

GAO Highlights

Highlights of [GAO-22-105160](#), a report to congressional committees

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.

The William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 included a provision for GAO to review federal agencies' actions to monitor compliance with cargo preference requirements and to review MARAD's enforcement activities. This report examines: (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.

For this report, GAO reviewed relevant federal laws, regulations, and policies; collected and reviewed cargo preference data available to MARAD for fiscal years 2012 through 2020; and conducted interviews with MARAD officials, among others.

What GAO Recommends

GAO is making two recommendations to MARAD to: (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-22-105160](#). For more information, contact Andrew Von Ah at (202) 512-2834 or vonaha@gao.gov.

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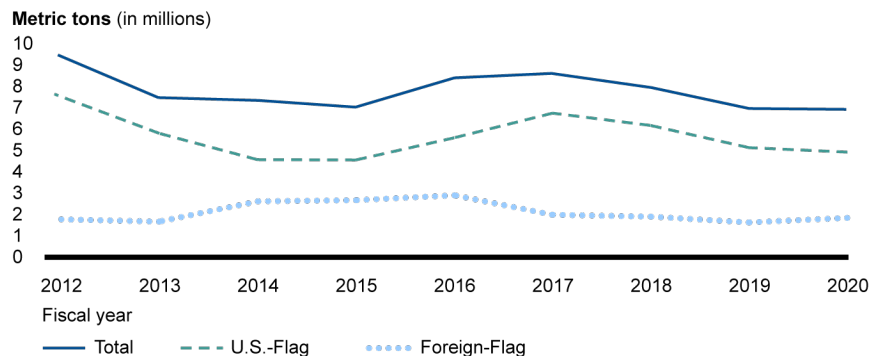
MARITIME ADMINISTRATION

Actions Needed to Enhance Cargo Preference Oversight

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 of U.S.-flag shipments. However, MARAD has not publicly reported these data since 2013. According to data received by MARAD, and provided to GAO, total government-wide cargo volumes decreased 27 percent from fiscal years 2012 through 2020, and U.S.-flag volumes decreased 36 percent (see figure). Although MARAD no longer reports the data because a statutory reporting requirement was eliminated by a 2008 law, the elimination of this requirement does not preclude MARAD from reporting 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 incentive for federal agencies to monitor their shipping activities to demonstrate that they are meeting 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-22-105160

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.