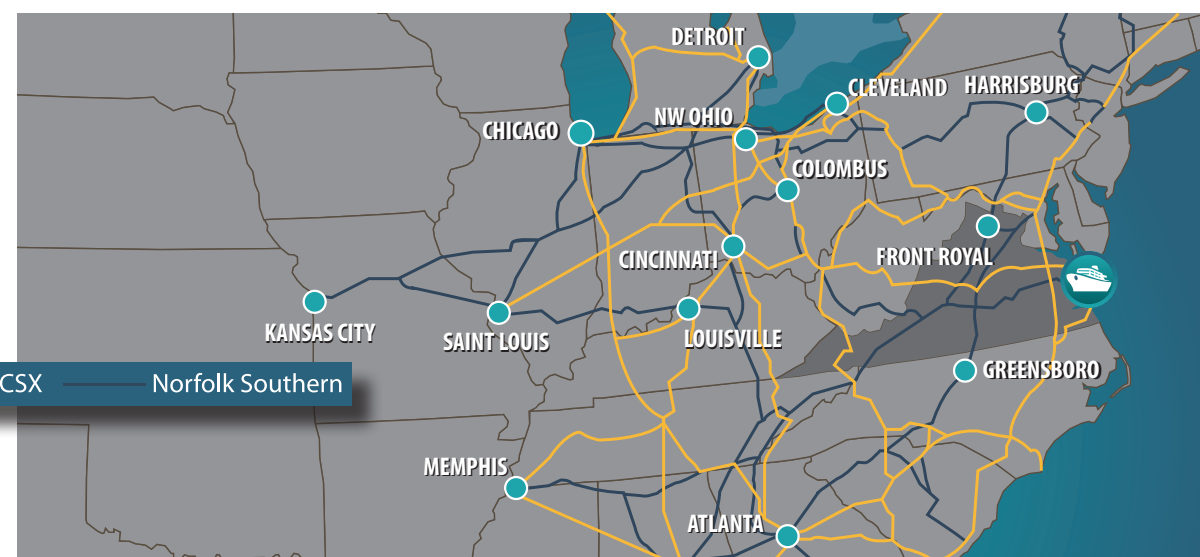


# DECIPHERING OUR PORT

## AN ECONOMIC ENGINE

*Tom Berkley*

Since 1950, The Port of Virginia has operated as a political subdivision of the Commonwealth of Virginia. Its pervasive reach stretches across Coastal Virginia, positively affecting employment, revenue and investment for businesses and communities across the Commonwealth. Understanding our port not only provides a deeper understanding of our community but also offers insight into potential business opportunities for growth and development. This article serves as a primer to current port operations and the lingo most common in regional, state and national publications.



The port is composed of six terminals: Norfolk International Terminals (NIT), Portsmouth Marine Terminal (PMT), Newport News Marine Terminal (NNMT), Virginia International Gateway (VIG), Virginia Inland Port (VIP)—located in Front Royal—and Richmond Marine Terminal (RMT). These terminals function similar to small, integrated communities within their host cities.

The port is led by an executive director/CEO who reports to a board of commissioners, similar to a mayor-and-city-council model. The port's board is appointed by our governor with its chairman reporting directly to the governor. In addition to its own police force, the port has people working on such things as environmental programs, maintenance, risk management, engineering, marketing and communications and human resource management. Further, our Attorney General's office, in combination with chosen outside counsel, handle the port's numerous legal needs.

The port's mission is to "foster and stimulate domestic and foreign commerce." To that end, in 2013, an economic study performed by the College of William and Mary showed

the port generated more than 374,000 jobs and \$60 billion in total economic impact throughout the Commonwealth. These extraordinary figures are just the beginning.

Virginia's port is the nation's fifth largest, and it has vast potential for growth that competitors lack. Craney Island, for example, offers as much future terminal space as some competitors currently utilize. In addition to its impressive channel depth of 50 feet, our port has federal approval to dredge to 55 feet, and an economic impact study for going deeper is underway. Equally important, the port has just begun a \$700 million expansion, the largest in its history. This investment will improve cargo operations, provide room to grow and make this economic engine sustainable for decades to come.

