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Dan: We all know the deputy administrator so I'm not going to bore you with the background other than he spent most of his life in the Navy, a big guy to be in submarines as far as I can tell. But he has some words for us and. like I said, later on we're going to look at a capital improvement slide show he has, but let's give a warm welcome to Captain Chip.

Chip: Thanks. Well, first of all, Dan, I'd like to thank you for extending the invitation. Had I known it was going to be this nice and I was going to bring so many of my MARAD folks with me, we might have had a business meeting here a little bit later. But again, thank you.

I'm very honored and it's a pleasure to be here. I think Dan indicated that I spent a long time in the Navy. In some cases, people would say too long, but I would tell you, it's really been a pleasure coming to the Maritime Administration because I've been able to stay close to my nautical roots.

Hopefully, I'll be able to read this thing here as we go through it, but after six months of serving in the Maritime Administration, one thing that I can unequivocally tell you, it is clear to me the importance that we are placing on the United States Merchant Marine Academy and its future success because as we look at that as well as our other state maritime academies, we fully understand that we are preparing those midshipmen and those cadets for success in the maritime industry. And so we are very focused on that.

As you know, we've been very focused on sustainable improvements specifically at Kings Point, and we're going to show you some of those in a slideshow that we have here a little bit later. But we've made a significant amount of capital investment in the last two years and then we have a plan going forward, but more importantly we've implemented and we've developed a new strategic plan. I got a great brief from the superintendent yesterday about where they are, where their working groups are, and how we are bringing that together to do what we refer to and this is actually going to sound strange coming from a naval academy grad, but we're going to turn the Kings Point back into the jewel of the service academies.

I borrowed that from Secretary Ray LaHood who has used that as the mantra, and I have sat in enough meetings with him now to know that he

absolutely has a passion for the success of Kings Point and what it does for our nation. He is clearly looking forward -- now that he has announced his resignation he is invested in making sure that the academy is successful going forward. He understands the need for domestic shipping and for the mariners who man those ships.

With the recent commissioning, and I think everybody has seen it we just commissioned Susan Dunlap as a rear admiral and as a deputy superintendent in the United States Maritime Service. We've also hired Ms. **[0:03:10] [Indiscernible]**. She is the Maritime Administration and Merchant Marine Academy's direct liaison. Her sole responsibility is to coordinate directly with the academy and make sure that we are on the same page on a day-to-day basis. That includes going up to Kings Point frequently to make sure that she is abreast of all the issues.

Now, the advantage to that is in many cases she is carrying task and going back and forth to make sure that we are on the same page. I get the opportunity to personally talk with the superintendent and his staff at least three or four times a week if that gives you any measure of how much direct involvement we have in the academy on a day-to-day basis.

The Department of Transportation has made a significant investment in the academy, and we're going to miss Secretary LaHood when he's gone, but I can tell you that the investment that we are currently making, that plan going forward is going to continue on course. President Obama, Administrator Matsuda are very focused on that and so am I.

As deputy administrator one of my top priorities is to maintain a relationship with the alumni from Kings Point and as well as the other service academies because one of the things that we have recognized, it's a very small community and by maintaining the relationship with the alumni from each of the institutions we recognize that those same folks not only do they represent the institutions where they came from, but they're also part of a greater segment and a cross-section of the maritime industry. And so we see each of you almost all the time.

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I think it is clear to all of us that we can work together to make sure that the maritime education in this country is actually the best in the world, and I think each of the -- I know there are some folks in here that did not graduate from Kings Point so what I will say generally each of your alma maters does two things: it prepares men and women, whether they're midshipmen or they're cadets, for service in the maritime industry. And

some of them are going to stay for a short while, and some of them are going to stay for a long time. But I think it is clear to all of us that our future in the maritime industry is inextricably tied to the success of those midshipmen and cadets today on our future, and I think everybody would agree when I say that.

The Maritime Administration has made some significant investments and I'm going to show them to you here, and it's actually kind of a sighting because everything that you're going to see in these photos that I'm going to show you in a short time have all these photos from the last ten days. The Deputy Secretary Porcari was actually up there. He commissioned Susan Dunlap and actually got an opportunity to walk around and see all the capital improvements.

