PPT Act Deals: VA Port "Privatization"

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Some things are better handled by the private sector -- assuming it has commensurate at-risk capital invested, and appropriate incentives to perform – while other things are better done by governmental agencies, for and on behalf of both the general public and private commercial interests. It is not always easy to draw the line. Such may seem to be the case in regard to the on-going public decision-making process relative to evaluation of proposals to operate the several Hampton Roads intermodal terminals developed by Virginia Port Authority ("VPA"), largely with tax dollars, and currently operated by VPA subsidiary, Virginian International Terminals ("VIT").

The McDonnell administration understandably lost patience with prior VPA boards and management, which collectively have established a record of exaggerating the near-term ability of Hampton Roads to capture a substantially larger *fraction* of international container traffic. Unrealistic claims and projections by various Authority executives have now come back to haunt VPA. Our much-touted 50-foot channel is certainly an asset, but history tells long-view observers that while an inadequate channel is a detriment, ocean shipping companies do not necessarily gravitate to the port with the deepest channel. They go where *their customers*' business is! This is similar to retail real estate, where the counting of roof tops is basic! The Port of New York may have its disadvantages, but it serves - by far - the largest number of roof tops on the East Coast. That will likely make New York the first call of most ship operators. Next in importance comes Savannah, serving Atlanta, Charlotte and the rapidly-growing Southeast. Proud as we are of Virginia's urban crescent, we just don't have the same number of roof tops. To compensate, VPA seeks to augment our regional market by serving the Midwest, by truck and rail. However, "boxes" arriving from Asia can often get to Ohio quicker and cheaper via LA-Long Beach and cross-country rail. Panama Canal expansion or not, the West Coast Ports will continue to have an enormous long-term competitive advantage. The Port of Virginia is a great asset in a highly-competitive chase for business. It was developed by the people of Virginia with their tax dollars. Yes, we are aware of the deal some regret having been made by VPA several years ago with APM, as well as of recent, and highly-unusual, operating problems at the APM terminal, but none of this requires a rush into the arms of opportunistic investors in order to reap the rewards of years of public investment. Good VPA/VIT management is needed, for sure, but not privatization deals characteristic of "pay-day" lending. We fear there may be more lost than gained.

So how is this a rail-related issue? VPA claims that about 30% of the international container "boxes" passing through its facilities move inland via rail. Prior gubernatorial administrations have allocated many millions of dollars to rail development on VPA port facilities, as well as for rail access to and from them, claiming that these were high-priority projects entitled to first call on limited public rail dollars. Now that we have invested in Port rail, let's get a *return on* our investment. Otherwise, if there is a "cashing-out", give us back our rail money and redeploy such capital to other priority rail projects across Virginia. Next time: Virginia's first PPTA deal, 895; RF&P, etc.... ####