

**THE VIRGINIA PORT AUTHORITY**

**REPORT OF THE  
VIRGINIA ADVISORY LEGISLATIVE COUNCIL**

**TO**

**THE GOVERNOR**

**AND**

**THE GENERAL ASSEMBLY OF VIRGINIA**



**SENATE DOCUMENT NO. 13**

**COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF PURCHASES AND SUPPLY  
RICHMOND**

**1978**

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**THE VIRGINIA PORT AUTHORITY**

**Report of the**

**Virginia Advisory Legislative Council**

**To**

**The Governor and the General Assembly of Virginia**

**Richmond, Virginia**

**January, 1978**

To: Honorable Mills E. Godwin, Jr., Governor of Virginia

and

The General Assembly of Virginia

**I. INTRODUCTION**

Virginia's ports, particularly those of Hampton Roads, constitute one of the Commonwealth's most valuable assets. Virginia's ports are all within five hundred miles of nearly one-half of America's population. The Hampton Roads ports constitute one of the finest natural harbors in the world, located midway along the Atlantic seaboard just eighteen miles from the open sea. Hampton Roads covers an area of twenty-five square miles, with ample deep-water anchorage for vessels of nearly all sizes and classifications. Collectively, the ports of Hampton Roads rank first in the United States in volume of export cargo, and second in volume of total cargo tonnage handled.

About fifty-five percent of America's ocean-going exports of coal move through the ports of Hampton Roads, the largest coal-handling complex in the world. Nearly one person out of every six employed in the Commonwealth, more than three hundred fifty-six thousand two hundred sixty-four Virginians, depends directly or indirectly on Virginia's ports for his job. Latest figures show that Virginians working at the ports earn a total of three billion dollars yearly in wages and salaries. The ports generate, annually, approximately one hundred fifty million dollars in taxes paid to the Commonwealth.

Being aware of the tremendous importance of the ports of Hampton

Roads to Virginia's economy, and being also concerned that the ports should be administered in the best interest of all the citizens of Virginia, the General Assembly, in its 1977 Session, adopted Senate Joint Resolution No. 129. The Resolution states:

WHEREAS, Chapter 10 of Title 62 of the Code of Virginia provides for the creation and activities of the Virginia Port Authority; and

WHEREAS, such Port Authority is charged, generally, with the broad duty and responsibility of promotion and development of the ports of this Commonwealth; and

WHEREAS, the activities of the Virginia Port Authority have considerable economic impact, not only on the communities in which Virginia's ports are located, but also on many industries across the Commonwealth whose goods are shipped through, or whose raw materials arrive via facilities for which the Virginia Port Authority has responsibility; and

WHEREAS, it is the Constitutional duty of the General Assembly to exercise legislative oversight over the operation of governmental entities, to take steps necessary to preserve the public health, safety and economic welfare of all Virginians, and to see to it that public revenues are wisely and appropriately spent; now, therefore, be it

RESOLVED by the Senate of Virginia, the House of Delegates concurring, That the Virginia Advisory Legislative Council is hereby instructed to undertake a comprehensive study of the Virginia Port Authority. Such study shall include, but not necessarily be limited to, the Port Authority's sources of and disbursement of financial resources, its internal organization, decision-making procedures, policies and programs and financial ability to support the issuance of revenue bonds.

All governmental agencies and instrumentalities, political subdivisions, and other governmental agencies in the Commonwealth shall render the Council such assistance as it may require in the course of its study.

The Council shall complete its study, formulate its legislative and other recommendations, and report such recommendations and other findings to the Governor and General Assembly on or before November one, nineteen hundred seventy-seven.

