



THE PORT OF  
VIRGINIA

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ANNUAL REPORT  
**2015**

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**Stewards of Tomorrow**

## State Leadership

Terry R. McAuliffe  
Governor,  
Commonwealth of Virginia

Aubrey L. Layne Jr.  
Secretary of Transportation,  
Commonwealth of Virginia

Grindly Johnson  
Deputy Secretary of Transportation,  
Commonwealth of Virginia

Nick Donohue  
Deputy Secretary of Transportation,  
Commonwealth of Virginia

## Senior Leadership Team

John F. Reinhart  
CEO and Executive Director

James S. Bibbs  
Chief Human Resources Officer

Thomas D. Capozzi  
Chief Sales Officer

Cathie J. France  
Chief Public Affairs Officer

James W. Noel III  
General Counsel

Rodney W. Oliver  
Chief Financial Officer

Joseph P. Ruddy  
Chief Innovations Officer

Shawn J. Tibbetts  
Chief Operations Officer

## Virginia Port Authority Board of Commissioners

Jennifer D. Aument

Martin J. Briley

Capt. J. William Cofer

Alan A. Diamonstein

Gary T. McCollum

Val S. McWhorter

John G. Milliken, Chairman

John N. Pullen, Vice Chairman

Dr. Faith B. Power

Kim K. Scheeler

Deborah C. Waters

F. Blair Wimbush

Manju S. Ganeriwala  
State Treasurer



# CONTENTS

- 2 Our Leadership
- 5 Letter from the CEO
- 7 What is The Port of Virginia?
- 9 Economic Impact
- 11 Unifying and Evolving
- 12 The Port by the Numbers
- 15 Fiscal and Environmental Responsibility
- 17 A Successful Fiscal Year
- 18 Accomplishments in Fiscal 2015
- 20 The FY 2016 Budget
- 21 Executive Summary
- 22 Going Forward
- 23 Letter from the Chairman
- 24 The Mid-Atlantic Global Gateway

