

# **REPORT TO CONGRESS ON THE PROGRESS OF THE VESSEL DISPOSAL PROGRAM**

**January 2010**



**Maritime Administration's Suisun Bay Reserve Fleet, California**



**U. S. Department of Transportation  
Maritime Administration**

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## List of Acronyms

Army Corp of Engineers	(ACE)
Best Management Practices	(BMP)
Beaumont Reserve Fleet	(BRF)
Clean Water Act	(CWA)
Comprehensive Management Plan	(CMP)
Deep Sink Exercises	(SINKEX)
Department of Defense	(DOD)
Environmental Assessment	(EA)
Environmental Protection Agency	(EPA)
Environmental Excellence Initiative	(EEI)
Federal Acquisition Regulation	(FAR)
Fiscal Year	(FY)
Government Accountability Office	(GAO)
Hartlepoole Borough Council	(HBC)
Indefinite-Delivery\Indefinite-Quantity	(IDIQ)
James River Reserve Fleet	(JRRF)
Memorandum of Agreement	(MOA)
National Defense Reserve Fleet	(NDRF)
National Invasive Species Act	(NISA)
National Environment Protection Act	(NEPA)
National Marine Fisheries Services	(NMFS)
National Oceanic and Atmospheric Administration	(NOAA)
National Pollutant Discharge Elimination System	(NPDES)
Polychlorinated biphenyls	(PCB)
Suisun Bay Reserve Fleet	(SBRF)
Storm Water Pollution Prevention Plan	(SWPPP)
Toxic Substances Control Act	(TSCA)
Uniform National Discharge Standards	(UNDS)
United Kingdom Environment Agency	(UKEA)
United States Navy	(NAVY)
United States Coast Guard	(USCG)
Waste Management License	(WML)
Water Quality Control Board	(WQCB)

# **Report to Congress on the Progress of the Vessel Disposal Program**

## **INTRODUCTION**

This report is submitted pursuant to the following:

- The Senate Report [S. Rept. 109-109, July 26, 2005] accompanying the Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006, P.L. 109-115; 119 Stat. 2396 (2005), which requests periodic reporting on the progress made by the Maritime Administration (Agency) to dispose of the entire inventory of obsolete ships within the National Defense Reserve Fleet (NDRF).
- The National Defense Authorization Act for Fiscal Year 2006, P.L. 109-163, Section 3505(a); 119 Stat. 3551 (2006), which requires periodic reporting by the Secretary of Transportation, in coordination with the Secretary of the Navy, on progress made in implementing plans to dispose of obsolete ships in its programs.

Section I of this consolidated program report summarizes the Maritime Administration's ship disposal accomplishments into the second quarter of Fiscal Year (FY) 2010 and outlines the ship disposal outlook and challenges for the remainder of 2010 and into FY 2011. The last report submitted was dated July 2009. Submission of this report (January 2010) was delayed due to the delay in the submission of the July 2009 report and in anticipation of a settlement agreement, in the form of a formal Consent Decree, with the plaintiffs of the Natural Resources Defense Council (NRDC) lawsuit in California. The information and data presented in this report are current through March 31, 2010.

In coordination with the Secretary of the Navy, this Report also includes in Section II the status of the Navy's vessel disposal program. The Navy has limited the scope of their input for this report to the status of Navy-owned vessels located at Maritime Administration facilities.

## **I. MARITIME ADMINISTRATION SHIP DISPOSAL ACTIVITIES IN FISCAL YEARS 2009-2010**

### **Overview**

The Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Pub. L. 106-398, § 3502, 114 Stat. 1654A-490 (2000) (the Act), required the disposal by September 30, 2006, of all vessels in the Maritime Administration's NDRF that were not assigned to the Ready Reserve Force or otherwise designated to be used for a particular purpose. In 2001, the Agency established the Program to accomplish the requirements of the Act. Since the establishment of the Program, the Maritime Administration has aggressively

pursued all feasible disposal alternatives including domestic recycling, the sale of ships for re-use, artificial reefing, deep-sinking, donation, and the potential for foreign recycling.

Between 2001 and the September 2006 disposal deadline, the Agency removed for disposal 72 non-retention vessels. The Agency first reported to the Congress in 2002 that because of several factors it was unlikely to meet the 2006 statutory disposal deadline for all non-retention ships. In addition to insufficient domestic capacity the other factors included the lack of any active, qualified recycling facilities on the West Coast; the large annual influx of additional obsolete ships into the program; and the lack of access to foreign recycling.

At present, domestic ship recycling capacity remains limited because of the 2008 economic downturn, which decreased market demand for ferrous and non-ferrous scrap metal by both domestic and foreign smelters, and dried up credit to ship recycling companies.

Additionally, the only significant sources of scrap metal to the domestic ship recyclers are the Maritime Administration and the U.S. Navy. This narrow supply source of scrap metal is not favorable for capacity growth within the industry. There were a total of three qualified domestic facilities in 2001 to compete for recycling contracts, eight as of the end of FY 2007, and six facilities as of the date of this report. There is one facility on the East Coast, five on the Gulf Coast and none on the West Coast.

Statutory restrictions in the Toxic Substances Control Act (TSCA) and other environmental regulations effectively preclude foreign dismantling of obsolete vessels as a viable Program option. TSCA prohibits the export of polychlorinated biphenyls (PCBs) and would require a lengthy formal Environmental Protection Agency (EPA) administrative rulemaking process for an exemption allowing the export of obsolete vessels containing PCBs above the regulated limit. Further, vessel export limitations imposed in FY 2009 legislation prohibit the export of NDRF vessels for recycling without Agency certification to the Congress that there is insufficient capacity for recycling in the United States.

From the first quarter of FY 2001 through the end of March 2010, the Maritime Administration has awarded dismantling contracts for 141 obsolete ships, has removed 137 ships from the fleet sites, and has completed disposal action on 125 ships. When the Program started in FY 2001, there were 115 non-retention ships at the three NDRF sites awaiting disposal. During the same period, 118 additional ships were downgraded from retention to non-retention status, adding them to the disposal queue. There are currently 76 obsolete ships in the disposal queue that are not under contract for recycling or disposal by other means. It is anticipated an additional three to five retention ships will be downgraded and added to the disposal queue annually for the foreseeable future.

