

Virginia Maritime Association

“Voice of the Port”



House Appropriations Committee

September 17, 2012

VMA's Mission



“PROMOTE, PROTECT,
AND ENCOURAGE
WATERBORNE
COMMERCE
THROUGH THE PORTS
OF VIRGINIA”



VMA Structure & Priorities



- Membership of over 400 companies with more than 70,000 employees in Virginia
- Facilitating Commerce & Port Competitiveness
- Education & Awareness of the Port
- Information Services
- Industry Watchdog and Advocate



Port Economic Contribution

**343,000 Port and Port-Related Jobs =
9% of Virginia's Workforce**

\$41 Billion in Annual Economic Impact

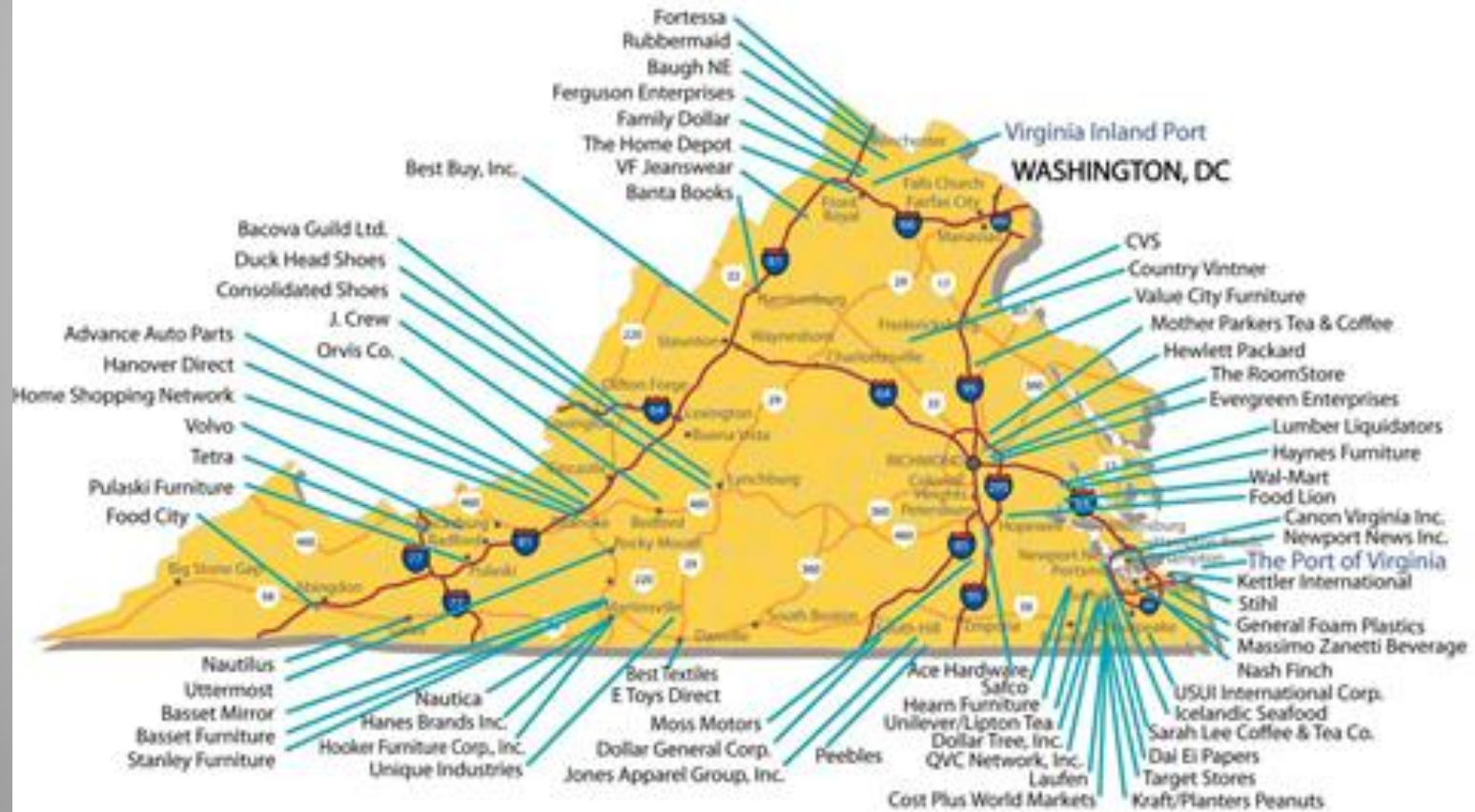
**\$13.5 Billion in Annual Employee
Compensation**