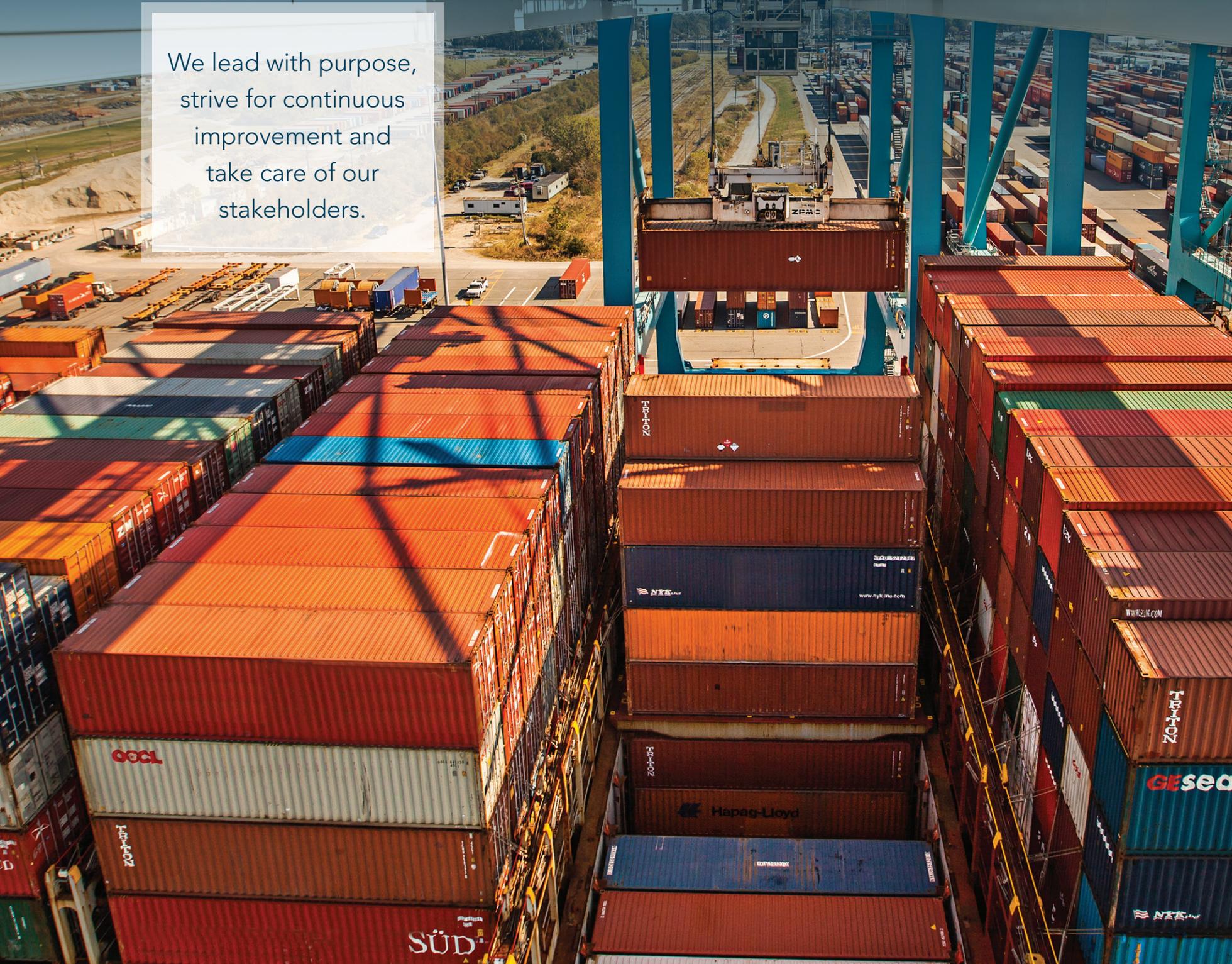
## OUR MISSION

Guided by our company values, The Port of Virginia will achieve our shared vision of operational excellence, fiscal responsibility and sustainable growth. Above all, we will remain responsible members of the communities we serve, a valuable resource to our customers, an excellent place to work, and an economic engine for the region.

ANCHOR VALUE:

# MINDFULNESS

We lead with purpose,  
strive for continuous  
improvement and  
take care of our  
stakeholders.



# Letter from the CEO



John F. Reinhart  
CEO and Executive Director  
Virginia Port Authority

We call ourselves *Stewards of Tomorrow*, and in the true definition of the word *steward*, we are the people entrusted by the Commonwealth to protect and develop this great maritime asset that is The Port of Virginia (POV).

As *stewards*, ocean carriers rely on us to handle the vessels with efficiency; cargo owners count on us to safely and expeditiously move their goods to and from market; motor carriers depend on us for quick, consistent delivery of service; and taxpayers want and deserve a port that is a catalyst for job creation and economic development.

The future here will be busy, and that is where the *tomorrow* becomes significant. Critical-capacity projects — including the expansion of Virginia International Gateway, the redevelopment of the container yard at Norfolk International Terminal and the eastward expansion of Craney Island, the home of the fourth state-owned marine terminal — will set the stage for growth and success for many tomorrows to come.

Critical to the future of POV is the people – its greatest asset. The foundation of the men and women working at this port is built upon six anchor values: *mindfulness, innovation, fortitude, helpfulness, sustainability and accessibility*. Those values drive us, our labor partners and all of the port's stakeholders to take our jobs seriously, to respect the task and those that undertake it, to think strategically, to act with dignity and to always be prepared for the challenge of tomorrow.

The port's Senior Leadership Team is focused on charting the course for the future. As a team guided by our values, we have initiated a strategic reinvestment plan that capitalizes on and leverages our assets. The result will be a financially stable port that, for decades to come, will grow and continue to be one of the Commonwealth's most important economic engines.

The work has started: In fiscal year 2015, we returned to profitability; reopened Portsmouth Marine Terminal; reinvested in our terminals; renewed our emphasis on safety; expanded the port team; improved our bond rating; received a \$15 million federal grant; hosted the Vice President of the United States; and signed a historic agreement with the federal government to begin evaluating the deepening of the Norfolk Harbor. Further, we collaborated with stakeholders to implement process improvements and mitigate the adverse impacts of congestion.

We are committed to improvement and providing a high level of consistent service to every user, partner and stakeholder in The Port of Virginia. We have made significant progress and it is important to thank everyone who helped get us here, but there is much work ahead.

We are the *Stewards of Tomorrow* and are sincere in our effort to make The Port of Virginia the East Coast's leading safe harbor for generations to come.

Warmest regards,

A handwritten signature in black ink, appearing to read 'JFR', with a stylized flourish extending to the right.

John

ANCHOR VALUE:

# INNOVATION

We embrace change and the opportunity to create. We relentlessly pursue new ideas to improve business.



# What is The Port of Virginia?

The Port of Virginia is a unique collection of marine and inland cargo terminals situated in the Mid-Atlantic within one day's drive of two-thirds of the nation's population. The finished goods, raw materials, components and consumables that people, businesses and industry use every day move across docks of this port.

The port is composed of four deep-water marine terminals, an upriver barge terminal and an inland intermodal ramp. Collectively, in fiscal year 2015, Norfolk International Terminals (NIT), Newport News Marine Terminal (NNMT), Virginia International Gateway (VIG), Portsmouth Marine Terminal (PMT), Port of Richmond (POR) and Virginia Inland Port (VIP), which is in Warren County, handled more than 19.7 million tons of cargo. Moreover, the combined value of those imports and exports totaled more than \$60 billion, invoking a record year in terms of volume and revenue. This annual throughput of cargo made Virginia the **fifth largest port in the nation**.

Each terminal provides a specific advantage, and every day the goods needed to drive our national economy move across these terminals in trucks, trains or barges. Whether it is import automobiles moving over Newport News, overweight containers sailing on a barge to Richmond, deep-draft container ships calling NIT and VIG, midsize vessels going to PMT or cargo moving by double-stack rail to VIP, the port offers solutions and possibilities to ocean carriers, logistics companies and cargo owners.

