

# Virginia Port Authority Strategic Plan

## Mission Statement

The Virginia Port Authority (VPA) shall foster and stimulate the commerce of the Ports of the Commonwealth, promote the shipment of goods and cargoes through the ports, secure necessary improvements of navigable tidal waters within the Commonwealth and, in general, perform any act or function which may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of the Ports of the Commonwealth.

## Vision Statement

The VPA is the Commonwealth's leading agency for international transportation and maritime commerce, and has a long history of generating business through the Port of Virginia. The Port of Virginia consists of four state-owned facilities: Newport News Marine Terminal, Norfolk International Terminals, Portsmouth Marine Terminal, and the Virginia Inland Port in Front Royal, Virginia.

Officially charged with operating, marketing, and securing the state-owned marine facilities and the inland port, the VPA has become one of the world's leading maritime organizations. The Port of Virginia consistently ranks as one of the leading ports in the United States, in the movement of total foreign waterborne commerce.

The VPA will continue to increase the container throughput passing through the Ports of Virginia, as well as the volume of rail business moving over the marine terminals, and renovate/expand facilities to increase throughput capacity and efficiency. Upon completion of the deepening of the inbound shipping channel to 50 ft the VPA will be the only port on the East Coast that can accept the largest vessels currently in use by ship lines.

## Summary of Current Service Performance

Pursuant to its mission statements, the primary responsibilities of VPA are to:

- Market the ports of the Commonwealth
- Provide security for the Port of Virginia
- Maintain the port infrastructure and improve operating efficiency, and
- Monitor and support the activity of VPA's operating company, Virginia International Terminals, Inc.

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Pursuant to a port study commission recommendation, in the early 1970's the VPA unified the three general cargo terminals in Hampton Roads. The unification was important in eliminating cutthroat competition among existing terminal operators, and marketing the benefits of the port for the Commonwealth of Virginia as a whole. With unification of the general cargo terminals, it became evident that a single operating company would provide benefits beyond the private operation of each facility that was typical in the first half of the twentieth century. The Virginia General Assembly studied the operation of state-owned general cargo terminals and concluded that a private single operating entity would provide economies of scale and coordination not available through individual operation.

Thus, Virginia International Terminals, Inc. (VIT) was established in 1982 to operate the terminals owned by the VPA. VIT is a non-stock, nonprofit, private corporation and has been determined by federal courts not to be an alter ego (i.e. instrumentality) of the State. The Internal Revenue Service recognizes VIT as fulfilling an essential governmental function and therefore VIT enjoys tax-exempt status. VIT operates the state-owned ports through a Service Agreement with the Virginia Port Authority. VIT has never received state appropriation for its operations. The organization structure of VIT provides it the ability to enter into contracts with union labor (prohibited by state agencies under state law), negotiate and enter into contractual relationships with ship lines and others while not being subject to the Freedom of Information Act (FOIA), and more efficiently manage the flow of traffic at the marine terminals.

In 1986, the Port of Virginia was at a crossroads – to continue to grow or die. The port had the deepest navigation channels on the U.S. East Coast and was less than two hours from the open ocean, key requirements for world shipping lines. The Port had available land, excellent road and rail connections, and a competitive, cooperative workforce. The Port had established a reputation as the fastest growing port in the U.S., attracting more and more of the world's largest steamship lines. But, what VPA lacked at that time was a source of stable funding to provide for this growth and the resulting growth of international trade moving through the Port. It was at this juncture that the Commonwealth Port Fund (CPF), a trust fund with dedicated revenue sources, provided the opportunity for Virginia to continue to grow and become a major player in international commerce. As established, the CPF is funded from a portion of the state sales tax, and motor vehicle fuel and related taxes and fees. CPF revenues are limited to use for capital and maintenance related expenditures only.

The creation of VIT in 1982, and the Commonwealth Port Fund in 1986, was both visionary and strategic for Virginia, and has served to enable the Virginia Port Authority to increase container volume 526% and gross terminal revenues 594% since 1982. Today, Virginia has established itself as one of the premier ports on the U.S. East Coast and is the fastest growing port in the U.S.

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As a result of the landmark decisions to unify the port, establish VIT, and establish the CPF, the VPA has become more financially independent. And, as a result, in 1997, VPA willingly gave up \$14 million a year in General Fund support and began funding all operating expenses from terminal revenue as well as many new capital projects. In addition, the Port's success has generated huge economic spin-off benefits to the Commonwealth. Annually, port-related business provides over 165,000 jobs, \$4.8 billion in payroll revenues, and \$665 million in local tax revenues. Since 1996, port-related warehousing and distribution investment has increased by over \$416 million and employed over 12,000 people in the Hampton Roads area alone. The Virginia Inland Port, located in Front Royal Virginia, has stimulated the attraction of some 24 warehousing and distribution centers providing a total income of \$599 million with over 6 million square feet of space together with employee levels of over 7,000 workers. Household names like Wal-Mart, Target, Home Depot, Dollar Tree, Lillian Vernon, and Cost Plus have all set up distribution facilities in the Commonwealth in large measure due to the presence of a world class port facility and structure.

Most recently, in April 2004, APM Terminals, a sister company of Maersk-Sealand shipping line – the largest shipping line in the world, announced plans to invest \$600 million in Virginia to construct a new 300 acre container terminal in Portsmouth. This announcement is the largest investment in a company owned container terminal in the U.S. and is a huge investment in the Commonwealth's future. This is the first time that a shipping line has invested its own money to construct a marine terminal from the ground up. The completed terminal is expected to generate \$6.4 billion in economic impact to the Commonwealth over its first 15 years of operation.

Over the next twenty years, containerized cargo volume is expected to triple, far exceeding the current capacity of the port network in the U.S. The Port of Virginia has two unique opportunities to meet this demand with the development of the future APM terminal and the proposed development of a new container terminal on an extension of Craney Island.

This formula for proven success is best left to its own progress. For nearly 25 years, this financial structure has resulted in phenomenal growth, benefiting not only Virginians but also the entire U.S.

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## Summary of Current Productivity

### TEU volume and increase

FY2004 1,713,502

FY2005 1,900,026 = 10.9% Increase

### Change in rail container throughput

FY 2004 188,739 Containers

FY 2005 226,108 Containers = 19.8% Increase

### Change in rail container throughput for Virginia Inland Port

FY 2004 20,826 Containers

FY 2005 31,604 Containers = 51.8% Increase

## Summary of Major Initiatives and Related Projects

### **In General**

Dredging of the 50-foot inbound channel began in 2004 and is expected to be complete in 2006. Five new container cranes arrived during 2004, which are the largest container cranes in the world. Three additional cranes arrived in early 2005. The VPA adopted the 2040 Plan, which is an updated port master plan that extended the VPA's planning horizon to 2040 including the fourth marine terminal at Craney Island. Accompanying the 2040 plan is the 2040 financial plan which shows VPA can pay for all the projects listed in the master plan except for the State share of the dikes to extend Craney Island eastward, road and rail connections to the new terminal, and dredging of the 55-foot channel.

### **Craney Island Eastward Expansion**

The Virginia Port Authority is engaged in a joint feasibility study with the Army Corps of Engineers in connection with a potential eastward expansion of the Craney Island Dredged Material Management Area (CIDMMA). This jointly funded study (approximately \$5.9M total, \$2.9M funded by VPA) will determine the feasibility of an eastward expansion of the CIDMMA for the following three purposes: (1) to extend the useful life beyond 2025; (2) to provide a site, on the expanded portion, adjacent to the 50-foot channel for VPA's fourth general cargo marine terminal to be opened by 2017; and (3) to provide logistics load-out space for military equipment.

The Feasibility Study will be complete by February 2006. Upon completion of the study, and assuming an eastward expansion is feasible, the following will need to occur: (1) The U. S. Congress will need to authorize the project (currently

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working with Virginia Congressional Delegation); (2) The Preliminary Engineering and Design (PED) will begin 2006/2007 and the Commonwealth of Virginia (VPA) will be required to fund 50% of the PED; (3) The PED for the expansion is estimated at \$30M; and (4) VPA's share, \$15M, can be spread over the project life.

The Craney Island Marine Terminal (CIMT) was conceived and planned prior to the Third Crossing being identified as "option 9" or as it is currently planned. The cargo moving through CIMT is anticipated to move over the access roadway to the Maersk facility and over the rail access in the median of Route 164. The City of Portsmouth and the VPA have jointly studied and agreed on the locations for the road and rail alignment.

