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

B-145455

January 22, 1971

Dear Mr. Chairman:

We have completed the study requested in your letter of August 24, 1970, concerning the comparative economies of using berth service and time charters for the ocean movement of military cargo. As agreed to by your office, our review was directed primarily to determining whether the Military Sealift Command (formerly Military Sea Transportation Service) was complying with the provisions of the Wilson-Weeks Agreement in its decisions to charter ships. We also made a limited inquiry into the impact of the Command's chartering practices on the U.S. merchant marine. Our findings are summarized below.

COMPARATIVE COST OF BERTH
SPACE AND TIME CHARTERS

When we received your request to evaluate the Command's charter practices, we were--in connection with an ongoing assignment--developing data on the cost of selected time charter voyages. In subsequent meetings with your office we agreed to compare the cost of these voyages with our estimate of the costs that would have been incurred if the cargo had moved in commercial berth service.

We analyzed all voyages made by eight dry cargo C-4 type ships under charter to the Command during the period October 1966 through December 1969. We found that the 79 voyages made by these ships during this period cost the Government approximately \$38 million, including per diem, escalation, fuel, and port charges. We estimated that if the cargo carried on these voyages had moved in berth service at the lowest applicable shipping agreement rates, including necessary demurrage charges, the cost would have been about \$33 million.

The \$38 million and \$33 million costs are gross figures for all voyages. However, cost differences for individual voyages vary depending on the tonnage carried and the route used. Of the 79 voyages, we found 22 voyages in which charter costs were lower than costs based on lowest berth rates and 57 voyages on which the costs would have been lower based on berth rates. We did not examine into the reasons for tonnage variations on the chartered vessels or the economy and efficiency of the Command's routing of its chartered vessels.

Further, our review indicated that there was generally insufficient berth service available to meet the Command's cargo requirements during the period covered by our study. We have no evidence indicating that the carriers offering the lowest berth service rates had equipment

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