



THE CRANEY ISLAND CONNECTION

CRANEY ISLAND EASTWARD EXPANSION NEWS AND INFORMATION

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PORT REBOUND SIGNALS ECONOMIC RECOVERY



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Container cargo volumes are once again on the rise at The Port of Virginia. In March, the number of containers handled at The Port rose 22.3 percent compared with the same month a year ago. In fact, March was the third consecutive month that saw Port container volumes increase, when compared with the same months last year. This growth is part of a larger industry trend that shipping experts cautiously recognize as a sign of overall improvement in the economy. Accordingly, container cargo growth can be viewed as a positive indicator for the broader U.S. economy—a source for economic recovery and growing fiscal activity. As the recovery continues and demand for east coast capacity increases, the Craney Island Eastward Expansion positions The Port of Virginia to capture rising container cargo growth and its associated economic benefits for the Commonwealth and the Nation.

Prior to the recession, world container traffic was growing at unprecedented rates; expanding U.S. and worldwide economic value. In fact, for nearly three decades, the shipping industry saw continuous growth. From 1995 to 2006, world container traffic nearly tripled in volume from 137 million to 417 million TEUs, growing at an average annual rate of about 11 percent. The Port of Virginia saw similar growth, fueled by U.S. and global economic activity. However, like most domestic industries, shipping was not immune to last year's major downturn in the global economy. This historic recession—the longest and most severe since World War II—led to a 14 percent decrease in container cargo demand.

DRIVING FUTURE GROWTH

With recent green shoots in the economy and rising container cargo volumes at domestic ports, the port and shipping sector is cautiously optimistic, as the industry strategically draws out of the deepest recession in a generation.

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Such perspective also applies to the Craney Island Eastward Expansion project. Like all domestic ports, The Port of Virginia has had to weather the storm of this downturn. However, through planning consistent with the mission of the VPA—to foster and stimulate maritime commerce—The Port will continue to be an economic engine for the region and the nation. The Port of Virginia currently generates 343,000 Commonwealth jobs, \$13.5 billion in wages, \$41.1 billion in revenue, and \$1.2 billion in taxes. Future Port growth will come in large part from the Craney Island Eastward Expansion. The project is a economic driver for the Commonwealth and the Nation:

- Craney Island Eastward Expansion construction will generate 1,176 jobs, and \$37 million in wages.
- Over time, it will generate 54,000 jobs, \$1.7 billion in wages, and \$155 million in state and local tax revenue.
- It will have \$5 billion in cumulative economic impacts on the Commonwealth annually.

The Craney Island Eastward Expansion is integral to The Port's future because it provides the modern cargo-handling facilities and supporting infrastructure required to keep pace with future demand, and allows it to remain competitive against other East Coast Ports. As part of The Port's long-term strategic plan, the project is being constructed in phases to meet the growing demand for cargo capacity.

The Port of Virginia has shown an ability to continue to grow its container cargo volumes over the long-term while successfully developing cargo-handling facilities and supporting infrastructure. These developments allow The Port to keep pace with demand and remain competitive compared to other regional port facilities.

Several events, both foreign and domestic, are influencing a sustained economic recovery that could soon result in a significant rebound in container cargo demand. The following sections illustrate many of these events and trends.

ECONOMY LOOKING UP

The U.S. economy is recovering and the level of international container volumes flowing through U.S. ports in 2010 is likely to be 15% higher than in 2009. Import cargo volume at domestic container ports is expected to see double-digit increases through the summer as the U.S. economy continues to improve.



PAST PERFORMANCE

Between 1982 and 2009, container traffic volume demand at The Port of Virginia has increased by 7.3% annually. Over that time, The Port has had sustained growth across several recessions and Port volumes have accordingly trended upward. Therefore, by comparing past and present volumes, a pattern emerges of normal business cycles with periods of strong growth followed by flattening or negative growth.

The 2009 economic recession—though more severe than previous economic downturns—will not impact the long-term future growth of The Port of Virginia. The global trends that support growing container trade volume are expected to continue over the long term. Such trends include falling trade barriers with emerging nations, increased efficiency in the global logistics supply chain, and innovations in information and communication technology. With the Craney Island Eastward Expansion, The Port of Virginia will capitalize on these trends, as well as others, to grow the container cargo volumes over the long term. By developing the infrastructure today, The Port will maintain its consistent approach to long-term growth.

