

HAMPTON ROADS' PORTS

Officials: Executives' compensation not our business

The Virginia Port Authority board and its chief say they don't know the salaries of top officials at Virginia International Terminals, which they say is a private company.

BY PETER DUJARDIN
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NORFOLK — Members of the state board that annually approves the budget of a company the Virginia Port Authority created — to run state-owned marine terminals in Hampton Roads — say they don't know the compensation of that company's top officials.

John G. Milliken is chairman of the port authority's 12-member board of commissioners. He asserted it's not his board's duty to keep track of salaries at Virginia International Terminals Inc., or VIT, created by the state in 1981.

And J. Robert "Bobby" Bray, the authority executive director who's the only permanent member of VIT's board of directors, said he, too, didn't know — and didn't need to know — how much top VIT officials made.

The port authority — saying VIT is a private company — turned down a Daily Press request under the Virginia Freedom of Information Act for documents listing the compensation of VIT General Manager Joseph A. Dorto, Assistant General Manager Richard Knapp, Chief Financial Officer W. Millard Meiggs, Operations Director Lynn Tarkenton and Information Technology Director David Seale.

"VIT is a separate nonstock entity organized under the laws of the commonwealth of Virginia," the response from Bray read. Dorto also turned down a request to disclose his and other managers' salaries.

Bray said VIT salaries needed to be kept private because competitors — such as the Maersk Sealand sister company building a private terminal in Portsmouth — might pluck key employees.

"VIT is in competition with every terminal company in the USA and internationally, and if their salaries become known, you're going to start losing people," Bray said.

