



092076
COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

H-179530

40587
December 14, 1973

The Honorable
The Secretary of Agriculture

Dear Mr. Secretary:

By letter dated August 20, 1973, the Acting Secretary of Agriculture requested our views as to whether the Commodity Credit Corporation (CCC) and the Agency for International Development (AID) may pay certain overland freight charges under certain unusual circumstances. We have discussed this matter with members of your staff and of AID's Food for Peace staff.

The Acting Secretary advises that historically CCC has shipped cargo donated to UNRWA to Jordan through the ports of Beirut, Lebanon and Aqaba, Jordan with the latter receiving the major portion of the shipments. From those ports the cargo is transported overland to Amman, Jordan, which is a key distribution point. CCC, under the provisions of 7 U.S.C. 1723, absorbed the ocean transportation costs involved in the movement of the donated commodities from United States ports to Aqaba and Beirut and overland transportation costs from Beirut across Lebanon to points of entry in Jordan, when UNRWA elected such routing, were paid by UNRWA.

The Acting Secretary states that this system worked well until hostilities in the area caused the closing of the Suez Canal. Since then, movement of cargo by sea to Jordan has been beset by many problems, most of which are the direct result of the long voyage around the Cape of Good Hope. Previously, the voyage from the United States to Aqaba via the Canal required between 21 and 27 days; currently, around the Cape, the trip takes between 45 and 60 days. Also, since a voyage to Beirut takes approximately 14 days, a minimum of 31 days would be saved in steaming time over the Aqaba route.

With the increased time en route, the food and edible grain cargoes are subject to a greater risk of infestation, spoilage and other kinds of damage resulting in increased costs to the Government. In addition, the longer voyage entails such higher freight costs on cargo shipped wholly by sea to Aqaba. Using current ocean freight rates, your Department has determined that if all the tonnage which UNRWA asked CCC to ship to Aqaba during fiscal year 1973 had instead been delivered to Beirut, CCC would have

[Propriety of Payment for Certain Overland Freight Charges]

BEST DOCUMENT AVAILABLE

716340

D-179530

effected savings in freight costs alone in excess of \$1.5 million. Similar savings would be expected in fiscal year 1974.

However, if all the cargo destined for Aqaba was placed in Beirut, there would be an estimated additional overland transportation cost of \$300,000 for movement to the Jordanian border. While, under existing procedures, UNRWA would be responsible for those costs, that organization has refused to approve any such plan. You point out that if the United States (either CCC or AID) were to pay this added cost, CCC would still achieve savings of approximately \$1.2 million annually. UNRWA has no objections to this kind of arrangement.

The problem arises in that the provisions of 7 U.S.C. 1723 authorize CCC to pay only ocean freight charges from United States ports to "designated ports of entry abroad, or, in the case of landlocked countries, transportation from United States ports to designated points of entry abroad ***." The legislative history of the latter provision relating to landlocked countries (which was added by section 501(b) of the Mutual Security Act of 1960, Pub. L. 86-472, 74 Stat. 140) shows that Congress recognized that it was inequitable to discriminate in payment of freight charges on relief goods as between nations which have seaports and those which do not and that it desired to remove the inequity suffered by the latter category of nations.

You conclude, however, that:

"In the case at hand, the most inexpensive and shortest route to Amman, Jordan, a key distribution point, is through the port of Beirut, Lebanon, even though Jordan has a seaport in Aqaba on the Red Sea, now economically inaccessible because of the closing of the Suez Canal, an event which occurred after the passage of the statute and the amendment mentioned above. The geographic situation involved is unique and presents no problem of precedent in other cases. It is the view of CCC and AID that payment of overland freight charges under these circumstances would be consistent with the purpose of the statute, even though Jordan is not technically a landlocked nation.

"Reimbursement of the overland freight either by CCC or AID as if Jordan were a landlocked country would result in a substantial savings to the Government. * * *"

BEST DOCUMENT AVAILABLE

B 179530

In view of the fact that you have advised us that this is a unique situation which will not serve as a precedent and that substantial savings will accrue to the Government if this plan may be adopted, we will interpose no objection to your adopting a plan in which either CCC or AID will pay the overland freight charges from Lebanon to Jordan--as if Jordan were a landlocked country--where the delivery of the cargo is accomplished at less total cost and less risk of infestation or other cargo damage than an ocean shipment directly to Aqaba, Jordan around the Cape of Good Hope, so long as the Suez Canal remains closed.

A copy of this letter is being sent to the Administrator of AID.

Sincerely yours,

R.F.KELLER

[Deputy] Comptroller General
of the United States

BEST DOCUMENT AVAILABLE