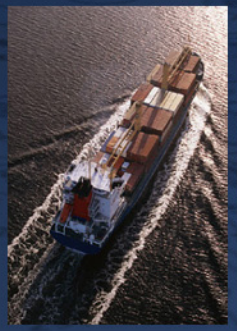


Cargo Preference: What You Should Know

Lalit Raina
Supervisory Trade Specialist
Office of Cargo & Commercial Sealift

GWERC Summer 2021 Meeting
June 28, 2021

1200 New Jersey Ave., SE | Washington | DC 20590
www.dot.gov

MARAD
U.S. MARITIME ADMINISTRATION

Acknowledgment

MARAD

Please note that this call is off the record and not for attribution

Overview

MARAD

- The Maritime Administration
- What is Cargo Preference?
- Why is it important?
- The strategic context
- Contact information

Mission Statement

MARAD

The mission of the Maritime Administration is to "foster, promote, and develop the merchant maritime industry of the United States to meet the Nation's economic and security needs."

– 49 U.S.C. 109 (a) and 46 U.S.C. 50101

Agency Primary Areas of Focus

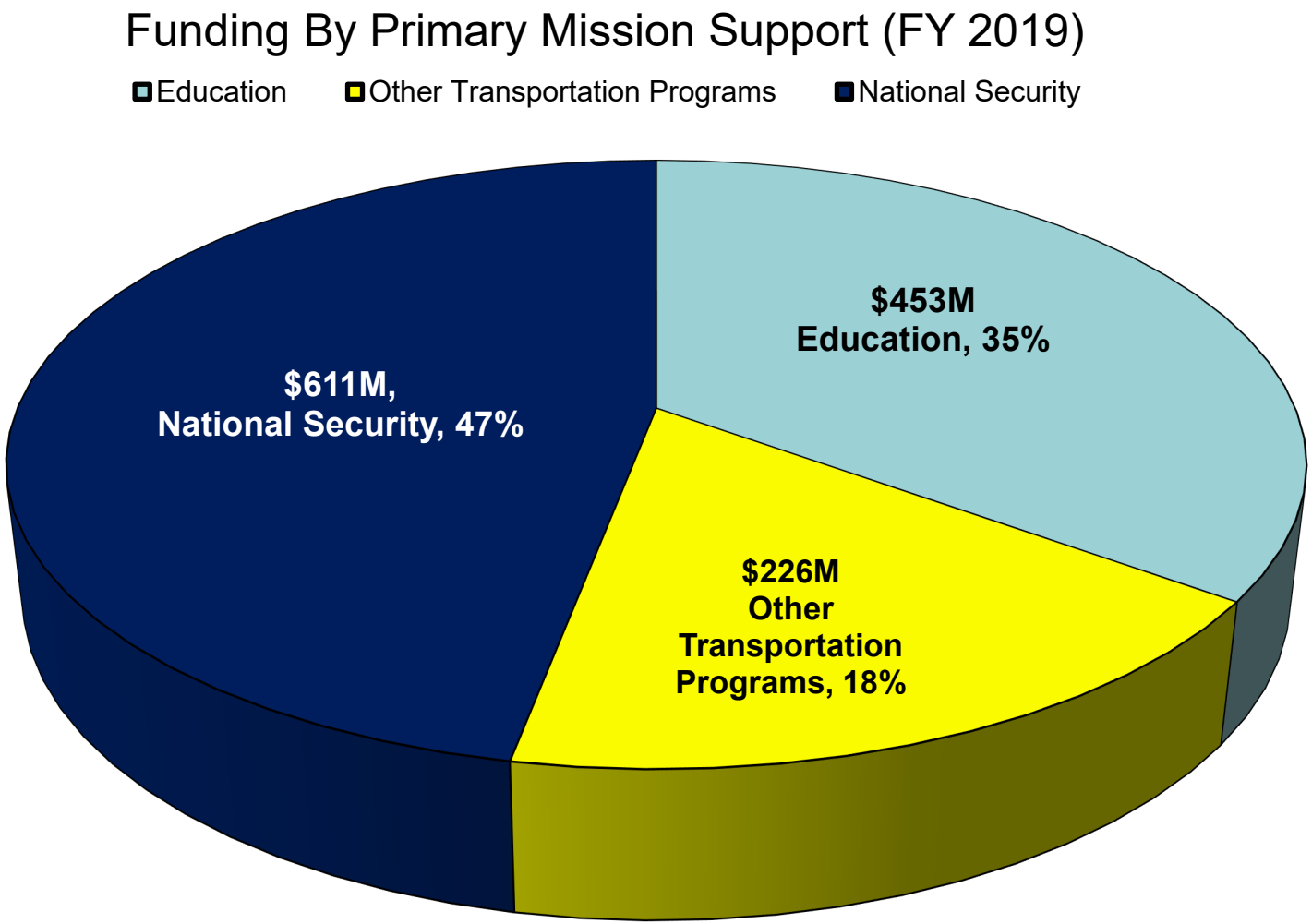
MARAD

- National Security
  - Provide sealift capability for the Department of Defense in times of National crises