And one of the first things he said to me, we were actually over briefing that he and I staffed here this week, he said, "You have got to get them up there to see what you're doing." That became very poignantly clear, and you'll see in the pictures why that is the case. Whether it's Mallory Pier, Delano Hall, or Rogers Hall, you will see very clearly the level of detail that we're going to turn actually the facilities into those that we think that the faculty deserves and more importantly that the midshipmen deserve, and that's what we want to have going forward.

With the transfer of the Liberty Star and I've got a great picture of it, it just left dry dock down at the north shipyard down in Florida and you get a chance to see it. It's all painted and it's blue and it has the new name on there, but we're going to get an opportunity to rename that vessel here probably a little in the May timeframe. That's when it's going to get back up to the academy. But when it returns to the academy, one other thing that that vessel gives us, it is an industry standard vessel that will help train the midshipmen for what they can expect to see on their ships when they get to see once they get their license.

More than ever I think it's critical that we have skilled mariners in our industry's workforce. There's a recent report from the International Energy Agency that tells us that within the next decade the US is going to be the leading producer of crude oil. Let me say that one more time; make sure it goes -- quite frankly it stunned me. If you told me five years ago that a decade from now or 15 years from now that the US will be the leading producer of petroleum in the entire world, I would have said, "Not a chance."

There are estimates and some of them are still estimates, but within the next five to seven years, we're going to have 130% increase in crude

production in this country. That's an opportunity. That's an opportunity for petroleum trades, and I think as you all know that means that's an opportunity for the American shipping and an opportunity for our mariners.

Last week I had a great opportunity. I went up to Philadelphia. I went to Aker Philadelphia Shipyard. I got to see the christening of the new Crowley Motor/Tanker Florida. It's a 330,000 barrel tanker that they're going to put in trade down in the gulf. And that coupled with the motor/tanker of Philadelphia which they also christened back in September, that's two tankers with nearly 700,000 barrel capacity that had been essentially delivered within the last six months. And more importantly, at Aker Shipyard, that's the 18th vessel that they've built in the last ten years. I think that's significant and that is actually telling a great story.

But one of the interesting parts about that is that shipyard received a MARAD grant for about \$4.3 million to help train their workforce, and that's what helped them to be able to have that investment so they could produce ships just like it. I got a chance to walk around the ship. It was absolutely fantastic.

Now, the interesting part and I didn't realize this until I got on it, it's built to a South Korean design. And so as you walk around it's got the international plugs. I mean everything is built -- they didn't change anything. They built it right to the Korean design, but it's going to be sailed by US mariners and they're going to do a great job at it. I got a chance to meet the master and the crew, and quite frankly I was pretty much blown away.

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They've been together for about two weeks and for those who were up there at that christening I think you'll all agree he was able to identify each of his folks by name and give a background about each individual in less than two weeks. That tells me a lot about the crew and the success of that particular ship going forward. But it's going to be ships like these that we are going to continue to have to man with mariners in the future, and hopefully they're going to have US flags on them.

So as our economy begins to recover, we're coming out of recession. The President has an export -- he wants to double exports by 2015. There are opportunities here, and hopefully we all agree that there's going to be opportunities for more ship building in this country as we go forward.

So I'm excited to work with each of you; some of you more than others because you work directly for me and I see you every day. But I think it's important for the midshipmen and the cadets at Kings Point and the rest of the academies that we make sure that we are looking out to make sure that their success with the rigors in the bands that we can expect that they're going to face in the future.

As Dan indicated, I spent most of my life in the Navy, actually all 30 years. I was a nuclear submarine officer and so my experience is tempered by that. One of the first things that I had to learn when I came to is I had to stop referring to various vessels as targets of opportunity and I've told that joke several times. It never ceases to get a laugh. But one of the things -- and I'm going to tell you a submarine fact that's like a sea story that everybody else tells, but I only tell submarine facts.