It is this variety of offerings that brings business to the port and attracts port users to Virginia to set up their warehousing, distribution and manufacturing operations. Presently, there is a community of several hundred such facilities located throughout the commonwealth. Such investment and reinvestment makes the port one of Virginia's most important economic engines and a US East Coast logistics hub.

For domestic firms exporting goods to other countries, we provide direct access to 45 countries. On the import side, this port provides access to the markets of the Mid-Atlantic, the Midwest's traditional manufacturing and population centers and parts of the Southeast.

Virginia traces its roots back to 1607, when tiny ships laden with wood for ship and furniture building and wood byproducts left Jamestown, bound for England.

Today, almost everything about the port has changed. Wood and tobacco, however, remain important exports, but so much more moves along with those commodities: machinery, plastics, pharmaceutical products, chemicals and recyclables, to name a few. The inbound cargo – imports – includes, among other things, machinery, vehicles, auto parts, coffee, retail goods, raw materials, rubber and textiles.

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CARGO HANDLED  
IN FISCAL YEAR 2015



>19.7 MILLION TONS

>\$60 BILLION TOTAL VALUE

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On average, in fiscal year 2015, 38 ships a week came, or "called," the port, importing and exporting containers to and from all corners of the world. Four percent of that cargo was moved along the James and Elizabeth rivers by barge, 63 percent was moved by trucks and 33 percent moved by train. We continue to expand our market; and as that happens, the port grows, benefitting all of its users.

The number and size of the vessels coming to The Port of Virginia keeps growing and will continue to grow. The revenue generated from those volumes will be reinvested in all of the port's terminals. This unique port, because of its assets and its ability to leverage those assets and expand, is well-positioned to capitalize on new markets, growing market share, shifting trade lanes, a dynamic industry and the unforeseen opportunities that all these changes hold.

ANCHOR VALUE:

# FORTITUDE

We will be decisive,  
follow through  
and work as one.



STEARNS  
WORK VEST  
ONLY  
2 inches

# Economic Impact

As a major gateway to global trade, The Port of Virginia continues to gain traction as an essential cog in the economic development machine, both regionally and statewide. The port has proven itself a significant asset for existing Virginia businesses as well as international firms seeking strategic, advantageous expansion, relocation or investment opportunities. The positive economic impact of this reaches organizations and individuals on multiple levels, locally and statewide, and is no coincidence.

A study published by the College of William & Mary's Raymond A. Mason School of Business in December 2014 highlighted the economic importance of the port in fiscal year 2013. The study found the port generated \$60 billion in in-state spending, accounting for 6.8 percent of Virginia's 2013 gross state product (GSP). Moreover, the research shows that the port provided more than 374,000 jobs (direct, indirect and induced) amounting to 9.4 percent of the commonwealth's resident employment that year: total compensation for that labor force was \$17.5 billion.

In fiscal year 2015, \$961 million was invested or reinvested in port-related economic development projects. This includes new and existing port users seeking to take advantage of the port. Further, the investment resulted in the creation of 3,400 jobs for Virginians and 2.9 million square feet of new space.

As the port grows and the economy improves, the interest in Virginia builds.

› In June 2014, China-based Shandong Tranlin Paper Co. Ltd., a leader in pulp and paper manufacturing and exporting, announced it will invest \$2 billion in Chesterfield County. This will be its first U.S.-based advanced manufacturing operation for the production of environmentally-friendly paper products and organic fertilizer. The port was a major factor in the company's final location decision.

› Target Corp. factored the value of the port and its access to East Coast markets when it announced a \$50 million investment to expand its operation in Suffolk. The project was secured and supported with the assistance of pro-business initiatives, including the port's Economic and Infrastructure Development Zone Grant Program.

The increasing strength, reliability and awareness of the port as an economic cornerstone can be largely attributed to the cultivation and use of effective partnerships, relationships and initiatives vital to this dynamic and mutually beneficial success. Initiatives include \$6.2 million a year in available port incentives, such as the Economic and Infrastructure Development Grant programs, and tax incentives such as the Port Volume Increase Tax Credit.

As grantee of Foreign Trade Zone 20, the port also currently avails more than 30 businesses of legal advantages pertaining to U.S. Customs duties. Stihl Inc., Newport News Shipbuilding, Becker Hydraulics USA Inc., Canon Virginia and Keurig Green Mountain Inc. are just a few benefiting from 30 designated sites within FTZ 20.

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# 5,000 JOBS CREATED

IN 2014 BY PORT-RELATED INVESTMENTS

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A boost for the state's burgeoning coffee and commodities industry came with last summer's announcement of The Port of Virginia's certification as a designated delivery point on the ICE Futures U.S. Coffee "C"® futures contract. This status is helping to drive growth surrounding the coffee and tea industry in Virginia, which includes such notable coffee-roasting facilities as Keurig Green Mountain Inc. in Windsor, Massimo Zanetti Beverage USA in Suffolk, the J.M. Smucker Co. in Suffolk and others.