Senator Peter K. Babalas of Norfolk, a member of the VALC, was selected to chair a VALC Committee to undertake the study. Because of the comprehensive nature of the study contemplated in Senate Joint Resolution No. 129, a large Committee was approved by the VALC and was divided into five Subcommittees as follows: Port Funding Subcommittee: Edward E. Willey of Richmond (Chairman), W. Wright Harrison of Norfolk (Vice-chairman), Alan A. Diamonstein of Newport News, Gene Dixon, Jr. of Dillwyn, George C. Garris of Norfolk, Joseph A. Leafe of Norfolk, Richard D. Robertson of Staunton, Robert H. Spilman of Bassett, and George F. Walker of Bluefield; Port Unification Subcommittee: J. Warren White, Jr. of

Norfolk (Chairman), Stanley C. Walker of Norfolk (Vice-chairman), Charles R. Chambers of Portsmouth, W. L. Coker of Hopewell, J. William Doswell of Richmond, Donald R. King of Norfolk, Willard J. Moody of Portsmouth, and Russell I. Townsend, Jr. of Chesapeake; Port Terminal Operations Subcommittee: A. L. Philpott of Bassett (Chairman), L. Cleaves Manning of Portsmouth (Vice-chairman), Robert R. Ballard of Norfolk, Edward L. Brown, Sr. of Norfolk, Richard L. Counselman, Jr. of Norfolk, George H. Heilig, Jr. of Norfolk, Ernest Hines of Norfolk, T. Parker Host, Jr. of Newport News, Charles B. Keown of Portsmouth and T. A. Schuyler of Norfolk; VPA Organization Subcommittee: James M. Thomson of Alexandria (Chairman), Owen B. Pickett of Virginia Beach (Vice-chairman), Myles E. Billups, Sr. of Norfolk, Archibald A. Campbell of Wytheville, P. Hunter Cox of Chesapeake, Nicholas A. Durgom of Petersburg, Paul V. Fox of Norfolk, C. Hardaway Marks of Hopewell, and Gordon W. Spencer of Norfolk; and Port Costs and Port Competition Subcommittee: Hunter B. Andrews of Hampton (Chairman), George E. Allen, Jr. of Richmond (Vice-Chairman), George S. Aldhizer, II of Broadway, J. Harwood Cochrane of Richmond, Gordon L. Crenshaw of Richmond, Frederick Deane, Jr. of Richmond, John P. Fishwick of Roanoke, Ivan L. Hauenstein of South Hill, Bernard Inge of Norfolk, John W. Parker of Virginia Beach, Thomas W. Rabeau of Norfolk, and Binford L. Snead of Virginia Beach. The Committee retained Blair P. Wakefield of Norfolk and Louis G. Paulson of Virginia Beach to act as consultants. Following an initial organizational meeting by the full study committee, the several subcommittees functioned independently with coordination being provided by the consultants and staff. The subcommittees held numerous public hearings, hearing from representatives of the Virginia Port Authority and from representatives of concerned business organizations and also from many other interested individuals. Additionally, the subcommittees were furnished with substantial amounts of detailed data by the consultants.

## II. FINDINGS AND RECOMMENDATIONS

In general, the Council finds that there is dissatisfaction with the current role of the VPA among many port users and potential port users. The Council's Subcommittees, in the course of their work, were confronted with complaints of stevedoring problems, berthing and scheduling problems, complaints of preferential treatment of some customers over others, and a general complaint that the ports of Hampton Roads had not been, in any meaningful way, unified, and that not inconsiderable, wasteful competition was being carried on among and between the individual ports.

The Council finds, based upon the work of the Port Funding Subcommittee, that the efficient and effective operation of the Virginia Port Authority is being hampered by an absence of an adequate and predictable source of revenues from the State. Unpredictability of income has restricted VPA's planning ability. There is a need for a professional, detailed, in-depth study of the finances and funding of all the terminals of the ports of Hampton Roads under terms of their present leases. Because of the disparities in leases, and because of the many different accounting mechanisms employed by the several terminal operators, the Council's Port

Funding Subcommittee was not even able to determine with precision the degree to which any of the individual terminals were operating profitably. Until a comprehensive study of the cost effectiveness of the management of the several port terminals can be undertaken, there is some danger that large-scale changes in the system of funding of VPA by the State prior to the completion of any such study could result in a mere "throwing of money at the problem" without really solving that problem. However, in the shorter term, the Council feels that significant improvement may be wrought in VPA's financial situation by the Commonwealth's underwriting at least a portion of the costs of providing security services at the terminals, and paying the service on outstanding Port Authority indebtedness. Accordingly, the Council recommends that two million dollars be appropriated from the general fund of the State Treasury to VPA for debt service and security.

