



Cargo Preference News4U
Moving Cargo - Lifeline of the Sea



CAPT William Schubert

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MONITORING CARGO ON INTERNATIONAL WATERS

The Maritime Administration monitors the movement of cargo and ensures that shippers are aware of and adhere to applicable laws that have been established by Congress. MARAD's Office of Cargo Preference staff has worked extensively to develop working relationships with shipping companies that own or operate ships registered under the U.S. flag. In addition, the staff works closely with commercial exporting and importing companies that have contracts with the Government, which are subject to the various cargo preference laws. Using U.S.-flag vessels to ship cargo helps to strengthen America's economic security and ensures America has the vessels and trained mariners pertinent to national security.

United States registered vessels must adhere to the applicable U.S. laws and regulations. U.S. commercial ships are usually held to stricter guidelines than are their foreign counterparts for the construction, maintenance, environmental, and safety standards, resulting in increased operational costs. Therefore, to help these vessels compete, and to provide an incentive to remain under U.S. registry, Congress established a series of cargo preference laws that assist shipowners in defraying costs associated with maintaining their vessels under the U.S. registry. Under a mandate by Congress, commercial shippers having any involvement with Government-impelled cargo are required to comply with the three major cargo preference laws: (1954, 1904, and PR17), respectively. Shown below are the percentages of Government-impelled cargo that must be carried on U.S.-flag vessels as well as the applicable law:

The Cargo Preference Act of 1954 (Public Law 83-664), as amended, requires that at least 50 percent of the gross tonnage of all Government-impelled cargoes are transported on privately owned, U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates. In 1985, the Merchant Marine Act of 1936 was amended to require that the minimum percentage of certain agricultural cargoes required to be carried on U.S.-flag vessels increase from 50 to **75 percent**.

The Military Cargo Preference Act of 1904 requires all items procured for or owned by U.S. military departments and defense agencies be carried exclusively (**100 percent**) on U.S.-flag vessels.

Public Resolution (PR) 17 of the 73rd Congress requires that **all cargoes** generated by the Eximbank or a similar agency of the Government be shipped on U.S.-flag vessels, unless a waiver is granted. To view MARAD's waiver procedure policy, click on <http://www.marad.dot.gov/offices/PR17waiver.html>. In addition, a listing of U.S.-flag carriers, U.S.-flag vessels, and U.S.-flag service destinations also are available at http://www.marad.dot.gov/offices/cargo_pref.html.

In addition, **Public Law 105-383**, under the U.S. Coast Guard's authority, established that substandard vessels and vessels operated by operators of substandard vessels are prohibited from the carriage of Government-impelled cargo for up to one year, after such determination has been published electronically. Further information on prohibited vessels may be obtained by visiting the United States Coast Guard's web site at <http://www.uscg.mil/hq/g-m/pscweb/DetentionSafety.htm>.

Around Industry-- Intermarine

INDUSTRIAL CHALLENGER on the Move

The INDUSTRIAL CHALLENGER, a U.S.-flag vessel in the fleet of Intermarine Incorporated services, recently loaded a large heater exchanger and other accessories in Philadelphia, PA, for a liquefied natural gas plant under construction in Bonny Island, Nigeria.

The heat exchanger, weighing about 300 metric tons and measuring 180 feet long by 15 feet in diameter, is the first component of this nature to be carried on a U.S.- flag heavy lift vessel in more than 20 years.

In the News -- MARAD

➤ THE PAPERLESS WAY OF DOING BUSINESS

Whether one pays bills for the Federal Government or on a personal basis, the end result is the same -- the money must reach the recipient by a specified time or in a timely fashion. However, in many instances, the method of payment for the Federal Government is delayed due to cumbersome stacks of paperwork and the labor-intensive method of bill paying. MARAD, along with its colleagues at the U.S. Department of Agriculture, has been looking for ways to reduce the number of documents and time required in order for food aid vendors to receive payment in a more efficient and timely manner. Such a program also meets the goals of the President's Management Agenda.