\$1.2 Billion in Annual State and Local Taxes



Port Economic Contribution

Selected Distribution Facilities Using The Port of Virginia



Recent Port Governance Changes



Virginia Port Authority

In 2011, Governor McDonnell replaced 10 of the 11 members of the VPA governing board.

Virginia International Terminals

Following the above change, the VIT Board of Directors added two members from new VPA Board to its membership.**

**** All VIT net revenue is returned annually to the VPA to pay for VPA operations and debt service.**

APM Terminals Virginia Lease

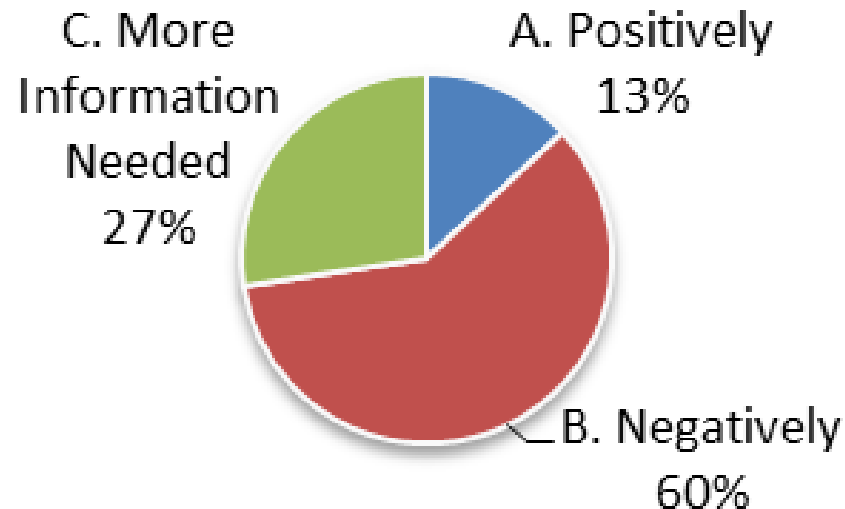


- In 2010, the VPA signed a 20-year lease to operate APM's terminal in Virginia.
- Sublease Restriction Clause – According to the lease, the VPA may not grant operating rights to that facility to any other bidder without APMT's consent.
- APMT is the only party that can bid for 100% of the Port's container business, diminishing the State's negotiating position.

VMA Membership Survey



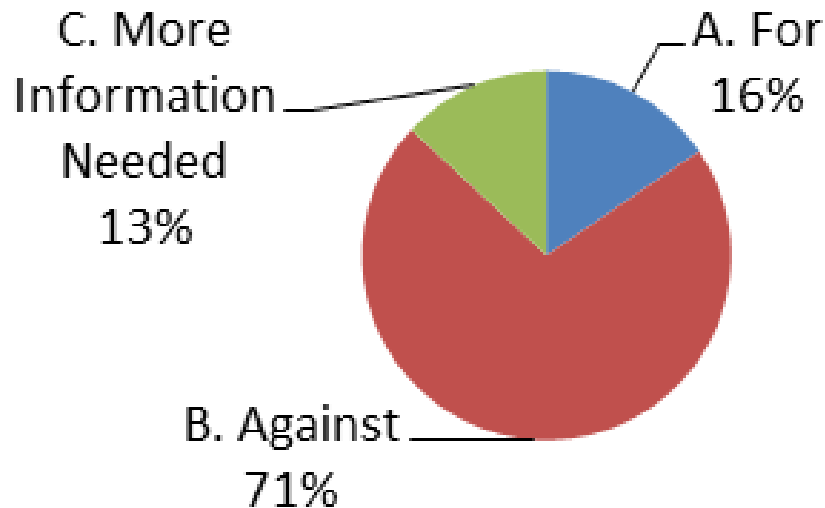
How would this change in terminal operations affect the Port's shipping customers?