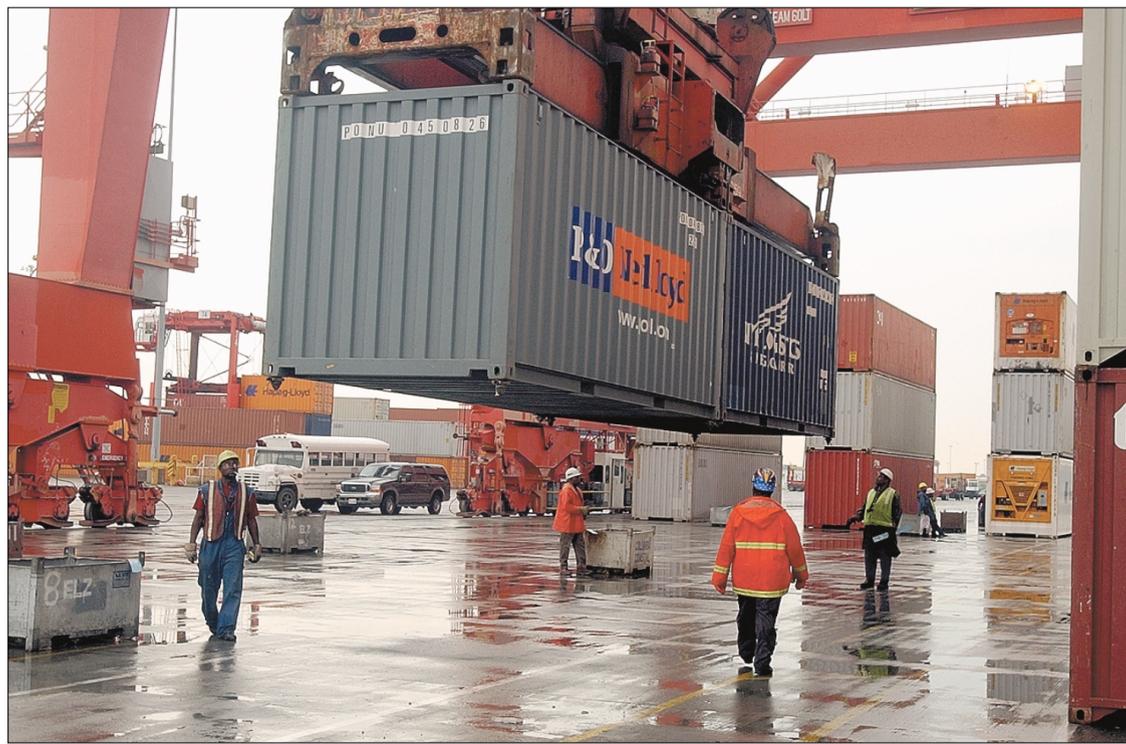
VIT OPERATES THE TERMINALS

Virginia International Terminals was formed by the authority in 1981 to operate three state-owned sites in Hampton Roads: Norfolk International Terminals, Portsmouth Marine Terminal and Newport News Marine Terminal.

The six other members of VIT's board, aside from Bray, are appointed by the port authority board, which has "full authority to remove or replace any appointed director, with or without cause, at any time, in its sole discretion," VIT's formation documents read.

VIT has 88 salaried and 338 hourly employees. On any given day, it hires between 400 and 800 additional day laborers to work the terminals. The company charges shipping lines for moving containers and other cargo through the local port, then turns its profits over to the authority.

Past VIT board directors are quick to praise the leadership of Dorto, 54, of Virginia Beach,



Longshoremen unload containers from the barge Columbia Elizabeth at Norfolk International Terminals in 2004. PHOTO BY SANGJIB MIN/DAILY PRESS



VIT General Manager Joseph A. Dorto, former Gov. Gerald Baliles, and VPA Executive Director J. Robert Bray attend the Virginia Conference on World Trade in October in Norfolk. PHOTO COURTESY OF VIRGINIA PORT AUTHORITY



Trucks load up containers at Norfolk International Terminals.

PHOTO BY HEATHER S. HUGHES/DAILY PRESS

who's led VIT since the late 1980s. They lauded him for being a visionary, making good hires and undertaking practical improvements to efficiency at the terminals — such as having VIT assume truck chassis repair work from shipping lines that tended to neglect the work.

"Some guys are good at walking into boardrooms of a billion-dollar shipping line, while others are good at going and talking to the forklift operator," Robert Freeman Jr. said. He's a past director and the real estate developer who founded the Port Warwick housing community in Newport News. "Joe is one of those guys that can walk into

both of those worlds. He has a good grasp of the issues, from both the labor and management side."

"He has made the whole thing work well," said Doyle E. Hull, a former senior vice president at Sovereign Bank and a past VIT director. "He's just an extremely capable person, and the shippers seem to regard him highly."

LESS DISCLOSURE THAN A PUBLIC COMPANY

But the fact that port officials won't reveal VIT salaries means there's less disclosure about the pay rates at a company the state created and wholly owns — and depends on for revenue — than

Where they get their money

Virginia International Terminals was created by the Virginia Port Authority in 1981 to operate the three Hampton Roads terminals.

Virginia International Terminals

2004-05 operating revenue: \$189 million

Money comes mostly from fees paid by cargo carriers and shipping lines who pay to move containers and other cargo through the terminals. After paying its own labor, insurance, and other costs, VIT turns over its remaining net revenue — this year expected to be \$36.9 million — to the Virginia Port Authority.

Virginia Port Authority

2004-05 operating revenue: \$72 million

About half the money comes from the Virginia International Terminals transfer. The rest comes mostly from the Commonwealth Transportation Trust Fund, generated by retail, motor vehicle and fuel taxes and vehicle registration fees. The port authority gets 4.2 percent of that fund, or \$33.2 million this year. The authority's \$152 million in capital spending this year is funded mostly by sales of bonds, as well as federal grants and some net operating money.

from companies trading on public stock exchanges. The U.S. Securities and Exchange Commission, for example, requires public companies like Smithfield Foods, Northrop Grumman and Norfolk Southern to list the compensation of their five highest-paid corporate officials.

Virginia International Terminals, a tax-exempt nonprofit entity, doesn't file an Internal Revenue Service Form 990 — designed to provide some scrutiny into nonprofits. Many nonprofits, including some state institutions, are exempt from filing the 990. John Ryan, VIT's attorney with Vandeventer Black, said he didn't know — and said he wouldn't inquire — whether VIT used the state exemption.

