

MADE IN AMERICA WAIVER NOTIFICATION MATSON NAVIGATION COMPANY, Inc.

Summary

This notice provides information regarding the finding by the Maritime Administration (MARAD) that it is appropriate to grant a waiver of the domestic content requirement set forth in 46 CFR 298.13(b)(2) to permit the inclusion of certain foreign components in the issuance of the Federal Ship Financing Program ("Title XI") loan guarantee to finance a portion of the construction costs of two 3,620 TEU Aloha Class containerships (ACC's) by the Matson Navigation Company, Inc. (Matson) for use in Matson's Pacific Ocean shipping services. The foreign components, which are incorporated into the Vessels are necessary for their operation.

Background

Title XI's Domestic Content Requirement

Under Title XI, MARAD provides loan guarantees to assist with construction and/or reconstruction of U.S.-flagged vessels in domestic shipyards, pursuant to the requirements set forth in 46 U.S.C. Chapter 537 and 46 CFR Part 298, including requirements for domestic content in the vessels. Ship components must be compatible for use in a vessel, meet the inspection standards of the United States Coast Guard ("Coast Guard") with respect to the operation of U.S.-flag vessels, and meet acceptable marine standards, warranties, and safety requirements of the American Bureau of Shipping (ABS) or other applicable classification society. However, domestically manufactured components specified for the construction of a ship may be either unavailable or, if available, cannot be used as a substitute within a system of components that is foreign manufactured.

MARAD will only consider a waiver of the domestic content requirement when the conditions in 46 CFR 298.13 have been met. Rather than affirmatively requiring recipients to meet a domestic content standard as a condition of financial assistance, under Section 298.13(b)(2), MARAD excludes from the loan guarantee amount, the costs of foreign components and services used in vessel construction, unless MARAD grants a waiver for those costs. If the foreign component is available in the U.S. on a timely or price-competitive basis and is of sufficient quality, then MARAD will not approve the inclusion of that cost as part of the financeable cost of a project. MARAD will not consider requests to include costs for foreign components that are a major part of the ship's hull and superstructure.

The Title XI Project and Request for Waiver

The Vessels will provide ocean freight transportation to the domestic non-contiguous economies of Hawaii, Alaska, Guam, and other island economies in Micronesia. The ships will replace vessels currently deployed in Matson's integrated Hawaii/Guam/Asia service and will provide additional capacity and speed.

Matson submitted a request to MARAD to waive the domestic content requirement for certain foreign components necessary for construction of the containerships pursuant to 46 CFR

298.13(b)(2), as part of their application for a Title XI loan guarantee. The waiver request included the certification required by 46 CFR 298.13(b)(2), stating that the below items are either not available in the United States on a timely or price-competitive basis or the domestic item or service is not of sufficient quality.

The project consists of post-delivery financing of the ships and will support the Philly Shipyard in Philadelphia, Pennsylvania, the shipyard constructing the Vessels. The approval of the domestic content waiver for the ships is necessary to finalize the Title XI loan guarantee for the project.

The Waiver Request

MARAD reviews waiver requests and certifications as part of its role in evaluating each project's design, construction costs, and the shipyard's ability to construct a Vessel before approval of a loan guarantee. MARAD manages the Small Shipyard Grant Program and has regular contact with large and small shipyards and is well-placed to understand the pricing and availability of components required in ship construction. U.S. shipyards commonly source certain specialty parts from foreign sources because there is insufficient demand for them in the U.S. to support domestic businesses that supply them. Additionally, in some cases the components may be available domestically, but they are not designed for use in the marine environment and may compromise the integrity and reliability of the operation of a Vessel.

In its evaluation of the request, MARAD's Office of Shipyards and Marine Engineering (OSME) reviewed the foreign components in the waiver request and validated that each line item satisfied the Title XI regulatory requirements for cost and technical availability through extensive marine industry vendor online resources and substantial professional network connections.

On August 13, 2024, MARAD published a proposed waiver of the Title XI domestic content requirements for certain foreign components of the Vessels on the MARAD [Made in America webpage](#) and requested public comment for a period of 15 days. The proposed waiver notice was also posted on MadeinAmerica.gov and the DOT Made in America page, and MARAD received no public comments.

Finding on the Waiver

Based on all the information available to the agency, MARAD concludes that it is appropriate to issue a foreign content waiver for a portion of the construction costs of the containerships by Matson, for the following components:

Marine Propulsion

- a. Main Engines, shafting, control systems and associated sensor systems

Auxiliary Systems

- a. Pumps, Piping and Compressed Systems and associated components
- b. Bow Thruster and Steering Gear Systems and associated components
- c. Vacuum Collection System and Oil Purifier System and associated components
- d. Deck Machinery, Stern Equipment, Life Rescue Equipment, Davits and associated components

- e. Portable Water System, Marine Growth System, and associated components
- f. Impressed Current System and associated components
- g. Refrigeration, HVAC Systems, and associated components

Electrical Plant

- a. Power System (main switchboard, distribution panels, distribution transformers and generators).
- b. Ship Service Switchboards
- c. Automatic Voltage Regulators, Generator Monitoring Systems & Other Electrical accessories

Outfitting and Furnishings

- a. Joiner furnishings (Bulkheads, Doors, Ceiling Panels, Lighting, marine furniture, insulation, bathroom equipment and accessories, Laundry and Galley equipment, lighting and deck covering)
- b. Pilothouse and Portlight Windows and associated accessories
- c. Miscellaneous Ladders, Mast, and components
- d. Specialty Castings & Hatches and Manholes

None of the foreign components are a major part of the hulls or superstructures of the Vessels. Even if these foreign components are included in the construction of the containerships the Coast Guard can still document the ships as U.S.-built with coastwise endorsements.