

*History of Port Unification and
Creation of Virginia International Terminals, Inc. (VIT)*

In the late 1960's, Governor Mills Godwin, at the conclusion of his first term, established a port study commission in order to determine changes necessary to make Virginia's port competitive. This study commission recommended that the Virginia Port Authority (VPA) be reorganized and that the Commonwealth, through the VPA, assume the ownership of the three marine terminals in Hampton Roads, thereby ending cutthroat competition among the terminal operators. Following this recommendation, Governor Holton began the process, which has since come to be known as Port Unification. This process culminated in July 1972 when the VPA acquired the interest of the City of Norfolk in Norfolk International Terminals (NIT). The VPA had acquired Portsmouth Marine Terminal (PMT) in July of 1971 and Newport News Marine Terminal (NNMT) in October of 1971.

Having acquired NIT, the Port Authority and the City of Norfolk created a Virginia, non-stock, non-profit corporation known as Maritime Terminals, Inc. to operate NIT. Maritime Terminals, Inc. began operating NIT December 31, 1972. A similar entity, Port Authority Terminals, assumed the operation of NNMT in 1980. The creation of this corporation was accomplished after much deliberation with the Attorney General's office as well as key legislators. This structure was chosen in order to allow a private company to operate in a business environment and to negotiate with port labor unions in order to service ships and move cargo within the terminal. Virtually all east coast and gulf coast ports are subject to a master collective bargaining contract with the International Longshoreman's Association AFL-CIO (ILA). The State however, then and now, is prohibited by Senate Joint Resolution 12 from dealing with organized labor and this continues to be a barrier against the State's direct operation of the terminals.

Having acquired each terminal, the port study commission recommended that the Authority create a method to centrally operate all of the marine terminals. The method previously established and in use at NIT and NNMT was proving to be successful so the Port Authority did two things:

1. VPA created a third, non-stock, non-profit corporation known as Virginia International Terminals, Inc. (VIT) to take over the operation of all three marine terminals. VIT commenced actual operation on January 1, 1982, when it merged the staff of Maritime Terminals, Inc. and Port Authority Terminals, Inc. and took over the operation of NIT and NNMT.
2. VPA negotiated the buyout of the private operator of PMT in late 1982 and VIT took over the operation of PMT in January of 1983.

As with the three individual operators, all of VIT's revenues were dedicated to either operating purposes or turned back to the terminal facilities for equipment purchases, maintenance and improvements. The earlier corporations were regularly audited by an outside accounting firm and the same practice continues with respect to VIT. However, the Auditor of Public Accounts, who audits the VPA, does review the outside audit of VIT. When the Auditor has questions or needs additional information concerning the external audit of VIT, they have the Authority's Treasurer obtain the information from VIT, thus the Auditor of Public Accounts receives necessary information while at the same time preserving the separation of the State operation (VPA) from a private corporation (VIT).

The consolidation of port operations under the management of VIT, in addition to resolving labor relation issues, enabled the terminals to engage in serious competition with other Mid-Atlantic ports seeking a role in the ever growing intermodal industry. As a private Virginia corporation, VIT's contractual relationships with the ship lines and others are not subject to the Freedom of Information Act. To publicly release data related to VIT's contracts, labor negotiations and vendor information, would put VIT at a serious disadvantage in its commercial dealings.

The relationship between VIT and VPA is decidedly “arms length”. It has always been controlled by a signed Service Agreement detailing the responsibilities of each organization. The VIT Board of Directors, in accordance with its Articles of Incorporation, was originally composed of seven individuals appointed by the Commissioners of the Port Authority. The Articles require regional representation specifying that the board have two representatives from Norfolk and Virginia Beach, two from Chesapeake and Portsmouth, and two from Hampton and Newport News. The seventh director is the Executive Director of the Port Authority and, by title, is a permanent member of the VIT Board.

On November 22, 2011, the VPA Board approved a Third Amended and Restated Articles of Incorporation of Virginia International Terminals, Inc., to add two VPA Board members to the VIT Board, thereby increasing membership to nine Directors. By expanding the VIT Board to include two VPA Board members, it would provide a direct line of communication and enhance VIT’s Board with the talent from the VPA Board.

VIT’s revenues, after the payment of terminal operating expenses and overhead, are applied to support Port Authority bond issues periodically issued to purchase needed capital improvements, such as cranes, straddle-carrier, and infrastructure, and to support the revenue requirements of the Port Authority. As a result, the State’s marine facilities support almost entirely the day-to-day operations of the Port Authority, including marketing the port throughout the world while at the same time funding the day-to-day operation of the terminals themselves.

While the VPA exercises budget oversight as to terminal operations, VIT exercises independent control over its revenues and expenditures. Its bank accounts, insurances, purchases, employee relations and compensation and budget programs are all independently managed by VIT’s administration. Contractual relationships, labor negotiations and ultimate fiscal decision-making are in the hands of VIT’s management, which reports monthly to its board. As a private Virginia corporation, VIT regularly pays substantial sums to state and local government in the form of sales and personal property taxes.