The project has been closely coordinated with VDOT to provide both the rail and highway connections to the future Craney Island Marine Terminal in the Craney Island Connector segment of the Third Crossing. The VPA marine terminal and associated rail and highway access are considered by VDOT to be separate projects from the Third Crossing, however, failure to coordinate and plan the rail and highway access to the Craney Island Marine Terminal in the early phases of the Third Crossing design (and in the same transportation corridor) would make it extremely difficult and costly to add the rail access and required highway interchanges at a later time

The Corps and the Virginia Port Authority have been working on the study since 1999. The study has determined that the Craney Island Marine Terminal will save the nation \$6B in transportation costs and result in an economic impact to the state of more than \$5B annually. Without the Craney Island Marine Terminal, the Port of Virginia will not have adequate capacity to handle the tripling of import cargo that is expected in the next decade. The eastward expansion of Craney Island is crucial to the long-term viability of the Port of Virginia.

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## **Norfolk International Terminals North Expansion**

The proposed project includes developing the last major undeveloped piece of VPA land by expanding the NIT North container yard and adding a second ship berth and includes: (1) extending the north wharf 800 feet; (2) renovating and improving 30 acres of container yard; (3) purchasing container handling equipment (100-foot gage container cranes, Straddle Carriers, and Gantry Cranes); and (4) constructing a new truck interchange.

This project will increase the capacity of NIT North by 34 percent and the estimated cost is \$120M which is planned to be funded by Revenue bonds and pay-as-you-go funds.

## **Dredging Projects**

The Commonwealth's share of the dredging of the federal channels comes from the General Fund. In the early 1980's, the federal government authorized, but did not appropriate the funds for the federal share of the 55-foot channel at The Port of Virginia. This measure was undertaken to accommodate the deep draft coal ships that were then handling millions of tons of export coal. In recent years, U.S. coal exports have declined while container ship calls at The Port of Virginia have consistently grown. Concurrently, container ships have gotten larger and require ever-deeper channels. Thus, the earlier 55-foot channel authorization has been an important ingredient in the success of the port. The project has been, and will continue to be, completed in stages as both federal and state general funds become available. To date, the 50-foot outbound channel has been completed and the 50-foot inbound channel is currently funded and under construction and is expected to be completed in 2006.

The Atlantic Channel dredging is the final phase of the \$31 million Norfolk Harbor 50-foot deepening project that started in December 2003 and will be completed in the spring of 2006. Once completed, efforts will begin to fund the 55-foot channel.

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## **50-Foot Inbound Channel**

### 55-Foot Outbound Channel

(Includes 60-foot Atlantic Ocean Channel)

Total Project Cost           \$140.5 million

Local Sponsor Cost (VPA)   \$ 87.9 million

### 55-Foot Inbound Channel

Total Project Cost           \$58.1 million

Local Sponsor Cost (VPA)   \$34.9 million

(Neither project has had money appropriated by the federal government or the Commonwealth.)

The Port of Virginia supports the export of coal in bulk vessels. However, not all of the ships calling the port were able to maximize their cargo capacity. Some vessels have a draft of more than 50', the current maximum depth of the operating channel. In order to accommodate this restriction, these vessels must sail with less cargo than the vessels' capacity.

During calendar year 2002, 34 vessels sailed below vessel capacity. At an average cost of \$30 per short ton, this equates to lost revenues of over \$24.6 million.

In 2003, world coal consumption rose 6.9 percent, compared with 2.1 percent for oil. United States coal production is forecasted to grow to a record of more than 1.2 billion tons, an increase of more than 3.7 percent from 2003.

## **Port Security**

VPA Police Department is comprised of 76 State officers, sworn and certified through the Department of Criminal Justice Services. The VPA Police is both the first and last line of security. Officers are assigned at all gates for access control and patrol the terminals 24/7. The primary threat that VPA terminals address is the potential for terrorists to use our standard cargo handling procedures to smuggle people or contraband into or out of the port, as well as protection against attack or disruption to port operations. Of primary concern is the potential to smuggle in weapons of mass destruction. VPA is in full compliance with the Maritime Transportation Security Act (MTSA) and the International Ship and Port Facility Security Code (ISPS). VPA is certified for the Customs-Trade Partnership Against Terrorism (C-TPAT). Federal port security grants may only be used for capital investment – buying systems and equipment and upgrading facilities – not for personnel, operations, maintenance and training expenses. Therefore, VPA must bear the out-year costs of any security upgrade/enhancement funded through the federal grant program. In the near future, VPA will be impacted by implementation of the Transportation Workers Identity Card (TWIC) and the US-VISIT Programs.

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## **VPA Maritime Domain Awareness (MDA) Integration at NIT**

A MDA system will provide an informed view of all maritime activities at VPA through intelligence; information sharing and monitoring installed security systems to better protect the port from terrorist activities and specifically the introduction of IEDs. The command and control architecture will integrate internal and external voice/data/video communications, police dispatch and radio systems, and command center alert and display systems for all three facilities (NIT, PMT, NNMT) in one location. This system of systems approach will support emergency response and continuity of operations, real-time information exchange within the maritime domain, credentialing, and C-TPAT (Customs-Trade Partnership Against Terrorism) compliance. MDA Integration at the NIT Command Center will improve operational security effectiveness while creating a standardized performance platform upon which future security enhancements can be built in a way that promotes port protection and economic growth, helping to ensure the continual and uninterrupted flow of cargo through the Port of Virginia. The Command and Control Center gives VPA the ability to completely monitor all facilities during normal operations and during any level of “heightened awareness.”

## **Waterfront Small Boat Detection**

The Department of Homeland Security states that there exists a great threat to ports from “improvised explosive devices (IEDs) delivered via small craft, underwater and in vehicles on ferries.” VPA has limited surveillance system coverage and detection capabilities covering the waterfront of the three Marine Terminals. The current system is focused on the land perimeter and gate access control points, which were identified as immediate priorities over the past three years for compliance with the Coast Guard Facility Security Regulations. To enhance VPA’s ability to monitor the waterfront area of all facilities, the CCTV and Motion Detection system must be upgraded and enhanced to aide in intrusion detection and specifically, the prevention and detection of attacks involving IEDs. This will also ensure compliance with recent USCG/CBP agreements regarding landside and waterside monitoring of “high risk” vessels and crews.

## **Communications Upgrade and Enhancements**

The Virginia Port Authority Police Department’s communications system has exceeded its designed service life and operates on frequencies *on loan* from each of the three respective local police departments. Upon expected digital-trunking upgrades to those police department systems, the VPA system will no longer be compatible and therefore, inoperative. In addition to the significant communications capabilities that will be achieved through the State Agency Radio System (STARS) upgrade, the Port Police has unique robust data and video requirements and responsibilities under the Maritime Transportation Security Act



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(MTSA) 2002 and Coast Guard Port Security regulations. For example, the Port Police requires particular communications interoperability and wireless data integration with the many federal and local agencies involved in port security. In a port security emergency, this would seriously hinder the ability of the VPA police to respond effectively in concert with other agencies. The potential for any or all of the VPA terminals to be impacted by a terrorist attack on nearby port facilities (including Norfolk Naval Station, Norfolk Naval Shipyard and Northrop Grumman Newport News Shipyard) is significant. This could result in disruption of key transportation links (harbor, road and rail) and require immediate VPA police communication with the incident response agencies.

## **VPA Information Security Protection**

In order to prevent serious and damaging cyber attacks to the VPA or VIT cyberspace, a robust and diverse information protection security system must be implemented on critical VPA-VIT infrastructures to reduce vulnerabilities to attacks, and minimize damage and recovery times from cyber attacks that do occur. The widespread interconnectivity of all VPA and VIT systems poses significant risks to our computer systems, and more importantly, to the critical operations and infrastructures they support. For example, a failure to protect critical information systems could result in the collapse of an installed security system (CCTV, Access Controls, Port ID System), which would allow a terrorist to penetrate VPA facilities.