- National Economy
  - Provide for the National economy; a healthy and robust U.S. merchant marine to support our maritime transportation system, including island nation trade and movement of critical commodities

Program Funding

MARAD

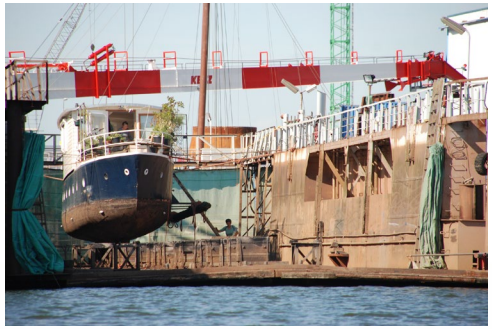


MARAD Programs

MARAD

Program Elements

- Strategic Sealift
  - Federal
  - Commercial
- Work Force Education
  - Licensed
  - Unlicensed
- Maritime Infrastructure and Waterways
  - Ports
  - Rivers/Canals/ Locks
- Industrial Base Support
  - Ship Construction & Repair
  - Fuel & Equipment



Strategic Sealift Program

MARAD

Commercial Sealift

International

Domestic

Maritime Security Program (MSP)

Cargo Preference

Jones Act

$1.8 billion / year

What is Cargo Preference?

MARAD

- Cargo Preference is a national shipping strategy designed to maintain a nation's presence and economic viability in the international shipping market.

- In short, certain percentages of certain cargo classes must be carried on vessels registered to a nation when the cargo is supported by that nation's federal funding.

- Such cargo is commonly referred to as "government-impelled," and is typically moving as a direct result of Federal Government involvement, indirectly through financial sponsorship of a Federal program, or in connection with a guarantee provided by the Federal Government (i.e., grants, loans, or loan guarantees).

- Cargo preference applies to all phases of the shipping process, including shipments made foreign-to-foreign, foreign-to-U.S., or U.S.-to-foreign.

Applicable Statutes

MARAD

U.S.-flag ships must be used when shipping…

- Military cargo (100%), per 10 USC 2631.
- U.S. food aid and other civilian non-defense agency cargo (at least 50%), per 46 USC 55305.
- Export-Import Bank cargo (100%), per P.R.-17 & 46 USC 55304.
- Household Goods or Personally-owned Vehicles (100%), per 46 USC 55302 and 55303 respectively.

- Violating U.S.-flag vessel use requirements subject any offender to a variety of actions including, but not limited to, civil penalties.