VMA Membership Survey




Generally speaking, are you for or against the proposed change in the operation of the state-owned terminals?



Ocean Carrier Letters





Peter Braedel
 August 13, 2012
 Via e-mail and courier


Mr. Arthur W. Moye, Jr.
 Executive Vice President
 Virginia Maritime Association
 238 F. Plume Street
 Norfolk, Virginia 23510
 amoye@seafair.net/vma.org

RE: Unsolicited Conceptual Proposal for the Concession of the Port of Virginia Facilities.


Dear Mr. Moye,

This letter is submitted on behalf of the Grand Alliance Consortium composed of Hapag-Lloyd (Germany), OOCL (USA), Inc. and NYK Line (North America) Inc. Collectively, the Grand Alliance is the Port of Virginia's largest customer and we have enjoyed a long relationship with Virginia International Terminals as indicated by our historical IIT, and the signing of a long term agreement through December 2016. Upon reading the information provided to date on the subject matter the Grand Alliance has some concerns about long term terminal capacity availability provided at fair and reasonable terms and conditions, and the future competitiveness of the Virginia operation for all our collective customers in the region/area.

We appreciate your consideration of our views as you weigh the short- and long-term merits of privatization versus a neutral operating environment.

Sincerely,

 Peter Braedel
 Senior Vice President Corporate Operations
 As Chair for the Grand Alliance
 North American Terminal Committee

cc: Mr. Richard Breffeln, NYK North America, 200 Lighting Way, Secaucus, NJ 07094
 cc: Capt. T.F. Han, OOCL USA, 2833 Camino Ramon, San Ramon, CA 94583


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Arthur W. Moye, Jr.
 Executive Vice President
 Virginia Maritime Association
 238 F. Plume Street
 Norfolk, VA 23510

June 15, 2012

RE: Unsolicited Conceptual Proposal for the Concession of the Port of Virginia Facilities

Gentlemen:

This letter is being written on behalf of Hanjin Shipping America, LLC.


I write today concerning the unsolicited conceptual proposal for the concession of the Port of Virginia facilities, the purpose of which is to award a 48 year concession to APMT Terminals. Hanjin Shipping represents the largest volume of import and export cargo through the VPA.

By allowing this concession to be held by one single, private, foreign entity we believe that you will be causing irreparable harm to the future of the Port of Virginia. The monopoly will clearly be an obstacle to transparency in port operations and competitive, market based pricing. As a subsidiary of one of our ocean carrier competitors (Mitsui Line) we believe that we will be disadvantaged if we continue to call our services at the Port of Virginia in Norfolk.







I know that some believe that changing the operating structure at the VPA will benefit their own pecuniary interest. However, such a shift actually could harm many more shippers in the long run. By taking actions that could reduce port revenues, which in turn, will harm the interest of local customers, as well as the public at large, who benefit from a strong operating entity that is able to invest in infrastructure expansion, terminal automation, and productivity improvements. In addition, we are concerned that changes in the proposed operating concession could result in service disruptions that would adversely affect all shippers.

With the Port of NYNJ, Port of Baltimore and the Port of Wilmington, NC, strategically located to compete for Norfolk's cargo interests, I believe that this is an issue that should get your full and immediate attention.

I appreciate your consideration of my views, and I hope that your offices will work to ensure a healthy terminal operating environment that continues to provide a true public benefit to our nation.