## **POV Off-Site Parking**

Removing unnecessary vehicles from our marine terminals is essential to protect against acts of terrorism and to ensure cargo security. Traditionally, personally owned vehicles (POVs) have been allowed on the marine terminals for both workers and visitors to the facilities, representing a large potential threat for the transportation of IEDs and common theft. As an example, over 550 POVs enter and exit Norfolk International Terminal on a daily basis. Monitoring and inspecting of POVs, as required by the Maritime Transportation Security Act (MTSA), is time consuming and diverts VPA security resources that should be focused on higher risk threats and vulnerabilities. In an effort to reduce the potential threat associated with POVs, the VPA is in the planning stages to relocate POVs to remote, “off-site” parking. Personnel working on the terminal would be required to park remotely, enter through a secure personnel gate, and then use a facility vehicle for transportation to their work area. Visitors would not be allowed to bring POVs onto the facilities and only specially authorized contractor vehicles would be allowed to enter the terminals. Implementation of off-site parking will require additional paved and secured parking areas, surveillance equipment and facility vehicles to bus workers to their work areas.

## **Chemical Detection and Threat Agent Monitoring System**

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The VPA does not monitor air quality for chemical releases at its terminals. Homeland Security Presidential Directive 8 (HSPD-8) establishes policies to strengthen the preparedness to prevent and respond to threatened or actual domestic terrorists attacks, major disasters and other emergencies. A critical capability designated in HSPD-8 is Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) detection and response. An installed chemical detection system will allow VPA to immediately detect release of a chemical warfare agent or toxic chemical on the terminals. The system will be able to develop the spatial plume and determine the plume's release rate thereby assisting with response to the incident. In addition, because effective protection of the VPA terminals will require that some of the sensors be placed at the perimeters of the VPA Facilities, the chemical warfare agent and toxic chemical detection system will contribute to the protection of adjacent and nearby port facilities, such as Naval Station Norfolk, Naval Shipyard Norfolk and Northrop Grumman Newport News Shipyard as well as the surrounding communities of Norfolk, Portsmouth and Newport News.

## Summary of Virginia's Ranking

Virginia's strategic mid-Atlantic location and unparalleled transportation infrastructure offer steamship lines and shippers unbeatable access to two-thirds of the U.S. population with more than 75 international shipping lines and one of the most frequent direct sailing schedules of any port. Virginia has the best natural deepwater harbor on the U.S. East Coast. Fifty-foot-deep, unobstructed channels provide easy access and maneuvering room for the largest of today's container ships. Virginia ports are located just 18 miles from the open sea on a year-round, ice-free harbor. Virginia ports have long maintained a reputation for efficient and uncongested intermodal service. The bottom line is in the numbers: The Port of Virginia transports more intermodal containers to more cities faster and more efficiently than any other port in the United States. As the largest intermodal facility on the U.S. East Coast, Virginia offers six direct-service trains to 28 major cities each day. More than 50 motor-carrier companies offer full freight handling and load-consolidation services. A modern network of interstate and local highways permits fast, direct inland motor-freight transportation to any point in the United States.

For FY2005 the Ports handled a record breaking 1.8 million TEUs and is forecasted to break 2 million TEUs in 2006.

Activity Highlights – Port performance for the first four months of FY2006 reflected an 8.8% increase in TEU's and a 3.9% increase in ships calls. Rail movements reflected a 28.7% increase in Midwest train traffic, and a 44% increase in rail traffic at the Inland Port. October was a record month at the Port, producing 188,539 TEU movements and successful negotiations that resulted in 10-year contracts with China Shipping and the COSCO/Yang Ming/K Line consortium.

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Empty Container Depot - Designed and constructed two empty container depots with a total capacity of 8,000 TEU's. The empty yards freed-up an equal amount of valuable existing terminal space.

Centralized Chassis Pool - Implemented port wide chassis pool to consolidate ship line owned chassis in order to improve the safety of the equipment, save time for truckers, and to free up valuable terminal land. The centralized pool reduced the number of chassis on the terminal from 22,000 to 17,000. In addition, the chassis pool has achieved an 85% utilization rate. This is the first centralized chassis pool in the U.S. The pool has been applauded by the truckers and the ship lines and is considered a model for duplication in other ports.

## Summary of Customer Trends & Coverage

### HRMA Driver Workforce Initiative

The VPA is supporting the Hampton Roads Maritime Association (HRMA) in its effort to train, hire and retain more big-rig drivers. In its support, the VPA contributed seed money to the HRMA's Driver Workforce Development Subcommittee to help get the effort moving forward.

### New shipline services

Amerigo Express Service - CMA-CGM/CSCL/ANL/Hapag-Lloyd/Zim/Lloyd Triestino (Transatlantic)

Round-the-World Service - Norasia/CSCL/Zim/CMA-CGM

ECAS Service - Hanjin/"K"Line/MOL/Zim (US-Caribbean-Central America)

Mediterranean Express Service - Maersk Sealand/Hapag-Lloyd (Transatlantic)

TA3/Andean Service - Maersk Sealand (US-Caribbean-Central America)

Distribution Center Development - A major component of the Port's future and current growth has been the development of many port-related distribution facilities throughout the Commonwealth. There are more than 80 port-related distribution facilities within the borders of Virginia that make the Port more attractive to shiplines. The VPA staff has made the recruitment and development of these facilities a very high priority and this will continue into the foreseeable future.

### New or expanded distribution centers:

Wal-Mart Stores, Inc.

Morningstar Foods

Cost Plus Inc.

Evans Distribution Systems

International Paper

Ferguson Enterprises, Inc.

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Banta Books  
Dollar General Corp.  
Basic Sportswear  
Atlas Cold Storage

## Summary of Future Direction & Expectations

### The Heartland Corridor

The Heartland Corridor proposes the development of a seamless, efficient rail intermodal route from the Port of Virginia, opening up a significant portion of Appalachia currently excluded from international intermodal markets, and connecting to a center of existing domestic and international distribution in the Midwest, thereby strengthening the economic vitality of the region and enhancing the efficiency and capacity of the nation's transportation network.

The Heartland Corridor will increase the 28 tunnels and bridges vertical clearances above the high-speed, high capacity Norfolk Southern main line between Columbus, Ohio and Roanoke, Virginia saving 230 miles and 1 1/2 days. Upon completion, the rail network will have a fully cleared direct route between Chicago, Illinois and The Port of Virginia and all markets in between. This cleared network will provide for the intermodal movement of goods between Virginia, North Carolina, West Virginia and Ohio and the rest of the Midwest in a highly efficient double-stack configuration.

This project also provides for a new intermodal facility in the Roanoke Valley region of western Virginia, Pritchard, West Virginia and Columbus, Ohio providing intermodal access to global markets through The Port of Virginia.

In Portsmouth and Chesapeake, Virginia, the Heartland Corridor project will relocate an existing Commonwealth Railroad rail line from its current route through densely populated areas to a new route contained in the median of the Western Freeway and I-664. The project will also include a grade separation of Route 17.

Full grade separations of the Commonwealth Railway between the proposed ports of Craney Island and Maersk's property and the national intermodal network will eliminate 14 grade crossings in largely urban areas of Portsmouth and Chesapeake, Virginia that are likely to see large increases in rail activity (12 trains per week currently to over 36 trains per week by 2016). This project will also reduce truck traffic, particularly on the eastern portion of I-64 and US 460 and will further enhance The Port of Virginia's position as a major player in expanding global trade.

The project introduces intermodal shipping options to western Virginia for the first time and provides significant employment, tax and other economic benefits.

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Over 20 years, the project will provide up to \$368 million in economic benefits to shippers moving freight in the Heartland Corridor. The project was one of 13 transportation projects noted in the recently approved SAFETEA-LU transportation bill as a project of national significance.

## Summary of Potential Impediments to Achievement

Maersk Sealand Development - Maersk Sealand (Maersk) has acquired 600 acres of waterfront property in the City of Portsmouth. Maersk has announced that they intend to spend approximately \$600 million to construct a marine terminal on 291 acres with a 4,000-foot pier and 10 Suez class container cranes. (Much of the land is wetlands and thus cannot be developed.)

Maersk has begun dredging, and a contract has been awarded to construct the wharf, and the wharf construction is underway. The specific type of operation at this new facility has not yet been made available, however, Maersk intends to maximize the use of technology and automation and projects that the terminal will handle 1 million TEUs when Phase I opens in July 2007 and 2.16 million TEUs at final build-out.

