

## SUPPORT U.S.-FLAG CARGO PREFERENCE REQUIREMENTS

*“The movement of U.S. international food aid has been a major contributor to the cargo we have moved under the cargo preference law that our U.S. commercial sealift industry depends upon. Any reductions will have to be offset in other ways to maintain current DoD sealift readiness.”*

**General Duncan J. McNabb, US Transportation Commander, May 4, 2011**

Since 2009, privately-owned US-flag commercial vessels and their civilian US citizen crews have transported more than 90% of the sustainment cargo needed to support US military operations and rebuilding programs in Iraq and Afghanistan.

A 2006 report prepared for the National Defense Transportation Association – Military Sealift Committee – concluded that “the likely cost to the government to replicate just the vessel capacity provided by MSP dry cargo vessels would be \$13 billion.” In addition, the United States Transportation Command has estimated that it would cost our Government an additional \$52 billion to replicate the global intermodal systems made available to DOD by our US-flag operators.

*“It is our U.S.-flagged merchant fleet and our mariners that ensure that our Soldiers, Sailors, Airmen and Marines are supplied. From Inchon to Iraq, our mariners and our maritime industry delivered . . . Let us not, as a nation, sign away our remaining sealift capacity to non-U.S.-flagged fleets sailed by non-U.S. mariners.”*

**Rear Admiral Thomas Shannon, Commander, Military Sealift Command,  
May 21, 2015**

In an April 2015 report to Congress, the US Maritime Administration concluded:

- US Government-impelled preference cargoes are essential for maintenance of the US Merchant Marine.
- The decline in preference cargo is the primary reason for the decline of our US-flag fleet.

- Food aid cargoes are the single greatest source of preference cargoes – over half of the dry preference cargo tonnage available since 2002.
- Food aid cargoes are more important than ever; DOD cargoes are expected to decline with the end of the wars in the Middle East and Afghanistan, on top of the broad reduction in overseas personnel and bases over the last 25 years.

*“Cargo preference is a pillar that ensures America can activate and sustain a sealift fleet adequate to deploy and support the United States Armed Forces anywhere in the world. So the benefits of cargo preference are clear. . . . This program, which benefits both the public and private sectors, is less of a burden on the tax payer than other options to provide the same capability.”*

**Jeff Marootian, Assistant Secretary for Administration, US Department of Transportation  
July 11, 2015**

Since MAP-21 slashed cargo preference from 75% to 50% in 2012, our US-flag fleet has plummeted by **26%** according to the U.S Maritime Administration—more than triple the impact initially forecast by the Administration.

- GAO reported that when MAP-21 cut cargo preference from 75% to 50%, USAID shipping costs fell less than 9% and USDA shipping costs not at all. The cost of restoring cargo preference back to 75% scored at only \$11 million per year.
- Food aid is unique among government-impelled cargo for its 50% exemption—as a result, we are not capturing the full benefit of the cargo that we are *already* shipping.
- In August 2015, GAO also reported that we are already 1,378 mariners short of the bare minimum number of mariners needed to meet DOD’s national defense sealift requirements. MARAD reported that 920 mariners have been lost since 2010 alone, with further shrinking certain to occur unless something is done in the near term.

- In March 2016, the US Maritime Administrator testified that we are 1,770 mariners and five ships short of the minimum needed to support DOD sealift needs, and that another 45 ships are needed to be comfortable with our ability to meet the military's sealift needs.
- Unless restored, the cuts to cargo preference will further undermine national defense, offshore American jobs, and will require large increases in national defense costs to sustain sealift—these cost increases are not offset by the minor savings purportedly achievable in food aid programs.

*“So what we've described is a catastrophe in the making, as the quality of the mariner pool begins to shrink, as the numbers shrink, the people that are going to be on the pointy end delivering Marine Corps and Army equipment are going to be at risk.”*

**Scott DiLisio, Strategic Mobility/Combat Logistics Division, U.S. Navy,  
March 22, 2016**

All too often in the past, Federal shipper agencies and departments have failed to comply with U.S.-flag shipping requirements, denying American vessels their rightful share of these cargoes, denying American maritime workers important job opportunities aboard these vessels, and instead spending American taxpayer dollars exclusively on foreign flag shipping services.

- We urge Congress and the Administration to express its support for the full implementation of existing U.S.-flag cargo preference shipping requirements.
- In addition, we urge the Administration to make clear to all Federal agencies and departments that they must use privately-owned U.S.-flag commercial vessels for the carriage of U.S. government generated and financed cargoes as required by law.
- We urge Congress to make clear that the Maritime Administration has responsibility to determine if a Federal

program is subject to U.S.-flag cargo preference shipping requirements and that the Maritime Administration must exercise its authority to enforce U.S.-flag shipping requirements.

- We urge Congress to preserve existing U.S.-flag cargo preference shipping requirements and to restore the longstanding requirement that U.S.-flag vessels carry no less than 75 percent of U.S. government financed food aid cargoes.
- We urge Congress and the Administration to continue to support the existing PL 480 Program so that American taxpayer dollars continue to benefit American farmers, American shipping, and American jobs.