Continuing challenges to the Program include the Maritime Administration's commitment to dispose of the vessels in a manner that does not adversely affect the environment. Former challenges to the Program included legal actions brought against the Maritime Administration. Until recently, a lawsuit by several environmental advocacy groups and the California Regional Water Quality Control Board, San Francisco Bay Region Regional Board had stopped the removal of Suisun Bay Reserve Fleet (SBRF) obsolete ships for disposal. From January 2007 through June 2009, no obsolete ships had been removed from

the SBRF because of the litigation. The Agency initiated a program in June 2009 to drydock vessels to achieve NISA compliance prior to towing the ships to recycling facilities in other biogeographical areas. And in September 2009, the Agency finalized its NEPA analysis, which eliminated a legal barrier to removing SBRF vessels.

On March 31, 2010, the Agency reached a settlement agreement with the plaintiffs on the lawsuit originally filed in 2007 in the Eastern District of California. The drydocking of the Agency's SBRF vessels satisfactorily resolved many of the legal challenges associated with aquatic invasive species and non-permitted discharges (NISA and CWA respectively). The Agency contracted with the only available (sole-source) San Francisco area drydock facility for drydocking services to remove marine growth from the hull and exfoliated paint from topside surfaces. For SBRF vessels that are not going into drydock and/or disposed of in the near term, the Agency has begun an effort at the SBRF with a combination of contractor and Government employees to remove loose and exfoliating paint from exterior surfaces. The Agency is working with the Regional Board with the goal of obtaining the appropriate State permits under the CWA.

The Agency is also working to obtain the appropriate CWA permits from the States of Texas and Virginia, where its other two fleet sites are located. Also, a supplemental environmental review is currently being performed to comply with NEPA and assess the risks of in-water cleaning in California waters to remove marine growth.

The slow pace of economic recovery, the lack of West Coast recycling facilities, the removal of exfoliating paint from obsolete vessels prior to disposal, and the requirement to drydock all SBRF ships have had a significant negative effect on the Program by markedly increasing the Government's disposal costs and decreasing the rate of removing and recycling obsolete ships. Absent further litigation, and assuming industry, market and funding factors do not decline, the Maritime Administration projects that the Program will be able to recycle approximately 10 SBRF ships per year or 12-16 ships per year, if removing a mix of non-retention ships from all three fleets.

### **Ship Disposal Alternatives**

Domestic Recycling – Currently, domestic recycling is the most expedient disposal alternative when compared to transferring ships to the Navy for use in Navy deep-sink training exercises, artificial reefing, or ship donation. The disposal momentum of the last three years (20+ vessels per year) has been lost to a large degree by the economic downturn that occurred in the first quarter of FY 2009 and the Agency's focus to primarily dispose of SBRF vessels that have been unable to be removed for almost three years because of litigation.

The downturn had, and continues to have, negative effects on the limited domestic recycling industry with declines in scrap steel demand from mills, scrap steel market prices, and credit availability to finance recycling facility operating costs. The downturn has also resulted in diminished ship recycling capacity/production throughput and a loss of labor resources throughout the industry. The effect on the recycling companies has caused a corresponding

increase to the Maritime Administration in vessel disposal costs and a decrease in the rate of ship removals in FY 2009.

From FY 2005 through FY 2008 a total of 28 ships were sold with receipts to the Government totaling \$8,512,426. Vessel sales slowed the expenditure of disposal appropriations and resulted in funding carryovers in FY 2007 and 2008. The funding carryover has been helpful in mitigating increased disposal costs associated with increasing environmental regulation and declines in the scrap steel markets. Concurrent with the start of the economic downturn in September/October 2008, domestic recyclers refused to sign sales contracts for purchase offers submitted in response to an Agency vessel sales solicitation for five obsolete ships. The five cancelled recycling sales contracts would have brought \$3.5 million in revenue to the Government. The five ships were re-solicited and fee-for-service contracts were awarded at a cost to the Government of \$1.5 million -- a swing of over \$5 million. In FY 2009 only five ships were sold for a total of \$68,638 and no vessel sales have occurred in 2010.

Per-ton ship disposal costs decreased steadily from FY 2001 through FY 2008. The decrease is attributable to a combination of factors, including potential competition by foreign proposals, increased competition among domestic contractors, and an increase in the domestic and international market price of recyclable steel through FY 2008. The economic downturn increased per-ton ship disposal costs in 2009. Additionally, the requirement to drydock the Agency's obsolete ships in California and the towing of those vessels to the nearest domestic recycling facilities in Texas has added significantly to the overall costs of disposal by domestic recycling firms in FY 2010. Those costs will remain in effect for SBRF ships in 2011 and beyond.

By way of illustration, the disposal costs for the 13 ships awarded in FY 2009 that did not include any SBRF ships was \$38 per ton. The disposal cost for the five ships awarded in recycling contracts thus far in FY 2010 (all SBRF ships) is \$276 per ton -- an increase of \$238 per ton equal to a 625% cost increase. The 2010 disposal costs are the highest experienced by the Maritime Administration since the establishment of the Program in 2001.

The Maritime Administration has four qualified facilities in Brownsville, TX, one in New Orleans, LA, and one in Chesapeake, VA. The Navy's Program currently awards recycling contracts to only two domestic facilities, which has been sufficient to meet that agency's reduced recycling rate of fewer than five ships per year. The two Navy contractors are also qualified contractors under the Maritime Administration's Program and are considered the two domestic facilities with the greatest current capacity. The Navy is investigating the feasibility of utilizing some or all of the Agency's four other recycling contractors. If the Navy expands beyond the two recyclers currently shared with the Maritime Administration, the combined effect of awards from both agencies to domestic contractors has the potential to cause capacity shortages barring some unforeseen increase by those facilities in resources and production throughput.

Foreign Recycling - The Maritime Administration's sole qualified foreign recycler, AbleUK, has successfully re-acquired a Waste Management License (WML) required for its facility

under the law of the United Kingdom, which was voided as part of a legal challenge in 2003. The four vessels exported as part of their original contract in 2003 are now in the process of being dismantled with completion projected to be by the end of 2010.

The Agency has put a hold on accepting new proposals for foreign recycling because of the Administration's concerns about protecting the environment, the statutory restrictions of TSCA and the vessel export limitations imposed in FY 2009 legislation prohibiting the export of NDRF vessels for recycling without Agency certification that there is insufficient capacity for recycling in the United States.