As I was walking around the tanker Florida last things, one of the things that I came away with is when I was a submarine captain and we were involved in major exercises for two weeks at a time, I had two things that I was looking for. I was looking for the aircraft carrier, and I was looking for the tanker. And you say, "Why are you looking for the tanker?" Well, it's pretty easy because if I can figure out where a gasoline alley is and I can figure out where the cruisers and the destroyers are going to go get their sip of gas every three to four days, if I could find that, I could pretty much end the war.

So that was our first plan is we're going to go and find the tanker. Now the interesting part about -- we were successful in most occasions. And so as I was standing on the periscope I gave the bearing and range to the contact and so I immediately told the fire control I said, "Thirteen knots" for a simulated torpedo firing. He goes, "How do you know they're doing 13 knots?" I said, "Because they're doing UNREP. I'm going to get three at the same time."

That was my gasoline alley story and unfortunately it was all for play, but we have practiced that. My experience has really sort of tempered the way I treat things. I'm in that position now where I want to deeply understand what the maritime industry is all about, and I think many of you have sat in with meetings with me. I am very inquisitive. I'm a nuclear engineer by nature so I really want to know all the facts and the details, and I'm going to try to drill down because I need to know everything I can about the industry if the Administrator Matsuda and myself are going to be able to help us going forward.

Lee Kincaid earlier today he said, every single day, every single week seems to bring something new and we're always confronted with challenges, and we have to understand the industry to be able to know how to deal with each of them and each of them is somewhat unique. And I think everybody sort of agrees to that especially when you're dealing with things like Dennis is doing every day with Cargo Preference. I can tell you that every single day it's something very different than what we had the previous time.

During my career in the Navy one of the things that I found and I spent nearly eight years at sea, 16 years in sea going **[0:14:01] [Indiscernible]**, and I'm pretty familiar I think with what the crew routine is on a vessel. You spend hours and hours of training, attention to detail, practicing what you're going to do every single day to make sure that you know what to expect and how you're going to respond when certain things occur.

And then you spend long periods of watch where it's just hours and hours of boredom. And then there's going to be five minutes of what I refer to as sheer terror as either the sea conditions or material failure or something else challenges you to the absolute limit of your ability. And hopefully, it's during those moments that you can rely on your knowledge, your experience, your engineering or your seamanship skills and you're going to be able to save the vessel or prevent life or injury to one of the crew.

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So as I look at that I compare that to what I'm experiencing now on the Maritime Administration staff, and you'd say in the lifestyles or that type of environment does not necessarily equate to a government agency but I would disagree and here's why. In the last six months what I've come away with is the quality that makes a good crew on a ship is the same qualities that make an organization successful, and that's responsibility, accountability, teamwork and transparency. So I sort of stress that every single day with my folks.

In the prayer today, we said that hopefully we would make the right decisions for the right reason. I would like to think that we are doing that every single day. And so we get the information. We make the best decision based on the information we have available at the time. And so as I strive to do that, I'm also trying to reach out to industry partners to make sure that as we go forward we have the knowledge, we understand what's going on because sometimes we live in sort of a cocoon in terms

of the government agency. We have a very singular focus that you guys all know we're focused on budget stuff. And we have a very severe focus on that, but there are other things going on in the industry and we have to make sure that we don't lose sight of the ball and that ball is success of the US flag going forward.

I think the more involved I get with each of you and the more involved we get with the maritime academies and Kings Point, we understand how much those institutions and those midshipmen and cadets value the exact same things -- responsibility, accountability, teamwork and transparency.

So as I look forward to a long and productive opportunity hopefully in this job and not somewhere else in relationship with Kings Point and alumni, together I know that we can push the maritime education to the maximum heights that it can possibly achieve. And with that, what I'm going to do is I'm going to tee up these screenshots, and we're going to show you what is actually going on at your academy. Hopefully, you can see them. I apologize. That screen is not much bigger.

This is the first slide. Obviously, that's an overhead picture of the shot. Well, that's the old pier.

Next slide. This is actually the first test piling that's going on in Mallory Pier. And what they're doing is they're actually sinking it down. They're taking core samples as we get ready to make sure -- because this is going to be a concrete pier going forward and the only thing that's going to prevent this from being completed essentially in May or June of 2014 is going to be the cure time on the concrete. But the first successful piling went in and it was actually very successful.