Based on the study by the Port Unification Subcommittee, the Council finds that the ports of Hampton Roads are not unified. Beyond this, however, it has not proven possible to even find a consensus among witnesses as to just what unification ought to mean in reality. The Council's Port Unification Subcommittee found that beyond its function of acting as a landlord for the terminals, the VPA exercises very little control over the actual operation of the terminals, and has little power to move the ports in the direction of meaningful unification. If the ports of Hampton Roads are to be unified, and if the Virginia Port Authority is to be the instrument of that unification, then the VPA must be very thoroughly reconstructed. If unification is to be pursued, and if the VPA is to be the instrument of that unification, then the Council finds that several courses of action suggest themselves: (1) VPA must have a more important role in over-all port development and in operation of the marine terminals, (2) the terminal at Newport News must become a member of the Hampton Roads Terminal Association, (3) VPA must exert more control over terminal charges, rates and practices and must pursue more aggressively rate adjustment with carriers and terminals (including the filing of complaints with federal and State regulatory agencies and other rate-making organizations), (4) local municipal port authorities must be completely phased out of the business of port planning, port operation, port financing and development, (5) a program must be developed and expedited to phase railroads out of terminal operations at Hampton Roads, and (6) the activities of the Norfolk Marine Terminal Association should be completely separated from those of VPA; the NMTA should publish its own tariff and have its own staff, rather than rely on the staff of VPA. The Council further finds that additional study is needed to determine the appropriate role of the river ports of Virginia under a system of unified ports. At present the issues are still too poorly defined for the Council to even begin the suggestion of legislation. Further investigation is needed to determine whether unification is possible, whether unification is desirable, whether unification (if both possible and desirable) ought to proceed under the Aegis of the Virginia Port Authority at all.

The Council finds, drawing on the work of the Port Terminal Operations Subcommittee that, presently, the Virginia Port Authority exercises virtually no control over the operations of the individual port

terminals. There is no way of ascertaining, under present circumstances, which, if any, of the terminals are really being operated in the most efficient manner possible, or operated in the best interest of the people of Virginia. There is insufficient data available to determine the relative desirability of the operation of the several terminals as private or public facilities. Presently available data suggests merely that the present concept under which the ports and the port terminals are operated is thoroughly unworkable. Here, too, the Council recommends that a complete and in-depth cost benefit analysis be made of the operation of the several terminals. The results of such analysis would make it possible to determine whether existing berthing facilities are being utilized efficiently and what, if any, additional facilities are needed and justifiable economically. Only after the results of a careful cost benefit analysis are available can a proper decision be made on the merits of direct leasing of port authority facilities to terminal operators who would then operate those facilities as completely private facilities on the model of present arrangements between VPA and Sea Land. If the present system of terminal operations is to be discontinued, and if the VPA is to become an effective agency for directly overseeing the operations of the ports, VPA must be provided sufficient authority to exercise centralized control over terminal operations: it must be capable of conducting central recordkeeping and computer functions, and it must be capable of exercising a unified control over port terminal costs. At the very least further study is needed to make a detailed analysis of all present lease arrangements between terminal operators and the VPA in order that the present unsatisfactory situation may be avoided in the future.

Growing out of the labors of the VPA Organization Subcommittee, the Council, in general, finds that the VPA, as presently organized, is incapable of performing any tasks much beyond that of a weak landlord acting in the name of the Commonwealth. As presently organized, VPA is incapable of acting in a more aggressive more efficient, more effective manner. If the VPA is to function as the central State agency responsible for all port activities, certain basic decisions must be made and certain changes undertaken. First, a decision must be made as to whether a revitalized port authority ought to be an independent State agency or whether it ought to be included within a Department of Transportation, a Department of Commerce, or some other department. Efforts by the General Assembly, the State Governmental Management Commission, and others to subordinate the Port Authority to a Secretary of Transportation have traditionally being resisted by the Port Authority. VPA's present mission, VPA's officials feel, at least as it is presently constituted, is one of trade development and not one of transportation of goods or passengers.