Artificial Reefing - The use of obsolete ships as artificial reefs is currently constrained by limited demand for ships by the coastal States. The limited demand is a result of a general reluctance of States to be responsible for the preparation, tow, and sinking of the ships, and to be responsible for the significant costs associated with reefing activities. The Maritime Administration has the authority to provide financial assistance to the States and will consider such requests if they are comparable to the costs of other feasible disposal methods. However, the Agency will consider providing significant financial assistance to States only for vessels considered to be a higher disposal priority, which are not typically good candidates for artificial reefing.

Interagency Best Management Practices (BMP) for the preparation of ships to be used as artificial reefs were developed and implemented in FY 2006. While the BMPs provide consistent vessel preparation guidance nationwide, they require the removal of all solid PCBs above the regulated limits or application for a time consuming, scientific risk-based approval process to dispose of PCBs in a marine environment. This stringent requirement related to PCB remediation is likely to make artificial reefing cost prohibitive in the future.

In the last three years, the vessels TEXAS CLIPPER I and VANDENBERG have been transferred to the States of Texas and Florida, respectively, for reefing preparations. The TEXAS CLIPPER I was sunk as a reef in November 2007 and the VANDENBERG was sunk in May 2009. In addition, the Maritime Administration currently has one additional ship the KITTIWAKE that has been approved for use as an artificial reef in the Cayman Islands. The transfer of the vessel to the Cayman Islands for completion of reefing preparations occurred in February 2010 and with the sinking of the vessel is to take place in the summer of 2010.

Vessel Donation - Donation of vessels is based on requests from non-profit historical preservationist and humanitarian groups. Historically, donation has not been a significant disposal option; however, the Maritime Administration has established a formal donation program to support the efforts of legitimate not-for-profit groups to acquire and preserve vessels. The formal program replaces the previous practice where organizations obtained special legislation for the donation of ships. The authorization for the formal program is contained in Section 3512 of Pub. L. 108-136, the National Defense Authorization Act for Fiscal Year 2004. The only ship donated since FY 2001 was the vessel ARTHUR M. HUDDALL, a World War II Liberty ship transferred in FY 2008 to the government of Greece for use as a museum located in Piraeus.



Navy Fleet Training Exercises – Referred to as SINKEX, the joint Navy and Maritime Administration project to provide target vessels for Navy at-sea live-fire training exercises is an infrequent disposal opportunity with costs that have been comparable to recycling. Vessels are prepared for sinking by the Navy in accordance with procedures that protect the environment as set in 40 CFR 229.2. The feasibility of the Navy fleet training exercise as a viable ship disposal option in the future will depend on cost-effective estimates from the Navy that are comparable in cost to other disposal alternatives and a demand for ships as targets. Only one ship has been used in SINKEX (2006); however, the Navy is planning to utilize another ship (MONTICELLO) for exercises planned for mid-FY 2010. This ship was previously prepared for SINKEX by the Navy in 2005.

### **Ship Disposal Funding**

In FY 2009, the Program operated with an appropriation of \$15.0 million, \$12.0 million for the disposal of obsolete ships and \$3.0 million for the continued decommissioning process for the NS SAVANNAH, which is a retention vessel. The FY 2010 Omnibus Appropriations Act has also provided the Program with an appropriation of \$15.0 million, \$12.0 million for ship disposal and \$3.0 million for the NS SAVANNAH. The President's request for the program in FY 2011 is \$10.0 million, \$7.0 million for the disposal of obsolete ships and \$3.0 million for the continued decommissioning process for the NS SAVANNAH. The \$10.0 million total FY 2011 request is a decrease of \$5.0 million from the FY 2010 amount.

Despite consistently exceeding the annual ship award and removal goals, annual carryovers began accumulating because of favorable industry and market conditions from FY 2006 through 2008. There was a carryover of \$26 million in unobligated funds into FY 2010. Factors contributing to this carryover balance included the litigation-related suspension of SBRF vessel removals since 2007 (which is addressed later in this report), market conditions enabling sales contracts in lieu of fee-for-service contracts and strong competitive bidding for fee-for-service contracts.

There are several factors that affect whether the recycling of non-retention NDRF ships results in vessel sales and revenues or in the Program paying for recycling services with appropriated funds. The primary factors include the vessel's size/condition, the costs associated with dismantling and hazardous material remediation, the amount of recyclable materials, the market price of scrap metals (which has been negatively affected by the recent economic downturn), the amount of competition for each vessel offered in a recycling solicitation, and the length/cost of the tow from the fleet to the recycling facility. Since those factors cannot be reliably predicted ahead of time, it is difficult to project ship disposal costs for the balance of FY 2010 and 2011.

However, based on actual cost returns thus far in FY 2010, it is projected that unobligated carryover funds will be easily consumed in FY 2010 and 2011 by the rise in ship dismantling costs due to the effects of the economic downturn on the industry and additional costs related to disposal requirements that have resulted from environmental regulations and the Federal lawsuit settled in California. Specifically, the carryover funding will not be sufficient to

counteract the significantly higher costs of drydocking non-retention ships in California (for invasive species and exfoliating paint mitigation) and the 5,000+ nautical mile towing that will be necessary for the recycling of the 52 non-retention ships remaining in the SBRF.

### **Comprehensive Management Plan**

The FY 2006 Authorization of Appropriations, Title XXXV, Maritime Administration, P.L. 109-153, Section 3505(a), 119 Stat. 3551 (2006) contained a requirement for the Maritime Administration to develop a Comprehensive Management Plan (CMP) for the disposal of its obsolete ships. The CMP was developed, implemented, and delivered to the Congress in July 2006. The plan addressed the Program's strategy, performance measures, funding, and decision-making framework for ship disposal in addition to identifying external factors that could affect execution of the plan.

The Maritime Administration's disposal strategy, as discussed in the CMP, continues to be an integrated plan that includes the elements considered critical for both the long-term disposal strategy and short-term disposal decisions. The Program's emphasis continues to be the expedited disposal of obsolete ships presenting the greatest environmental risk. The risk assessments are based on continuous evaluations of the material condition of all of the non-retention ships in inventory. Because of the nearly three-year hiatus on removing SBRF ships for disposal, the Program is focused on the exclusive drydocking and removal for recycling of SBRF ships that pose the greatest environmental risk in FY 2010 and 2011.

