



Highlights of [GAO-04-1065](#), a report to congressional committees

## Why GAO Did This Study

Food aid cargo must generally be carried on U.S.-flag ships under requirements set by the cargo preference program. Two groups of carriers compete for this cargo: (1) those that participate in the Maritime Security Program and receive an annual government subsidy—generally liners operating on scheduled routes and (2) those that do not—generally carriers operating on a charter basis. Congress directed GAO to study (1) how the cargo preference and Maritime Security programs are designed and who participates; (2) the nature and extent of MSF and non-MSF carrier participation and competition in the food aid program; and (3) how a tonnage limitation on bagged preference cargo for MSF vessels could affect MSF, other U.S.-flag ships, the cargo preference food aid program, and the ports servicing these ships.

While GAO makes no recommendations in this report, we observe that a decline in bulk food aid shipments since 2000 suggests greater competition for bagged food aid, but clear trends in how industry segments are responding cannot yet be determined. Our analysis suggests that under certain conditions a tonnage limit would not lead to large shifts in food aid to non-MSF carriers, and could result in lower levels of subsidy payments and increased agency burdens. We note significant limits of efforts to predict the future course of events where key factors are so volatile.

[www.gao.gov/cgi-bin/getrpt?GAO-04-1065](http://www.gao.gov/cgi-bin/getrpt?GAO-04-1065).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Celia Thomas at (202) 512-8987 or [thomasc@gao.gov](mailto:thomasc@gao.gov).

# MARITIME SECURITY FLEET

## Many Factors Determine Impact of Potential Limits on Food Aid Shipments

### What GAO Found

The cargo preference program and the Maritime Security Program provide incentives to retain privately owned U.S.-flag ships and their U.S. citizen mariners for commercial and national defense purposes. The cargo preference program is open to all U.S.-flagged vessels, while the Maritime Security Fleet (MSF) subsidy is only available to certain militarily useful vessels. Of the 47 ships currently in the MSF, 37 have participated in cargo preference food aid shipments.

MSF and non-MSF carriers compete for food aid shipped as bagged cargo, which averaged 33 percent of food aid shipments by tonnage from fiscal years 1999 to 2003. There is no competition for bulk food aid shipments because MSF carriers do not carry bulk cargo. Changes in food aid spending have contributed to a shift from bulk to bagged cargo and increased reliance on bagged cargo by some non-MSF carriers. From 1999 to 2003, MSF carriers shipped about 45 percent and non-MSF carriers 55 percent of bagged food aid cargo. Competition between MSF and non-MSF carriers for bagged food aid is affected by certain cargo preference requirements.

Establishing a tonnage limitation on MSF vessels would likely reduce their share of food aid shipments, but the extent would depend on factors such as the level of the limit and the options MSF carriers have in responding to it. We examined three proposed limits and found that the percentage of food aid voyages carrying more than the proposed limit rises from 3 percent with a limit of 7,500 tons to 19 percent above 2,500 tons, according to fiscal year 2001 to 2003 data. The actual impact on MSF carriers will be smaller if they are able to (1) carry some food aid up to the limit, (2) replace some food aid above the limit with other cargo, and/or (3) elect to carry food aid even without the subsidy. Food aid agencies are concerned about the impacts of a tonnage limit, including increased delays in providing food aid, administrative burdens, and higher shipping costs. Major ports would generally experience a limited overall impact of a tonnage limitation, but specific food aid terminals could be affected.

**Non-MSF and MSF Bagged Food Aid Shipments, Fiscal Years 1999-2003**

