



Testimony

Before the Subcommittee on Coast
Guard and Maritime Transportation,
Committee on Transportation and
Infrastructure, House of Representatives

MARITIME ADMINISTRATION

Actions Needed to Enhance Cargo Preference Oversight

Accessible Version

Statement of Andrew Von Ah, Director, Physical
Infrastructure

For Release on Delivery
Expected at 10:00 a.m. ET
Wednesday, September 14, 2022

GAO Highlights

Highlights of [GAO-22-106198](#), a testimony before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

Cargo preference requirements are intended to support the U.S.-flag shipping industry. The requirements are designed to ensure the industry, among other things, has sufficient vessels and trained mariners to supplement the cargo-carrying capacity of military ships during times of war or national emergency.

This statement discusses: (1) the extent to which MARAD has monitored and reported on agencies' compliance with cargo preference requirements and (2) MARAD's efforts to enforce cargo preference requirements, among other objectives.

This statement is based on GAO's September 12, 2022 report [GAO-22-105160](#). For that report, GAO reviewed relevant federal laws, regulations, and policies; reviewed cargo preference data for fiscal years 2012 through 2020; and interviewed MARAD officials.

What GAO Recommends

GAO recommended that MARAD: (1) publicly report, on an annual basis, the cargo preference data it receives and (2) take steps to develop regulations to oversee and enforce cargo preference requirements. DOT concurred with GAO's recommendations.

View [GAO-22-106198](#). For more information, contact Andrew Von Ah at (202) 512-2834 or vonaha@gao.gov.

September 14, 2022

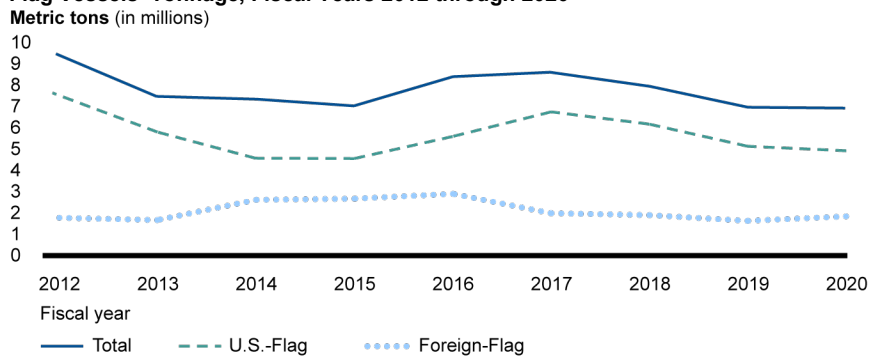
MARITIME ADMINISTRATION

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What GAO Found

Federal "cargo preference" laws, regulations, and policies require that when cargo owned or financed by the federal government is shipped internationally, certain percentages of that cargo be carried on vessels registered in the United States (U.S.-flag vessels). The Maritime Administration (MARAD), within the Department of Transportation, monitors federal agencies' cargo volumes to calculate the percentage shipped on U.S.-flag vessels. However, MARAD has not publicly reported these data since 2013. According to data received by MARAD, total government-wide cargo volumes in fiscal year 2020 were 27 percent lower than in fiscal year 2012, and U.S.-flag volumes were 36 percent lower (see figure). MARAD no longer reports the data because a 2008 law eliminated the statutory reporting requirement; however the elimination of this requirement does not preclude MARAD from reporting the data. Without public reporting by MARAD, Congress and others lack visibility into federal agencies' cargo shipments, including the amounts shipped on U.S.-flag vessels. Public reporting would also provide an important accountability measure to monitor federal agencies' shipping activities in relation to their cargo preference requirements.