Artificial reefing, donation, use in the Navy Fleet SINKEX training exercises, and sales are not anticipated to account for the removal of more than one to two ships over the next two years. While the Agency's disposal strategy continues to focus on dismantling/recycling as the most expeditious option currently available, all disposal options are continuously being evaluated.

Through the use of full and open competition, the Maritime Administration continues to utilize all feasible disposal options available to achieve environmentally acceptable removal and disposal of its non-retention ships. Now that the Federal lawsuit in California has been settled, the 2006 CMP will be revised to reflect environmental requirements related to the settlement and Program approaches that have evolved over the last four years.

### **Ship Disposal Performance Measures**

The Program's annual performance measures of vessels awarded, vessels removed, and vessels disposed of are the best and most direct measure of progress in disposing of obsolete ships and meeting the Department's environmental stewardship targets. Because of the focus on expedited removal for disposal of SBRF vessels, and the added requirement of drydocking SBRF non-retention ships, performance measures and goals previously developed under the Program Assessments and Ratings Tool (PART) and related performance measures will be modified to reflect the terms of the lawsuit settlement agreement and its effect on ship removals and disposals Program-wide.

Drydocking of the SBRF vessels prior to removal for recycling is a constraint on expedited removals because there is only one drydocking facility in the San Francisco Bay area currently capable of handling the Agency's vessels. The drydocking requirement coupled with the lack of any West Coast recycling facilities will result in fewer and higher cost ship removals/disposals relative to disposal of vessels from the Agency's fleets located in Texas and Virginia.

The Department's ability to meet future performance targets is based on factors including, but not limited to, the following:

- Timing and amount of annual appropriations.
- Feasibility of disposal options available to the Program.
- Drydock availability and throughput.
- Legal challenges to Program initiatives.
- Availability of commercial towing assets.
- The availability of competitive recycling facilities with available capacity and adequate production throughput.
- The costs of aquatic nuisance species sampling, assessment, and threat mitigation, including the drydocking of some ships for the removal of marine growth on the hulls.
- The costs of environmental remediation of hazmat streams present on the obsolete ships.
- The market price of recyclable steel.

Negative trends in any one or a combination of those variables are beyond the Agency's control and can significantly affect the attainability of the performance targets. The targets for each year are established during the annual budget request process a year and a half prior to the specified budget year.

The three performance measures of contract award, vessel removal and vessel disposal shown in the following tables are the major milestones of the ship disposal cycle. The annual cost-per-ton measure is indicative of the Program's efficiency even though variables that can significantly affect that particular measure, such as the market price of recyclable steel, are beyond the Program's control. Actual results for FY 2010 are through March 31, 2010.

The difference ( $\Delta$ ) between the targets and actual results for vessel awards, removals and disposals over the last nine years shows that annual targets have been met or exceeded in all but four instances. The cumulative differential ( $\Delta$ ) between targets and actuals over the nine years is significant and indicative of the Program's overall progress and effectiveness despite the environmental and legal challenges faced.

Number of contracts awarded for the disposal of obsolete vessels from the National Defense Reserve Fleet sites for subsequent disposal.

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Totals (thru 3/31/10)</u>
<b>Target:</b>	3	3	11	14	15	13	13	12	12	10	106
<b>Actual:</b>	6	2	15	13	20	21	23	21	13	7	141(Δ +35)

Number of obsolete vessels removed from the National Defense Reserve Fleet sites for subsequent disposal.

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Totals (thru 3/31/10)</u>
<b>Target:</b>	3	3	4	4	15	13	13	16	14	10	95
<b>Actual:</b>	6	6	2	15	18	25	20	25	14	5	137 (Δ +42)

Number of obsolete vessels disposed of (i.e., disposal action completed) from the National Defense Reserve Fleet sites.

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Totals (thru 3/31/10)</u>
<b>Target:</b>	3	3	4	4	15	15	15	16	15	17	107
<b>Actual:</b>	4	9	3	6	13	20	20	19	23	8	125 (Δ +18)

Average cost/per ton for vessel disposal actions based on disposal actions awarded in the fiscal year.

	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>*FY 10</u>
<b>Target (Cost)/Ton:</b>	(\$250)	(\$250)	(\$200)	(\$150)	(\$175)	(\$200)	(\$200)	(\$170)	(\$110)	(\$110)
<b>Actual (Cost)/Ton:</b>	(\$253)	(\$127)	(\$177)	(\$107)	(\$106)	(\$85)	(\$79)	\$35	(\$31)	(\$264)

\* Actual through March 31, 2010

Over the last three years meeting the annual goals has become more of a challenge due to the economic downturn in 2008, protests to the Government Accountability Office (GAO) in 2009 that delayed Agency contract awards, and environmental litigation in California that began in 2007 and continued into 2010. The FY 2010 goals are conditioned by the current plan that the majority of vessel awards and removals for 2010 and 2011 will be from the SBRF. Drydock availability and throughput from a sole source contractor, coupled with

the 5,000+ nautical mile tow to the nearest recycling facilities, are major constraints that increase costs and slow the removal rate of obsolete SBRF ships. These factors were used in developing the FY 2010 award and removal targets shown above that are lower than the previous five years.

### **Ship Disposal Solicitation - Test Program for Certain Commercial Items (TPCCI)**

In January 2005, the Maritime Administration utilized the Test Program for Certain Commercial Items (TPCCI) under the Federal Acquisition Regulation (FAR) to implement the use of Standing Quotations as the primary method for soliciting ship recycling services. The use of Standing Quotations is a simplified acquisition procedure for the competitive procurement of commercial ship dismantling/recycling services. The Standing Quotation process allows interested vendors to submit proposals on a continuous basis. Proposals are evaluated, and those offerors whose proposals are determined to be technically acceptable form a pool of standing quotations that are qualified to respond to ship specific solicitations for sales and fixed price service offers.

Since it is not possible to predict which vessels may have a positive recycling value to contractors (offerors), the Standing Quotation process includes a solicitation that allows for both sales (purchase) offers and fixed price service offers. Those ships not receiving purchase offers are considered for fixed price service contracts. Contracts are then awarded for the offers that represent the best value to the Federal Government. The Agency's current phased vessel sales and fee-for-service solicitation will allow revised prices and contract awards through the TPCCI program in FY 2010. Due to the drydocking and towing costs associated with the removal and disposal of SBRF ships, the sale of those non-retention ships for recycling is not anticipated.

