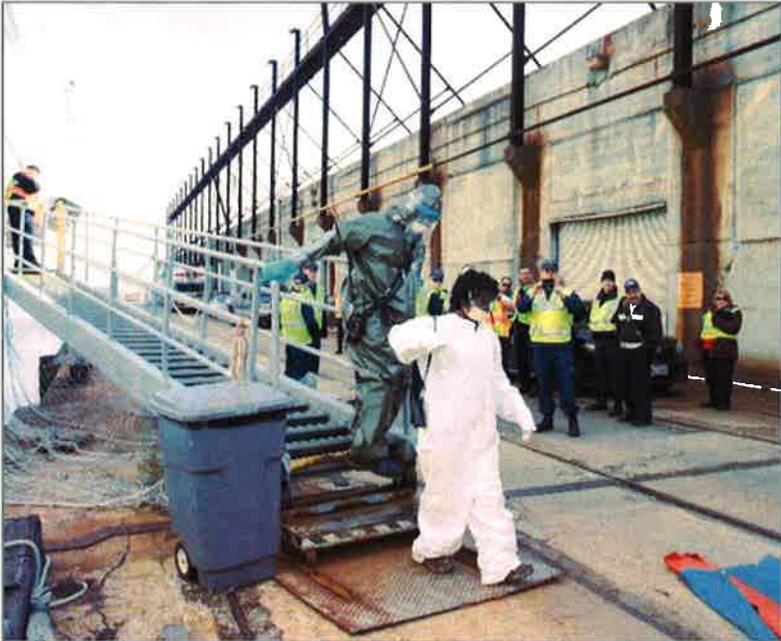
---

- **February 20:** Applicant presentation and information meeting
- **March 1:** Applications are due
- **May 19:** Funds will be allocated by the VPA Board of Commissioners
- **July 1:** Funds are available for successful applicants



# MIRT and Emergency Operations

## Ebola Planning

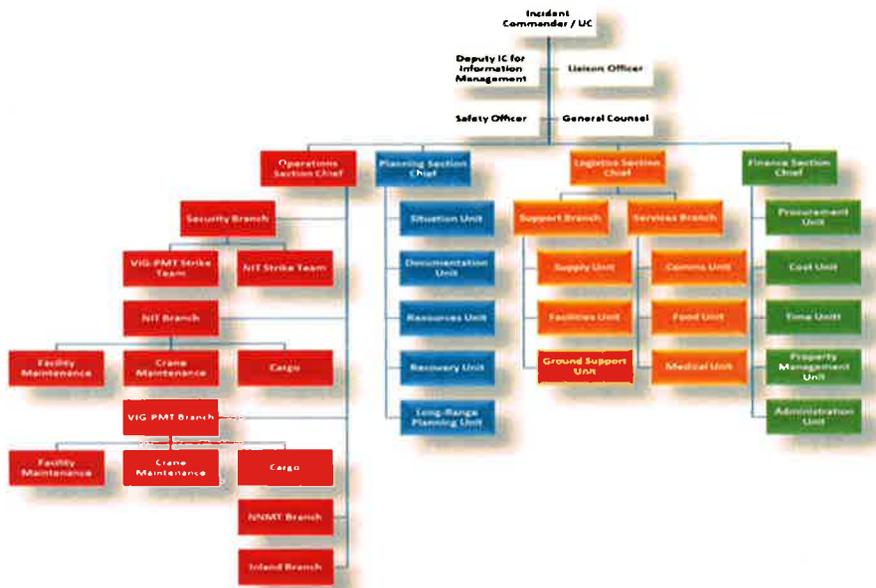


# MIRT and Emergency Operations

## Port Risk Assessments

- USCG and other port partners
- Potential for Group I status

## Incident Management Team





HELPFULNESS • INNOVATION • ACCESSIBILITY  
**STEWARDS OF TOMORROW**  
FORTITUDE • MINDFULNESS • SUSTAINABILITY



THE PORT OF  
**VIRGINIA**



Virginia Port Authority Board of Commissioners, Session 363, January 27, 2015  
Human Resources Update

Jim Bibbs  
Chief Human Resources Officer



Stewards of Tomorrow



# Colleague Transition

---

- 38 colleagues successfully transitioned from VIT to VPA
- One colleague successfully transitioned from VPA to VIT
- Two main divisions Finance and Innovation
- These moves further integrate the Shared Service agreement



# Employee Benefits

---

- Completing RFP for Defined Benefit Plan consolidation of administrators
- All 6 plan documents updated
- HRCF II colleagues successfully integrated into VIT DC plans
- Transferring colleagues successfully integrated into appropriate plans.



# Policy Harmonization

---

- VPA, VIT and HRCP II policies reviewed and harmonization is in process.
- We will retain three separate policy manuals, however they will be harmonized.
- Final edition to be completed by June 30, 2015.



# Training Transition

---

- VPA, VIT and HRCP II have been harmonized into one Learning Management System
- Integrating training process and request to go through through one central location to ensure efficient pricing & record keeping.
- Communication of process delivered mid-January



# First Calendar Quarter 2015

---

- Succession Planning implementation
- Mid Year reviews
- Employee Engagement Survey
- Integrated New Hire Orientation Program
- Recruiting for Summer Internship Program



HELPFULNESS • ACCESSIBILITY • INNOVATION  
**STEWARDS OF TOMORROW**  
FORTITUDE • SUSTAINABILITY • MINDFULNESS



THE PORT OF  
**VIRGINIA**