Data Received by MARAD on Federal Agencies' Cargo Volumes, Including U.S.- and Foreign-Flag Vessels' Tonnage, Fiscal Years 2012 through 2020



Source: GAO analysis of data received by the Maritime Administration (MARAD). | GAO-22-106198

Accessible Data for Data Received by MARAD on Federal Agencies' Cargo Volumes, Including U.S.- and Foreign-Flag Vessels' Tonnage, Fiscal Years 2012 through 2020

Year	Total	US Flag	Foreign Flag
2012	9.358	7.631	1.727
2013	7.337	5.707	1.63
2014	7.127	4.513	2.614
2015	6.988	4.367	2.621
2016	8.473	5.509	2.964
2017	8.691	6.719	1.972

Year	Total	US Flag	Foreign Flag
2018	7.964	6.107	1.858
2019	6.845	5.155	1.69
2020	6.803	4.906	1.897

MARAD has taken steps to identify potential instances of noncompliance with cargo preference requirements and collaborated with federal agencies and contractors to encourage compliance. However, MARAD has not taken enforcement actions. For example, MARAD has notified federal agencies and contractors about potential contract violations, and has encouraged shipping additional cargo on U.S.-flag vessels. However, according to MARAD officials, MARAD has not taken any enforcement actions, in part, because it has not developed regulations necessary to take such action. MARAD has not developed regulations primarily due to challenges in reaching consensus with other agencies on how to implement cargo preference requirements. Without taking steps to evaluate options for developing regulations that achieve sought-after consensus with agencies, MARAD will continue to lack the tools necessary to oversee and enforce agencies' compliance with cargo preference requirements.

September 14, 2022

Chairman Carbajal, Ranking Member Gibbs, and Members of the Subcommittee:

I am pleased to be here today to discuss our work on the U.S. Maritime Administration's (MARAD) oversight of federal cargo preference requirements. The federal government ships many types of cargo internationally across the ocean, such as military supplies, food aid for nations experiencing famine, and government employees' household goods and personal vehicles. Two "cargo preference" laws, enacted respectively in 1904 and 1954, as well as associated regulations, and policies require that when cargo owned or financed by the federal government is shipped internationally, certain percentages of that cargo be carried on vessels registered in the United States (U.S.-flag vessels).¹ Cargo preference requirements are intended to support the U.S.-flag shipping industry. The requirements are designed to ensure the industry has sufficient vessels and trained mariners to supplement the cargo-carrying capacity of military ships during times of war or national emergency, among other things.²

The Secretary of Transportation, through MARAD, supports the U.S.-flag fleet, in part, by collecting data on federal agencies' cargo shipments and monitoring U.S.-flag cargo volumes. MARAD—as part of the Department of Transportation (DOT)—was granted authorities to take certain cargo preference-related enforcement actions through amendments to the 1954 act made by the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (NDAA for 2009).³ Those authorities include assessing

¹Pub. L. No. 58-198, 33 Stat. 518 (1904) (codified as amended at 10 U.S.C. § 2631); Pub. L. No. 83-664, 68 Stat. 832 (1954) (codified as amended at 46 U.S.C. § 55305).

²GAO has found, however, that the application of cargo preference in the delivery of international food assistance does not clearly contribute to sealift capacity. GAO, *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*, [GAO-15-666](#) (Washington, D.C.: Aug. 26, 2015).

³Pub. L. No. 110-417, § 3511(b), 122 Stat. 4356, 4769-70 (2008)(codified as amended at 46 U.S.C. § 55305(d)(2)).

civil penalties for noncompliance with cargo preference requirements. To date, MARAD has not issued regulations implementing those authorities.

My statement today discusses the key findings and recommendations in our report issued on September 12, 2022 entitled *MARITIME ADMINISTRATION: Actions Needed to Enhance Cargo Preference Oversight*.⁴ This statement addresses:

- the extent to which MARAD has monitored and reported on federal agencies' compliance with cargo preference requirements;
- the extent to which MARAD has provided direction to federal agencies on how to meet cargo preference requirements; and
- MARAD's efforts to enforce cargo preference requirements.

In our report we made two recommendations to MARAD, which MARAD agreed to implement. These recommendations are intended to (1) increase transparency into federal agencies' use of U.S.-flag vessels in relation to their cargo preference requirements; and (2) help MARAD and federal agencies move toward establishing regulations to improve the implementation and oversight of federal cargo preference requirements. Both recommendations and MARAD's response are described at the end of this testimony.