### **Environmental Regulation and Related Legal Challenges**

In addition to challenges related to TSCA and PCBs, the Maritime Administration faced a new environmental challenge starting in FY 2006 that has, and will continue to have, significant budget and disposal rate implications for the foreseeable future. The Agency was notified by the United States Coast Guard (USCG) in the first quarter of FY 2006 that our obsolete ships were required to comply with 33 CFR Part 151, Subpart D (pertaining to aquatic hull growth), which became effective in September 2004 and is the USCG's implementing regulation for the NISA.

The USCG's regulations are meant to address the potential environmental hazard in that the movement of ships might serve as a vector for transmitting invasive species. The Agency is complying with the USCG's application of NISA and its regulations in administering ship disposal activities in order to protect the environment.

Consistent with preamble statements in both the 1999 and 2004 rulemakings, in 2007 the USCG amended 33 CFR 151.2010 to clarify that the Subpart D regulations do not apply to armed forces vessels, inclusive of USCG vessels. The Uniform National Discharge Standards (UNDS) Amendment, 33 USC 1322(n), was added to the Clean Water Act in 1996. It mandates that the Department of Defense (DOD) and EPA jointly promulgate rules

to control incidental discharges from armed forces vessels. Among the discharges identified for control was ballast water and “ship husbandry” or hull cleaning. The Navy anticipates that the UNDS Phase II and Phase III requirements for ballast water and underwater ship husbandry will fully address the control of invasive species in or on DOD vessels. In the spring of 2006, the USCG and the Maritime Administration reached an agreement to accomplish in-water hull cleaning (commonly known as “scamping”) to remove soft aquatic growth prior to the movement by tow of the Department of Transportation’s non-retention merchant vessels; however, the State of California will not currently permit scamping of the SBRF obsolete vessels in its territorial waters. Texas and Virginia allow scamping in their State waters; however, the State of California currently requires all hull cleaning of obsolete vessels be done on drydock prior to removal.

Compliance with these regulations since early FY 2006 has resulted in significant additional costs associated with the use of mechanical hull cleaning methods. This interim mitigation action was developed into a hull cleaning best management practice by the Maritime Administration and was agreed to by the USCG while the Maritime Administration developed a plan for defining and taking appropriate steps to reduce the risk of transferring non-native aquatic species. In addition, because there is little science that defines the risks of transferring aquatic species by hull fouling from one specific geographic location to another, the Agency has been involved in research to identify potential invasive species on its vessels, risks related to various disposal alternatives, and possible mitigation measures appropriate to identified risks.

Compliance with the regulations and protective environmental measures has also impacted the removal rate of ships from the Agency’s fleet sites and added significantly to ship disposal costs. To date, in-water marine growth mitigation costs have ranged from \$75-\$150K per ship. The requirement to drydock SBRF ships in California to clean underwater hulls of marine growth before removal has resulted in costs of \$500-\$850K per ship, a significant increase over the cost of available in-water hull cleaning technologies. These additional costs applied to the remaining 52 SBRF ships will have a significant impact on future budget requests.

In August 2006, the State of California raised concerns that the in-water cleaning of hulls by the Maritime Administration prior to their tow might release hazardous materials contained in some hull coatings into State waters, and that the practice possibly violated the CWA and might require permitting by the California State Water Quality Control Board (WQCB), a division of the California State EPA.

As a result of concerns related to NISA and the CWA, the Maritime Administration is negotiating with each State and local jurisdiction in order to continue transporting vessels for recycling.

On February 21, 2007, the Agency temporarily suspended any additional movement of non-retention vessels from the NDRF anchorages in California, Texas, and Virginia. This action was precipitated by the aforementioned concerns of regional WQCB for San Francisco Bay, the possibility of legal challenges to hull cleaning and disposal activities from other State and

local jurisdictions, and to avoid violating any Federal, State, and local laws that may now apply to these vessels due to the USCG's hull cleaning requirement. The suspension was intended to remain in place until agreements were reached with USCG, EPA, and officials from those States involved in the vessel recycling process that sufficiently address the known and reasonably foreseeable issues related to alleged violations of the NISA and the CWA. Since the suspension, the Agency has consulted with the Department of Justice, USCG, the Navy, the Office of Management and Budget, and the affected States to determine the most environmentally responsible way to proceed and to identify potential legal jeopardy when the program resumes. In its settlement agreement of the Federal litigation in California, the Maritime Administration has formally committed not to undertake scamping in California waters without the approval of the Regional Board.

States affected include California, Texas, and Virginia, where the Maritime Administration's reserve fleets are anchored and where pre-tow hull cleaning activities occur, and the States where qualified recycling facilities are located, which in addition to Texas and Virginia includes Louisiana. Since the suspension, the Agency has reached agreement with Texas and Virginia with regard to in-water hull cleaning and with Virginia, Louisiana, and Texas to allow vessels that have been cleaned in other geographic locations into their State waters for recycling.

In summary, State-by-State status is as follows:

- Virginia has agreed to allow ships to be scamped in Virginia at the James River Reserve Fleet. The Commonwealth has also agreed to allow ships into Commonwealth waters for recycling from all sources, if the ships' hulls are cleaned prior to arriving in Commonwealth waters.
- Texas has agreed to allow ships from the Beaumont Reserve Fleet (BRF) site to be towed to Brownsville, Texas without scamping; however, in order to further reduce potential environmental risk, the Agency is scamping those vessels. Texas has also agreed to allow scamping in its waters at the BRF and has agreed to allow ships into State waters for recycling from all sources, if the ships' hulls are cleaned of marine growth and the ships depart the waters in which they were cleaned within 14 days of being cleaned.
- Louisiana has agreed to allow Maritime Administration vessels that originate in Texas and Virginia into its waters after hull cleaning, and has agreed to allow ships from California into its waters if the ships are drydocked for cleaning of marine growth and are then removed from California waters within 14 days of being cleaned.
- The Maritime Administration has formally committed not to undertake scamping in California waters without the approval of the Regional Board.