To understand the significance of this expansion, we must have a basic understanding of certain transportation lingo. First, we must learn the meaning of "twenty-foot equivalent unit or TEU." The metal cargo containers that we see on trucks moving across roads and bridges and through our tunnels are known in the transportation industry as a TEU.

A variety of goods are shipped in these cargo boxes—

coffee, furniture, iron, steel, machinery, sports equipment, toys, beverages, plastics, wood, grain, medical equipment, machinery, grains, fruits and even vehicles. A TEU can handle almost any product or raw material. Some TEUs, known as "reefers," serve as refrigerators for food products.

Our marine terminals load and unload TEUs from the largest vessels in Atlantic trade routes. We should soon see vessels that can carry 13,000 TEUs arrive later this year. TEUs must move to and from our terminals via truck, rail and barge with each mode of transportation as important as the next. The ability of TEUs to move by these various transportation modes makes them "intermodal," and the various modes of transportation are known as intermodal freight transport. In 2016, Virginia exported 1.4 million and imported 1.1 million TEUs.

The next important terms are "first-in" and "last-out," and both terms have favorable meaning. A "first-in" call occurs when a vessel makes Virginia its first US East Coast stop—a "call" is when a ship comes to a port. A "last-out" call occurs when a vessel leaves Virginia for its overseas without another East Coast stop. Both types of calls mean that goods shipped from and to our port get to their desired markets faster.

At the end of 2016, two large consortiums of ocean carriers confirmed multiple first-in and last-out calls to our marine terminals beginning in April. Consortiums such as these occur when vessel operators like Maersk or MSC join forces to offer more competitive and comprehensive services. Assisting with the speed of these oncoming deliveries will be a tug and barge service that runs between RMT and NIT/VIG. Coastal Virginia's unique waterways allow use of barges to reach Richmond and Baltimore, which helps move goods to inland destinations without adding to road congestion.

Equally important, if not more impressive, is the port's relationship with both of the East Coast's Class 1 railroads, Norfolk Southern and CSX. Having two rail providers creates competition and allows customers to obtain favorable pricing. These rail services lead us to our next term, "double-stack."

Rail accounted for 35 percent of the port's business in 2016, and it continues to grow. Both rail carriers provide double-stack train service: two TEUs per train car with one stacked atop the other. While other East Coast ports might focus on their natural population base, our port leaders had the forethought to work with the railroads to service the Mid-Atlantic and establish direct transportation corridors with double-stack trains serving the manufacturing and population centers of the Midwest.

A train can leave our port and deliver goods to Chicago in 40 hours. Norfolk Southern began double stack service along its Heartland Corridor route in 2010 to Midwest destinations including Columbus, Ohio and Chicago. Our connection with the Midwest continues to grow. On December 23, 2016, CSX opened its double-stack National Gateway route connecting Virginia's terminals to Baltimore, Pittsburgh, Cincinnati, Cleveland and Toledo. These locations supplement existing rail calls to St. Louis and Memphis.

Never to be overlooked, the truck operations coming into and out of our terminals move the lion's share of the cargo: in 2016 trucks moved more than 60 percent of the port's intermodal freight. This summer, the port will open a new \$30 million truck gate at NIT that will give motor carriers 22 additional access points or "gates" into and from the terminal with direct access to I-564 via a dedicated ramp.

All of these improvements—wharf lengthening, new truck gates, improved rail access, expanded cargo handling capabilities, implementation of new technology—are directly aimed at attracting more first-in and last-out calls of bigger vessels. When complete, this \$700 million investment increases the port's cargo handling capacity by 40 percent or 1 million combined container units. Our port is growing, and coastal businesses can benefit by better understanding the port's operations, its development, its future and the positive impact it has on the many industries it supports.

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