Existing Maersk Facility at PMT - Maersk's subsidiary terminal operating company, known as APM Terminals, currently occupies several tracts of land under three (3) different lease agreements at Portsmouth Marine Terminal. Each agreement has different terms, termination dates and renewal options. VPA and the City have agreed this property will revert to the Port Authority when APM relocates to their new terminal, which should occur by June 30, 2008. Two (2) of the agreements require modification in order to achieve simultaneous termination.

One agreement has been extended to December 31, 2007. The other two leases provide for a one-time ten (10) year renewal option. Since a ten year renewal term is more than is needed until the new terminal is in operation, VPA and the City of Portsmouth negotiated with APM to extend the leases in such a way to stagger the terminations; thus allowing APM some flexibility to gradually vacate PMT property and gradually increase production at its new terminal. The VPA Agreement was extended until December 31, 2007 with an option to extend for an additional six (6) month term. The City Agreement was extended until October 31, 2009, with an option to shorten the term to expire October 31, 2008. The City Agreement also provides an option for an additional extension until October 31, 2010.

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## Background Information

### Statutory Authority of Service Area

§ 62.1-132.3 of the code of Virginia specifies that:

It shall be the duty of the Authority, on behalf of the Commonwealth, to foster and stimulate the commerce of the Ports of the Commonwealth, to promote the shipment of goods and cargoes through the ports, to seek to secure necessary improvements of navigable tidal waters within the Commonwealth and, in general, to perform any act or function which may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of the Ports of the commonwealth (1981, c. 589).

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Customers Served (annually)</b>	<b>Potential Customers (annually)</b>
General Public (VA population based on US 2000 consensus data)	7,078,515	7,078,515
Governmental Agencies and Organizations	10	100
Importers/Exporters	500	1,000
Intermodal Customers	50	100
International Freight Forwarders/Custom House Brokers	35	100
Localities	4	4
Other Members of Maritime Community	1,000	2,000
Shiplines	75	75
Terminal Operators	1	1
Virginia Port Authority Departments	10	10

### Agency's Products and/or Services

The Commonwealth's leading agency for international transportation and maritime commerce, the VPA has a long history of generating business through the Port of Virginia. The Port of Virginia consists of four state-owned facilities: Newport News Marine Terminal, Norfolk International Terminals, Portsmouth Marine Terminal, and the Virginia Inland Port in Front Royal, Virginia.

Officially charged with operating, marketing, and securing the state-owned marine facilities and the inland port, the VPA has become one of the world's leading maritime organizations.

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## Factors Impacting the Agency's Products and/or Services

Continued and future expansion of the port will be necessary in order to meet capacity.

To accommodate the increasing numbers of deep draft vessels expected to enter the Port, dredging of the channel to a depth of 50 feet is essential.

A major component of the Port's future and current growth has been the development of many port-related distribution facilities throughout the Commonwealth.

The Port's natural deep water, central east coast location, and superb transportation system to hinterland markets are critical factors for continued success. Efficient road and rail transportation systems, linked to the port facilities, are crucial to the success of the Port.

Federal legislation has been enacted that has and will continue to require security enhancements at all waterfront facilities.

## Anticipated Changes in Products and/or Services

Future expansion and additional operational efficiency of the Port of Virginia will be necessary to insure that it does not run out of capacity.

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$ 65,632,203	\$0	\$ 65,632,203
<b>Changes to Base</b>	\$0	\$ 12,350,860	\$0	\$ 14,178,490
<b>Service Area Total</b>	\$0	\$ 77,983,063	\$0	\$ 79,810,693

## Goals

### To foster and stimulate commerce of the Commonwealth's ports

The mission statement of the Virginia Port Authority (VPA) mandates that the primary goal is to stimulate cargo movement through the state-owned terminals. This is accomplished through direct customer contact and a well-developed strategic plan.

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## To promote the shipment of goods

To inform and educate customers on the various services the VPA has to offer, to meet the needs of clients, and to encourage use of VPA ports by shippers.

## To secure necessary navigable tidal waters

To protect the volumes of cargo that move through the ports, and to safeguard against possible terrorist acts against the Commonwealth, the United States, or the ports.

## To develop, improve, or increase commerce of the Commonwealth's ports

As an operating port, the primary responsibility of the VPA is to promote use of the state-owned general cargo terminals by increasing general cargo tonnage from existing customers and identifying and securing new potential business. The VPA concentrates its efforts on identifying and satisfactorily meeting all customer requirements. To accomplish this, sales representatives are strategically located in the marketplace, both domestically and internationally, where they develop and implement a customer-focused marketing plan.



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## Service Area List

### National and International Trade Services – 53413

To promote the use of the state-owned general cargo terminals by increasing general cargo tonnage from existing customers and identifying and securing new potential business.

#### Support of Service Area to Mission

The mission statement of the Virginia Port Authority (VPA) mandates that the primary goal is to stimulate cargo movement through the state-owned terminals. This is accomplished through direct customer contact and a well-developed strategic plan.

#### Statutory Authority of Service Area

§ 62.1-132.3 of the code of Virginia specifies that:

“It shall be the duty of the Authority, on behalf of the Commonwealth, to foster and stimulate the commerce of the ports of the Commonwealth and to promote the shipment of goods and cargoes through the ports...to perform any act or function which may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of the ports of the Commonwealth.”

#### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Shiplines	Shiplines	75	75
Importers/Exporters	Importers/Exporters	500	1000
Intermodal Customers	Intermodal Customers	50	100
General Public (VA population based on US 2000 consensus data)	General Public (VA population based on US 2000 consensus data)	7,078,515	7,078,515
International Freight Forwarders/Custom House Brokers	International Freight Forwarders/Custom House Brokers	35	100
Other Members of Maritime Community	Other Members of Maritime Community	35	100

# Virginia Port Authority Strategic Plan

## Service Area Product or Service

Summary - Virginia's strategic mid-Atlantic location and unparalleled transportation infrastructure offer unbeatable access to two-thirds of the U.S. population and one of the most frequent direct sailing schedules of any port. Virginia has the best natural deepwater harbor on the U.S. East Coast. Fifty-foot-deep, unobstructed channels provide easy access and maneuvering room for the largest of today's container ships. Virginia ports are located just 18 miles from the open sea on a year-round, ice-free harbor. Virginia ports have long maintained a reputation for efficient and uncongested intermodal service. A modern network of rail, interstate, and local highways permits fast, direct inland motor-freight transportation to any point in the United States.

Shiplines - As coordinated through VIT: provide berth space, reliable and available cranes, inside and outside storage, intermodal connections, price competitiveness, well-trained labor and ample importer/exporter base.

Importer/Exporters - Provide shipline service to all trade lanes, efficient intermodal connections, security/safety, price competitiveness, customer service and ample inside and outside storage.

Intermodal Customers (railroad, truckers, barge services, etc.) - Provide sufficient cargo volume, import and export balance, efficient access to state-of-the-art facilities, and trade information.

General Public - Job generation, community support and responsiveness, and trade information.

International Freight Forwarders/Custom House Brokers - Provide effective communications between the terminal and state and federal agencies (i.e., U.S. Customs, USDA), and other customer service.

Other Members of Maritime Community - Provide customer service, reliable transportation modes, port management, and strategic planning.

## Factors Impacting the Products and/or Services of this Service Area

Proposed MærskSealand Terminal - MærskSealand is the largest container shipline in the world. A.P. Møller, the parent company of MærskSealand, operates a terminal operating company, APM Terminals, Inc. APM Terminals operates a 60-acre terminal (through leases with the VPA and the City of Portsmouth) directly adjacent to VPA's Portsmouth Marine Terminal. Historically, APM has used this facility to handle MaerskSealand vessels only. A.P. Møller has purchased a nearly 600-acre waterfront tract in Portsmouth with the intent to build a 285-acre terminal facility. When fully constructed, the facility is expected to more than double the throughput capability of MærskSealand's current leased

# Virginia Port Authority Strategic Plan

space. APM Terminals, Inc. could represent a significant local competitor to the state-owned marine terminals. However, VPA itself is nearing capacity, and without the APM terminal there will not be enough wharf and container storage capacity to manage the projected increases in volume in Hampton Roads until the development of Craney Island. A failure to meet the additional volume demands will lead to ship lines looking to other ports for capacity, resulting in a loss of not only the potential increased volume, but likely existing volume. Therefore, we believe there will be sufficient volume for both ports without resulting in a significant deterioration of VPA cargo volume or revenues.