The Agency completed a programmatic Environmental Assessment (EA) to supplement and update a programmatic EA prepared in 1997. The Agency has also completed development of BMPs for reserve fleet operations that is a part of the Agency's Environmental Excellence Initiative (EEI). The BMPs are being implemented in all three reserve fleets. Additionally, a Storm Water Pollution Prevention Plan (SWPPP) has been developed and implemented for the SBRF. The SWPPP is required under the terms of the settlement agreement and in order for the SBRF to acquire a California Clean Water Act permit.

Consistent with a litigation agreement with the plaintiffs, because the EA results showed a finding of no significant impact to the environment, the Agency resumed the removal of obsolete SBRF ships in 2009. The removal of the ships is being done in conjunction with the drydocking of ships for the removal of marine growth and NISA compliance despite the constraints drydocking costs and availability have on the rate of permanent removal of non-retention vessels from the SBRF. For FY 2010 and 2011 the Agency has committed to focus on the removal of SBRF vessels because that fleet contains both the largest number of non-retention ships and the majority of the Agency's worst condition obsolete vessels.

Lawsuit Settlement Reached - The United States Government has reached an agreement with Arc Ecology, San Francisco BayKeeper, Natural Resources Defense Council, and the California Regional Water Quality Control Board, San Francisco Bay Region (Regional Board) regarding the maintenance and disposal of obsolete ships owned by the Maritime Administration at the Suisun Bay Reserve Fleet site, resolving a lawsuit in the Eastern District of California. The case, *Arc Ecology, et al. v. U. S. Maritime Administration, et al.*, Case No. 07-CV-02320, was originally filed on October 29, 2007 in the Eastern District of California, Sacramento Division. The parties signed the consent decree on March 31, 2010 and moved the court for its approval and entry, which was given on April 13, 2010.

Under the agreement, MARAD will clean, maintain, and dispose of these ships in a manner that eliminates unpermitted sources of Bay pollution. The Maritime Administration has already begun removing obsolete ships from Suisun Bay for recycling -- 5 ships have left since November 2009. A total of 52 obsolete ships remain in the SBRF.

Under the terms of the settlement:

- Paint and debris will be collected and removed from the horizontal exterior surfaces of the obsolete vessels within 120 days of the Consent Decree being approved by the Court.
- The horizontal exterior surfaces of the obsolete ships will be cleaned every 90 days thereafter to prevent peeling paint from getting into the water and to insure that exfoliated paint is properly disposed; monthly and quarterly inspections will be conducted; and water runoff samples will be collected regularly.
- All the obsolete ships currently located at the site will be cleaned of flaking paint within 2 years.
- The twenty-eight ships in the worst condition are to be removed for disposal by September 30, 2012.
- Before their removal, these ships will be sent to a local drydock for cleaning of marine growth from the underwater hull and removal of flaking paint from areas above the water.
- All the obsolete ships currently located at the SBRF will be removed for disposal by September 30, 2017.
- Prior to removal, the ships will be maintained according to the California Resources Control Board's General Permit and SWPPP, as monitored by the Regional Board.
- No new ships with excess flaking paint will be admitted to the fleet site.
- The settlement does not affect the custody and retention ships at the SBRF, which are not part of the lawsuit.



## **FY 2009 and 2010 Disposal Actions**

The ship disposal process, from contract award through dismantlement and recycling, can often span one, two, or even three fiscal years. Table 1 below indicates the date (bolded) for which the award, removal and disposal of Agency non-retention ships occurred in FY 2009. All FY 2009 contracts were awarded to domestic facilities for recycling.

Table 2 shows the vessels in the disposal process to date in FY 2010. With awards of the vessels shown in Table 2, the high priority ships remaining in the Maritime Administration's three fleet sites include nine vessels in the SBRF in California, one in the BRF and one located in Mobile, Alabama under the custody of the USCG.

Tables 1 and 2 also lists 11 ships that were contracted to AbleUK and Navy SINKEX for disposal in the period 2003 through 2006. The disposal of the six AbleUK ships awarded in 2003 were delayed because of lawsuits filed in the United Kingdom and in the U.S. The Maritime Administration and the contractor prevailed in the lawsuits and the disposal of the six ships should be completed in 2011. The disposal of the five Navy SINKEX ships are on hold due to a lack of demand for target ships for the U. S. Navy. The five ships will be removed from the tables if they are not disposed of in FY 2011.

