

May 1, 2023

Rear Admiral, Ann C. Phillips  
Administrator  
Maritime Administration  
1200 New Jersey Avenue, SE  
Washington, DC 20590

**RE: Request for Information: Administration of the Cargo Preference Act of 1954**

Administrator Phillips:

On behalf of the Transportation Trades Department, AFL-CIO (TTD), I am pleased to respond to the Maritime Administration's (MARAD) request for information concerning cargo preference. TTD consists of 37 affiliated unions representing U.S. maritime workers offshore and onshore and dockworkers. Additionally, we endorse the comments of USA Maritime.

U.S.-flagged ships currently carry less than 2% of cargo in the U.S.-international trade. One way to increase the amount of cargo carried by U.S.-flag vessels is to stimulate demand by restoring and enhancing U.S.-flag cargo preference shipping requirements. In 2012, Congress arbitrarily reduced civilian cargo preference policies in the Moving Ahead for Progress in the 21st Century Act, slashing Cargo Preference or Ship-American requirements for international aid cargoes from 75% to 50%. This change has drastically reduced the size of our fleet and outsourced U.S. maritime jobs.

A new national maritime strategy must reflect the fact that the privately owned U.S.-flag fleet must try to compete against various foreign state-owned and -controlled fleets, most prominently the Chinese fleet, in this trade while only U.S.-flag, U.S.-crewed vessels must comply with U.S. government imposed shipping related rules, regulations and tax obligations. Increasing the amount of America's foreign trade carried aboard U.S.-flag ships will increase the number of U.S. maritime jobs and strengthen our military and economic security.

Cargo preference statutes and other U.S.-flag shipping requirements are essential to the maintenance of the U.S.-flag fleet. By requiring that government-financed cargoes move on U.S.-flag vessels, we are able to retain a pool of highly-trained, qualified, and loyal civilian mariners who stand ready to meet our military and humanitarian needs while simultaneously operating in the commercial-flag industry. In recent years, government-generated cargoes have declined from both civilian agencies and the Department of Defense (DOD). In part, this troubling trend is driven by budget-conscious agencies systemically engaged in efforts to evade statutory preference requirements by claiming that transportation costs must be reduced. In reality, any savings from using foreign vessels is marginal at best and ignores the incredible cost savings that are realized from having a vibrant civilian merchant marine that can be used to meet our military needs. When combined with the pressures of ever-increasing global competition and reductions in U.S.-flag food aid carriage, evasion of cargo preference laws is putting our nation's military and economic objectives in jeopardy.



Transparency is desperately needed to increase accountability. MARAD should immediately implement the recommendations included in GAO’s 2022 report, *Maritime Administration—Actions Needed to Enhance Cargo Preference Oversight*, and commence publication of cargo preference compliance statistics that reflect the actual volumes of government-impelled cargo shipped on foreign vs. U.S. vessels, in the interest of transparency and good governance in keeping with the will of Congress. Additionally, other agencies must be held accountable for transparently reporting use of waivers.

When the U.S. Agency for International Development (USAID) ships cargo on foreign vessels using its “notwithstanding” authority or “non-availability” waivers, it does not count those cargoes as shipped foreign for purposes of calculating compliance with cargo preference requiring at least 50% U.S.-flag shipping. USAID simply pulls those cargoes out of the denominator as if they never happened. The result: USAID’s cargo preference compliance for FY20, FY21, and FY22 was only 42%, 31%, and 40% U.S.-flag, respectively, but it claimed 88%, 89%, and 100% compliance in those years. Cumulatively, U.S.-flag carriers have lost at least 485,000 tons of cargo since 2019.

Effectively meeting these goals will require providing MARAD the authority to determine which federal programs are subject to cargo preference and giving the agency enforcement powers. Congress must also restore the requirement that U.S.-flag vessels carry no less than 75% of U.S. government food aid cargoes. The 75% standard, which was rolled back absent any debate or formal consideration in the 2012 surface transportation bill, has been a primary driver in the damage to our national security created by the loss of maritime jobs.

Throughout our nation’s history, a strong commercial maritime industry dependent on U.S. civilian mariners has enhanced our national and economic security. By letting the fleet wither despite repeated warnings, our government has created a crisis for the U.S. maritime sector and its skilled mariners, and by extension, our national defense. An important way to address this crisis is through the rigid and comprehensive 100% application of cargo preference laws, which ensure that taxpayer dollars are spent to support U.S.-flag shipping and U.S. mariners, rather than foreign shipping enterprises and crews, many of which work in deplorable conditions.

Sincerely,



Greg Regan  
President