To: Secretary LaHood, U.S. Department of Transportation

Chairman Hochberg, Export-Import Bank of the United States

From: Co-Chairs of the U.S.-Flag Working Group

John L. Schuster, Export-Import Bank Dennis J. Brennan, Maritime Administration

Subject: Action Memo: Proposal for Transparency Initiative on Public

Resolution-17 (U.S.-Flag Shipping Process)

Date: March 8, 2012

As a follow-up to your meeting of January 20, 2012, the following summarizes the Maritime Administration (MARAD)-Export-Import (Ex-Im) Bank proposal to improve the implementation of U.S.-flag shipping requirements applicable to Ex-Im Bank's loan and guarantee programs under Public Resolution 17 (PR-17).

The proposal seeks to implement a transparency initiative that will: 1) provide improved information to exporters and foreign buyers; 2) establish a process for reconsideration of MARAD determinations with respect to waiver requests and certifications regarding rates and availability; and 3) collect relevant data as a basis for further improvements, if deemed necessary.

## Improved Transparency Initiative:

- The goal of Ex-Im Bank and MARAD is to improve communication with exporters, lenders and buyers regarding U.S.-flag shipping processes. Specifically:
  - To emphasize to shippers the need to develop early shipping plans and make timely requests for shipping services from U.S.-flag carriers.
  - To describe MARAD's role in the facilitation process, and the factors and criteria used by MARAD in issuing waivers and making certifications of non-availability of U.S.-flag vessels.
- MARAD is providing Ex-Im Bank with a draft detailed explanation of the factors/criteria
  for consideration of waivers and MARAD certifications regarding availability and
  reasonable rates. This draft will serve as the discussion piece towards the joint
  development of the update to the U.S.-Flag Shipping Desk Reference Guide mentioned
  below, for transmission to the Office of Management and Budget (OMB).

## Process for Reconsideration:

MARAD to provide a process for timely and fair reconsideration of MARAD's
determinations with respect to requests for waivers and certifications regarding rates and
availability.

## Pilot Program for Data Collection:

We propose a pilot program, to continue until cancelled by Ex-Im Bank and MARAD to provide clarity to Ex-Im Bank and ultimately communicate reasonable expectations to the public. MARAD will provide data collected to Ex-Im Bank on a monthly basis and will incorporate data provided by Ex-Im Bank, and the agencies will review information generated by the pilot semi-annually. Further improvements will address transparency and predictability, as informed by the results of the pilot.

- Proposed data collection:
  - MARAD to record all rates being quoted (U.S.-flag and non-U.S.-flag). If no non-U.S.-flag rate has been obtained, MARAD to so note and provide an estimate.
  - o MARAD to include any other rates that it collects or has access to (e.g., historical rates) relevant to the proposed shipping schedule, route and cargo type.
  - MARAD's Office of Finance and Rate Approvals to provide a "Fair and Reasonable" rate calculation, if available and applicable.
  - o Features of the shipment and whether an advance shipping plan was used.
  - Outcomes will be recorded (e.g., U.S.-flag booked, facilitation requested, foreign flag booked under MARAD's waiver or certification of non-availability, transshipment required, withdrawal of request for Ex-Im Bank financing, reconsideration requested).
  - Rationale and details of basis for MARAD's decision-making to be recorded, to include which facts and factors were relevant/important to the decision.
  - Analyze data and recommend further process improvements, potentially engage third-party consultant.

## Specific Tasks and Timing:

- MARAD and Ex-Im Bank to revise the U.S.-Flag Shipping Desk Reference Guide for Ex-Im Bank loan and guarantee programs to include transparency and process improvements and for submission to OMB.
  - o Timing: March 30, 2012

- MARAD to revise its Statement of Policy to include transparency and process improvements and other appropriate revisions and for submission to OMB.
  - o Timing: March 2012 June 2012
- MARAD and Ex-Im Bank to update and highlight U.S.-flag shipping processes on their respective Web sites, marketing materials and training seminars.
  - o Timing: March 2012 June 2012
- MARAD to establish process for reconsideration of MARAD's findings.
  - o Timing: March 2012 June 2012
- Data collection efforts to occur (Pilot Program).
  - o Timing: March 2012 March 2013
- MARAD and Ex-Im Bank to consider development of Work Plan for further process improvements.
  - o Timing: March 2012 September 2012

Acknowledged:

Ray LaHood Secretary

U.S. Department of Transportation

Fred Hochberg

President and Chairman

Export-Import Bank of the United States

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