As the port's leadership contemplates a timeline for large projects to expand the port's capacity and position it for sustainable growth for decades to come, its role as a catalyst for economic development will expand and the ancillary industry, jobs and investment will follow suit.

ANCHOR VALUE:

# HELPFULNESS

From a hand with the little things to lending perspective, experience, and expertise, our actions large and small make a difference.



# Unifying and Evolving

The modern history of The Port of Virginia is one that can be summed up in two words: unification and evolution. Those words are in use again at the port, setting it on a path to a sustainable future for the next generation.

In 1981, the Virginia General Assembly made a historic decision and unified the municipally owned ports in the Norfolk Harbor under the Virginia Port Authority (VPA), a state agency that would oversee the marketing and operation of the terminals. Moreover, that decision allowed the port to act collectively – and generated some of the most productive years in its history when measured in terms of overall growth and development.

Thirty-four years later, the port is undergoing a second unification that, again, is clearing the path for evolution that is driving growth and competition and setting the course for long-term success and sustainability.

In 2014, the port began a concerted reorganization process that would result in creation of a single marketing brand: The Port of Virginia. Prior to that, VPA, Virginia International Terminals, LLC, (VIT) and Hampton Roads Chassis Pool II, (HRCPII) were the three separate legal entities that worked together to execute the marketing, management, operation and delivery of service at the state-owned, or leased, terminals and chassis pool. Uniting the three to market under The Port of Virginia brand enables the distinct legal entities to perform their roles operationally, while also providing one symbol under which everyone could be supported.

Broadly, the restructuring and reorganization effort was a strategic undertaking aimed at driving growth and positioning The Port of Virginia for sustainable expansion during the next 20 years. Thus far, the effort has yielded the following results:

- › Increased collaboration among VPA, VIT and HRCP II
- › Eliminated duplication among the three entities
- › Harmonized functions of the organizations
- › Developed comparable benefits policies for the organizations
- › Created financial and operational efficiencies
- › Instituted a values system to which all team members are held
- › A single brand name used for marketing

The result is a modern business and structural model that allows the legal entities to work together under the Master Services Agreement. Moreover, VPA, VIT and HRCPII now operate under a single leadership team, brand name, set of values and common mission statement:

*Guided by our company values, The Port of Virginia will achieve our shared vision of operational excellence, fiscal responsibility and sustainable growth. Above all, we will remain responsible members of the communities we serve, a valuable resource to our customers, an excellent place to work and an economic engine for the region.*

› **VPA:** A political subdivision of the Commonwealth of Virginia. The VPA owns and through its private operating subsidiary, VIT, operates Norfolk International Terminals, Portsmouth Marine Terminal, Newport News Marine Terminal and Virginia Inland Port, which is located in Warren County. The VPA leases Virginia International Gateway and Port of Richmond. The Human Resources, Public Affairs, Finance and Innovation divisions are housed within the VPA.

› **VIT:** Responsible for providing safe, efficient and competitive services for all stakeholders. The Operations and Sales divisions are housed within VIT.

› **HRCPII:** Provides empty-yard services and intermodal capacity for the VPA. HRCPII ensures its intermodal equipment complies with the highest safety and regulatory standards. Further, it provides for the safe and effective delivery and receipt of empty containers in support of terminal operations.

Though primary tasks of restructuring and reorganizing are complete, unification and evolution are dynamic and evolving processes, says John F. Reinhart, CEO and executive director of the VPA.

“Today the agency is more streamlined, nimble, analytical, focused and unified,” Reinhart added, “but the work is not done. As the industry evolves, we are better positioned and structured to evolve with it.”

# THE PORT BY THE NUMBERS

THE PORT SPURRED  
DEVELOPMENT OF

**2.9 MILLION**

SQUARE FEET OF  
WAREHOUSE SPACE IN FY2105

ON AVERAGE

**38  
VESSELS**



A WEEK CALLED THE PORT IN FY2015

THE PORT OF VIRGINIA  
ADMINISTERS

**FOREIGN  
TRADE ZONE 20**

FTZ  
20



VIRGINIA INLAND PORT  
catalyzed the development of  
**39 COMPANIES**  
in and around Front Royal, VA



**\$1M**

THE PORT DISPENSES  
**\$1 MILLION**  
ANNUALLY TO AID  
regional ports and  
maritime projects



**\$6.2 MILLION**

AVAILABLE IN  
**PORT INCENTIVES**  
EACH YEAR

# THE PORT BY THE NUMBERS



**374,000 jobs**

which is 9.4% of the state's resident workforce, work

**PORT-RELATED JOBS**



**22 SUEZ-CLASS**

**SHIP-TO-SHORE CRANES**



LOCATED WITHIN A  
**1-DAY DRIVE**  
OF 2/3 OF THE  
NATION'S POPULATION



BY TRAIN IT TAKES JUST  
**47 HOURS TO REACH CHICAGO**

**THE PORT PROVIDES**  
direct service to more than



**COUNTRIES WORLDWIDE**

## CARGO ARRIVAL AND DEPARTURE



**63% TRUCK**



**33% RAIL**



**4% BARGE**



**15 WEEKLY VESSEL**  
CALLS TO AND FROM

**ASIA**



**13 WEEKLY VESSEL**  
CALLS TO AND FROM

**EUROPE**

ANCHOR VALUE:

# SUSTAINABILITY

We are responsible  
stewards of all  
resources entrusted  
to our care.