In preparing our report, we reviewed relevant cargo preference laws, regulations, and policies. We collected and reviewed cargo preference data received by MARAD for fiscal years 2012 through 2020. We selected seven federal agencies and reviewed the policies and procedures these agencies identified for implementing cargo preference requirements.⁵ We interviewed officials from these agencies and MARAD, as well as selected maritime industry stakeholders. We compared MARAD's cargo preference oversight efforts to *MARAD's 2020 National Maritime Strategy*, federal internal control standards, and our prior work on

⁴GAO, *Maritime Administration: Actions Needed to Enhance Cargo Preference Oversight*, [GAO-22-105160](#), (Washington, D.C.: Sept. 12, 2022).

⁵These federal agencies included the five largest volume shippers in fiscal year 2019: the Department of Defense; the U.S. Agency for International Development; the U.S. Department of Agriculture, the Export-Import Bank, and the Department of State. We also included two lower-volume shippers: the Department of Transportation and the Department of Energy.

enterprise risk management practices.⁶ More detailed information on our objectives, scope, and methodology can be found in the issued report.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

MARAD Monitors Agencies' Cargo Volumes But Does Not Assess Compliance with Requirements or Publicly Report Data

The mission of MARAD's Office of Cargo and Commercial Sealift is to promote and monitor the use of U.S.-flag vessels in the movement of cargo, and to oversee the administration of and compliance with U.S. cargo preference laws and regulations. We found that MARAD monitors federal agencies' cargo volumes to calculate the percentage of U.S.-flag shipments and to obtain insight into each federal agency's overall activity. However, MARAD does not use this data to determine an agency's compliance with cargo preference requirements, and MARAD does not publicly report the data it receives. Such reporting would provide an important accountability measure to monitor federal agencies' shipping activities in relation to their cargo preference requirements.

Specifically, MARAD monitors agencies' cargo volumes on U.S.-flag vessels, which generally declined over the time period we reviewed. Federal agency contractors are to submit documentation—in the form of

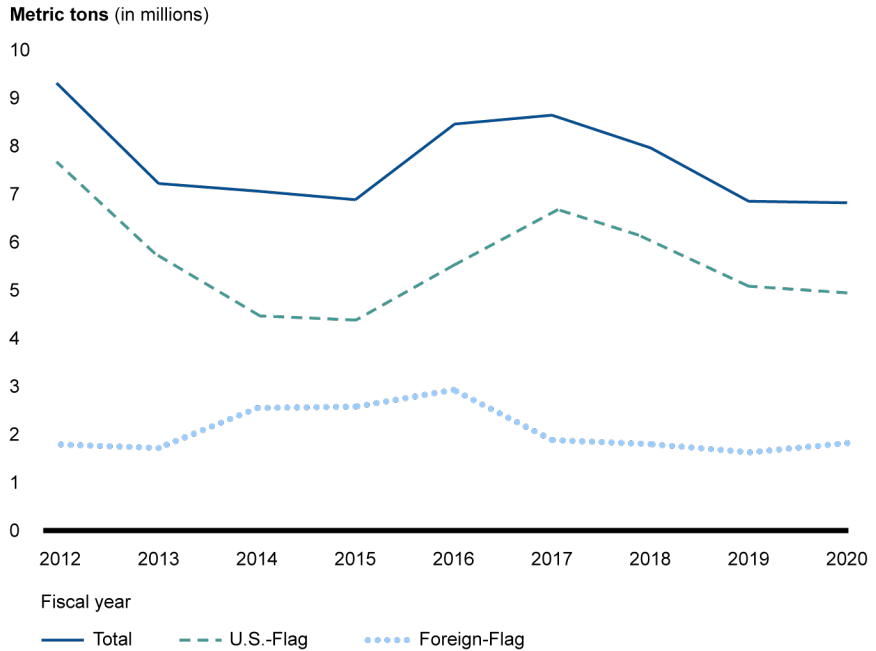
⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014). GAO, *Enterprise Risk Management: Selected Agencies' Experiences Illustrate Good Practices in Managing Risk*, [GAO-17-63](#) (Washington, D.C.: Dec. 1, 2016).

bills of lading—to MARAD for government-impelled cargo,⁷ as required by federal acquisition regulations.⁸ MARAD compiles data on U.S.-and foreign-flag cargo volumes and on the commodities shipped by each federal agency. According to data received by MARAD and provided to us, total government-wide cargo volumes in fiscal year 2020 were 27 percent lower than fiscal year 2012, and U.S.-flag volumes were 36 percent lower (see figure).