Milliken said his board's responsibility was to approve VIT's aggregate budget, not the details, adding it's "a reasonable compromise to give them the latitude they need as a business."

"What I care about, what I care very deeply about, is the way they run their business," Milliken said. "Do they have good relationships with labor, the people they employ, so they can get their job done? Do they have good relationships with the people they have coming in and out of the port, our customers? That's what I care about. Do I think it's my responsibility to scrutinize their salaries? No."

Although the port authority board approves VIT's budget annually, Milliken said, "I don't think I oversee it."

"I don't take day-to-day responsibility for it or have the knowledge to do that."

As for how he knows that VIT salaries are in line, Milliken said, "I know they're in competition with other terminal operators, so they have that kind of discipline on them, but beyond that, I don't know."

He said he trusted VIT's board to make those decisions.

But Bray — though a permanent member of VIT's board — said he didn't know Dorto's compensation and said the issue never arose in VIT board meetings that he attended.

"I've never been there when that came up," Bray said.

Milliken said he's comfortable that Bray — the authority's main liaison to VIT — didn't know top VIT salaries.

He said it might be something that Bray didn't think he should be involved in, being a permanent board member.

MUM'S THE WORD

VIT's board also didn't reveal the salaries. VIT's current board president, Wilson Goode, referred all calls to Ryan, VIT's attorney.

Board members Regina P. Brayboy, Robert T. Taylor, Richard T. Belangia and Leon

Stafford asserted that the company was private, while board member Marvin Friedberg couldn't be reached.

Ryan recently told the port authority's board that an executive committee of VIT board members — he declined later to say how many — set Dorto's salary in three- to five-year contracts, with a performance incentive program each year.

He said the salaries were more than the median — but below the maximum — in a range of similar positions surveyed by Mercer Management Consulting.

Regarding why Bray wasn't involved in the salary-setting process, Dorto referred all questions to Ryan.

When reached, Ryan said Dorto didn't want him to talk about the salary issue.

Milliken also said he didn't know how much the state-appointed VIT board members paid themselves for each meeting. But one past VIT board member said the rate five years ago was \$300 for each monthly meeting.

VIT has its roots in the fact that terminals in Norfolk, Portsmouth and Newport News were competing with each other in the 1970s and before.

Newport News, for example, often complained it was getting short shrift on regional marketing efforts.

The General Assembly decided to consolidate the competitors, and in 1981 — with that mandate — the port authority founded VIT.

Ever since, VIT has handled port operations. Its workers, for example, move the steel containers about the terminals and to and from vessels.

The port authority owns the terminal sites, oversees big capital projects, runs the police force and conducts marketing efforts.

Organizers wanted to found VIT as a private entity mainly for one reason: to allow the port to hire unionized labor. That includes the International Longshoremen's Association, the East Coast's dominant port labor group.

Under longstanding Virginia law, state entities can't hire or supervise union members, and state employees can't organize bargaining units.

VIT's status as a private entity was challenged in a 1988 lawsuit brought in federal court by a black employee of a trucking company who got into a fight with a white employee and was banned from the terminals. The worker sued and argued that he had his due-process rights violated under Civil Rights Act protections for state workers.

The judge, Robert G. Doumar, started out by saying that under the Civil Rights Act, VIT was acting as a state entity, noting that without the port authority, "VIT would not even exist."

But Doumar further said that VIT wasn't a state entity for purposes of the 11th Amendment, which gives state entities immunity from federal lawsuits.

The judge said he placed "particular significance on the fact that state treasury funds cannot be used to satisfy any judgment against VIT."

Doumar also cited a 1985 letter from a lawyer working for the Virginia attorney general, expressing a view that VIT was a private company. But Attorney General's Office spokeswoman Emily Lucier said in January the letter didn't constitute a formal opinion.

Port chief makes as much as or more than counterparts

What J. Robert Bray receives puts him in the upper echelon of U.S. container port leaders.

