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The Honorable Clement J. Zablocki  
House of Representatives

Dear Mr. Zablocki:

As requested in your August 30, 1973, letter, we looked into the diversion of Department of Agriculture cargo from Great Lakes ports to the port of New Orleans. This cargo, transported on river barges between Chicago and New Orleans, was handled by a U.S. flag carrier, Lykes Brothers Steamship Company, Incorporated. 42

Department officials advised us that the cargo in question (bagged cornmeal and corn soya milk) was shipped to African ports under title II of Public Law 480 at the request of the Agency for International Development (AID). These officials stated that AID's policy is to maximize the use of U.S. flag carriers in moving such cargo. They said that, in recent years, few U.S. carriers have come into the Great Lakes and that, during the last 2 years, all Public Law 480 cargo had moved from the Great Lakes on foreign flag carriers. D2311

Agriculture officials emphasized that these barge shipments are a pilot project subject to evaluation by both Lykes and the Government. D2312

The director of the Port of Milwaukee raised several questions regarding the shipments. He stated that transportation costs will be increased by about \$60,000, and he questioned the legality of the Lykes tariff under which the shipments were made. He said that the barge-ocean shipments may be considered intermodal and, as such, could be subject to Interstate Commerce Commission jurisdiction. He questioned whether Lykes may be absorbing a portion of the costs of moving the cargo by barge between Chicago and New Orleans.

Agriculture officials agreed that the estimated increased cost is substantially correct, but they stated that the payment of higher rates is often required to comply with the Cargo Preference Act. The act requires that at least 50 percent of Government-sponsored cargo be transported on U.S. flag, privately owned vessels.

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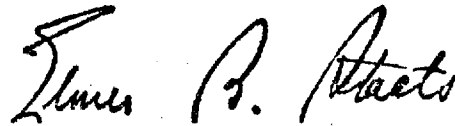
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At the request of the Chairman, Great Lakes Conference of Congressmen, and the Chairman, Great Lakes Conference of Senators, we are preparing our interpretation of this act. We will furnish you with a copy of our response to the Conferences.

Officials of the Interstate Commerce Commission and the Federal Maritime Commission said that their organizations are informally investigating the legality of the Lykes tariff.

We trust this information is satisfactory. We will be glad to discuss this matter with your office. We plan to make no further distribution of this report unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in cursive script, reading "James B. Stewart". The signature is written in dark ink and is positioned above the typed name.

Comptroller General  
of the United States