Union Contract Agreement - VIT enters into working agreements with various International Longshoremen’s Association (“ILA”) locals, which are involved in the handling, transfer and storage of cargo passing through the port facilities. It is critical that relations remain positive between VIT and the ILA to continue to retain the port’s customer base and to allow the successful ongoing operations of the port. Over the last 20 years, there have been no labor disputes between the VPA or VIT and the ILA that resulted in work stoppages, and VPA believes its relationship and VIT’s relationship with the ILA to be good.

Distribution Center Development - A major component of the Port’s future and current growth has been the development of many port-related distribution facilities throughout the Commonwealth. There are more than 80 port-related distribution facilities within the borders of Virginia that make the Port more attractive to shiplines. The VPA staff has made the recruitment and development of these facilities a very high priority and this will continue into the foreseeable future.

## Financial Overview

National and International Trade Services is funded 100% from Port Facilities Revenues.

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$5,956,628	\$0	\$5,956,628
<b>Changes to Base</b>	\$0	\$861,312	\$0	\$1,094,709
<b>Service Area Total</b>	\$0	\$681,7940	\$0	\$7,051,337

# Virginia Port Authority Strategic Plan

## Service Area Objectives

### 1) Increase container throughput - 53413.01

Increase container throughput (TEUs = twenty-foot equivalent container units) passing through marine terminals located in the Port of Hampton Roads.

### Support of Service Area to Mission

To foster and stimulate commerce of the Commonwealth's ports.  
To promote the shipment of goods.  
To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title:	Container throughput
Measure Type:	Outcome
Measure Frequency:	Every six months
Measure Data Source and Calculations:	Virginia International Terminals (VIT) Calculated by TEU (twenty-foot equivalent unit)
Measure Baseline:	2005 = 1,900,026
Measure Target:	2006 = 2,071,028 2007 = 2,257,421 2008 = 2,460,589

### Strategies Associated with Service Area Objective

Marketing and Promotion management of the Virginia Port Authority is responsible for developing and implementing an on going strategic plan to preserve and increase general cargo tonnage. Within the marketing function of the Virginia Port Authority resides the responsibility to direct domestic and international offices, and the Business Analysis and Strategy Department. Within the promotion function resides the responsibility to direct commerce advertising, trade show promotions, and customer events.

The Virginia Port Authority maintains seven (7) domestic marketing offices in addition to the headquarters in Norfolk, Virginia: New Jersey; Michigan; Indiana; Tennessee; North Carolina; Pennsylvania; and Front Royal, Virginia. Collectively, these offices maintain contact with more than 7,000 customers who either use, or are potential users of, the state-owned general cargo terminals. The primary activity of these domestic offices is to develop and implement a sales plan for an assigned multi-state territory. This involves prioritizing the customer

# Virginia Port Authority Strategic Plan

base; conducting personal sales calls to maximize market share; and increase the total number of port users.

The Virginia Port Authority currently maintains six (6) international marketing offices: Sao Paulo, Brazil; Brussels, Belgium; Tokyo, Japan; Hong Kong; Singapore; and Seoul, Korea. Collectively, these offices maintain contact with 5,000 customers who either utilize or are potential users of Virginia's state-owned general cargo terminals. The primary responsibility of these international offices is to develop and implement a sales plan for an assigned regional territory. This involves prioritizing the customer base, conducting personal sales calls to maximize market share, and increase the total number of port users.

The Business Analysis and Strategy Department compiles and analyzes (by cargo type and industry sector) the cargoes that flow through the Port of Virginia, all other ports in the United States, and all worldwide ports. This department forecasts economic data and identifies market trends to assist the agency in identifying customers and industry sectors from which additional business can be obtained.

## 2) Increase the volume of rail business - 53413.02

Increase the volume of rail business (containers moving over marine terminals located in the Port of Hampton Roads.

### Support of Service Area to Mission

To foster and stimulate commerce of the Commonwealth's ports.  
To promote the shipment of goods.

### Service Area Objective Measures

Measure Title:	Rail volume
Measure Type:	Outcome
Measure Frequency:	Every six months
Measure Data Source and Calculations:	Virginia International Terminals (VIT) Number of rail containers
Measure Baseline:	2005 = 228,330
Measure Target:	2006 = 235,166 2007 = 242,221 2008 = 249,488

# Virginia Port Authority Strategic Plan

## Strategies Associated with Service Area Objective

Marketing and Promotion management of the Virginia Port Authority is responsible for developing and implementing an on going strategic plan to preserve and increase general cargo tonnage. Within the marketing function of the Virginia Port Authority resides the responsibility to direct domestic and international offices, and the Business Analysis and Strategy Department. Within the promotion function resides the responsibility to direct commerce advertising, trade show promotions, and customer events.

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### 3) Build awareness of the Port of Virginia - 53413.03

Among current and potential port customers to support VPA's marketing and operating objectives in attracting new customers and increasing business of current port customers.

# Virginia Port Authority Strategic Plan

To enhance the Port's reputation to an international audience as a leader in the worldwide maritime industry.

To promote the relocation/location of port related industries and new businesses to Virginia.

Produce and distribute the Virginia Maritimer magazine 6 times annually (every other month) to promote the various services and advantages of the Port to current and future customers.

## Support of Service Area to Mission

To foster and stimulate commerce of the Commonwealth's ports.  
To promote the shipment of goods.

## Service Area Objective Measures

Measure Title:	Number of Internet Hits
Measure Type:	Output
Measure Frequency:	Annually
Measure Data Source and Calculations:	Virginia Port Authority (VPA)
Measure Baseline:	2005 = 386,786
Measure Target:	2006 = 406,125
	2007 = 426,432
	2008 = 447,753

## Strategies Associated with Service Area Objective

The primary responsibilities of the Port Promotion department are to direct, manage, and implement the international and domestic port advertising, publication and distribution of the Virginia Maritimer magazine, management and production of VPA media relations and media outreach programs, management and production of VPA printed and audio-visual promotional and marketing materials, management of trade show programs, and direct mail distribution of promotional collateral materials to existing and prospective customers, and management of promotional multimedia technologies.

Within the promotion function resides the responsibility to direct the domestic and international aspects of the agency's commerce advertising, trade shows, marketing/customer events, development and distribution of port marketing publications, printed collateral and promotional materials, media relations, publication of the Virginia Maritimer magazine, and management of promotional multimedia technologies.

# Virginia Port Authority Strategic Plan

## Port Traffic Rate Management – 53425

Port Traffic Rate Management supports the efforts of Marketing to monitor and influence the control of transportation rates, service charges, and practices for rail, truck, and water transportation to, from, and in Virginia ports in maintenance of the competitive position of Virginia Ports.

### Support of Service Area to Mission

Through specific customer contacts, this service area provides logistical support and monitoring of traffic and rates to ensure competitive operation of the terminals.

### Statutory Authority of Service Area

§ 62.1-132.3 of the code of Virginia specifies that: “.....to perform any act or function which may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of the ports of the Commonwealth.”

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Intermodal Customers	Intermodal Customers	50	100
Shiplines	Shiplines	75	75
Virginia Port Authority Departments	National and International Trade Services	32	32
Virginia Port Authority Departments	Commerce Advertising	5	5

### Service Area Product or Service

Statistical and Analytical data on shipping trends, patterns and volumes, and rail and truck traffic conditions so management can make informed decisions.



# Virginia Port Authority Strategic Plan

## Factors Impacting the Products and/or Services of this Service Area

Constant changes to shipline schedules and traffic patterns on the terminals. Tariff rate changes locally and at other ports. Timeliness, accuracy of data, and comparison validity is crucial in the Port's ability to plan strategically.

## Financial Overview

Port Traffic Rate Management is funded 100% from Port Facilities Revenues.

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$195,903	\$0	\$195,903
<b>Changes to Base</b>	\$0	\$3,285	\$0	\$13,245
<b>Service Area Total</b>	\$0	\$199,188	\$0	\$209,148

## Service Area Objectives

### 1) Provide timely and accurate data for marketing and management staff - 53425.01

To provide timely and accurate data on rates and traffic flow to management.