⁷According to MARAD, cargo preference requirements apply to “government-impelled” cargo—any cargo supported by U.S. government funding, including cargo moving as a direct result of federal government involvement, such as military transportation of supplies by sea; indirectly through financial sponsorship of a federal program, such as USAID supported food aid; or in connection with a loan, grant, loan guarantee, or other financing provided by the federal government.

⁸In general, a bill of lading is a document issued by a carrier to acknowledge receipt of cargo for shipment. For contracts that may involve ocean transportation of supplies, Federal Acquisition Regulation (FAR) and Defense Acquisition Regulation Supplement (DFARS) provisions require that copies of ocean bills of lading containing a range of information, including the sponsoring U.S. government agency, vessel name and flag of registry, date of loading, description of the commodity, port of discharge, and the gross weight of the shipment be filed with MARAD. See, FAR provisions at 48 C.F.R. §§ 47.507(a), 52.247-64(c); DFARS provisions at 48 C.F.R. §§ 247.574, 252.247-7023. See also, FAR provisions relating to USAID ocean transportation contracts at 48 C.F.R. §§ 747.507, 752.247-70.

Figure: Data Received by MARAD on Federal Agencies' Cargo Volumes Shipped Internationally, Including Tonnage on U.S.- and Foreign-Flag Vessels, Fiscal Years 2012 through 2020



Source: GAO analysis of data received by the Maritime Administration (MARAD). | GAO-22-106198

Accessible Data for Figure: Data Received by MARAD on Federal Agencies' Cargo Volumes Shipped Internationally, Including Tonnage on U.S.- and Foreign-Flag Vessels, Fiscal Years 2012 through 2020

Year	Total	US Flag	Foreign Flag
2012	9.358	7.631	1.727
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2018	7.964	6.107	1.858
2019	6.845	5.155	1.69
2020	6.803	4.906	1.897

Notes: Data received by MARAD includes the bills of lading that MARAD receives for all federal agencies; data are maintained in MARAD's Cargo Preference Overview System, as well as additional data on military shipments provided by the Department of Defense to MARAD annually.

The declines in cargos carried by U.S.-flag vessels over this time period were largely due to changes in cargo shipments within the Department of

Defense (DOD) and in the delivery of food aid for international assistance, according to data received by MARAD. For example, DOD volumes on U.S.-flag vessels declined from 82 percent of DOD's total volume in 2012 to 62 percent in 2015. According to DOD officials, this decline was due, largely, to the limited availability of U.S.-flag tanker vessels during those years. Similarly, the use of U.S.-flag vessels by the U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA) decreased for both agencies by approximately 46 percent from 2012 through 2020, based data received by MARAD. This decline was due, in part, to a statutory reduction in the minimum percentage of food aid required to be carried on U.S.-flag vessels from 75 percent to 50 percent, beginning in fiscal year 2013.

In addition, USAID and USDA officials told us that the majority of the food aid cargo—bulk commodities such as grain—must be shipped on dry-bulk vessels and that the existing fleet was not sufficient to meet the transportation needs of the two agencies. At the time of our review, there were a total of three U.S.-flag dry-bulk vessels in service.

MARAD officials provided several reasons why MARAD does not determine an agency's compliance with cargo preference requirements or publicly report the data.

- **Determining agency compliance.** MARAD officials told us they do not determine an agency's compliance with cargo preference requirements because (1) MARAD is not obligated to make compliance determinations under existing laws, and (2) MARAD cannot validate whether it has received all bills of lading for an agency's government-impelled cargo to make such determinations. MARAD officials said they do not know how much data on agencies' shipments they may be missing. Occasionally, carriers will notify MARAD about instances in which cargo was shipped on a foreign-flag vessel, but MARAD did not receive a record of those shipments on a bill of lading, according to MARAD. However, the data that MARAD does receive could provide useful information toward assessing whether federal agencies are making progress toward their cargo preference requirements. MARAD officials also acknowledged that MARAD would first need to make compliance determinations in order to take enforcement actions under the authorities it received in the NDAA for 2009. However, MARAD officials stated that MARAD is not in a position to use those authorities because it has not issued regulations to implement them, as discussed in greater detail below.