If the General Assembly should decide to drastically reorganize the VPA, consideration should be given to also reorganizing the VPA's Board of Commissioners. Many witnesses appearing before the Subcommittee questioned the value of the presently constituted Board of Commissioners, because of the lack on the part of many individual Commissioners of any knowledge of the port or steamship businesses. Similarly, numerous witnesses recommended that persons more familiar with the economic role of the port be appointed to any future Board of Commissioners.

Consideration should also be given to restructuring the presently anomalous relationship that exists between the Board of Commissioners and the Authority's Executive Director, and between the Executive Director and his staff. Presently, the VPA's Executive Director is appointed by and responsible to the Governor, but also reports to the Board of Commissioners and to the Secretary of Commerce and Resources. (Formerly he had been appointed by and responsible to the Board of Commissioners.) However, remaining VPA personnel are ultimately responsible, not to the Executive Director, but to the Board of Commissioners. In testimony before the Subcommittee, the present Executive Director, while stressing that no particular difficulty presently exists, pointed out that this anomalous relationship could present very significant problems for future Executive Directors, Boards of Commissioners and VPA employees. If the Virginia Port Authority is to be the tool to promote the unification of Virginia's ports, it must be so restructured that it may: (1) exert direct operational control over the several marine terminals, (2) exert a central control of the leasing of terminals and terminal facilities, (3) function as the central planning agency for all port development, (4) have the capability of detailed and extended financial planning and revenue projection, and (5) be capable of affording some measure of rate protection to port clients. Present functions of the VPA in the area of trade development should be continued only if a thorough study shows that those efforts have been proving significantly useful. At present, VPA has no capability of determining whether its trade promotion efforts are, in fact, resulting in increased utilization of the ports. If a detailed study should show that trade development efforts are proving beneficial, it may be advisable to increase the amount of money being spent in those efforts. However, should a study show that trade development efforts, including the foreign offices of VPA, are not proving beneficial, such offices ought to be abolished. Any reorganized VPA should have within it a much more active legal counsel: presently VPA is not aggressively endeavoring to influence rates affecting VPA customers in actions before the ICC, FMC or other rate-making authorities. The question of what organizational form VPA ought to assume, however, is dependent upon a decision as to whether or not the goal of unification of the Hampton Roads ports is to be pursued, and whether or not VPA ought to be the agency of the pursuit of that goal.

Based on the investigations of the Port Costs and Port Competition Subcommittee, the Council finds that the Commonwealth has a substantial interest in preserving the economic health of the ports of Hampton Roads. Pressure from competing Atlantic and Gulf coast ports for the business now moving through the ports of Hampton Roads is intense. Particularly, Virginia's ports are in danger of losing business to the ports of Baltimore, Wilmington, and Charleston. The Council was able to pinpoint at least two causes for loss of business by Virginia ports to their competitors: (1) most other states are participating financially to much greater degree in the development of their ports than is Virginia; and (2) much time, talent, energy and money appears presently to be consumed in wasteful intraport competition among the several ports of Hampton Roads. Many witnesses appearing before the Subcommittee gave testimony as to incidents of intraport squabbling which resulted in the relocation of business from



Virginia to ports to the North or the South. It would appear that many costs at Hampton Roads are indeed higher than they are at other non-Virginia ports. Charges made by terminal operators to shippers calling at their facilities are not uniform and appear to be only modestly influenced by VPA, and tend, by their mere disparity, to drive business elsewhere. The Council finds that there is pressing need for a detailed marketing survey of Virginia's captive and competitive marketing areas. Particularly, as the ports to the South continue to grow and develop, Virginia's captive and competitive areas will require ever greater attention and analysis if business there is not going to be lost to Wilmington or Charleston. As in other areas, here, too the lack of unification of the ports of Hampton Roads is all too apparent. VPA, at least as it is presently structured, appears to offer but slight chance of being able to reduce port costs and eliminate wasteful port competition. Further detailed study and analysis is necessary to determine: (1) precisely which port costs can be reduced, (2) how those costs may most effectively be reduced, (3) how much intraport competition can be and should be eliminated, (4) how that competition may best be eliminated, and (5) how VPA ought to be changed to accomplish these tasks.