Next slide. This is just a couple -- you can see the old Mallory Pier there and then you can see just to get an idea how big that piling is. There's a gentleman standing on that.

Next slide. And then you can see the piling actually sunk all the way down.

Next slide. And then just the crane jack that was used to put it in with.

Next slide. These are the computer-assisted -- this is the operational resource facility. These are generators that we have now. I think you understand that. That's where the full simulation bridges and we want to make sure that we have in any event that there's any power issues, and

one of the things that I did not realize is our simulators at the academy would allow us essentially to have the Coast Guard give us 30 days on our license. And so having power for that facility at all times when it's needed is absolutely critical and those generators have been added to do just that.

Next slide. This is Land Hall and you can see in the picture on the right it is completely stripped down, and we're getting ready to install the new fixtures there.

Next slide. This is the new floor that's been installed.

Next slide. This is the water vault. It's part of the new water main system and in fact we're in the process of pressure testing it this week. One of the first questions that we ask the superintendent, we said, "What's going to be the effect now that we've got this great water main coming in on all the peripheral piping and various things?" So the answer is "We're going to test it and when it starts weeping, we'll replace the catastrophic failures first and then we'll work our way back to replace all the piping." But that's the grand plan.

Next slide. Yeah, in process hydro, that's exactly right. Here again, this is sort of the water vault going in. These pictures are actually from more than ten days ago. This is actually probably about a month or two old.

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Next slide. This is Delano and Rogers Hall and unfortunately the pictures are kind of **[0:20:05] [Indiscernible]** but we have completely gutted everything. Next week in Delano Hall we're going to start putting all the fixtures back in, all the new appliances so we can start using that. They're actually serving on the old equipment right now until we put all the new stuff in but it's pretty good. Over in Rogers Hall we've actually gone down. We've torn all the overheads out. We are back to cinderblocks and we're starting essentially from scratch to replace it. Essentially, the only thing that's there now is the shell and then we're going to build it back so it will be completely absolutely modern.

Next slide. Here's Secretary Porcari. He's visiting Rogers Hall. And you can see there on the left-hand side, it's not very good but you can sort of see where we are. That's in Delano Hall back in the kitchen service area.

Next slide. These are the barracks and this is not a great slide, but we're actually digging the wells for the geothermal heating that's actually going

to be installed up there. And you can see the hall and unfortunately this picture is not very good, but you can actually see where we stripped out in the barracks behind them because the only thing that's in -- all the windows are removed and there's just plastic sheeting hanging in this place. But you can see where we're actually digging those geothermals.

Next slide. This is Rogers Hall. As I told you, it's completely gutted. Just put a new roof on top of it.

Next slide. This is Delano Hall. You can see where we are there.

Next slide. And this is the King's Pointer just before it came out of dock on Tuesday. And so we're looking forward to having that ship back up next to Mallory Pier as soon as we can.

And that's the end of the slideshow and subject to that I'll open up to your questions.

Participant: Chip, you mentioned will be coming more sometime in May. Any possibility of stopping off in D.C. around Maritime Day would be a great thing in exercise?

Chip: We're looking at that. We're looking at a couple of opportunities with we are probably going to try to coordinate that. We're looking at the 22nd of May as the Maritime Day. The ship is supposed to actually be done -- we're looking at a couple of proposals. The original plan we were going to undock the ship and then move it north and then finish the refit up there. However, we're now looking at potentially doing it all in the North Florida shipyard and just keeping it down there.

It was interesting because we had to come out of dock a little earlier than we had planned. They had another vessel that they had to get in. There was a Crowley tug that had some issues, and so they actually pulled us out early, threw some blanks on. We're going to put it back into docks so we may have an opportunity down there since we're not going to charge additional dock fees, and we're going to continue to work on it when we're down there. So we've got a couple of weeks here where we're going to do that. But we are certainly looking at that, certainly not, but we're very focused on making sure that it's incorporated into --

Participant: Tied in with that giving the Congressional Board of Visitors to come aboard if she was able to dock.