# Fiscal and Environmental Responsibility

The Port of Virginia has a rich history of leading by example in the area of environmental stewardship.

As *Stewards of Tomorrow*, we look not only to conform to the laws and regulations that govern our industry, but to reach beyond compliance to seize opportunities that build better communities, improve the safety of our facilities and improve our operational processes. Armed with that strategy and a drive for continual improvement, we are taking sustainability and stewardship to new levels.

Sustainability means more than reducing environmental impacts. It means putting innovative programs and processes in place that collaboratively advance our vision into the future, marked by excellence in operations, fiscal responsibility, and steady growth. It is the realization of this vision that makes The Port of Virginia truly sustainable.

Building upon the successes and lessons learned from our award-winning and internationally certified ISO 14001 Environmental Management System and ISO 9000 Quality Management System, the port is combining and expanding these systems to create an enterprise-wide Business Operating System (BOS) to serve as the platform for our Sustainability program.

Presently under development, the BOS uses the ISO framework to identify and manage risk, resources, and change. Relying on our culture of continual improvement and deliberate planning, our goal is to ensure that our values and the processes continue to serve as the foundation of a healthy sustainability program and our future.

Advancements in fleet technology and a drive to reduce operational costs and our carbon footprint are motivating our operations and maintenance colleagues to innovate our marine terminal operations. With assistance from the U.S. Environmental Protection Agency, and in partnership with Kalmar and Roush Clean-Tech, new hybrid-electric shuttle carriers and propane powered pick-up trucks can be seen working on our facilities under the banner of our Green Operator Program.

In its eighth year, Green Operator saw the successful completion of its voluntary fuel-switching program partnership with Maersk Line and Maersk Line Limited. Between January 2012 and December 2015, more than 600 Maersk vessels called on The Port of Virginia while burning ultra-low sulfur diesel fuel as they transited into Virginia waters and while at berth. Maersk's voluntary participation, with financial support from the Green Operator Program, demonstrated the effectiveness and safety of fuel-switching aboard commercial vessels and reduced diesel particulate and sulfur emissions by 60 percent and 90 percent, respectively.

Sustainability starts with our people, but we cannot do it alone. Our partnerships within the industry, our community and all levels of government are critical to our success. In the coming months, we will publish The Port of Virginia's inaugural Sustainability Report, outlining the details and results of our broader program and providing insight into our vision for the future.

*Diesel particulate and sulfur emissions were reduced by 60% and 90%, respectively, among the fuel switching program's participants.*



## ISO CERTIFIED

FOR ENVIRONMENTAL AND QUALITY MANAGEMENT

ANCHOR VALUE:

# ACCESSIBILITY

We let our customers and colleagues know we are there for them by act and deed.



# A Successful Fiscal Year

The Port of Virginia continued its record-setting cargo-handling pace in fiscal year 2015, handling more than 2.5 million TEUs in the 12 months that closed June 30, and eclipsing the record set last fiscal year by 9 percent.

Moreover, the port’s preliminary, unaudited financial results show that it generated a \$13.6 million operating profit in fiscal 2015, which is a \$30.1 million swing in revenue when compared with the prior fiscal year. This is the first operating profit since 2008 and reverses the string of operating losses.

“When I took office I knew that growing and diversifying Virginia’s economy would require making The Port of Virginia the profitable gateway to the world that it can be,” said Gov. Terry R. McAuliffe.

“I am proud of the work that my administration, the port officials and so many others have done to achieve this remarkable turnaround. I look forward to the central role this enormous asset will play as we work together to build a new Virginia economy.”

“The governor made it very clear last year that The Port of Virginia was going to change its course and become a sustainable operation, and it has,” said Aubrey L. Layne Jr., Virginia secretary of transportation. “Now the focus is on continuing the change and pushing forward to make ours the leading port on the East Coast, and we are already off to a great start.”

The port closed fiscal year 2015 with strong June TEU volumes, having handled 213,517 TEUs, which is a 14.5-percent improvement when compared with the same month last year. The month yielded growth across-the-board for the port in all areas of its operation.

“Multiple factors are behind these figures, namely hard work, across the board, by the port team, our labor partners, industry partners and stakeholders; the success of this port is a collaborative effort,” said John F. Reinhart, CEO and executive director of the Virginia Port Authority (VPA).

All of the port’s resources were tested during the winter and into spring when a number of factors came together and created significant congestion at the gates. Motor carriers experienced significant waits -- hours -- as they tried to move in and out of the terminals.

