

**MEMORANDUM OF AGREEMENT
BETWEEN THE
U.S. NAVY
AND
THE U.S. MARITIME ADMINISTRATION**

Development, Design, Construction, and Operation of Dual-Use Vessels

1. Purpose. The Maritime Administration (MARAD), on behalf of the Department of Transportation (DOT), and the Department of the Navy, are entering into this Memorandum of Agreement (MOA) to further the objectives relating to the American Marine Highway (AMH) Program, particularly the development, design, construction and operation of U.S. built and U.S. crewed Dual-Use vessels (DUV) that can serve in peacetime in the Jones Act trade and also provide sealift capability in time of national emergency. A desired outcome consistent with the mission of MARAD is to have the benefits of the AMH (reduced transportation congestion, improved domestic shipbuilding industrial base, reduced green house gas emissions in the Nation's transportation systems, creation of new jobs, etc.), and also provide military sealift capability efficiently by leveraging the commercial industrial base.

2. Statutory Authority. 46 U.S.C. §50102, Survey of Merchant Marine; 46 U.S.C. 50105, Studies and Cooperation Relating to the Construction of Vessels; 10 U.S.C. § 2218(c), National Defense Sealift Fund.

3. Objectives. The Dual-Use Vessel project will explore the feasibility of two or three commercially viable ship designs that would be of interest to more than one ship operator to promote series construction at lower per unit cost. The results could help generate commercial work for U.S. shipyards and jobs for U.S. Merchant Mariners ensuring this critical capability for future National Security needs, while improving the economic competitiveness of the Marine Transportation System.

Current research efforts focus on the following:

- Identifying overall economic feasibility of various AMH services, what impediments affect economic viability, and how such impediments can be addressed through policy and legislative changes;
- Identifying the optimal public/private funding and operating mechanisms to begin construction and vessel operations;
- Identifying potential shipper markets in which DUV can operate commercially.
- Defining and identifying the optimal commercial and military vessel characteristics for commercially viable AMH services;
- Incorporating National Defense Features (NDF), if required, to ensure the vessels meet Department of Defense minimum sealift needs;
- Developing a vessel design, or designs to the point that U.S. shipyards can provide accurate pricing for a series of vessels;
- Identifying port and terminal characteristics necessary for efficient commercial operations;

Future research will be focused on using the results of current projects to:

- Develop a business case analysis to determine what level and type of support, if any, from the U.S. Government is required;
- Assess the total ownership costs of the current military surge sealift programs compared to the dual-use ship concept;
- Identify value of public benefits generated by AMH, such as, reduced wear and tear on highways, reduced pollution, etc.; and
- Assess the operational benefits of DUV in support of sealift operations.

4. Funding. As required by the Anti-Deficiency Act, 31 U.S.C. §§ 1341 and 1342, all commitments made by Parties in this MOA are subject to the availability of appropriated funds and budget priorities. Nothing in this MOA, in and of itself, obligates the signatory Parties to expend appropriations or to enter into any contract, assistance agreement, interagency agreement, or to incur other financial obligations. Any transaction involving transfers of funds between the Parties to this MOA will be handled in accordance with applicable laws, regulations, and procedures under separate written agreements.

The project sponsors will jointly fund this initiative, having provided a total of \$800,000 (\$400,000 each) in Fiscal Year 2010 with the intention of funding future research, as required. Follow-on research is dependent upon results of the current study.

5. Main Project Managers. Below are the primary points of contact (POC):

- OPNAV: CAPT Michael J. Kondracki
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- MARAD: Mr. David Heller
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6. Severability. Nothing in this MOA or any annex thereto is intended to conflict with current statutes, regulations, orders, or directives of MARAD or Navy or any other Federal agency or entity. If a provision of this MOA, or any annex thereto, is inconsistent with such authority, then that provision or the portion thereof which is inconsistent will be invalid to the extent of such inconsistency, but the remainder of that provision and all other provisions, terms and conditions of this MOA, and any annexes thereto, will remain in full force and effect.

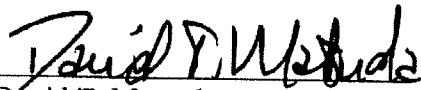
7. Rights and Benefits. Nothing in this agreement is intended to diminish or otherwise affect the authority of any agency to carry out its statutory, regulatory, or other official functions, nor is it intended to create any right or benefit, substantive or procedural, enforceable at law by any party against the United States, its agencies or officers, State agencies, or officers carrying out programs authorized under Federal law, or any other person.

8. Amendment and Modification. This MOA may be amended or revised at any time by written agreement of MARAD and OPNAV N42. Similarly, annexes to this MOA may be revised at any time by written agreement of the appropriate representatives of MARAD and OPNAV N42.

9. Effective Date. This MOA will be effective as of the date of final signature by both Parties and will remain in effect until terminated by either Party. Unless otherwise specifically provided in an annex hereto, either Party may terminate this MOA or any annex hereto upon ninety days written notice.

10. Acceptance of Agreement.


FOR
U.S. DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION



David T. Matsuda
Maritime Administrator

DATE 11/4/11

FOR
SECRETARY OF THE NAVY



Robert O. Work
Under Secretary of the Navy

DATE 11/18/11