



**U.S. Department  
of Transportation**

Office of the Secretary  
of Transportation

Assistant Secretary  
for Governmental Affairs

1200 New Jersey Avenue, SE  
Washington, DC 20590

September 30, 2019

The Honorable Elijah E. Cummings  
Chairman, Committee on Oversight and Reform  
U.S. House of Representatives  
Washington, D.C. 20510

Dear Mr. Chairman:

We are in receipt of your letter of September 16 regarding allegations that were raised in press reports earlier this year. The Department of Transportation (DOT or the Department) appreciates the opportunity to correct the record on these matters. In response to your request, the Department is providing you with the following information and documents.

The allegation that the Secretary has used her official position to benefit her family's business is simply false. In fact, the *New York Times* reporter whose article was the source of this allegation gave an interview in which he distanced himself and the *Times* from any such claim, saying ***"The story did not say and I would not say that I think that the Secretary of Transportation has taken actions with the intention of helping her family's company; we see no evidence of that. The story doesn't assert that."***<sup>1</sup>

Of course, the Secretary is not involved with the management or operations of Foremost Group and has no financial stake in the company. Nor does the Department of Transportation regulate, promote, or benefit its business financially. The Department's Maritime Administration (MARAD) is responsible for supporting and promoting the U.S.-flagged maritime industry, and the Foremost Group does not operate U.S.-flagged ships. The allegation that the Secretary has advocated to deprioritize or reduce funding for DOT programs that benefit U.S.-flagged vessels in foreign trade is not only baseless, but in fact the opposite is true. Secretary Chao has been one of our Nation's strongest advocates for the U.S.-flagged maritime industry, as well as for the Jones Act, and she has received bipartisan praise for that support from many Members of Congress and maritime stakeholders. Today MARAD has the largest operating budget in its history, in large part due to Secretary Chao's advocacy and leadership.

Regarding the Secretary's interviews with Chinese-language media, it should come as no surprise that Secretary Chao would receive requests for interviews from media outlets that serve

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<sup>1</sup> National Public Radio, On Point (June 12, 2019) at 10:14, *available at* <https://www.wbur.org/onpoint/2019/06/12/lobbying-politics-washington-congress-elaine-chao-department-transportation>.

Asian American and Asian communities. There is nothing new or nefarious about the fact that Secretary Chao is a role model for immigrants from Asia. These interviews were first questioned more than a year ago in online pieces with xenophobic undertones.<sup>2</sup> Secretary Chao was born in Taiwan and came to America at the age of eight, traveling here on a freighter for 37 days. She loves this country, which has given her the opportunity to achieve a distinguished career in public service. As Secretary of Labor from 2001 to 2009, she was the first Asian American woman ever appointed to the Cabinet and the first American of Chinese ancestry in history, male or female, to sit in a President's Cabinet. As such, the Secretary is a notable figure of interest to Asian, Asian American, and immigrant communities. Her family's immigrant story is also a focus of human interest, both in the United States and abroad, especially in Asia.

Most disappointing among the allegations raised in these media reports are the unfair insinuations about the Secretary's family. The Secretary's family members are not public figures, and they did not sign up for the disparagement that apparently comes with public service. That is especially true of her 91-year-old father and her late mother, who passed away in 2007. As immigrants from Taiwan, the Secretary's parents worked very hard to provide opportunities in this country for their daughters. Like many other Americans of Asian heritage, the Secretary values and honors her parents, and she cherishes the opportunity to spend time with and care for her father, while honoring the memory of her mother. The web of innuendo and the baseless inferences contained in these news reports demonstrate a fundamental lack of understanding of these key cultural values, which are central to East Asian culture and families.

On the matter of ownership of stock interests in Vulcan Materials, the Secretary and all responsible ethics officials in the Federal government, including both the Office of Government Ethics (OGE) and DOT's career Designated Agency Ethics Official (DAEO), consider the matter closed. The DAEO determined that these stock holdings never presented a conflict of interest: In June, she wrote to OGE that "my conclusion remains that these financial interests did not present a conflict of interest."<sup>3</sup> Moreover, the Secretary was recused from all matters involving the company while she held these stock interests. Although not required by law, the Secretary sold her shares in Vulcan when questions were raised and no longer has any financial interest in the company. Secretary Chao's decision to divest demonstrates her commitment to going above and beyond ethical requirements. She had received the Vulcan stock interests as part of deferred compensation packages when she was a member of the board of the company before her appointment as Secretary of Transportation. The deferred compensation was paid out in the form of stock, in accordance with the company's stock plan and timeline. Due to a misunderstanding, the Secretary's initial financial reports misstated these transactions as "cash payouts" rather than "stock payouts." When the issue of the misstatements was raised, the Secretary notified OGE, divested the stocks, and disclosed the error in her 2019 financial report. OGE responded to her filing by confirming that she was in compliance with the law, writing that "OGE continues to

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<sup>2</sup> See Tanya Snyder, Politico (May 6, 2018), *available at* <https://www.politico.com/story/2018/05/06/elaine-chao-father-james-transportation-department-569686>; Rebecca Mansour, Breitbart (May 7, 2018), *available at* <https://www.breitbart.com/politics/2018/05/07/politico-elaine-chaos-interviews-father-raise-ethical-flags/>.

<sup>3</sup> Letter from Judith Kaleta, Dep. General Counsel & Designated Agency Ethics Official, Dep't of Transportation, to Emory A. Rounds, III, Dir., Office of Gov't Ethics (June 13, 2019).

The Honorable Elijah E. Cummings  
September 30, 2019  
Page 3

believe that Secretary Chao is in compliance with applicable laws and regulations governing conflicts of interest.”<sup>4</sup>

As evidence of these actions, I have enclosed with this letter the Secretary’s 2019 and 2018 financial disclosures and her nominee report, the letters exchanged with the Department’s DAEO and OGE on this matter, as well as her ethics agreement and a memorandum evidencing her recusal from matters related to Vulcan Materials.<sup>5</sup> In response to your question on the subject, the Secretary has neither sought nor received waivers or authorizations under Executive Order 13770, 18 U.S.C. § 208(b)(1), 5 CFR § 2635.502(d), and 5 CFR § 2635.503(c). In response to question six, the answer is none. As discussed with your staff, the Department intends to provide further information and documents responsive to your request on a rolling basis.

Sincerely

A handwritten signature in black ink, appearing to read "Adam Sullivan", with a long horizontal flourish extending to the right.

Adam Sullivan  
Assistant Secretary  
Governmental Affairs

cc: The Honorable Jim Jordan, Ranking Member, Committee on Oversight and Reform

Enclosures

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<sup>4</sup> Letter from Emory A. Rounds, III, Dir., Office of Gov’t Ethics, to the Hon. Roger Wicker, Chairman, Senate Cmte. on Commerce, Science, and Transportation (June 14, 2019).

<sup>5</sup> Regarding the enclosed ethics documents, please note that section 105(c)(1) of the Ethics in Government Act of 1978 provides that “[i]t shall be unlawful for any person to obtain or use a report—(A) for any unlawful purpose; (B) for any commercial purpose, other than by news and communications media for dissemination to the general public; (C) for determining or establishing the credit rating of any individual; or (D) for use, directly or indirectly, in the solicitation of money for any political, charitable, or other purpose.”