



November 5, 2010

The Honorable Robert S. Rivkin
General Counsel
U.S. Department of Transportation

The Honorable David T. Matsuda
Administrator
U.S. Maritime Administration

1200 New Jersey Avenue, SE
Washington, D.C. 20590

Re: Application of Cargo Preference to Department of Energy
Loan Guarantees

Dear Messrs. Rivkin and Matsuda:

At the DOT-industry meeting last Friday, USA Maritime representatives indicated that they would provide DOT with certain follow-up information to aid DOT in its application of the Cargo Preference Act of 1954, as amended, to the Department of Energy (DOE) loan guarantees.

Specifically, we promised to provide information regarding the potential cargo impact of applying the cargo preference to the DOE loan guarantees and to provide examples of imports to which cargo preference was applied which are financed by the U.S. Government but which are not for the account of the U.S. Government.

On the first point, we are sure you appreciate the difficulty in providing an estimate of cargo flows given the many uncertainties inherent in the DOE loan guarantee program particularly the timing for various approvals. We also do not know, among other things, which provisionally approved projects will receive final approval and whether Congress will continue to fund the program and at what level. Also, each project – even of the same general type – can generate different cargo requirements.

Nevertheless all indications of which we are aware suggest that cargo flows generated by DOE loan guarantees will be significant for the U.S.-flag industry. Industry sources estimate that

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approximately \$25.7 billion in loan guarantees are under consideration. If all of these projects are approved, these sources estimate, based on cargo flows with similar projects to date, that approximately 3 million revenue tons of cargo will be imported over the next five years. Cargo preference requires that 50 percent of this, or about 1.5 million revenue tons of cargo be shipped in privately owned U.S.-flag commercial vessels. Our sources estimate that this flow of cargo will generate approximately \$290 million in freight revenue over the five years for U.S.-flag commercial carriers.

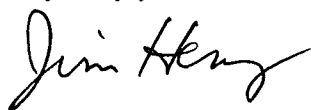
This anticipated cargo would be a substantial increase in the amount of U.S. Government impelled-cargo currently carried by U.S.-flag vessels. According to MARAD statistics, U.S.-flag vessel freight revenue for fiscal year 2008 for all civilian agency cargo (which excludes Department of Defense cargo and international food aid) was about \$100 million. Additional revenue of about \$58 million per year would plainly be a substantial increase. Indeed, even if the estimates we have received are off by 50 percent, and there is much less cargo than anticipated, the DOE loan guarantee program nevertheless will generate a substantial increase in cargo for U.S.-flag commercial companies.

On the second point, we continue to review our records to determine which U.S. Government programs have generated import cargo subject to cargo preference not for the account of the U.S. Government. We believe that two good examples are the application of cargo preference to the MARAD Title XI guarantee financing program and grants made by the Federal Transit Administration to state and local governments. In each instance, imports have been generated subject to cargo preference for the account of a person other than the U.S. Government.

MARAD data indicates that the FTA movements in particular have been substantial. U.S.-flag vessels have moved an average of about 22,000 metric tons a year in imports sponsored by FTA for fiscal years 2004-2008.

We hope that you find this information helpful.

Very truly yours,



James L. Henry
Chairman, USA Maritime
President
Transportation Institute

cc: Rosalind A. Knapp, Esquire
K. Denise Krepp, Esquire