In response, the port enacted a number of short- and long-term measures that helped to alleviate the situation.

The measures included reopening Portsmouth Marine Terminal, weekend gate hours, investments in technology, people and cargo conveyance equipment, development and publication of terminal productivity metrics and productivity “summits” where partners and stakeholders were asked to help create and drive solutions to persistent challenges.

These steps and the experience gained during this period has put the port’s operations team in a better position to handle the peak retail season volumes, Reinhart said.

FISCAL YEAR 2015 CARGO		
Category	FY15: Jul-Jun	% Change
Total TEUs	2,510,099	8.9%
Export TEUs	1,356,486	9.6%
Import TEUs	1,153,613	8.0%
Total Containers	1,442,645	9.3%
General Cargo Tonnage	19,727,377	1.1%
Total Rail Containers	465,898	4.2%
VIP Containers	36,060	2.1%
Total Barge Containers	55,506	10.9%
Total Truck Containers	921,241	12.0%
Ship Calls	1,989	5.9%
Vehicle Units	36,793	7.4%

# ACCOMPLISHMENTS IN FISCAL YEAR 2015

JULY 1, 2014 – JUNE 30, 2015



## N4 TERMINAL OPERATING SYSTEM LAUNCHED

The port successfully launched the Navis N4 Terminal Operating System (TOS) at Norfolk International Terminals (NIT) without any disruptions in operations, wrapping up an intensive two-year preparation effort. NIT now has the technology infrastructure in place for a 21st century terminal operating system.



## PORT UNVEILS EMPLOYEE VALUES

Following months of discussions with the entire Port of Virginia team, our leadership team announces innovation, helpfulness, fortitude, accessibility, mindfulness and sustainability as the values to guide the organization.

## TIGER GRANT AWARD

The US Department of Transportation awarded the port a \$15 million TIGER grant to create a new intermodal gate complex at Norfolk International Terminals (NIT). When complete in the fall of 2016, the \$31 million, 22-lane gate will tie-in to the planned I-564 Intermodal Connector, reduce the volume of truck traffic on local roads and increase cargo velocity and efficiency at NIT. Vice President Joe Biden came to Hampton Roads in October to tour the port and the project site.



## RESTRUCTURING OF VPA/VIT COMPLETE

The process of restructuring and reorganizing the port's team and its leadership is complete, clearing the path for the work of harmonizing the operations, finances, benefits of VPA, VIT and HRCPII to continue. Most importantly it allows the three entities to come together and be marketed under The Port of Virginia brand name.



July 2014

August 2014

September 2014

October 2014

November 2014

December 2014

## A BOOST FOR THE CAFFEINE TRADE

The coffee roasting, packaging and handling industry that is a growing area of business for the port was given a boost when the port was certified as a delivery point on the ICE Futures US Coffee "C"® futures contract. The port was selected by ICE to be a delivery point, or exchange port, for the coffee futures contract.



## THE BEGINNING OF THE PORT'S UNIFIED BRANDING EFFORT

The debut of the new website where VPA, VIT and HRCPII are all accessible under The Port of Virginia brand name marks the beginning of the port's unified branding effort. Having a single brand streamlines the organization and helps to reduce confusion.

## PMT BACK IN BUSINESS

Portsmouth Marine Terminal (PMT), closed for nearly three years, reopened to cargo operations. Reopening the berth at PMT to container operations is the first phase of a larger effort to establish the terminal as a multi-use facility and improve service to our customers.





### NEW ANNUAL RECORD SET FOR TEU VOLUME

In 2014 the port set its new annual benchmark for container volume, having handled more than 2.3 million TEUs – a 7.6 percent increase when compared with the total from 2013. The cargo breakdown was 63 percent of the container traffic by truck, 33 percent by rail and 4 percent by barge.

### PORT'S BOND RATINGS GET A BOOST

The nation's top bond rating, agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's all affirmed the health of the port's revenue bonds. Fitch's long-term rating of the VPA's outstanding port facilities is A+ with a "stable" rating and Moody's Investors Service and Standard & Poor's rated the bonds Aa3 and A+ ratings, respectively.



### BOND SALE COMPLETED

The VPA completed the sale of \$141.8 million of port facilities revenue refunding bonds. As a result of the sale, the VPA will realize net savings of \$14.7 million on a present value basis, equal to 9.9 percent of the refinanced debt.



### POSITIONED FOR REINVESTMENT

The Virginia Port Authority Board of Commissioners adopted a budget for fiscal year 2016 that has \$135 million in capital spending. The budget is the largest actual dollar investment in more than a decade and marks the beginning of a long-term capital program for the port.



January 2015

February 2015

March 2015

April 2015

May 2015

June 2015

### AUTOMATED GATE IMPLEMENTED

The port implemented the automated gate system (AGS) at Norfolk International Terminals (NIT) to improve efficiency and speed the flow of cargo by reducing turn-times for motor carriers. The move allowed motor carriers to swipe their TWIC card at the kiosk to begin their transaction.



