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# INTERNATIONAL FOOD ASSISTANCE

## Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear

GAO Highlights

Highlights of GAO-15-666, a report to congressional requesters

### Why GAO Did This Study

Cargo preference laws require that a percentage of U.S. government cargo, including international food aid, be transported on U.S.-flag vessels according to geographic area of destination and vessel type. One intention is to ensure a merchant marine—both vessels and mariners—capable of providing sealift capacity in times of war or national emergency, including a full, prolonged activation of the reserve fleet. The CPFA percentage requirement has varied over the years, and was reduced from 75 to 50 percent in 2012. Among other objectives, this report examines (1) CPFA's impact on food aid shipping cost and U.S. agencies' implementation of CPFA requirements and (2) the extent to which the implementation of CPFA requirements contributes to sufficient sealift capacity. GAO analyzed agency documents and bid data from April 2011 (when the food procurement database was implemented) through fiscal year 2014, and interviewed agency officials as well as maritime industry stakeholders.

### What GAO Recommends

Recognizing that cargo preference serves statutory policy goals, Congress should consider clarifying CPFA legislation to define "geographic area" in a manner that ensures agencies can fully utilize the flexibility Congress granted to them when it lowered the CPFA requirement. The Secretary of Transportation should direct the Administrator of MARAD to study the potential availability of all qualified mariners needed to meet a full and prolonged activation of the reserve sealift fleet; DOT agreed with this recommendation.

View GAO-15-666. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov.

### What GAO Found

Cargo preference for food aid (CPFA) requirements increased the overall cost of shipping food aid by an average of 23 percent, or $107 million, over what the cost would have been had CPFA requirements not been applied from April 2011 through fiscal year 2014. Moreover, differences in the implementation of CPFA requirements by the U.S. Agency for International Development (USAID) and U.S. Department of Agriculture (USDA) contributed to a higher shipping rate for USDA. Following the July 2012 reduction in the minimum percentage of food aid to be carried on U.S.-flag vessels, USAID was able to substantially increase the proportion of food aid awarded to foreign-flag vessels, which on average have lower rates, helping to reduce its average shipping rate. In contrast, USDA was able to increase the proportion of food aid awarded to foreign-flag vessels by only a relatively small amount because it is compelled by a court order to meet the minimum percentage of food aid carried on U.S.-flag vessels by individual country, a more narrow interpretation of the geographic area requirement than what USAID applies. Despite GAO's past recommendations, U.S. agencies have not fully updated guidance or agreed on a consistent method for agencies to implement CPFA, which would allow USDA to administer CPFA using a method other than country-by-country.

**U.S. Agency for International Development's (USAID) and U.S. Department of Agriculture's (USDA) Cost of Cargo Preference for Food Aid (CPFA) Requirements, April 2011 through Fiscal Year 2014 (Dollars in millions)**

| | Shipping cost of awarded bids | Estimated shipping cost without CPFA requirements applied | Cost of CPFA requirements | Percentage difference |
|---|---|---|---|---|
| **USAID** | $281.5 | $236.6 | $44.9 | 16% |
| **USDA** | $174.8 | $112.6 | $62.2 | 36% |
| **Total** | **$456.3** | **$349.2** | **$107.1** | **23%** |

Source: GAO analysis of USDA data. | GAO-15-666
Note: USAID's costs do not include shipping of bulk food aid.

CPFA's contribution to sealift capacity is uncertain, and available mariner supply has not been fully assessed. While CPFA has ensured that a portion of U.S.-flag vessels carry some food aid cargo, the number of vessels carrying food aid and U.S. mariners required to crew them has declined. The available pool of sealift capacity has always met all of the Department of Defense's (DOD) requirements, without the full activation of the reserve sealift fleet. DOD's most serious scenario would require a full and prolonged—a period longer than 6 months—activation of the reserve sealift fleet as well as the use of commercial vessels. The Maritime Administration (MARAD) estimated that 3,886 mariners would be needed to crew the reserve surge fleet and 9,148 mariners to crew commercial vessels. MARAD estimated that at least 1,378 additional mariners would be needed to satisfy a full and prolonged activation, including the crewing of commercial vessels. However, the actual number of U.S. mariners qualified and available to fulfill DOD's most serious scenario is unknown and MARAD has not fully assessed the potential availability of all qualified mariners to satisfy a full and prolonged activation.