- **Publicly reporting data.** MARAD has not publicly reported cargo preference data since 2013. For a number of years, MARAD reported agencies' cargo preference data in publicly available annual reports to Congress. These reports contained data on federal agencies' annual cargo volumes, including metric tons shipped on U.S.-flag vessels. As previously mentioned, MARAD officials told us MARAD no longer reports the data it receives, in part because amendments in the NDAA for 2009 eliminated the statutory reporting requirement. But, the elimination of the reporting requirement does not preclude MARAD from reporting this data, and MARAD continued to issue annual reports that covered shipments through fiscal year 2013. In addition, the NDAA for 2009 amendments require DOT to perform an annual review of agencies' programs subject to cargo preference requirements. MARAD officials told us that MARAD has not completed agency-level annual reviews due to a lack of implementing regulations. However, these required annual reviews could facilitate MARAD's mission of overseeing cargo preference compliance and provide a useful venue for MARAD to publicly communicate the data it receives about federal agencies' cargo volumes. Without public reporting by MARAD, Congress and others lack visibility into federal agencies' cargo shipments, including the amounts shipped on U.S.-flag vessels.

MARAD Has Offered Agencies Some Direction on Requirements but Has Not Clarified How Agencies Should Implement Key Procedures

We found that MARAD has offered some direction on cargo preference requirements to federal agencies by providing information on applicable requirements, answering questions related to cargo preference, and sharing available training resources. However, MARAD has not clarified how agencies should implement two key procedures that we identified:

- determining the non-availability of U.S.-flag vessels and sharing related information with MARAD; and
- calculating agencies' percentages of cargo volume shipped on U.S.-flag vessels.

As discussed in greater detail in our report, we found that without clarification from MARAD on how to implement these procedures, several agencies included in our review have developed their own policies for

making non-availability determinations and calculating compliance. In addition, we found that MARAD officials do not always agree with those policies.

MARAD has not clarified for agencies how to implement these procedures, in part, because it has not been successful in completing a rulemaking to establish them. A federal statutory cargo preference requirement directs agencies to implement their programs in accordance with MARAD regulations and guidance.⁹ MARAD officials told us that the agency began developing regulations to clarify how agencies should implement cargo preference requirements in 2009. The officials further said that in 2017 MARAD terminated the effort, due in part to challenges reaching consensus with other federal agencies on how to implement cargo preference requirements.

Although MARAD has faced challenges in reaching consensus with agencies, MARAD officials stated that MARAD has not abandoned a cargo preference rulemaking and has held internal discussions about advancing a rulemaking. However, we found that MARAD has not fully considered options to reach the interagency consensus sought to complete a rulemaking or otherwise provide direction to agencies on how to implement cargo preference procedures. For example, agencies can supplement the typical informal rulemaking process through a “negotiated rulemaking” as a way of reaching a consensus in the development of a proposed rule. Through this process, an agency considering drafting a

⁹Specifically, the NDAA for 2009 amendments to the 1954 Act require each department or agency responsible for a program subject to the 1954 Act cargo preference requirements to administer such programs in accordance with the 1954 Act and regulations and guidance issued by the Secretary of Transportation, as delegated to MARAD.

rule convenes a negotiated rulemaking committee for negotiations, consistent with the Negotiated Rulemaking Act of 1990.¹⁰

MARAD officials also identified issues related to statutory language in the Cargo Preference Act of 1954 (1954 Act)¹¹ that create challenges for MARAD in overseeing agencies' compliance with cargo preference requirements. Specifically, the officials stated that language in the 1954 Act related to the calculation of compliance by "vessel type" and "geographic areas" presents challenges for MARAD.¹² In addition, MARAD officials stated that a provision in the 1954 Act, known as the "3-year waiting period," in effect, limits the supply of U.S.-flag vessels to deliver bulk food aid.¹³ According to MARAD officials, this provision presents a further challenge to MARAD's efforts to ensure that federal