Chip: Absolutely. We'll certainly look at that. Okay, other questions? Yes, Gary.

Participant: Where do you stand on a tug for a brown water training and certification?

Chip: The barge I have seen that's going to end up being up there. It's going to be in the process of being refurbished and the tug solicitation is out. I don't know what the current status of that solicitation, but I know we're looking and we have a proposal out there to do that. Yes, sir.

Participant: Given that we all live in Washington and live in a sequestered world and also knowing that OST, FAA and **[0:23:43] [Indiscernible]** have already done a lot more preplanning to absorb a possible sequester. What has MARAD done and what is the Impact of a possible sequester as high as, say, 5%? What would it be on MARAD and more particularly on Kings Point?

Chip: Okay, I can't really talk about the sequester in terms of what the impact is specifically and your number that you threw out there of 5% is certainly in the ballpark of what potentially could come our way. One of the things that I'm not sure that everybody recognizes, there is a significant portion of MARAD's funding that actually comes from the Department of the Navy. That is what sustains our ready reserved force. And so we are actually looking or working very closely with the Navy. They have been certainly much more forward leaning with regard to discussion of the topic.

Here's what I can tell you. The things that we have looked at, sequestration should not have a detrimental impact on the Maritime Administration or on the academy at least in the very near term. What that means in the long term for future budgets is anybody's guess, but we still have a plan. And right now I would say that the CR if we went to a full year, continuing resolution, actually is much more troublesome than I see this sequester being in some cases. But I really can't talk much more about sequester other than that.

Okay, other questions.

[0:25:21]

Participant: You spoke about needing midshipmen for the industry. The concern of course is that our offshore blue water industry continues to face difficulties and declining. And the question is what are you guys doing to help support it through government cargos?

Chip: Well --

Participant: Just where you're going to be in enforcing Cargo Preference?

Chip: Well, two things. We have in the 2008 National Defense Authorization Act we were given some enforcement opportunity there. One of our challenges is to create the rule making that allows us to do that. I will tell you we have not met with much success in that area to be able to get that rule out. We are going to take a little different look at it this year and maybe bite off in sort of smaller chunks. An example of proposal that we look at is we generate a rule making that required everyone to submit bills of lading that would at least help us and then be able to have a monetary penalty of bills of lading aren't submitted at the right time or in the right timeframe. That's a start.

The challenge that we have for enforcement and we love to be able to do it but we have to have essentially the language to allow us to do that. In the interim period while we work that, I will tell you that we are trying to stay very closely connected to the industry to make sure the industry can call us if there are issues and we will specifically go out. I have personally talked to the admiral of the Defense Security Cooperation Agency. I happen to know him from my previous life. We picked up the phone and we worked very closely together to try to resolve a Cargo Preference issue with a form of military sales issue.

One of the things that they have done and this is -- they are only required to carry 50% on those DSCA cargos. They are voluntarily going to do 100% that they have been and they are working with us to make sure. But as we find issues and some of the issues that we find are actually in the way the contract and the subcontracts are written, and we're going to work together to try to make sure that those agencies that we work with have the right language to put in their contracts to make sure that things don't slip through the cracks.

But we're working very diligently, but obviously the industry has more information in some cases than we do. And if you let Dennis or Mike or any of the folks in Cargo Preference know, I can assure you it will be our top priority. We are getting ready to put out the Maritime Administration strategic goals going forward, and I will tell you the number one goal of the four we have is cargo. And so that is going to be our focus going forward.

Yes, Rob?

Participant: The projection for the Outer Continental Shelf and the activities over the next few years continues to look very positive and it's going to grow a lot. When I talk to them --

Chip: When you say activity, are you talking --

Participant: Drill ships, offshore drilling.

Chip: Offshore support vessels, that kind of thing?

Participant: And all of the support and logistics community in maritime industry associated with that. When I talk to the midshipmen a lot of times -- recently they were down here for the basketball and through other functions, they have no concept of the Outer Continental Shelf whatsoever.