### Support of Service Area to Mission

To foster and stimulate commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Container throughput  
 Measure Type: Outcome  
 Measure Frequency: Monthly  
 Measure Data Source and Calculations:  
 PIERS  
 Terminal Statistics  
 Shipline/Rail/Truck Reports  
 Virginia International Terminals (VIT)  
 Measure Baseline: 2005 = 1,900,026 TEU's  
 Measure Target: 2006 = 2,071,028  
 2007 = 2,257,421  
 2008 = 2,460,589

# Virginia Port Authority Strategic Plan

## Strategies Associated with Service Area Objective

The primary goal is to provide the most accurate and timely information. Using multiple sources for information and continuing to look for new sources can accomplish this. By working with the TRM department on an intranet and a data warehouse, new efficiencies will be created.

# Virginia Port Authority Strategic Plan

## Commerce Advertising – 53426

The Department of Port Promotion is responsible for Commerce Advertising. This advertising activity is a vital area within which design, development and printing of promotional literature, brochures, audiovisual materials, and institutional advertising are executed.

### Support of Service Area to Mission

To inform and educate customers on the various services the VPA has to offer, to meet the needs of clients, and to encourage use of VPA ports by shippers.

### Statutory Authority of Service Area

§ 62.1-132.10 of the code of Virginia states “the Authority may issue periodicals and carry and charge for advertising therein.”

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Shiplines	Shiplines	75	75
Importers/Exporters	Importers/Exporters	500	1000
Intermodal Customers	Intermodal Customers	50	100
General Public (VA population based on US 2000 consensus data)	General Public (VA population based on US 2000 consensus data)	7,078,515	7,078,515
International Freight Forwarders/Custom House Brokers	International Freight Forwarders/Custom House Brokers	0	0
Governmental Agencies and Organizations	Governmental Agencies and Organizations	0	0
Other Members of Maritime Community	Other Members of Maritime Community	0	0

# Virginia Port Authority Strategic Plan

## Service Area Product or Service

Promotional literature, brochures, audiovisual materials, and institutional advertising media presentations.

## Financial Overview

Commerce Advertising is funded 100% from Port Facility Revenue

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$914,253	\$0	\$914,253
<b>Changes to Base</b>	\$0	\$85,747	\$0	\$85,747
<b>Service Area Total</b>	\$0	\$1,000,000	\$0	\$1,000,000

## Service Area Objectives

1) Inform and educate customers and interested parties on the various services the VPA has to offer - 53426.01

### Support of Service Area to Mission

To foster and stimulate commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Distribution of promotional and educational materials  
 Measure Type: Output  
 Measure Frequency: Annually  
 Measure Data Source and Calculations: VPA/market studies by advertising agency  
 Measure Baseline: 2005 = 58,580 distributions printed  
 Measure Target: 2006 = 58,800  
 2007 = 59,000  
 2008 = 59,200

# Virginia Port Authority Strategic Plan

## Strategies Associated with Service Area Objective

The primary responsibilities of the Port Promotion department are to direct, manage, and implement the international and domestic port advertising, publication and distribution of the Virginia Maritimer magazine, management and production of VPA media relations, and media outreach programs, management and production of VPA printed and audio-visual promotional and marketing materials, management of trade show programs, and direct mail distribution of promotional collateral materials to existing and prospective customers, and management of promotional multimedia technologies.

# Virginia Port Authority Strategic Plan

## Maintenance and Operations of Ports and Facilities – 62601

Maintenance and Operations of Ports and Facilities, under the supervision of Port Facilities Planning, is responsible for maintenance and improvements to the infrastructure on the state-owned port facilities. Major work areas of this function are the construction activities to accommodate cargo-handling requirements, which ensure compliance with project plans and specifications. In order to adequately maintain the more than 1,500 acres of fully developed, state-of-the-art marine terminals, the VPA must also undertake an annual maintenance program sufficient to protect the Commonwealth’s extensive marine terminal investment. Maintenance policies and standards are developed to process work required, to promote efficient operation and ensure an extended life of state owned facilities.

### Support of Service Area to Mission

As a result of the Maintenance and Operations of Ports and Facilities, the VPA’s terminal operators, have the tools it needs to operate more efficiently, resulting in lower operating costs, while at the same time increasing revenues and capacity for additional cargo volume and protecting the Commonwealth’s investment.

### Statutory Authority of Service Area

§ 62.1-132-18 of the Code of Virginia authorizes VPA to “acquire, construct, maintain, equip, and operate marine terminals... necessary for the convenient use of the same in the aid of commerce.”

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Terminal Operators	Virginia International Terminals	1	1
Virginia Port Authority Departments	Security Services	80	80
Shiplines	Shiplines/Shippers	75	75
General Public (VA population based on US 2000 consensus data)	Contractors	30	50
Governmental Agencies and Organizations	State and Federal Agencies (potential only includes agencies necessary)	6	6

# Virginia Port Authority Strategic Plan

## Service Area Product or Service

Developing, expanding, improving, and maintaining state-owned port facilities.

## Financial Overview

Maintenance and Operations of Ports and Facilities is funded 100% from Commonwealth Port Fund revenues.

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$ 2,640,343	\$0	\$ 2,640,343
<b>Changes to Base</b>	\$0	\$ 1,359,657	\$0	\$ 1,359,657
<b>Service Area Total</b>	\$0	\$ 4,000,000	\$0	\$ 4,000,000

## Service Area Objectives

### 1) Improve and maintain facilities - 62601.01

To enhance the cargo handling capability of the Port of Virginia.

### Support of Service Area to Mission

To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Number of TEU's handled per acre per year  
 Measure Type: Outcome  
 Measure Frequency: Annually  
 Measure Data Source and Calculations: VPA  
 Measure Baseline: 2005 = 3,660 TEU's per acre  
 Measure Target: 2006 = 3,990  
                           2007 = 4,195  
                           2008 = 4,575

# Virginia Port Authority Strategic Plan

## Strategies Associated with Service Area Objective

Continue with improvements to NIT South backlands, railyard at NIT, and transfer zone at PMT. Expand terminal operating area for the storage of containers by developing property at NIT North, and recently acquired land at PMT. Continue maintaining wharfs, roads, warehouse and rail infrastructure to ensure efficient operation of the terminals.



# Virginia Port Authority Strategic Plan

## Port Facilities Planning – 62606

Port Facilities Planning, under supervision of the Deputy Executive Director, is responsible for developing, expanding, improving, and maintaining state-owned port facilities. In addition, Port Facilities Planning is responsible for all environmental efforts, including environmental impact statements for development plans as required. They also perform pre-planning work necessary to assist in capital budget and grant requests. Major work areas of this function include the selection of engineering design consultants; the management of the design process; the project public bid process; and the oversight of construction activities to accommodate cargo handling requirements which ensure compliance with project plans and specifications.

### Support of Service Area to Mission

As a result of the Port Facilities Planning work performed/supervised by the Chief Engineer, the VPA’s terminal operators, have the tools they need to operate more efficiently, resulting in lower operating costs, while at the same time increasing revenues and capacity for additional cargo volume and protecting the Commonwealth’s investment.

### Statutory Authority of Service Area

§ 62.1-132-18 of the code of Virginia authorizes VPA to “acquire, construct, maintain, equip, and operate marine terminals, ...necessary for the convenient use of the same in the aid of commerce.”

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Virginia Port Authority Departments	Security Services	80	80
Terminal Operators	VIT	1	1
Shiplines	Shiplines/Shippers	75	75
General Public (VA population based on US 2000 consensus data)	Contractors	30	50
Governmental Agencies and Organizations	State Agencies	10	100

# Virginia Port Authority Strategic Plan

## Service Area Product or Service

Developing, expanding, improving, and maintaining state-owned port facilities.

## Financial Overview

Port Facilities Planning is funded 100% from Port Facility Revenues

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$ 641,778	\$0	\$ 641,778
<b>Changes to Base</b>	\$0	\$ 6,049	\$0	\$ 38,440
<b>Service Area Total</b>	\$0	\$ 647,827	\$0	\$ 680,218

## Service Area Objectives

### 1) Management of Port Facilities Planning - 62606.01

Providing the terminal operators with the tools they need to operate more efficiently, resulting in lower operating costs, while at the same time increasing revenues and capacity for additional cargo volume and protecting the Commonwealth's investment.

### Support of Service Area to Mission

To secure necessary navigable tidal waters.  
To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Projects on time and within budget  
Measure Type: Outcome  
Measure Frequency: Every six months  
Measure Data Source and Calculations: Terminal operating results  
Measure Baseline: 95%  
Measure Target: 97%

# Virginia Port Authority Strategic Plan

## Strategies Associated with Service Area Objective

Continue with improvements to NIT South backlands, railyard at NIT, and transfer zone at PMT. Expand terminal operating area for the storage of containers by developing property at NIT North, and recently acquired land at PMT. Continue maintaining wharfs, roads, warehouse, and rail infrastructure to ensure efficient operation of the terminals.

