

## U.S.-Flag Shipping Requirement

This section provides expanded details regarding respondents' answers to survey questions, which informed the conclusion in Chapter 6D: U.S.-Flag Shipping Requirement. The survey is designed to solicit facts and opinions regarding the existing policy, experience seeking exceptions to the PR-17 shipping requirement, and whether the U.S. export went forward with or without EXIM support. Input was sought from exporters, lenders and "other". In general, the "other" category comprises project sponsors and foreign buyers who have sought EXIM support.

As explained in Chapter 6D, EXIM requires US flag shipping on all direct loans and guarantees over \$20 million (excluding exposure fee) or with a repayment period greater than 7 years. MARAD may approve exceptions, under certain circumstances. Following is a brief description of these possible exceptions.

### Types of MARAD Certifications or Determinations

<b>Statutory (Non-Availability)</b>	An official certification by MARAD confirming the non-availability of U.S.-flag vessel transport for a particular shipment.
<b>General</b>	A determination by MARAD to allow up to 50% of a total export sale to ship on carriers of the foreign purchaser's nation, if there is a treaty establishing equitable treatment for U.S.-flag carriers from the recipient country.
<b>Compensatory</b>	A determination by MARAD to allow an exporter to ship an equivalent amount of future cargo on U.S. carriers when not required to do so by U.S. shipping policy as a substitute to fulfill the PR-17 requirement for a prior shipment that was transported on a foreign-flag vessel.
<b>Reach Back</b>	A determination by MARAD that allows an exporter that has already shipped part of its cargo on a foreign-flag vessel and is unable to commit to substitute future cargo shipments on a U.S. carrier for it to receive Ex-Im Bank support at a reduced rate of coverage provided the rest of the cargo shipments associated with the export transaction comply with PR-17.

### Exporter and Lender Survey Results

Ten respondents reported having transactions subject to the PR-17 shipping requirement. All judged that the requirement makes EXIM less competitive to some degree.

Respondent Type	Number of Respondents	Does the U.S.-flag shipping requirement make EXIM more or less competitive with other ECAs?	
		Makes EXIM far less competitive	Makes EXIM slightly less competitive
Exporters	5	4	1
Lenders	4	4	
Other	1	1	
<b>TOTAL</b>	10	9	1

Seven respondents reported approaching MARAD for a Certification of Non-Availability to allow for non-U.S.-flag service. Four were satisfied with the outcome, though one mentioned it is best to use shipping experts who can help get the most competitive bids from US Flag carriers. Three respondents were not satisfied because the process can be lengthy, enables price gouging, and obtaining “waivers” is difficult.

Respondent Type	Number of Respondents	Did you approach MARAD for any certifications of Non-Availability?	
		Satisfied	Not Satisfied
Exporters	3	2	1
Lenders	3	2	1
Other	1		1
<b>TOTAL</b>	<b>7</b>	<b>4</b>	<b>3</b>

Four of the seven respondents that approached MARAD for a Non-Availability Certification also sought Determinations (e.g. Compensatory, Reachback, or General); one respondent’s request is still pending. The two satisfied respondents mentioned the need to use outside experts.

Respondent Type	Number of Respondents	Did you approach MARAD for any determination (e.g. Compensatory, General, Reachback)?		
		Satisfied	Not Satisfied	Don’t Know
Exporters	1		1	
Lenders	3	2		1
Other				
<b>TOTAL</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>

The following chart shows the outcome reported by seven respondents, who collectively had 16 transactions subject to PR-17. It is possible that multiple parties could be referring to the same shipment, since goods sold under large authorizations subject to PR-17 may source from multiple exporters and could involve one or more lender. Additionally, an eighth respondent commented that some 8-10 sales went forward without EXIM financing because the U.S. exporter sourced sales from their operations abroad. This cannot be captured in the chart, as the sales were not lost of another competitor, but potential U.S. jobs were lost.

Respondent Type	Number of Respondents	For those transactions that were affected by the U.S. flag vessel shipping requirement, how many had the following final outcomes: The U.S. export transactions –		
		Went forward with EXIM financing	Went forward without EXIM financing	Did not go forward; buyer selected another competitor
Exporters	4	5	1	
Lenders	3	5	2	3
Other				
<b>TOTAL</b>	<b>7</b>	<b>10</b>	<b>3</b>	<b>3</b>