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NORFOLK — Virginia Port Authority Executive Director J. Robert "Bobby" Bray's compensation is on par with — or better than — the pay of leaders at the country's busiest container ports: Los Angeles; Long Beach, Calif.; and New York/New Jersey.

The Port of Los Angeles is seeing a boom in trade from Asia leading to the equivalent of 7.3 million 20-foot-long containers, the steel boxes that carry goods from abroad, flowing through the port annually. It's grown 91 percent over the past five years. The director in Los Angeles,

Bruce Seaton, oversees 764 employees, 7,500 acres and 26 cargo terminals.

Hampton Roads handles 1.8 million container units — a quarter of Los Angeles' total — and has 140 workers, four cargo terminals (including a small one at Front Royal) and about 1,400 acres. Hampton Roads' container traffic has grown 38 percent in five years — sixth among the top 10 container ports.

Bray's salary, incentive pay and executive allowance package is \$275,615.

Los Angeles' Seaton gets \$270,187 annually and the use of a port-owned Chevrolet Tahoe.

Bray's compensation also beats the \$199,577 package received by Richard Steinke, executive director of the Port of Long Beach, the country's second-busiest. Three times as many containers flow through Long Beach as go through Hampton

Roads, and more than twice as many people work for the California port.

Bray also gets more compensation than the director of the Port of New York and New Jersey, Kenneth Ringler Jr. He oversees 7,000 employees — 50 times the number at VPA. Ringler's job entails watching over maritime trade, three large airports, bridges, tunnels and the World Trade Center site.

Ringler gets \$231,764 and the use of an unidentified port-owned vehicle.

The fastest-growing port in both the past five and past 10 years has been Savannah, Ga., overseen by the Georgia Ports Authority.

That authority did not respond to requests for the director's salary.

Of the remaining nine ports aside from Savannah, the highest-paid port director is Bernard

S. Groseclose at the South Carolina State Ports Authority.

That authority oversees the port of Charleston and 580 employees.

Groseclose's package in 2005 was \$290,473 — 5 percent better than Bray's.

Employment at the top 10 port authorities varies widely in part because some ports oversee airports, cruise terminals and other entities beyond the seaport.

Some authorities hire workers to handle operations.

The Virginia Port Authority has fewer employees than Charleston, for example, in part because Charleston handles some of its own terminal operations.

On the other hand, the Virginia International Terminals — a port authority affiliate that's treated as a separate entity — handles the majority of the waterfront labor here.

How some of the top ports compare

The busiest 10 U.S. container ports, the number of employees and how much their top executives make:

Port	Container units*	5-year growth rate	10-year growth rate	Employees**	Top exec's*** salary
Los Angeles	7,321,440	91%	191%	764	\$270,187
Long Beach, Calif.	5,779,852	31	125	339	199,577
New York/N.J.	4,478,480	58	120	7,000	231,764
Oakland	2,044,594	23	37	600	256,900
Charleston	1,863,966	26	108	580	290,473
Hampton Roads	1,808,933	38	102	140	275,615
Tacoma, Wash.	1,797,560	41	75	220	175,000
Seattle	1,775,858	19	26	1,565	262,919
Savannah	1,662,063	110	196	801	⓪
Houston	1,437,585	39	148	502	243,450
Top 10 ports	29,970,331	49	114		

*TEUs, or 20-foot equivalent units, of steel cargo boxes.

** Port authorities have vastly different scopes. Some have airports or cruise ship terminals in their responsibility. Some oversee port operations workers, while others are landlord ports renting space to the shipping lines.

*** The maximum compensation to be earned in the current year. In addition, port leaders in Los Angeles, New York and Tacoma drive port-owned vehicles.

⓪ Georgia Ports Authority failed to respond to requests for information

Sources: American Association of Port Authorities, port authorities in Los Angeles, Long Beach, New York/New Jersey, Charleston, Tacoma, Seattle, Savannah and Houston, and Daily Press research.