### OVERCOMING THE WINTER OF 2015

The winter of 2015 brought back-to-back snowstorms that closed the port for four days in February resulting in weeks of congestion. The port operations team took a number of immediate steps to alleviate congestion and restore consistency to the operation.

### ALL-TIME MONTHLY TEU RECORD

The port ended fiscal year 2015 with strong cargo volumes, having handled 210,000 or more 20-foot equivalent units (TEUs) in March (229,000), April (210,000), May (230,000 – a record-high for monthly TEU volume) and June (213,000). "That is a significant amount of volume on a day-in, day-out basis," said John F. Reinhart, CEO and executive director of The Virginia Port Authority.



# The FY 2016 Budget

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The fiscal year 2015 (July 1, 2014 - June 30, 2015) ended with a financial turnaround for The Port of Virginia, record-setting cargo volumes, nonexistent congestion at the gates, and the start of a long-term reinvestment process focused on creating consistent delivery of service and preparing for the future.

The port's leaders estimate that it will take an investment of at least \$2 billion over the course of the next decade to provide the necessary infrastructure to increase capacity, remain a global gateway for the nation and cultivate reasonable, sustained growth.

In May, the Virginia Port Authority Board of Commissioners approved the fiscal year 2016 budget and in doing so kick-started the capital reinvestment process. The budget is centered on investing in people, technology, equipment and reinvestment in facilities

In fiscal year 2015, the port posted an operating profit in nine of 12 months and posted volumes in excess of 200,000 twenty-foot equivalent units in 10 of 12 months: the port completed the fiscal year with a \$13.6 million operating profit. Comparatively, for the fiscal year that ended June 30, 2014, the port reported an operating loss of \$16.5 million, which was the sixth consecutive year of an operating loss.

## CAPITAL SPENDING

That performance and one-year turnaround are the foundations for this year's \$135 million capital spending plan that includes \$70 million for cargo handling infrastructure. The fiscal year 2016 capital spending plan is the largest actual dollar investment in the port since 2004.

In the last five years, comparatively, The Port of Virginia has been significantly out-spent by its East Coast peers on an annual capital and per-container basis. Virginia Port Authority Board of Commissioners Chairman John G. Milliken said the port cannot expect any measure of sustainable growth if those trends continue. "To think that we can continue this way, remain competitive and service these larger ships is unreasonable," he said.

As the port was coping with congestion resulting from the record container volumes in fiscal year 2015, it quickly became apparent that the staff, cargo conveyance equipment and up-to-date facilities necessary to process the cargo with efficient consistency were not in place. To manage the situation, the port invested more than \$40 million in fiscal year 2015 to address its immediate needs and improve throughput.

## IMPROVE PERFORMANCE

The infusion of equipment, people and technology helped. The effort now and going forward includes putting the processes, equipment and people in place to improve upon last year's performance and begin setting the stage for the next decade, which all forecasts show will bring larger ships and a consistent increase in cargo volumes.

Creating financial stability going forward and overall consistency throughout the operation are the ultimate goals. Improving the throughput of trucks is an immediate focus with leadership committed to cycling motor carriers in and out of the terminals in 60 minutes or less.

To that end, the port has completed a new rail cargo yard at Virginia International Gateway, which is a dedicated stack for rail containers, and is in the final planning stages of the North Gate project, a \$31M effort that will result in the construction of a 22-lane gate at north side of Norfolk International Terminals (the project will ultimately feed into the I-564 Connector).

These projects will help improve cargo velocity and provide relief to motor carriers, but they must be considered in the larger, long-term effort to modernize The Port of Virginia.

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APPROVED FOR FY 2016:  
**\$70 MILLION**  
FOR CARGO HANDLING  
INFRASTRUCTURE

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# Executive Summary

	Budget FY 2015	Actual FY 2015	Budget FY 2016
Operating Revenues	\$432,199,000	\$456,200,000	\$489,669,000
Operating Expenses	\$431,539,000	\$442,600,000	\$486,981,000
Operating Income	\$659,000	\$13,600,000	\$2,688,000
Increase Net Position	\$43,314,000	\$30,100,000	\$53,789,000



# \$135 MILLION

IN FY2016 CAPITAL EXPENDITURE BUDGET

# 5.4%

VOLUME  
INCREASE  
(from 2015 forecast)



INCOME FORECAST TO INCREASE BY



# \$54 MILLION

FY2016 BUDGET CONTAINS

## LARGEST CAPITAL SPENDING PLAN

SINCE 2004

# 2.87X

DEBT SERVICE COVERAGE RATIO

# 95



NEW 30 COMPANIES

## POSITIONS

(80 from 2015 budget)

# Going Forward

On a hot Monday afternoon in mid-June, The Port of Virginia's future got a boost.

Two signatures on a Feasibility Coast-Share Agreement (FCSA) – those of John F. Reinhart, the port's CEO and executive director, and Col. Paul B. Olsen, Norfolk District Engineer U.S. Army Corps of Engineers – started the clock on the three-year process of evaluating the economics of dredging the port's channels to a depth of beyond 50 feet.