So I'm just curious what's the plan with regards to the Merchant Marine Academy and bring them up to speed with regards to dynamic positioning, with regards to Outer Continental Shelf working on drill ships all of the different associated equipment that's in that and as well as LNG as a fuel source and the engineering aspects of that. If you take up any newspaper today and read anything about the projection going forward, everything is LNG, is a fuel source and they're going to have engineers who know how to operate that kind of equipment plan.

Offshore supply vessels are starting to be built and the Coast Guard has given authorization for them to operate in the Outer Continental Shelf at sizes greater than 500 gross tons, 6,000 ITC. So these ships are only going to get larger and larger until the demand for qualified and competent mariners is going to be there. I know the academy for a long time has been orientated toward blue water and that's been our mission. But what is the goal and what is the strategy with regards to the Outer Continental Shelf, the brown water industry with the towing vessel industry, et cetera, because that really constitutes the bulk and the majority of the US fleet today.

[0:30:14]

Chip: That's a great five-part question. Okay, the first thing I'm going to tell you with regard to the types of credentials, the mission they're going to have to have is to get their license. The good thing about the new King's Pointer, the former Liberty Star that we got from NASA is it has dynamic positioning and is indigenous to the ship which means that they'll be able

to actually use it for that to be able to get those signoffs now that they need to have to be able to do that.

With regard to LNG, the Maritime Administration has actually set up an LNG taskforce. We are directly involved in a number of things. You may have seen the recent announcement in Staten Island Ferry is doing an LNG repower. We are working with TOTE. They were doing a repower of their two vessels that they have that are actually going to be up in the Alaskan trade. They got an EPA waiver for that. There's a couple of challenges.

Right now the biggest challenge is where do you refuel and where do those refueling facilities go? And that is probably -- I see the overcoming the vessel part of this is actually easier than the shore side infrastructure to be able to operate them. It's not insurmountable but there are things - - and we're working closely with the Coast Guard on that to make sure that we've done that. And I think most of you guys know that **[0:31:36]** **[Indiscernible]** has also ordered two additional LNG vessels from NASCO. So LNG is going to be a part of it.

As we take a look at the curriculum, the academy is doing a curriculum review now. And we'll look at that portion as we see the changing sort of the way propulsion is going to go that will have to be included into the curriculum and we'll see that. But again, it's not very prevalent. It's only prevalent in the US flag now but it can be in the future. So we'll have to change as that goes on.

With regard to the brown water piece of this, we recognize this barge that I talked about and when Gary asked about the tug. I've actually been on board the barge. This barge actually -- it's probably about as big as this room but you'll be able to hook and tug to it, be able to move around. It has piping on board. You'll be able to transfer tank to tank. It's got a diesel generator on board and it's going to allow the midshipmen to have an opportunity to have to work and sort of get the idea.

This is not the 15 large barges that you'll see that it's on brown water that one of the brown water guys might be doing, pushing up and down in Mississippi or Ohio, but it's going to be close enough so they can get an idea, an understanding of it. But we're looking at all of those things to ensure that the curriculum supports what they can be doing. I talked about understanding what the demands and the rigors are going to be going forward. We want to make sure that the curriculum at Kings Point supports that as they graduate.

That's sort of a long answer to a long question.

Participant: I guess as a follow-up, what can the alumni foundation do to help?

Chip: Well, there's a couple of things. We have a significant amount of funding. When I say signification, we have about \$2 million that is in the budget right now for simulators and various things that we're actually doing at the academy. And so as we look forward we are in the superintendent is now in developing a needs list that will be posted here fairly soon and I would say refer to the website. As you know, I can't solicit for new funds.

Participant: Will you be updating the MARAD website?

Chip: Actually, it will be on the academy's website.

Participant: I'm talking about the entire website of MARAD is pretty **[0:33:59]** **[Inaudible]**.

Chip: Well, let me go back and take a look. I look at it periodically but I don't have a good answer to that question.

