



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

**General Darren McDew, Commander, U.S. Transportation Command, 2018:**

*“Cargo preference laws, because of the impelled cargoes they generate, help maintain U.S.-flag ship capacity and the qualified mariners necessary to crew the Maritime Administration Ready Reserve Fleet and the Military Sealift Command Surge Fleet.”*

### **OBJECTIVE**

To ensure that all Federal shipper agencies and departments fully support and comply with existing U.S. flag cargo preference shipping requirements.

### **BACKGROUND**

U.S.-flag cargo preference shipping requirements mandate that a percentage of U.S. taxpayer financed government exports and imports be transported on privately-owned U.S.-flag commercial vessels, to the degree such vessels are available at fair and reasonable rates.

It is important to understand that every U.S.-flag oceangoing vessel regardless of type has important military utility by providing the employment base necessary to maintain the cadre of American merchant mariners needed by the Department of Defense. The full implementation of the cargo preference requirements to transport U.S. government cargoes helps guarantee that American maritime jobs will not be outsourced to the benefit of foreign maritime workers and that the dangerous decline in the number of available American merchant mariners will not worsen. Simply put, U.S. taxpayer dollars should be used to the fullest degree possible to not only Hire American and Buy American but also to Ship American.

U.S.- flag ship owners rely on sufficient volumes of U.S. government impelled cargoes to be able to continuously invest in U.S.-flag ships and intermodal networks and to employ the skilled U.S. mariners that it takes to service international trades relied upon by DOD for sealift and sustainment. The evasion of cargo preference laws by U.S. government agencies directly results in less cargo for U.S.-flag ships which directly results in fewer U.S.-flag ships and fewer U.S. mariners. When agencies ignore cargo preference laws and instead use foreign flag ships with foreign crews, they diminish the national defense capabilities that a robust U.S. Merchant Marine has provided in every armed conflict our nation has faced and will face again.

## **IMPORTANCE OF U.S.-FLAG CARGO PREFERENCE REQUIREMENTS**

**Navy League of the United States, 2017:**

*“The U.S. merchant marine is a valuable national asset that has always been there for America in times of war and national emergency . . . Our nation’s cargo preference programs, including those with respect to the Food for Peace program, are instrumental*

*to sustaining the U.S. merchant marine and maintaining our national defense sealift capability – with the attendant billions saved.”*

In an April 2015 report to Congress, the U.S. Maritime Administration concluded:

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

Since U.S.-flag cargo preference shipping requirements for food aid cargoes were slashed from 75% to 50% beginning in 2012, the U.S.-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 cargo preference was cut 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 2017, the U.S. Maritime Administration and the U.S. Transportation Command estimated that we are already 2,000 mariners short of the bare minimum needed to meet DOD’s national defense sealift requirements. The U.S. Maritime Administration reported that 920 mariners have been lost since 2010 alone, with further shrinking certain to occur unless something is done in the near term.

The major issue threatening our industry’s ability to continue to meet America’s commercial strategic sealift requirements is the shortfall in the number of qualified U.S. citizen mariners to crew the government and privately-owned vessels relied upon by DOD. In March 2015, General Paul Selva, then-Commander, U.S. Transportation Command, told Congress that because of the “reduction in government impelled cargoes due to the drawdown in Afghanistan and the reductions in food aid . . . the mariner base is at a point where future reductions in U.S.-flag capacity put our ability to fully activate, deploy and sustain forces at increased risk.”

Similarly, at Congressional hearings held in 2018, Admiral Mark Buzby, Administrator, United States Maritime Administration, warned that there is “an estimated shortfall of 1,800 qualified mariners in the event of a full, prolonged mobilization . . . .”

**Admiral Mark Buzby, Administrator, United States Maritime Administration, 2018:**

*“I am also concerned about the availability of a sufficient number of qualified mariners with the necessary endorsements to operate large ships (unlimited horsepower and unlimited tonnage) and to sustain a prolonged sealift mobilization beyond the first four to six months. We need a larger peacetime employment base to ensure we have the manpower during times of crisis.”*

## **NEED FOR ACTION**

Cuts to cargo preference and the failure to fully enforce U.S.-flag cargo preference shipping requirements will further undermine national defense, outsource American jobs, and require large increases in national

achievable in food aid and other programs.

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 on foreign flag shipping services.

As stated in 2018 by Representatives John Garamendi, Duncan Hunter, David Joyce and Cedric Richmond in their “dear colleague” letter to the Administration, “the Maritime Administration has indicated that our nation’s ability to fully activate, deploy, and sustain our military forces is between ‘medium to high risk’. It is, therefore, critically important that the Administration take immediate action in directing its efforts to support policies and programs that serve to enhance the U.S.-flag merchant marine, including existing cargo preference shipping requirements.”

To ensure that the privately-owned militarily-useful U.S.-flag vessels and their U.S. citizen crews remain available to DOD to advance America’s security interests and to support and supply American troops deployed overseas, we ask that you work to ensure that all Federal shipper agencies fully comply with the spirit and the letter of existing U.S.-flag cargo preference shipping requirements.

**Jeff Marootian, Assistant Secretary, U.S. Department of Transportation, 2015:**

***“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 taxpayer than the other options to provide the same capability.”***

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