**Table 1: MARAD Final FY 2009 Disposal Actions**  
**(Bolded dates indicate FY 2009 disposal actions)**

Ship	Fleet	Contractor	Site	Vessel Award	Vessel Removal	Vessel Disposal	Final Amount (\$)
CANISTEO	JRRF	AbleUK	UK	7/23/03	10/6/03	In Progress	(\$2,808,076)
CALOOSAHATCHEE	JRRF	AbleUK	UK	7/23/03	10/6/03	In Progress	(\$2,697,304)
COMPASS ISLAND	JRRF	AbleUK	UK	7/23/03	10/16/03	In Progress	(\$3,663,848)
CANOPIUS	JRRF	AbleUK	UK	7/23/03	10/16/03	In Progress	(\$3,304,328)
ISHERWOOD	JRRF	AbleUK	UK	7/23/03	TBD	TBD	\$1,950,000
ECKFORD	JRRF	AbleUK	UK	7/23/03	TBD	TBD	\$1,050,000
MONTICELLO	SBRF	Navy SINKEX	CA	9/9/05	TBD	TBD	(\$915,548)
PYRO	SBRF	Navy SINKEX	CA	9/9/05	TBD	TBD	(\$754,549)
SAUGATUCK	JRRF	Bay Bridge Enterprises	VA	6/2/06	7/18/06	<b>10/15/08</b>	(\$549,999)
FLORIKAN	SBRF	Navy SINKEX	CA	9/8/06	TBD	TBD	(\$396,984)
CLAMP*	SBRF	Navy SINKEX	CA	9/8/06	TBD	TBD	(\$363,484)
RECLAIMER	SBRF	Navy SINKEX	CA	9/8/06	TBD	TBD	(\$363,484)
PENN. TRADER	BRF	S. Scrap Material Co.	LA	1/5/07	1/30/07	<b>10/10/08</b>	\$1
HUNLEY	JRRF	S. Scrap Material Co.	LA	1/5/07	3/7/07	In Progress	\$1,500
VANDENBERG	JRRF	State of FL (Colonna's)	FL	1/26/07	3/30/07	<b>5/27/09</b>	(\$1,250,000)
CAPE CHARLES	JRRF	Marine Metals, Inc.	TX	8/24/07	2/5/08	<b>10/30/08</b>	(\$488,965)
BAYAMON	JRRF	All Star Metals, Inc.	TX	1/24/08	2/20/08	<b>12/24/08</b>	\$12,221
DEL VALLE	BRF	Esco Marine, Inc	TX	1/28/08	3/5/08	<b>10/10/08</b>	\$62,726
MAINE	BRF	Esco Marine, Inc	TX	1/28/08	3/13/08	<b>10/10/08</b>	\$86,726
CAPE CARTHAGE	JRRF	Esco Marine, Inc	TX	2/27/08	4/17/08	<b>12/03/08</b>	(\$400,726)
CAPE CATOCHE	JRRF	Esco Marine, Inc	TX	2/27/08	5/1/08	<b>3/23/09</b>	(\$454,726)
DEL VIENTO	BRF	Esco Marine, Inc	TX	2/27/08	5/8/08	<b>12/12/08</b>	(\$280,654)
CAPE CATAWBA	JRRF	Int. Shipbreaking Ltd.	TX	3/24/08	5/6/08	<b>11/24/08</b>	\$25,023
CAPE CANAVERAL	JRRF	Int. Shipbreaking Ltd.	TX	3/24/08	6/4/08	<b>7/17/09</b>	\$1
ADONIS	BRF	Int. Shipbreaking Ltd.	TX	3/24/08	4/23/08	<b>12/5/08</b>	\$1,151,727
BUYER	BRF	Int. Shipbreaking Ltd.	TX	3/24/08	5/28/08	<b>4/27/09</b>	\$148,273
CAPE CANSO	JRRF	Esco Marine, Inc	TX	6/16/08	7/17/08	<b>2/17/09</b>	\$86,726
NITRO	JRRF	Esco Marine, Inc	TX	6/23/08	7/23/08	<b>4/14/09</b>	\$446,726
AMER. EXPLORER	BRF	S. Scrap Material Co	LA	7/8/08	8/13/08	In Progress	\$1,052,788
COURIER	BRF	S. Scrap Material Co	LA	7/8/08	7/25/08	In Progress	\$622,588
RIGEL	JRRF	All Star Metals, Inc.	TX	7/28/08	8/28/08	<b>6/22/09</b>	\$469,626
TRUCKEE	JRRF	Bay Bridge Enterprises	VA	7/28/08	8/6/08	<b>7/2/09</b>	\$1,231,328
KALAMAZOO	JRRF	Esco Marine, Inc	TX	8/11/08	9/30/08	<b>5/13/09</b>	\$1,465,726
GULF MERCHANT	BRF	Esco Marine, Inc	TX	8/11/08	<b>10/18/08</b>	<b>7/28/09</b>	\$476,726
MILWAUKEE	JRRF	Bay Bridge Enterprises	VA	<b>1/14/09</b>	<b>2/10/09</b>	In Progress	\$56,410
HATTIESBERG VICT.	BRF	Esco Marine, Inc	TX	<b>1/19/09</b>	<b>2/5/09</b>	<b>7/2/09</b>	(\$1,016,000)
PIONEER CONTR.	BRF	Marine Metals, Inc.	TX	<b>1/19/09</b>	<b>2/20/09</b>	<b>8/7/09</b>	(\$321,000)
SAVANNAH (ex-AOR)	JRRF	Esco Marine, Inc	TX	<b>1/19/09</b>	<b>2/24/09</b>	<b>9/23/09</b>	(\$515,726)
AMER. OSPREY	BRF	All Star Metals, Inc.	TX	<b>5/4/09</b>	<b>5/19/09</b>	In Progress	\$12,228
SURIBACHI	JRRF	Int. Shipbreaking Ltd.	TX	<b>6/2/09</b>	<b>7/17/09</b>	In Progress	\$20,001
ORTOLON	JRRF	Esco Marine, Inc	TX	<b>6/29/09</b>	<b>7/20/09</b>	In Progress	(\$325,090)
GULF SHIPPER	BRF	Esco Marine, Inc	TX	<b>6/29/09</b>	<b>7/15/09</b>	In Progress	(\$145,726)
GAGE	JRRF	Esco Marine, Inc	TX	<b>6/30/09</b>	<b>7/23/09</b>	In Progress	(\$564,910)
GULF FARMER	BRF	Esco Marine, Inc	TX	<b>7/9/09</b>	<b>7/29/09</b>	In Progress	\$80,726
RESOLUTE	JRRF	Esco Marine, Inc	TX	<b>7/9/09</b>	<b>8/6/09</b>	In Progress	\$90,726
ESCAPE	JRRF	Bay Bridge Enterprises	VA	<b>8/17/09</b>	<b>9/15/09</b>	In Progress	(\$115,200)
CAPE COD	JRRF	All Star Metals, Inc.	TX	<b>8/17/09</b>	<b>9/3/09</b>	In Progress	(\$328,122)