PORT GROWTH RATE FASTER THAN U.S. GDP



Global trade will continue to increase at rates faster than the overall U.S. economy, as container volumes will continue to grow faster than national gross domestic product over the long-term. Therefore, while global cargo volumes were down last year, they are forecasted to increase 300% by 2040. This growth trend supports domestic economic activity. The Port of Virginia cargo growth is expected to rise 2.5 times faster than the rest of the economy.

LARGER VESSELS



All major shipping lines are acquiring larger vessels. The 2009 global recession resulted in new ship deliveries being delayed until demand improves. However, investment in a new ship is a long-term undertaking, looking well beyond the current economic cycle. The larger ships are being built and placed into service because they create significant efficiencies and reductions in costs to the ocean carriers. Consequently, ports that are able to accommodate larger vessels can take advantage of increases in ship size. With 50 foot channels, cranes capable of servicing the largest ocean-going vessels and no air-draft restrictions, The Port of Virginia is already the best-positioned facility on the East Coast to accommodate these vessels. The Craney Island Marine Terminal (CIMT) will further improve this strong competitive position.

FOCUS ON EXPORTS

U.S. exports are likely to increase substantially due to the lower exchange value of the dollar and stronger growth in destination countries, particularly in emerging markets. This is necessary to reduce the U.S. trade deficit, one reason why the federal government has engaged in an initiative to boost exports from U.S. ports.



In his most recent State of the Union address, President Obama called for doubling American exports in five years. The National Export Initiative—a government-wide program to shift the American economy to be export-driven, will support diversity in domestic economic activity as well as port growth.

PANAMA CANAL EXPANSION

By the end of 2010, after recession concerns ease, focus in the shipping industry will shift to the need for U.S. East Coast ports to accommodate the larger ships that will traverse the expanded Panama Canal on their journey from North Asian ports. Today, the Panama Canal is almost at full capacity. The expansion—scheduled to open by 2015—increases capacity through widening and deepening the waterway, thereby allowing the larger vessels to move through the canal.

Many East Coast ports are too shallow to accept the larger vessels discussed above; or have other obstructions. The Port of Virginia is the only port on the U.S. East Coast that can handle the largest ships that will use the Panama Canal after 2014. It has the deep water and high-quality port infrastructure to meet the future vessel size and demand through the waterway, unlike many other ports on the eastern seaboard, which lack water depth or have other restricting characteristics.

The Craney Island Eastward Expansion provides The Port of Virginia the cargo capacity to accommodate the increasing demand from an expanded Panama Canal Expansion. As a result, Midwest shippers will increasingly move cargo through the Panama Canal to The Port of Virginia, thereby supporting long-term Port growth.

AGING POPULATION AND EMERGING MARKETS

Demographic changes in the world's population is a trend that has not been impacted by the recent decline in economic activity. The aging populations of North America, Europe and Japan are increasing and this means a greater dependency on imported goods.

Companies move production facilities to countries with younger populations, where demand growth is higher and labor costs are lower. This trend has accelerated during the recession, particularly because emerging market economies continued to expand, albeit at a slower rate, but will continue to boost trade and cargo movements.

ASIAN ECONOMIES

U.S. East Coast trade with rapidly growing Asian economies such as Hong Kong, Singapore, India, South Korea, and Taiwan currently account for approximately 50% of total container activity. By 2040, it is estimated that Asia will account for 60% of total activity. This extra container traffic will arrive on larger ships that must be handled by efficient and productive container facilities, such as the Craney Island Marine Terminal (CIMT).

MARITIME CAREER DAY

On March 30, The Virginia Port Authority (VPA) hosted a booth at the Shipbuilding, Repair and Maritime Career Day Event at Old Dominion University. Approximately 600 public school students, grades 6 – 12, attended the event.

VPA representatives spoke to students and teachers about the variety of careers in the wide-ranging maritime industry. The Port of Virginia is one of the largest ports on the east coast, and is directly or indirectly responsible for approximately 343,000 jobs in Virginia. As The Port grows, even more jobs related to maritime commerce, such as those in port operations, transportation, logistics, and distribution will become available. Students are encouraged to take engineering, science, technology and business classes to prepare for future careers in the maritime industry.

The career day was organized by the International Society of Agile Manufacturing (ISAM) and the Lean Institute, in partnership with the local Shipbuilding Repair and Maritime Industry. The annual event aimed to educate the area's future workforce by improving awareness of careers in the industry to middle and high school students, teachers, and counselors.



VPA Community Relations Coordinator Jodie Love discusses maritime careers with local students. Students participated in hands-on activities with Norfolk Naval Shipyard and other shipbuilding companies. They practiced drilling, rigging, riveting, HVAC work, electrical wiring, metal fabrication and hull design.

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