Participant: I think what the undercurrent of -- we got a deputy superintendent who is **[0:34:15]** **[Inaudible]**. We have commandants from the Navy. We have a superintendent from West Point. And so we're really thirsting for an outreach into the industry. We're kind of throwing some things soft balls to you here but those are the necessary things as an industry that we don't think that we've had the dialogue with. I mean certainly I don't know anybody to talk to support the industry in a long time out of MARAD. That's why these soft balls are coming your way.

Chip: Okay. Well, we're actually reaching out. We've had several of the AAPA folks in. I mean we're actually working those issues not to probably the extent that I would like to be working at.

[0:35:00]

One of the things that we're actually trying to do right now is try to get a good understanding of what is going on in petroleum industry. We started with the tankers. We brought in some of the barge tank operators or the tank barge operators. We're going to do that. We're going to reach out to the oil companies and then we're going to start reaching back to the ports, the terminals to try to make sure we sort of have an end-to-end understanding going back to the academy with regard to the leadership that you talked about.

Participant: Let me tell you though that Eric who runs APL here and myself **[0:35:36]** **[Inaudible]** to listen to the strategic plan and we -- what is it? Ninety minutes to the minute it was off and that was it. We've done it. We've checked it off and we're out of here. Am I close to that, Eric, or not?

Participant: Well, it was a good conversation but it wasn't as detailed as we could imagine.

Chip: Okay. Well, I will tell you that the initial strategic plan that was put out, it goes through essentially five tenets and the superintendent actually sort of put a cross-cutting organization excellence. It sort of goes across all of the strategic plans. They are workgroups individually assigned to each of the areas. They are actually collectively working together to identify the things in order to implement the strategic plan. There will be an opportunity once we sort of -- this is what we want to do which I think the brief that you guys saw that said, "Hey, this is the strategic plan." The next real big issue is okay, great, how do we do it?

Participant: And the workgroup ship can only be -- we were told -- government employees. So when Eric and I said we're ready to roll up our sleeves, he said, "Well, it's only for government employees."

Chip: I'll have to get back to you, Gary, because that is news to me. I thought we were being very inclusive with everyone.

Participant: Yes. I think that process had some opportunities that were missed, but I am seeing more dialogue. I know Chip and Administration Matsuda had us in a couple of weeks ago and we were actually back in this week. It was great. It was "What's going on? What are you guys doing?" Honestly more of that is certainly more expansive than it has been in more industries to be involved. I think we talked blue water and the challenges. You know it's going to get ugly here for a while but then the opportunity to **[0:37:36]** **[Indiscernible]** are real in a lot of other things.

So my recommendation is keep those dialogues going, probably not even individually but as groups, as industries is going to be really critical because we are in a time of change right now. A lot of things are happening.

Chip: One of the things that I will tell you, one of the things that I came away with is when we had the large group together one of the things that came out was the concern about anti-trust and having competitors in the room. And so it's clear to us that we cannot necessarily -- the large

groups are good if you just want to sort of get a general information, but if we need to nudge down into the details I've got to bring the individual carriers in to understand -- we need to bring in the Horizons, the TOTES, the Crowleys and talk to them about as physically going on so that we can understand because they are much more open in the individual meetings and Eric came and talked to both the administrator I hear about two weeks ago.

We get much more information than what can potentially be put out in a roomful of other folks. But I would tell you that we are very focused in drilling down into all of the issues because we really need the information to be able to understand how best to help and then make sure that our radar and antenna are up when we see things that might be able to -- when we see things that might affect you we can now reach out and say, "Hey, did you see this?" or "Hey, I just saw this."

For example, Owen we've got him doing Title 11 right now. Where is Owen? Oh, right there. But when it comes to piracy I will tell you when Ocean Atlas had their issue we were intimately involved working with the state department to make sure that we understood all of the issues on that ship and now we've expanded that to try to understand, okay, what are all the ships doing? Who's got security? Who doesn't have security? Why don't they have security? So all of those questions and we're actually working. So we're actually nudging down to the details to get the information.

But going back to the academy, there are going to be other opportunities to make sure that we've got the input that we need to make sure that going forward we have the best possible education for it and we owe it to the midshipmen to make sure that we do that going forward. We really do.