46 U.S.C. 55302 and 46 U.S.C. 55303

MARAD

46 U.S.C. 55302 – Transportation of United States Government personnel

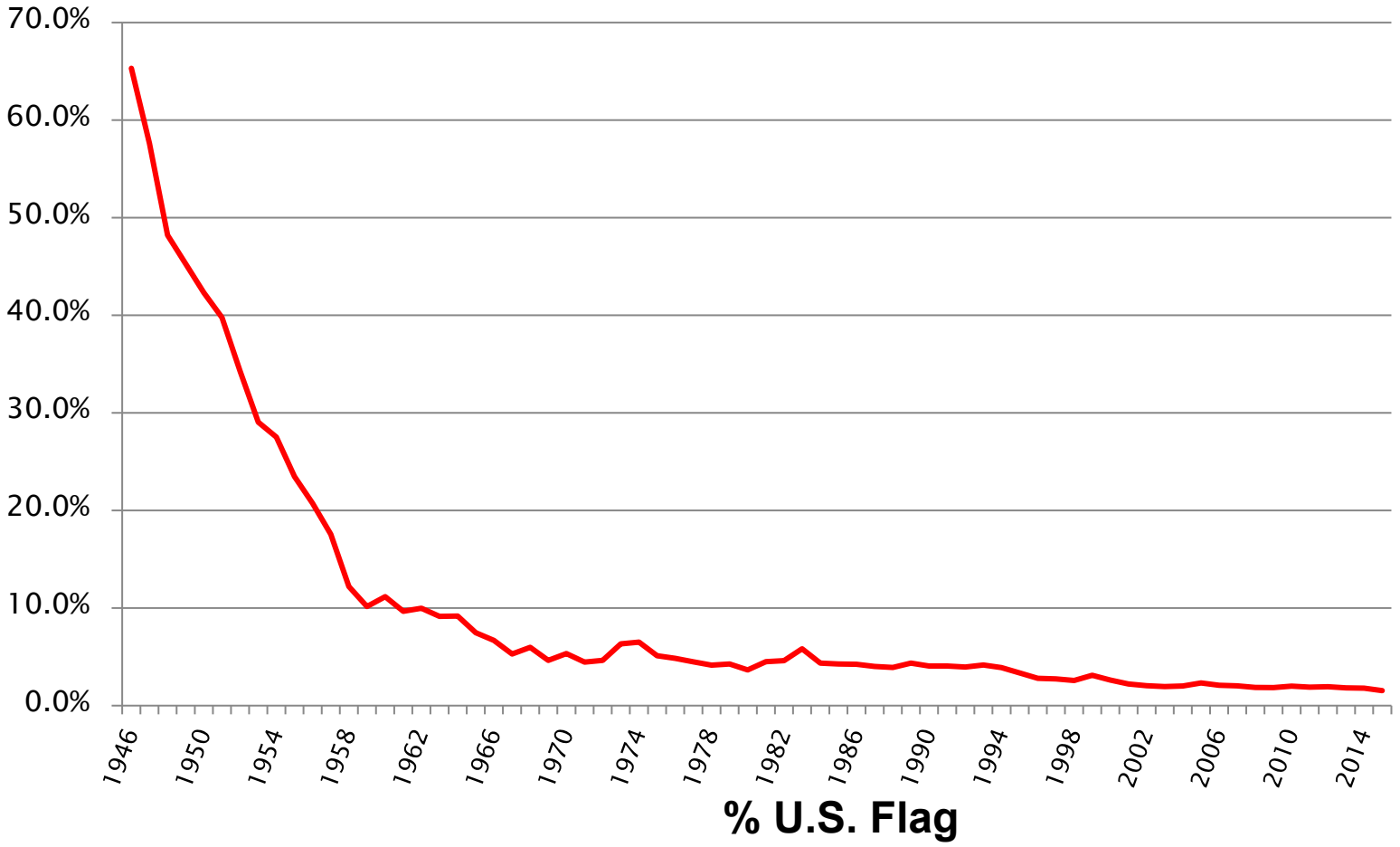
- ***An officer or employee of the United States government traveling by sea on official business overseas or to or from a territory or possession of the United States shall travel and transport personal effects on a vessel documented under the laws of the United States if such a vessel is available, unless the necessity of the mission requires the use of a foreign vessel.***
- ***The Administrator of General Services shall prescribe regulations under which agencies may not pay for or reimburse an officer or employee for travel or transportation expenses incurred on a foreign vessel in the absence of satisfactory proof of the necessity of using the vessel.***

46 U.S.C. 55303 – Motor vehicles owned by United States Government personnel

- ***Notwithstanding any other law, privately-owned American shipping services may be used to transport motor vehicles owned by personnel of the United States Government whenever transportation of those vehicles at Government expense is otherwise authorized by law.***