# Virginia Port Authority Strategic Plan

## Debt Service for Port Facilities – 62607

The VPA utilizes the issuance of tax-exempt debt and lease-purchase financing to support its capital investment in port development projects and equipment acquisition. The VPA issues both terminal revenue (Special Fund) and Commonwealth Port Fund (CPF) revenue supported debt instruments, which require regularly scheduled debt service payments.

### Support of Service Area to Mission

Debt financing funds the majority of the port’s major capital projects and improvements. These enhancements allow the Port to provide modern and efficient cargo-handling facilities, and expand those facilities, to be competitive.

### Statutory Authority of Service Area

§ 62.1-132.19 of the code of Virginia empowers VPA to rent, lease, buy, own, acquire, construct, reconstruct ... harbors, seaports, port facilities, and such property, whether real or personal, as it may find it necessary or convenient and issue revenue bonds ... § 62.1-140 thru 62.1-147.1 of the code of Virginia governs the definitions for bond resolution; form and requisites of bonds; sale and disposition of proceeds; temporary bonds; trust agreement securing bonds; provisions of agreement or bond resolution; depository of proceeds or revenues; expenses; charges for use of port facilities; sinking fund created from revenues for payment of bonds; proceeds of bonds and revenues held in trust for certain purposes; remedies of bondholders and trustee; exercise of powers constitutes governmental functions; exemption from taxation; bonds as legal investments; bonds not debt or pledge of credit of Commonwealth or political subdivision; payment of expenses; and legalization of prior actions relating to refunding bonds.

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Governmental Agencies and Organizations	Commonwealth of Virginia	1	1
Governmental Agencies and Organizations	VPA	1	1
Terminal Operators	VIT	1	1
General Public (VA population based on US 2000 consensus data)	Bondholders (actual=unknown, potential=unlimited)	0	0
General Public (VA US 2000 consensus data)	Banking Institutions	7	25

# Virginia Port Authority Strategic Plan

## Service Area Product or Service

Debt service instruments for the acquisition of capital assets and improvements.

## Financial Overview

Debt Service for Port Facilities is funded 36% from Port Facility revenues and 64% from Commonwealth Port Fund revenues.

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$ 43,943,607	\$0	\$ 43,943,607
<b>Changes to Base</b>	\$0	\$ 8,035,201	\$0	\$ 8,556,318
<b>Service Area Total</b>	\$0	\$ 51,978,808	\$0	\$ 52,499,925

## Service Area Objectives

### 1) Timely payment of the scheduled principal and interest amounts - 62607.01

The payment of the scheduled principal and interest amounts when due on all VPA obligations.

### Support of Service Area to Mission

To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: 100% of payments made on time  
Measure Type: Output  
Measure Frequency: Monthly  
Measure Data Source and Calculations:  
VPA Finance accounting records  
Measure Baseline: 100%  
Measure Target: 100%

# Virginia Port Authority Strategic Plan

## Strategies Associated with Service Area Objective

To issuance debt in amounts necessary to fund the needed projects of the Port at the most desirable interest rates available. Once issued, ensure the payment of all principal and interest requirements are funded and paid.

CPF and Special Fund revenues are subject to fluctuation due to national and world economic conditions and competition. With this in mind, the VPA has a number of contingencies/mitigating factors that ensure funds are not over committed or expended:

- Conservative forecasts are prepared prior to any debt issuance to ensure that appropriate debt service coverage ratios are met.
- Requested appropriations do not exceed current, debt service coverage requirements.
- Maintenance of operating account reserves, required by bond covenants, to ensure all commitments can be met.

# Virginia Port Authority Strategic Plan

## **Aid to Localities –62801**

The Virginia General Assembly, in September, 1986, established the Commonwealth Port Fund (CPF) in order to “support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary ports within the Commonwealth,” as presented by the Governor’s Commission on Virginia’s enactment of this legislation. In conjunction with establishing the CPF, the VPA also established the Aid to Local Ports (ALP) program. The ALP program is a grant program through which the Commonwealth Port Fund is used to support port capital and preservation needs for existing ocean, river, or tributary ports within the Commonwealth of Virginia. Local governments within the Commonwealth may apply for capital improvement support for their local port facilities. The grants will foster and stimulate the flow of commerce through the ports of Virginia.

### Support of Service Area to Mission

Aid to Local Port grants foster and stimulate the flow of commerce through the ports of Virginia, which is VPA’s primary mission.

### Statutory Authority of Service Area

§ 62.1-132.3 of the code of Virginia specifies that “it shall be the duty of the Authority, on behalf of the Commonwealth, to foster and stimulate the commerce of the Ports of the Commonwealth and to promote the shipment of goods and cargoes through the ports...to perform any act or function which may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of the ports of the Commonwealth.”

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Localities	Localities w/ ocean, river, and tributary ports	13	25

### Service Area Product or Service

Grant funding to local governments, which apply and qualify for ALP.

# Virginia Port Authority Strategic Plan

## Financial Overview

Aid to Localities is funding 100% from Commonwealth Port Fund Revenues

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$ 580,000	\$0	\$ 580,000
<b>Changes to Base</b>	\$0	\$ 220,000	\$0	\$ 220,000
<b>Service Area Total</b>	\$0	\$ 800,000	\$0	\$ 800,000

## Service Area Objectives

### 1) Distribute and manage grant funds - 62801.01

To support local port capital and preservation needs to existing ocean river, or tributary ports within the Commonwealth of Virginia.

### Support of Service Area to Mission

To secure necessary navigable tidal waters.  
To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Timely distribution of grant awards  
 Measure Type: Output  
 Measure Frequency: Annually  
 Measure Data Source and Calculations: VPA Board minutes and locality invoices  
 Measure Baseline: Distribute 100% of grant awards by July 1  
 Measure Target: 100%  
 Localities with no carryover into the next fiscal year

### Strategies Associated with Service Area Objective

VPA staff meets with state delegates whose districts encompasses many of the localities that normally make ALP fund grant requests, along with most of the potential grant applicants in February, during the General Assembly's session. These preliminary meetings are held to determine the amount and nature of the likely grant requests. If it appears, as is often the case, that requests will exceed available funds, the potential applicants try to sequence their requests over several fiscal years or simply forebear for a



## **Virginia Port Authority Strategic Plan**

year or two in deference to others with more pressing needs. (Those needs are often driven by the necessity to provide local “match” funds to the Corps of Engineers simultaneously with the availability of the federal money.)

This informal system has worked well and has spared the Board from having to pick and choose among a number of worthy projects, all of which are important to the economic well-being of the communities involved.

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## Payment in Lieu of Taxes – 62802

In lieu of paying real property taxes, in accordance with §58.1-3043 of the Code of Virginia, the VPA pays a service charge to the localities where VPA property is located based on the assessed value of state-owned tax exempt real estate and the amount that the locality spent on fire, police and refuse collection/disposal.

## Support of Service Area to Mission

The Payments in Lieu of Taxes (PILOT) fees are less than the actual real property tax that the Port would have to otherwise pay. This reduction in expenses allows the Port to utilize its money towards furthering the commerce through the Ports of Virginia, resulting in job creation, increased state and local tax revenues, and economic development.

## Statutory Authority of Service Area

§ 58.1-3403 and § 62.1-145 of the Code of Virginia define required payments by the VPA to localities in lieu of real property taxation.

## Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Localities	Norfolk	1	1
Localities	Newport News	1	1
Localities	Portsmouth	1	1
Localities	Warren County	1	1

## Service Area Product or Service

Provides revenues to the localities to offset fire, police, and refuse collection/disposal costs.

## Factors Impacting the Products and/or Services of this Service Area

The localities are regularly requesting a change to the PILOT fee language to increase the service charge. However, the properties at NIT and PMT have never been subject to real estate and property taxes (NIT was a federal military installation, and PMT was created primarily from dredged material), and the NNMT property was purchased by the city in 1965 and taken off of the property tax registers prior to the acquisition by VPA. Any increase in payments in lieu of real property taxation required to be paid from VPA revenues sources would

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severely limit the Authority's ability to complete robust plans for expansion required to meet industry demands.