[0:39:59]

Participant: Thank you for your time coming over here, sir. Question and correct me if I'm wrong, but I think the legislation that governs the operation in Kings Point in addition to training mariners talks about Kings Point being the center of excellence for R&D and post-graduate education to some extent. With the closing of GMAT, is there a talk of what will follow in a way to pick up that task in the near future?

Chip: There has been none on grad education at the academy. And so going back the real issue is the use of the facilities has to support the midshipmen. Going back to GMAT specifically, the majority of folks that

were using GMAT not midshipmen and so as we took the review of what it was doing although successful in terms of what doing. It was not supporting the midshipmen that were on the campus going through their four-year curriculum, and that was really the issue at hand.

Going forward, is there an opportunity? Could it be done somewhere else? I think it probably could, but it can't be done on the academy grounds. That's where the real issue came from with regard to it. I think that's about as much as I can say about that. But I will tell you that all of these things were looked very closely at and some of the decisions obviously were made before I got there so I don't know much more detail other than that. But the real issue with GMAT was that as they looked at it, if it doesn't support the midshipmen, then it really is not able to be on the grounds. That's the way they evaluated it.

Participant: I think that definitely was **[0:41:36] [Inaudible]** because there is language about being the center of excellence and stuff like that. I think we're missing a lot there because there's not a lot of places to put it.

Chip: Well, we do have R&D -- that's part of their computer-assisted operation resource facility. I mean that is part of it up there, but there is obviously more that can be done. Okay.

Participant: One more. With regards to the obligation upon graduation, last year MARAD got up to the academy and said that there were certain things that the graduates were not going to be **[0:42:09] [Inaudible]**. One of those was working in shipyards. I was just wondering what is the standard right now with regards to meeting the obligation upon graduation that we can allow the midshipmen to work in shipyards which seems to be definitely maritime related and supported?

Chip: The first thing we're going to do is we're going to take a look and talk to the industry. If we have an opportunity to sail in a license, they're going to sail on their license. That's what they went to the academy for and that's what we -- so we're going to support that. And I will tell you, our ability to track them in the past was not very good and so our level of looking at each of them to discerning "Hey, this guy can go here. This guy, she can go here," or whatever. We are looking very closely now. And one of the things that we've gotten from industry is, hey, we don't have enough people that are going out to be third mates and third engineers. They're just not there. Why are you allowing them to go other places?

So the answer is we're going to fill the sailing bill that's first, and then if they don't get hired for that, then we'll consider it. But we're going to be

asking a lot of very detailed questions when an applicant comes in and says, "Hey, I want to go do x." We're going to say, "Okay, have you talked to the following places because we just talked to APL and they need five or six folks.

Participant: **[0:43:38] [Inaudible].**

Chip: I don't think so because -- I mean once those guys have done their obligation they are certainly free to go to the shipyard after that. But again, what I'm saying today is it doesn't necessarily mean no. What it means is we're going to go fill the sailing bill that's first and we're going to be much more discerning in the way we do that. So hopefully, I answered the question. We're not saying no and --

Participant: This is **[0:44:04] [Inaudible]** with regards to the shipyard is basically being told that they can't hire somebody **[0:44:11] [Inaudible]** four-month internship in the shipyards. So it kind of hurts that curriculum. And I'm just wondering what correction with regards to the obligation **[0:44:23] [Inaudible]?**

Chip: Let me give Dan a follow-up on that one just to make sure that -- because I have not looked at the policy because in a while in terms of where it is. All I'm focusing on right now is that I know that we have talked to the academy to make sure that they fill those oceans -- bill that's first and then we'll consider something else.

Dan: Okay. Thank you very much, everybody.

Chip: Thank you.

Dan: Right next a Naval Academy stuff, it's our Kings Point logo, our club logo.

Chip: Very nice.

Dan: And I hope you -- right on your MARAD bookcase.

Chip: No, this is going to go on my MARAD desk.

Dan: On your desk. Thank you very much.

Chip: Okay, thanks, Dan. I appreciate it.

Dan: Thank you very much.

[0:45:09]

End of Audio