Deeper water and overall expansion of the port's capacity and cargo handling capability will put The Port of Virginia in the position to market the deepest channels and the most modern terminals on the East Coast to the world. During the next decade, the port will require at least \$2 billion to add capacity to its terminals, modernize them, remain competitive and prepare for the future.

There are three large projects in the port's near and distant future: targeted redevelopment at Norfolk International Terminals (NIT); expansion at Virginia International Gateway (VIG); and the continued eastward expansion of Craney Island, which will make way for development of Craney Island Marine Terminal.

Each project adds to the port's capacity, increases its ability to safely handle the biggest ships in the Atlantic trade and ensures sustainable growth.

"Competitive participation in the global market depends in part on being able to efficiently transfer goods through port facilities and keep pace with changes in the industry," Reinhart says.

In order to capitalize on changing trade patterns and bigger vessels, it is necessary to expand capacity and improve the port's ability to handle larger container ships. For years, it has been recognized that more capacity was needed, but as the world's economy improves, a widened Panama Canal prepares to open and ocean carriers introduce bigger ships into their fleets, the time for expansion is now. The port's average annual growth

rate since 2012 (measured in containers on a calendar-year basis) is 7.6 percent and the port forecasts 4.6 percent growth in fiscal year 2016 against the fiscal year 2015 container volume.

The port is fortunate because it has several immediate opportunities to address congestion and increase the port's capacity that include expanding and optimizing its existing deep-water container terminals: Portsmouth Marine Terminal (PMT), Virginia International Gateway (VIG), and Norfolk International Terminal (NIT).

- › Improvements at PMT would nearly triple that terminal's capacity within one year.
- › The VIG Phase II expansion is a multi-year project that would double its current capacity to 2.1M TEUs, enough to absorb five years of cargo growth.
- › Optimizing NIT is also a multi-year project that, through better use of space, would create greater density and expand its rail yard. This project would absorb another four years of growth.

By summer 2016 the first project – the new North Gate Complex – of the first phase of redeveloping NIT will be nearing its finish. From there, phased demolition and construction aimed at improving the upland capabilities at NIT begins.

The expansion of VIG would provide the capacity to handle an additional 1.1 million TEUs (20-foot equivalent units) annually and bring the terminal's total annual capacity to two-plus-million TEUs. The \$320 million project entails expanding the rail operation, additional container stacks, new cargo conveyance equipment and extending the berth.

The expansion at VIG will provide a bridge to the port's long-term goal of developing Craney Island Marine Terminal.

"Our natural assets, long-term capital plan and deepening effort puts us on a path for sustainable growth over the long-term," Reinhart says. "The collective result will be jobs, revenue, investment and reinvestment for the entire commonwealth."

# Letter from the Chairman



John G. Milliken  
Chairman  
Virginia Port Authority Board  
of Commissioners

The Port of Virginia has just concluded a challenging but successful fiscal year 2015 with a \$13.6 million operating profit, its best financial performance since fiscal year 2007.

The credit for this feat belongs to the men and women who report to the terminals every day, to the stakeholders who believed in the plan and supported it and to our customers and cargo owners who stuck with The Port of Virginia through some serious challenges.

The port's goal is not just to generate a profit and then hold on to it. Rather, every dollar earned is reinvested in the facilities to ensure they are modern, well-maintained and have the necessary tools and infrastructure to operate at a high level of efficiency. The mission of the port is to foster economic development and create jobs across the Commonwealth by serving as a global gateway for trade. To do that we must grow.

We have to be prepared to use our natural assets of deep water and available land for expansion in order to take advantage of the coming growth in U.S. East Coast shipping. We have to expand the capacity at each of the terminals we operate, make increased use of existing and newly-created off-terminal facilities and continue our steady march toward opening a new facility on Craney Island.

We know that each additional import container brings jobs to the port and business for our shipper, freight forwarder and distribution center partners. And each new export container brings jobs to the farms and factories that produce a product "Made in Virginia." Governor Terry McAuliffe, is all about creating jobs in Virginia and we are all about doing our part.

We made good progress in fiscal year 2015. In the last 12 months 41 companies have invested or reinvested in Virginia because they wanted to make good use of the port. The result is 3,453 jobs, 2.8 million square feet of new space and a total investment of \$961 million.

We are successfully addressing the ongoing challenge of congestion at our main container facilities. The numbers show improvement, and we are heading further into our busy season. It will require a team effort to ensure that our progress continues. The challenges will surface, but I have great confidence in the future of The Port of Virginia.

Warmest regards,



John

# THE MID-ATLANTIC GLOBAL GATEWAY



- 1 Newport News Marine Terminal (NNMT)
- 2 Norfolk International Terminals (NIT)
- 3 Portsmouth Marine Terminal (PMT)
- 4 Craney Island (CI)
- 5 Virginia International Gateway (VIG)
- 6 Port of Richmond (POR)
- 7 Virginia Inland Port (VIP)

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