## Financial Overview

Payment in Lieu of Taxes is paid 28% by Port Facility revenues and 72% by Commonwealth Port Fund revenues

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$ 950,000	\$0	\$ 950,000
<b>Changes to Base</b>	\$0	\$ 50,000	\$0	\$ 100,000
<b>Service Area Total</b>	\$0	\$ 1,000,000	\$0	\$ 1,050,000

## Service Area Objectives

### 1) Management of Statutory Requirement - 62802.01

Maintain reasonable payments in lieu of real property taxation in accordance with the Code of Virginia.

### Support of Service Area to Mission

To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Timely payment to the localities  
Measure Type: Output  
Measure Frequency: Annually  
Measure Data Source and Calculations: VPA Financial Records  
Measure Baseline: 100%  
Measure Target: 100%

### Strategies Associated with Service Area Objective

The VPA is pro-active in its efforts to support the locality's need for increased revenue while at the same time saving the Port money to increase commerce coming into Virginia.

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## **Administrative and Support Services – 69901**

The Administrative and Support Services area provides the funding, staffing, technology, managerial, and administrative services to help the other service areas achieve their goals and objectives. Included in this service area are the following departments: Executive Director, Deputy Executive Director, Finance, Human Resources, and Technology Resource Management.

### Support of Service Area to Mission

This service area provides support to the other service areas to help them achieve agency goals and objectives.

### Statutory Authority of Service Area

§ 62.1-129.1 of the code of Virginia governs Employees; employment; personnel rules; health insurance; and retirement plans. § 62.1-130 of the code of Virginia governs the powers and duties of Executive Director. § 62.1-138 of the code of Virginia governs the forms of accounts and records utilized by the Finance department. § 62.1-140 thru 144 of the code of Virginia governs the Finance departments bonding activities. § 62.1-163 of the code of Virginia governs Port Management.

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Virginia Port Authority Departments	Virginia Port Authority Departments/Employees	145	145
Governmental Agencies and Organizations	Other State Agencies	4	4
General Public (VA population based on US 2000 consensus data)	Bondholders (number unknown)	0	0

### Service Area Product or Service

Funding, staffing, technology, managerial, and administrative services

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## Financial Overview

Administrative and Support Services are funded 100% from Port Facility Revenues.

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$ 3,751,181	\$0	\$ 3,751,181
<b>Changes to Base</b>	\$0	\$ 186,538	\$0	\$ 283,424
<b>Service Area Total</b>	\$0	\$ 3,937,719	\$0	\$ 4,034,605

## Service Area Objectives

### 1) Management Scorecard - 69901.01

To ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.

### Support of Service Area to Mission

To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Percent of Governor's Management Scorecard categories marked as meets expectations for the agency  
 Measure Type: Outcome  
 Measure Frequency: Annually  
 Measure Data Source and Calculations: Appropriations Act and VPA  
 Measure Baseline: 2005 percentage of "Meets Expectation" 100%  
 Measure Target: 100%

### Strategies Associated with Service Area Objective

Continue to maintain and enhance current practices in order to "Meet Expectations" in all areas under the VA Management Scorecard.

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## Security Services – 69923

The Virginia Port Authority Police Department is responsible for providing a full range of law enforcement services at, and near, the Authority’s facilities. Traditionally, this function has focused on theft prevention. In the past several years, emphasis has expanded to encompass terrorist threat protection and close access control to the facilities and to the vessels that utilized them. Virginia is the first port in the nation to have a radiation detection system in place and fully operational. The police department functions on a 24-hour, seven-day per week basis and comprises more than 50 percent of the agency’s personnel. Virginia consistently maintains the lowest pilferage rate of any port in the United States.

### Support of Service Area to Mission

VPA’s security mission is to serve as both the first and last line of security and law enforcement in place to ensure that the Ports of Virginia can operate at the highest level of security, on a continuous basis, without disruption to the flow of commerce.

### Statutory Authority of Service Area

§ 62.1-129.1 of the code of Virginia governs police powers empowering them to adopt and enforce rules and regulations. § 62.1-132.12 of the code of Virginia governs employment, jurisdiction, and power of special police officers of the Port.

### Service Area Customer Base Listing

<b>Customer Group</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
Shiplines	Shiplines	75	75
Terminal Operators	Terminal Operators	3	3
Other Members of Maritime Community	Anyone working on or using the port (served-unknown, potential-unlimited)	0	0
Governmental Agencies and Organizations	Department of Homeland Security	1	1

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<b>Customer Group (Cont.)</b>	<b>Service Area Customer</b>	<b>Customers Served by Service Area (annually)</b>	<b>Potential Service Area Customers (annually)</b>
International Freight Forwarders/Custom House Brokers	US Customs	1	1
Governmental Agencies and Organizations	Commonwealth of Virginia	1	1
General Public (VA population based on US 2000 consensus data)	General Public (served-unknown, potential- unlimited)	0	0
Governmental Agencies and Organizations	U.S. Government	1	1

### Service Area Product or Service

The protection of cargo that moves through the ports, and to safeguard against possible terrorist acts against the ports, the Commonwealth, or the United States.

### Factors Impacting the Products and/or Services of this Service Area

Federal mandates have been enacted that require security enhancements at all waterfront facilities. The required enhancements include changes in perimeter security, surveillance, access control, and training of security personnel, background checks on persons with waterside access, and the detection of weapons hidden in shipping containers. In several core areas, VPA is already in compliance and is far ahead of any other port in the United States.

Necessary capital-related security improvements have been estimated to be in the range of \$40 to \$45 million. To date, federal grants allocated to VPA in this area amount to \$11.4 million. It is anticipated that there will be a seven-figure shortfall in security funding that the Authority intends to address through the utilization of scarce terminal revenues, including a security surcharge on all port activity. The Authority also intends to slightly increase the number of security staff to enhance the current security level and account for the increased activity at the port, at a minimal cost to the Authority.

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## Financial Overview

Security Services is funded 85% from Port Facility Revenues and 15% from Commonwealth Port Fund Revenues.

## Financial Breakdown

	Fiscal Year 2007		Fiscal Year 2008	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$ 6,058,510	\$0	\$ 6,058,510
<b>Changes to Base</b>	\$0	\$ 1,543,071	\$0	\$ 2,426,950
<b>Service Area Total</b>	\$0	\$ 7,601,581	\$0	\$ 8,485,460

## Service Area Objectives

### 1) Maintain necessary training and exercises for security personnel - 69923.01

Elevate the importance of and dedicate more resources to security training exercises.

### Support of Service Area to Mission

To secure necessary navigable tidal waters.  
To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Number of annual training hours/exercises  
 Measure Type: Outcome  
 Measure Frequency: Annually  
 Measure Data Source and Calculations: VPA's payroll, police department and human resource data  
 Measure Baseline: 55 hours per Police Officer  
 Measure Target: 55 hours per Police Officer

### Strategies Associated with Service Area Objective

Utilize additional funding to promote extensive training and exercise initiatives for the security personnel.



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## 2) Meet or exceed all local, state, and federal security and law enforcement requirements - 69923.02

Security services will implement strategies to meet or exceed all local, state, and federal security and law enforcement requirements.

### Support of Service Area to Mission

To secure necessary navigable tidal waters.  
To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Local, state, and federal mandates  
Measure Type: Outcome  
Measure Frequency: Annually  
Measure Data Source and Calculations: Local, state, and federal performance reviews  
Measure Baseline: 100%  
Measure Target: 100%

### Strategies Associated with Service Area Objective

The VPA security force will ensure a safe, secure, and competitive environment by aggressively implementing a holistic approach to security and law enforcement.

## 3) Maintain low theft rate - 69923.03

Maintain VPA's position as the port with the lowest theft rate of any port of its size in the world.

### Support of Service Area to Mission

To secure necessary navigable tidal waters.  
To develop, improve, or increase commerce of the Commonwealth's ports.

### Service Area Objective Measures

Measure Title: Theft rate  
Measure Type: Outcome  
Measure Frequency: Annually  
Measure Data Source and Calculations: VPA financial and non-financial records  
Measure Baseline: 0  
Measure Target: 0

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## Strategies Associated with Service Area Objective

Approach will include preparation of plans and assessments, further development of access controls, surveillance and monitoring, asset tracking and accountability, cargo screening efforts, staffing, training and exercises, communications and IT improvements, and command and control initiatives.