¹⁰Rulemaking at most regulatory agencies follows the Administrative Procedure Act's informal rulemaking process, also known as "notice and comment" rulemaking, which generally requires agencies to publish a notice of proposed rulemaking in the *Federal Register*, provide interested persons an opportunity to comment on the proposed regulation, and publish the final regulation, among other things. See 5 U.S.C. § 553; Pub. L. No. 101-648, 104 Stat. 4969 (codified as amended at 5 U.S.C. §§ 561-570a). If the committee comes to a unanimous consensus on the content of a potential regulation, the agency may use it as the basis of a proposed rule. In passing the Negotiated Rulemaking Act of 1990, Congress made several findings, including that (1) negotiated rulemaking, in which the parties who will be significantly affected by a rule participate in the development of the rule, can provide significant advantages over adversarial rulemaking, and (2) negotiated rulemaking can increase the acceptability and improve the substance of rules, making it less likely that the affected parties will resist enforcement or challenge such rules in court.

¹¹Cargo Preference Act of 1954, Pub. L. No. 83-664, 68 Stat. 832 (codified as amended at 46 U.S.C. § 55305).

¹²The 1954 Act's requirement to ship a minimum of 50 percent of cargo volumes on privately owned commercial U.S.-flag vessels, is to be computed separately for certain "vessel types." However, MARAD officials noted that the vessel types specified in the 1954 Act do not include container vessels, which became common after the 1954 Act. MARAD officials stated that undefined language related to "geographic areas" in the Act complicates how cargo preference compliance should be calculated, such as by country, region, or otherwise. In 2015, GAO made a matter for congressional consideration addressing the definition of geographic areas. Specifically, GAO stated that Congress should consider clarifying cargo preference legislation regarding the definition of "geographic area" to ensure that agencies can fully utilize the flexibility Congress granted to them when it lowered the cargo preference for food aid requirement. [GAO-15-666](#). To date, legislation to address this matter has not been enacted.

¹³More specifically, MARAD officials also noted that this provision limits the supply of U.S.-flag vessels by requiring foreign-built or foreign-documented vessels that reflag into the U.S. registry to wait 3 years before they are able to participate in the transportation of preference cargo as a U.S.-flag vessel.

agencies that deliver such aid have sufficient U.S.-flag vessels to meet cargo preference requirements.

In May 2022, MARAD submitted a legislative proposal to Congress to address the 3-year waiting period challenge.¹⁴ This proposal was included in a bill to authorize MARAD programs for fiscal year 2023.¹⁵ However, MARAD has not developed legislative proposals to clarify the challenges it has identified regarding the definitions of “vessel types” and “geographic areas,” largely because it has prioritized developing the current proposal to address the 3-year waiting period challenge.

Without taking steps to evaluate options for developing regulations that could achieve the sought-after consensus with agencies, such as a negotiated rulemaking, MARAD will continue to lack the tools necessary to provide federal agencies with direction on key cargo preference requirements. In addition, action by MARAD to develop a legislative proposal to address the statutory challenges it has identified would help Congress determine whether statutory changes are necessary to enable MARAD to ensure compliance with U.S. cargo preference laws and regulations.

MARAD Has Identified Potential Instances of Noncompliance but Not Taken Cargo Preference Enforcement Actions

We found that MARAD has taken steps to identify potential instances of noncompliance with cargo preference requirements but has not taken enforcement actions. For example, MARAD has notified federal agencies and contractors about potential contract violations. MARAD has also worked with federal agencies and contractors to identify additional cargo to be shipped on U.S.-flag vessels to compensate for prior cargo volumes sent on foreign-flag vessels. However, according to MARAD officials,

¹⁴In 2011, we made a Matter for Congress to consider amending the Cargo Preference Act of 1954 to eliminate the 3-year waiting period imposed on foreign vessels that acquire U.S.-flag registry before they are eligible for carriage of preference food-aid cargos. To date, legislation to address this matter has not been enacted. GAO, *International Food Assistance: Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts*, [GAO-11-636](#) (Washington, D.C.: June 23, 2011).

¹⁵See Maritime Administration Authorization Act for Fiscal Year 2023, S. 4357, 117th Cong. § 103 (2022).

