STATEMENT OF

JEAN E. McKEEVER
ASSOCIATE ADMINISTRATOR FOR
BUSINESS AND WORKFORCE DEVELOPMENT
MARITIME ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMITTEE ON AFRICA AND GLOBAL HEALTH

ON
LOCAL AND REGIONAL PURCHASES:
OPPORTUNITIES TO ENHANCE U.S. FOOD AID

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Good morning, Mr. Chairman and Members of the Subcommittee. I appreciate the invitation to brief the House Committee on Foreign Affairs, Subcommittee on Africa and Global Health on the recent Government Accountability Office (GAO) study on local and regional purchases (LRP) used for food aid.

The cargo preference statute of 1954, as amended in 1985 was envisioned by Congress to help support the U.S. merchant marine, which is vital to the nation's defense, by requiring the use of U.S.-flag carriers for at least 75 percent food aid shipments. Support of the U.S. fleet was structured in a way that reimbursed the food programs on the shipments in excess of 50 percent of food aid shipped. Any additional costs on the first 50 percent of food aid shipped under cargo preference and not reimbursed are borne by the agencies implementing the food aid programs.

Mr. Chairman, the Subcommittee asked that we address three specific issues in our testimony today, relating to the need to update the memorandum of understanding (MOU), obstacles to ensuring that an updated framework governs the application of cargo preference requirements to LRP, and whether there are actions that Congress could take to clarify the application of cargo preference with regard to LRP. I will defer to my colleagues from the food aid agencies on any issues related to the implementation of food aid programs.

In regard to ensuring that an updated framework governs the application of cargo preference requirements to U.S. food aid clarifies how they pertain to U.S. agencies' use of LRP, we believe the requirements, as established by law are clear, and there are no obstacles. Except as otherwise exempted by law, cargoes financed by the American taxpayer and moving by water are subject to 50 percent carriage on US-flag vessels when practicable. Only food aid specified in 46 USC 55314 *exported* from the United States is subject to the 75 percent requirement.

With regard to the GAO recommendations on the Memorandum of agreement, we have maintained that the MOU is not an impediment to agencies' use of LRP. The MOU among the U.S. Agency for International Development (USAID), the Commodity Credit Corporation of the Department of Agriculture (USDA) and the Maritime Administration (MARAD) merely describes the process of how MARAD's ocean freight differential (OFD) reimbursement to USDA and USAID is calculated. In addition, because LRP is subject to cargo preference at the 50 percent level, the MOU is not applicable.

Finally, we appreciate the Subcommittee's consideration in asking whether there are actions that Congress could take that could clarify some of the ambiguities in the application of cargo preference requirements as they pertain to LRP. Following the enactment of PL 110-417, the National Defense Authorization Act of 2009, we anticipate holding discussions with the agencies whose programs are affected by the legislation and working with them towards an appropriate consensus in advance of submitting regulations for review by the Office of Management and Budget.

In summary, I want to thank the members of the Subcommittee and Chairman for your leadership in holding this hearing today. I will be glad to answer any questions you may have.