General Recommendations: Based on a synthesis of the work of its Port Authority Study Subcommittees, the Council finds that much further, detailed study of the situation of the ports of Hampton Roads and of the Virginia Port Authority is urgently needed. The Council further finds that the Virginia Advisory Legislative Council is an inappropriate forum in which to conduct the sort of detailed, analytical study required. The Council also feels that such study may best be conducted by an independent study commission assisted by professional consultants and given an adequate amount of financial support to proceed with the sort of detailed investigation which the Subcommittees have found to be needed. The ports of Hampton Roads and the other ports of Virginia are too vital to the economy of the Commonwealth to leave these many and significant questions unanswered. Draft legislation creating such a study commission is attached to this report.

Respectfully submitted,

Edward E. Lane, Chairman

L. Douglas Wilder, Vice-Chairman

George E. Allen, Jr.

Peter K. Babalas

Vincent F. Callahan, Jr.

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Robert R. Gwathmey, III

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Lewis A. McMurrin, Jr.

Willard J. Moody

James M. Thomson

J. Warren White

Edward E. Willey

## **SENATE JOINT RESOLUTION NO.---**

Creating the Virginia Ports and Port Authority Study Commission; allocating funds therefor..

WHEREAS, the effective and efficient operation of the ports of Virginia, particularly the ports of Hampton Roads, is vital to the economic well-being of the Commonwealth; and

WHEREAS, insofar as more than 356,264 Virginians –nearly one in every six—are directly or indirectly dependent on Virginia’s ports for their livelihoods; and

WHEREAS, Virginia’s ports yearly generate a total of three billion dollars in wages and salaries, and contribute annually approximately one hundred fifty million dollars in taxes to the Commonwealth; and

WHEREAS, absent the most efficient management of these ports, in the interest of all the people of Virginia, this business is in danger of being lost to competing ports in Baltimore, Wilmington, Charleston, and elsewhere; and

WHEREAS, in nineteen hundred seventy-seven, the General Assembly directed the Virginia Advisory Legislative Council to undertake a thorough study of the ports and of the Virginia Port Authority; and

WHEREAS, such study by the VALC uncovered a host of problems and raised numerous vital questions which proved beyond the capability of a VALC committee to deal with; and

WHEREAS, investment of modest amounts of time, personnel, and financial resources in improving the situation of Virginia’s ports is capable of yielding handsome returns; now, therefore, be it

RESOLVED by the Senate of Virginia, the House of Delegates concurring, That there is hereby created a legislative study commission to be known as the Virginia Ports and Port Authority Study Commission. The Commission is charged with a comprehensive investigation of all matters relating to the ports of Virginia, the Virginia Port Authority, and, in particular, the many questions raised about the relationship of the ports to the Port Authority by the Virginia Advisory Legislative Council in its recent report to the Governor and General Assembly on the Virginia Port Authority. The Commission shall consist of fifteen members, five of whom shall be appointed by the Privileges and Elections Committee of the Senate from the membership of the Senate, seven of whom shall be appointed by the Speaker of the House of Delegates from the membership of the House, and three of whom shall be appointed by the Governor from the citizenry of the Commonwealth at large. Members of the Commission shall receive such compensation as is provided for members of legislative committees in § 14.1-18 of the Code of Virginia, and shall be reimbursed for their actual and necessary expenses incurred in the performance of their duty, for which, and for such professional, consultative, and secretarial services as

may be requisite, there is hereby allocated from the contingent fund of the General Assembly the sum of one hundred fifty thousand dollars.

The Commission shall complete its study and report its findings and recommendations to the Governor and General Assembly during the nineteen hundred eighty session of the General Assembly. The Commission shall submit an interim report during the nineteen hundred seventy-nine session of the General Assembly if feasible.