U.S.-Flag Commercial Fleet Share of Foreign Trade 1946-2015

MARAD

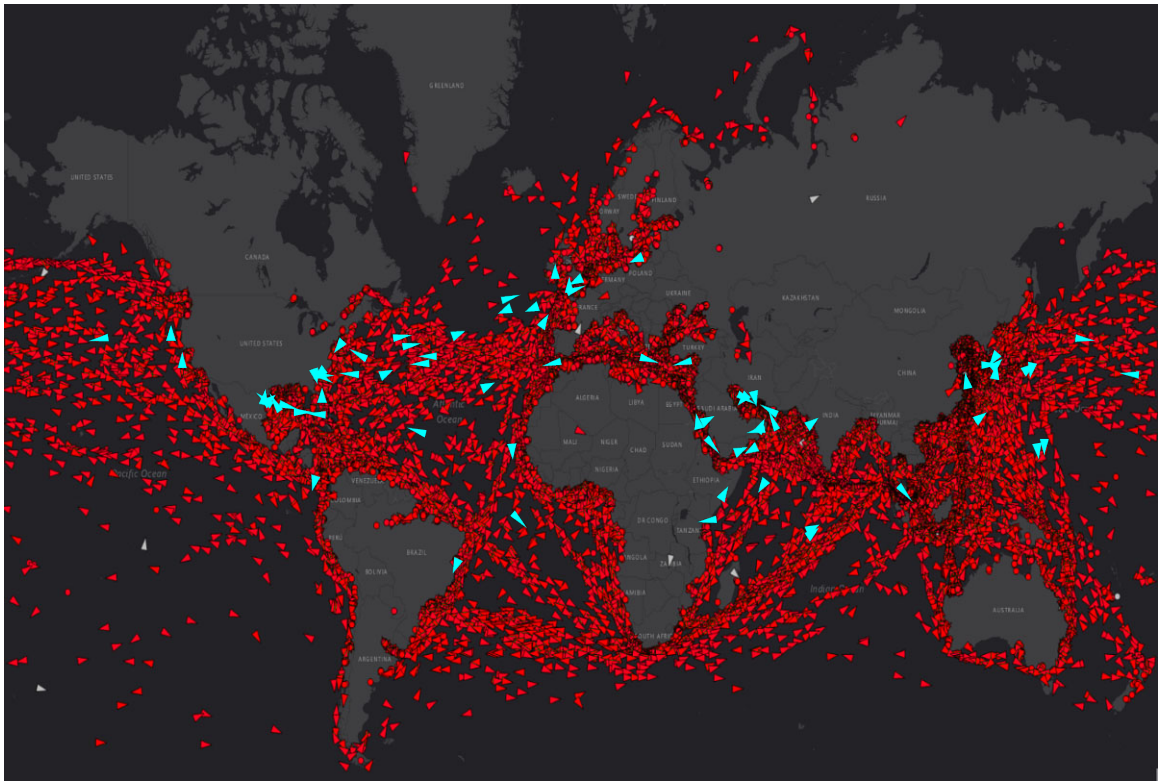


Source: MARAD Analysis of Census import and export trade data and commercial vessel registry information.

Internationally Trading U.S.-Flag Fleet 2021

MARAD

In all international trade, there are 84 U.S.-flagged vessels and 31,500 foreign-flagged vessels.



Media Clips

"U.S. Merchant Merchant Fleet Sails Toward Oblivion." *Baltimore Sun, 6* August 2001

Baltimore Sun › ...

U.S. merchant fleet sails toward oblivion - Baltimore Sun

The only time people cared about the marine was when there was a war or Gibson said in an interview before his death

"Top 10 Reasons Why The US Merchant Marine Is Failing." *gCaptain, 31* May 2018

gCaptain

Top 10 Reasons Why The US Merchant Marine Is Failing

May 31, 2018 — Conversely, the rine is drowning ... for the long after his ing.

"The US Merchant Marine Fleet Is Dying — And It May Hurt America's Ability To Wage War Abroad." *McClatchy DC,* 15 May 2018

Task & Purpose › analysis › us-...

The US Merchant Marine Fleet Is Dying — And It May Hurt America's ...

May 15, 2018 — Some 9,500 merchant died, a rate of casualty that rivaled that of U.S. Marines for the early part of the war. After the ...

"American Shipping Is Dying. But We Can Bring 13 May 2019

Fortune › us-shipping-jones-act

American Shipping Is Dying. But We Can Bring It Back | Fortune

May 13, 2019 — Commentary: The U.S. shipping industry is in crisis. We can start to repair the merchant marine by repealing the ...

Marine: The Causes of Its Decline, And the Means Its Revival." *U.S. Naval Institute, 1* August 2019

nited States Naval Institute › january

Our Merchant Marine: The Causes of Its Decline, And ... - US Naval Institute

Aug 1, 2019 — Maritime taste and knowledge are dying out, and the approaching extinction of our merchant marine is regarded with general ...

Support from the Executive Office of the President

MARAD

- E.O. 14005 – "Ensuring the Future Is Made in All of America by All of America's Workers"
- E.O. 14017 – "Executive Order on America's Supply Chains"
- OMB M-21-26 – "Increasing Opportunities for Domestic Sourcing and Reducing the Need for Waivers from Made in America Laws"

How You Can Help

- **“Cargo Is King”!**
- **Monitor in-country projects & procurements**
- **External messaging and reminders**
- **Contact MARAD for pre-shipment / post-shipment issues:**
  - New “Find a US-flag vessel” link
  - Report a violation of the Cargo Preference laws: cargo.MARAD@dot.gov
- **Cargo Preference Training is available online**
  - **https://maradcargotraining.com/**

Tony Padilla
Director
(202) 366-7045, tony.padilla@DOT.gov

Michael Hokana
Military Cargoes & Domestic Trade
(202) 366-0760, Michael.Hokana@DOT.gov

Lalit Raina
Civilian Agency Cargoes
(202) 366-2314, Lalit.Raina@DOT.gov

General Email: Cargo.MARAD@DOT.gov
General Telephone: (202) 366-4610
https://www.maritime.dot.gov