MARAD has not taken any enforcement actions, in part, because it has not issued regulations to carry out the enforcement authorities granted by the NDAA for 2009. The NDAA for 2009 amendments to the 1954 Act authorized MARAD to take certain enforcement actions, including: (1) assessing civil penalties “against any person” for violations of cargo preference requirements, (2) requiring “make up” cargoes if federal agencies fall short of the percentage of cargo required to be shipped on U.S.-flag vessels, and (3) taking other measures under the Federal Acquisition Regulation.

According to MARAD officials, regulations are required for MARAD to impose civil penalties and could facilitate MARAD’s use of other enforcement actions. Specifically, DOT policy requires certain procedural requirements governing enforcement actions initiated by DOT, including civil penalties, to be set forth in procedural regulations to satisfy the principles of due process.¹⁶ The officials said regulations would allow MARAD to address issues such as what constitutes a violation for which a civil penalty may be imposed. MARAD officials also noted that for MARAD to assess civil penalties, MARAD would need to make defensible compliance determinations based on regulations.

MARAD’s maritime goals and objectives establish the importance of enforcing cargo preference requirements. More specifically, MARAD’s 2020 *National Maritime Strategy* established the objective of improving the capability of U.S.-flag vessels through a combination of efforts including enforcement of cargo preference requirements.¹⁷ Without additional efforts by MARAD to develop regulations to assist with its oversight and to enforce compliance with cargo preference requirements, MARAD will continue to lack the tools necessary to meet its maritime goals and objectives.

¹⁶Department of Transportation, *Procedural Requirements for DOT Enforcement Actions*, Memorandum for Secretarial Officers and Heads of Operating Administrations (Feb. 15, 2019).

¹⁷The Howard Coble Coast Guard and Maritime Transportation Act of 2014 directed DOT in consultation with the Secretary of the department in which the U.S. Coast Guard is operating to submit to Congress a national maritime strategy that included the identification of federal regulations and policies that reduce the competitiveness of U.S.-flag vessels in international transportation as well as recommendations to make U.S.-flag vessels more competitive and to ensure compliance by federal agencies with cargo preference laws. Pub. L. No. 113-281, § 603, 128 Stat. 3022, 3061 (2014).

GAO Recommendations and MARAD's Response

In our report, we made two recommendations to MARAD:

- The Administrator of MARAD should publicly report, on an annual basis, the cargo preference data it receives to provide information on the total cargo volumes and amounts shipped on U.S.- and foreign-flag vessels for each federal agency.
- The Administrator of MARAD should take steps to develop regulations to oversee and enforce compliance with cargo preference requirements. These steps should include evaluating options for overcoming challenges to developing such regulations, such as: (1) using a negotiated rulemaking as a means to address challenges achieving consensus on how to implement cargo preference requirements, and (2) developing and communicating a legislative proposal to address statutory challenges MARAD has identified.

In its written response to our report, MARAD concurred with our two recommendations. MARAD noted that it recognizes the critical importance of federal laws requiring that government-impelled cargoes be carried on U.S.-flagged vessels to support and sustain an economically viable and militarily useful U.S.-flagged fleet in international trade. MARAD added that it has started evaluating options to advance a rulemaking related to cargo preference. MARAD stated that it intends to discuss the ideas that result from that effort with other federal agencies and the Office of Information and Regulatory Affairs, the office within OMB that reviews Executive Branch regulations. We are encouraged by this response and will monitor MARAD's progress implementing our recommendations.

Chairman Carbajal, Ranking Member Gibbs, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contacts and Staff Acknowledgements

If you or your staff have any questions about this testimony, please contact Andrew Von Ah, Director, Physical Infrastructure, at (202) 512-2834 or VonAhA@gao.gov. Contact points for our Offices of

Congressional Relations and Public Affairs may be found on the last page of this statement. In addition to the contact named above, Matt Barranca (Assistant Director), Maria Wallace (Analyst-in-Charge), and Geoffrey Hamilton made key contributions to the testimony. Other staff who made contributions to the recent work cited in this testimony were Amy Abramowitz; Melissa Bodeau, Ming Chen; Melanie Maralit Diemel; Noah Gerber; David Goldstein; Minette Richardson; Kelly Rubin; Deirdre Sutula; Janet Temko-Blinder; and Judith Williams.

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