PowerTrack, a system developed by US Bank Corporation which was implemented over three years ago by the Department of Defense, has drastically reduced the time in which DoD's bills are submitted, audited and paid. Under this system, payments are made electronically to vendors' bank accounts, usually within **three days** upon vessel load, resulting in reduced payment and administrative expense billings. DoD has reported a 95% workload reduction in its finance center as a result of using PowerTrack.

U.S. Department of Agriculture and MARAD have agreed to establish a pilot program using McGovern-Dole Food for Education program to test the system. The two agencies believe that a successful test will demonstrate to the U.S. Agency for International Development the advantages and savings they would gain by re-engineering and updating their transportation processes and payment systems. Currently, the payment systems used are extremely labor intensive and paper document based. As a result, the carriers, POVs, forwarders and shipping agencies incur a substantial amount of administrative time and expense in complying with payment system requirements. MARAD reported it generally takes about 66 days for carriers to receive payment of freight on bulk grain shipments, and 107 days for packaged commodities.

MARAD has been reviewing the process that agencies are reimbursed under its Ocean Freight Differential (OFD) program. Under the PowerTrack system, MARAD's ocean freight differential obligations could be incorporated into the system. Once the carrier is paid, usually within three days of cargo load, Commodity Credit Corp. (CCC) could immediately bill MARAD for the OFD on these shipments. MARAD could then reimburse CCC, usually within three days of receipt of invoice.

In addition, the shipping agencies would have access to these funds, generally within two weeks after the carrier is paid. This would allow the shipping agencies to recycle these funds in the current fiscal year. Currently, OFD reimbursement is made the year following shipment of the commodity.

➤ **15th ANNUAL BREAKBULK CONFERENCE & EXHIBITION - SEPTEMBER 15 - 17, 2004**

The Maritime Administration will participate as an exhibitor at this year's **Breakbulk Conference** in New Orleans, LA. Maritime Administrator William G. Schubert will participate in one of the panel discussions. The two-day conference will consist of 25 sessions of panels, roundtable discussions and speeches, which will be presented by industry veterans representing shippers, forwarders, carriers, ports and other organizations. To learn more about this event, click on <http://www.joc.com/conferences/breakbulk/>.

➤ **EXPORT IMPORT BANK**

The Maritime Administration and Export Import Bank of the United States (Ex-Im Bank) previously developed and enhanced the procedure on Ex-Im Bank credits in which Public Resolution 17 apply. Under the current system, MARAD considers waiver requests prior to Ex-Im Bank approval of the credit if the recipient meets certain conditions.

To learn more about the advantages, the applicant or their designated contractor should contact one of the following staffers of MARAD's Civilian Cargoes section: Dennis Brennan, (202) 366-1029, E-mail: Dennis.Brennan@marad.dot.gov; Carey Brady, (202) 366-5524, E-mail: Carey.Brady@marad.dot.gov; Michael O'Rear, (202) 366-5510; E-mail: Mike.O'Rear@marad.dot.gov; or Jan Downing, (202) 366-0783, E-mail: Jan.Downing@marad.dot.gov. Information also may be obtained on the cargo preference program and its laws, regulations and guidelines by visiting the web site: http://www.marad.dot.gov/offices/cargo_pref.html, or by telephone at (202) 366-4610 or 1-800-9US-FLAG (1-800-987-3524).

An Invitation: We invite you to submit articles for inclusion in next month's edition. The information should be emailed to Sharon.Jenkins@marad.dot.gov.

SURF OUR WEB TO OBTAIN INFORMATION ON:

- ❖ **Cargo preference and its guidelines, http://www.marad.dot.gov/offices/cargo_pref.html**
- ❖ **U.S. -Flag Service (Destinations from U.S. to Foreign Countries), click on <http://www.marad.dot.gov/usflag/>**
- ❖ **Humanitarian Food Aid Report, click on <http://www.marad.dot.gov/offices/CAPOS%20Reports/>**
- ❖ **Public Resolution - 17 Waivers, click on <http://www.marad.dot.gov/offices/pr17waiver.html>.**

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