Virginia Port Authority Container Forecast – 2006

In recent years, the port has matched or exceeded the overall container performance of all U.S. ports viewed collectively. This is still likely to continue to be the case for exports for the rest of 2005. Sustained growth in imports, however, faces several short-term challenges.

In 2005, several transportation and capacity-related issues are likely to constrain the port's ability to attract the growing volume of imports from Asia. As previously noted, China has become the prevalent source of merchandise imports entering the United States with 10-15% growth expected again this year. Virginia, like all East Coast ports, is heavily dependent on the all-water routing of vessels from China and surrounding Far Eastern ports via the Panama Canal. Currently, the longer, but potentially competitive transit to East Coast ports from Asia via the Suez Canal is only offered by one alliance of ocean carriers with a single weekly rotation.

The Panama Canal is nearing capacity, especially for the transit of the largest Panamax container vessels. While expanding import opportunities have resulted in a significant desire by container carriers to add all-water services, both the Canal's limitations and the lack of available ships have prevented this from occurring. As newer, larger vessels are built and introduced into the Asia/Europe and Asia/U.S. West Coast trades in the next few years; a cascading effect is likely to result in the increased availability of Panamax ships for added service strings between Asia and U.S. East Coast ports.

Any additional all-water services are not likely to start until late 2005 or early 2006. Therefore, for the compensation year as a whole (May 2005 – April 2006), this added vessel capacity will not provide a significant boost to the import trade flow from Asia.

In addition to these external factors, The Port of Virginia faces significant internal challenges. Maritime consultants state that the maximum efficient operating capacity of the three state-owned marine terminals is 85%. Currently, Virginia International Terminals, Inc. (VIT) is operating the terminals at 92% of capacity. Short-term growth must be weighed against the economics of terminal efficiency and capacity. As the maximum efficient operating capacity is surpassed, terminal congestion increases and revenue is negatively affected due to the necessity of paying increased over-time wages.

VIT's own success over the last several years also impacts the forecasted percentage of growth. Following double-digit growth in 2003 and 2004, the Port's business base is now at an historic high. In the first quarter of calendar year 2005, VIT's growth in numbers of containers handled was identical to the unit growth in the first quarter of 2004 (+37,000 units). However, whereas that increase represented 12.3% growth in 2004, the rate of growth declined to 10.8% in 2005 as the bar is continually raised. For the fiscal year beginning July 1, 2005, VIT's budget is based on a container growth rate of 8.2%

Based on the above detailed economic conditions, the current check on vessel deployments from Asia and the internal challenges faced by VIT, the Virginia Port Authority's compensation year forecast for 9.5% growth in cargo volume is aggressive, but attainable.

Virginia Port Authority
Executive Director Incentive Compensation
Financial Management Goal

The Financial Management goal for Mr. Bray's incentive compensation compares Special Fund (SF) operating expenditures (i.e. operating expenditures paid out of terminal revenues) to SF revenues plus beginning cash balance.

To determine the appropriate ratios for achievement, we use the budgeted SF operating expenditures and revenues for the upcoming fiscal year. In addition, we estimate the SF cash balance at the beginning of the upcoming fiscal year. We use fiscal year estimates because the net transfers from VIT, and some operating expenditures, can fluctuate significantly from month to month. As SF revenues have grown, more and more of the revenue has been used to fund capital projects, which are not considered in this calculation. As a result, the ratios continue to change annually.

If VPA SF revenues and operating expenditures meet budget expectations, Mr. Bray would achieve 100% of his incentive for this measure. If actual SF revenues during the review period are below budget, and operating expenditures are not correspondingly reduced, Mr. Bray would not achieve 100% of his incentive for this measure. Similarly, if budgeted revenues were achieved but operating expenditures were above the original budget estimate (i.e. administrative SF operating budget increases were approved by DPB and utilized) Mr. Bray would also not achieve 100% of his incentive.

Commonwealth Port Fund (CPF) revenues and expenditures are not a determining factor in the calculation because CPF revenues are not under Mr. Bray's control and CPF expenditures are primarily capital related. There is normally a separate capital related (Project Management) goal.

A copy of the base calculation is also attached for your review.

Financial Management Goal Calculation

Estimated FY06

Operating Budget	31,578,719.00
Revenue Budget-*	42,901,018.00
Estimated Beg Bal-7/1/05	3,000,000.00
	45,901,018.00
Ratio of Cash Operating Budget as a % of Cash Op Rev Budget and Est. Beginning Cash Balance 7/1/05	0.69

*Estimated 4/20/05. Includes estimated VIT transfer, security surcharge, Maersk rent, interest, and other miscellaneous.

VIRGINA PORT AUTHORITY
AAPA 2004 SALARY SURVEY ANALYSIS
EXECUTIVE DIRECTOR (OR EQUIVALENT) COMPENSATION

South Atlantic Ports:

Average Base Salary in 2004	175,426
Average Tenure (Years)	6
Number of Ports with Auto/Allowances (out of 10)	8
Number of Ports with Incentive Comp (out of 10)	4

Comparative Ports:

	Virginia Port Authority	Maryland Port Admin	Georgia Port Authority	South Carolina State Ports	Miami Dade County
Base Salary	**$189,200**	$174,000	$210,344	$214,000	$228,865
Last Salary Raise (Date)	**November, 2003**	July, 2001	July, 2003	October, 2002	July, 2004
Tenure (Years)	**25**	5	9	8	6
Auto or Allowance	**$12,500**	Yes	Shared	Yes	$6,000
Incentive Plan	**Yes**	No	No	Yes	No
Total Revenues	**$141,416,722**	$78,172,046	$121,453,916	$111,345,000	$87,169,489
Total Employees	**142**	307	788	577	338

	Port of Corpus Christi	Port of Houston	Port of New Orleans	Port of Portland	Port of Seattle
Base Salary	$205,000	$214,500	$221,750	$226,012	$262,919
Last Salary Raise (Date)	May, 2004	January, 2004	March, 2004	October, 2003	August, 2003
Tenure (Years)	10	13	3	3	14
Auto or Allowance/year	Yes	$7,500	$12,000	No	Yes
Incentive Plan	Yes	No	No	Yes	No
Total Revenues	$28,102,307	$170,618,000	$37,468,377	$292,500,000	$472,178,000
Total Employees	73	495	310	899	1,500

	Port of Long Beach	Port of Los Angeles	Port of Oakland	Port of San Francisco	Port of Stockton
Base Salary	$194,177	$262,919	$200,004	$186,212	$180,353
Last Salary Raise (Date)	July, 2001	August, 2003	July, 2004	2004	July, 2004
Tenure (Years)	7	14	1	1	4
Auto or Allowance/year	$5,400	Yes	$6,900	No	Yes
Incentive Plan	No	No	Yes	Yes	Yes
Total Revenues	$249,541,435	$343,654,000	$224,518,045	$56,645,000	$35,470,506
Total Employees	340	716	600	228	86

Note: The Port Authority of NY/NJ reported only data related to their Commerce Department and was, thus not included in this analysis.