Sincerely,

 B. Kim
 Managing Director
 Hanjin Shipping America, LLC

Cc: Mike Radak, Hanjin Shipping America, LLC
 S. I. Jeong, Hanjin Shipping America, LLC

June 15, 2012
 HANTING ASSOCIATION
 ESTABLISHED 1920

Robert F. McDonnell
 Executive Vice President
 Office of the Governor
 Patrick Henry Building, 3rd floor
 1111 East Broad Street
 Richmond, VA 23210

Arthur W. Moye, Jr.
 Executive Vice President
 Virginia Maritime Association
 238 F. Plume Street
 Norfolk, VA 23510

Michael J. Guillen
 Chairman
 VPA Board of
 Commissioners
 P.O. Box 2345
 Abington, Va. 24212

RE: Unsolicited Conceptual Proposal for the Concession of the Port of Virginia Facilities

Gentlemen:

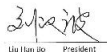
I write today concerning the unsolicited conceptual proposal for the concession of the Port of Virginia facilities, the purpose of which is to award a 48 year concession to APMT Terminals. CMA Alliance of Cosco – C Line – Yang Ming Line and Hanjin Shipping represent the largest aggregate of import and export cargo through the VPA.

By allowing this concession to be held by one single, private, foreign entity we believe that you will be causing irreparable harm to the future of the Port of Virginia. This monopoly will clearly be an obstacle to transparency in port operations and competitive, market based pricing. As COSCO, we believe that we will be disadvantaged if we continue to call our services at the Port of Virginia in Norfolk.

In addition, we are concerned that changes in the proposed operating concession could result in service disruptions that would adversely affect all shippers.

With the Port of NYNJ, Port of Baltimore and the Port of Wilmington, NC, strategically located to compete for Norfolk's cargo interests, I believe that this is an issue that should get your full and immediate attention.

I appreciate your consideration of my views, and I hope that your offices will work to ensure a healthy terminal operating environment that continues to provide a true public benefit to our nation.

Sincerely,

 Liu Han-Bo
 President

COSCO

101 Lighting Way • Secaucus, New Jersey 07094 • Tel: (201) 422-0900 • Fax: (201) 422-8958
 www.cosco-usa.com

Eleven steamship line customers submitted letters objecting to the APMT proposal or cautioning that business may be driven to competing ports should APMT be selected as the preferred bidder.

The media has reported that three steamship lines submitted letters without objection to the proposal; however, these letters have not been publicly released.

Ocean Carrier Letters



“By allowing this concession to be held by one single, private, foreign entity we believe that you will be causing irreparable harm to the future of the Port of Virginia. This monopoly will clearly be an obstacle to transparency in port operations and competitive, market based pricing. As COSCO, we believe that we will be disadvantaged if we continue to call our services at the Port of Virginia in Norfolk.”

– Liu Han Bo, President, COSCO Container Lines America, Inc.

“We are gravely disturbed that assigning control of all of the container terminals in Hampton Roads to a division of AP Moller-Maersk Group will result in a preference for Maersk Line and prejudice against its competition. We do not believe that there could be a level playing field and fair competition for all other containership operators. These concerns are not solely focused upon pricing but also included potential conflicts of interest with berthing priorities and day to day operational decisions.”

- Kazuhiro Matsukawa, President & CEO, “K” Line America, Inc.



Process Issues

PPTA Published Milestones

- Commonwealth accepts APMT proposal and issues request for alternative proposals May 23, 2012
- Commonwealth accepts alternative proposals August 22, 2012
- Proprietary meetings and negotiations begin September, 2012
- Detailed proposals due October 5, 2012
- Preferred proposer announced October 15, 2012
- VPA Board briefed on major business terms November 27, 2012
- PPTA audit complete Late 2012/Early 2013
- Financial Close Late 2012/Early 2013



Process Issues

The Commonwealth is considering a long-term, major privatization of a significant state asset without 1) first undertaking a formal evaluation and valuation of the asset itself and then 2) making recommendations based upon such an evaluation.

Before the Commonwealth considers privatization, any specific problems at the Port should be formally identified, and recommendations should be made as to why privatization is the appropriate solution to those specific problems.

The current process is moving at an unprecedented pace and lacks stakeholder support.



Final Thoughts

August container volumes were up 24% over August, 2011. The August increase follows the Port's best May, June and July on record.

The VMA and the maritime community supports change that improves competitiveness and brings business to Virginia. We stand ready to help.



THANK YOU

Art Moyer

Executive Vice President

Virginia Maritime Association

757-622-2639

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