**Table 2: MARAD FY 2010 Disposal Actions**  
**(Bolded dates indicate FY 2010 disposal actions)**

Ship	Fleet	Contractor	Site	Vessel Award	Vessel Removal	Vessel Disposal	Final Amount (\$)
CANISTEO	JRRF	AbleUK	UK	7/23/03	10/6/03	In Progress	(\$2,808,076)
CALOOSAHATCHEE	JRRF	AbleUK	UK	7/23/03	10/6/03	In Progress	(\$2,697,304)
COMPASS ISLAND	JRRF	AbleUK	UK	7/23/03	10/16/03	In Progress	(\$3,663,848)
CANOPUS	JRRF	AbleUK	UK	7/23/03	10/16/03	In Progress	(\$3,304,328)
ISHERWOOD	JRRF	AbleUK	UK	7/23/03	TBD	TBD	\$1,950,000
ECKFORD	JRRF	AbleUK	UK	7/23/03	TBD	TBD	\$1,050,000
MONTICELLO	SBRF	Navy SINKEX	CA	9/9/05	TBD	TBD	(\$1,063,548)
PYRO	SBRF	Navy SINKEX	CA	9/9/05	TBD	TBD	(\$754,549)
FLORIKAN	SBRF	Navy SINKEX	CA	9/8/06	TBD	TBD	(\$396,984)
CLAMP	SBRF	Navy SINKEX	CA	9/8/06	TBD	TBD	(\$363,484)
RECLAIMER	SBRF	Navy SINKEX	CA	9/8/06	TBD	TBD	(\$363,484)
HUNLEY	JRRF	S. Scrap Material Co.	LA	1/5/07	3/7/07	In Progress	\$1,500
AMER. EXPLORER	BRF	S. Scrap Material Co	LA	7/8/08	8/13/08	<b>11/17/09</b>	\$1,052,788
COURIER	BRF	S. Scrap Material Co	LA	7/8/08	7/25/08	In Progress	\$622,588
MILWAUKEE	JRRF	Bay Bridge Enterprises	VA	1/14/09	2/10/09	<b>2/22/10</b>	\$56,410
AMER. OSPREY	BRF	All Star Metals, Inc.	TX	5/4/09	5/19/09	<b>11/11/09</b>	\$12,228
SURIBACHI	JRRF	Int. Shipbreaking Ltd.	TX	6/2/09	7/17/09	<b>12/4/09</b>	\$20,001
ORTOLON	JRRF	Esco Marine, Inc	TX	6/29/09	7/20/09	<b>3/23/10</b>	(\$325,090)
GULF SHIPPER	BRF	Esco Marine, Inc	TX	6/29/09	7/15/09	<b>11/20/09</b>	(\$145,726)
GAGE	JRRF	Esco Marine, Inc	TX	6/30/09	7/23/09	<b>12/21/09</b>	(\$564,910)
GULF FARMER	BRF	Esco Marine, Inc	TX	7/9/09	7/29/09	<b>3/12/10</b>	\$80,726
RESOLUTE	JRRF	Esco Marine, Inc	TX	7/9/09	8/6/09	<b>3/26/10</b>	\$90,726
ESCAPE	JRRF	Bay Bridge Enterprises	VA	8/17/09	9/15/09	<b>2/26/10</b>	(\$115,200)
CAPE COD	JRRF	All Star Metals, Inc.	TX	8/17/09	9/3/09	<b>3/25/10</b>	(\$328,122)
EARLHAM VICTORY	SBRF	All Star Metals, Inc.	TX	<b>10/16/09</b>	<b>12/3/09</b>	In Progress	(\$1,668,313)
PAN AMER. VISTORY	SBRF	All Star Metals, Inc.	TX	<b>10/16/09</b>	<b>11/24/09</b>	In Progress	(\$1,599,923)
RIDER VICTORY	SBRF	Esco Marine, Inc	TX	<b>1/15/10</b>	<b>3/8/10</b>	TBD	(\$1,608,583)
WINTHROP VICTORY	SBRF	Esco Marine, Inc	TX	<b>1/15/10</b>	<b>3/18/10</b>	TBD	(\$1,463,807)
M. SANTA YNEZ	SBRF	Esco Marine, Inc	TX	<b>1/15/10</b>	<b>3/31/10</b>	TBD	(\$2,089,133)
KITTIWAKE	JRRF	Cayman Is. Art. Reef	CI	<b>2/3/10</b>	<b>2/18/10</b>	TBD	\$0
GEN'L PATRICK	SBRF	Esco Marine, Inc	TX	<b>3/18/10</b>	TBD	TBD	(\$1,568,457)
GEN'L POPE	SBRF	Award Pending	TBD	TBD	TBD	TBD	TBD
GETTYSBURG	SBRF	Award Pending	TBD	TBD	TBD	TBD	TBD
TALUGA	SBRF	Award Pending	TBD	TBD	TBD	TBD	TBD
DAWN	SBRF	Prices Pending	TBD	TBD	TBD	TBD	TBD
BAY	SBRF	Prices Pending	TBD	TBD	TBD	TBD	TBD
AMERICAN RACER	SBRF	Prices Pending	TBD	TBD	TBD	TBD	TBD
AMERICAN RELIANCE	SBRF	Prices Pending	TBD	TBD	TBD	TBD	TBD

## Conclusions

An aggressive program of maximizing the use of disposal funding and pursuing all feasible disposal options resulted in the award of over 100 contracts to dispose of obsolete vessels since 2005. Those awards and the subsequent removal of vessels from the fleet sites have reversed a trend in the growth of the number of obsolete ships in the Maritime Administration's custody.

Moreover, the award and removal of the majority of the program's high priority ships has significantly mitigated the threat of residual oil discharge into the environment. Section 3502 of P.L. 106-398, October 30, 2000, extended the Congressional disposal mandate to September 30, 2006, and listed 39 obsolete ships that posed the most immediate threat to the environment. All of the 39 ships identified in 2000 as high priority have been removed from the Maritime Administration's fleets.

These accomplishments notwithstanding, the statutory disposal deadline of September 30, 2006 for disposal of all the Maritime Administration's obsolete ships was not met. However, as the Agency first reported to the Congress in 2002, it was unlikely that the 115+ obsolete ships in its inventory would be disposed by the deadline due to the lack of sufficient domestic ship disposal capacity and the impediments to foreign recycling contracts as a viable alternative. Those constraints still exist today despite the increase from three to six qualified domestic disposal facilities.

Without access to additional disposal alternatives, the rate of disposal is unlikely to increase beyond the current rate and the cost associated with vessel disposal is unlikely to decrease below current levels. This is especially true in light of the 2008 economic downturn, the slow rate of economic recovery and the Agency's exclusive focus on the removal of SBRF ships in FY 2010 and 2011. The added constraint for SBRF vessels of a drydock requirement prior to commencing a 5,000+ nautical mile tow to the closest domestic recycling facilities in Texas will act to increase per ship and total annual disposal costs over the next two years and beyond.

Exfoliating paint is one of the reasons that the Maritime Administration has focused vessel disposal efforts on removing the worst vessels from its fleet sites first. The Agency continues to believe that removing the ships is the most effective method for addressing all environmental risks posed by the obsolete vessels in the fleets. However, because of the now settled legal challenges with NISA and the CWA that had delayed the removal of obsolete vessels in the SBRF from January 2007 to October 2009, the Agency is now faced with longer-term management of the vessels, especially those moored in the SBRF in California. As such, in 2008 the Maritime Administrator established an Environmental Excellence Initiative (EEI) to review the Agency's fleet management practices in the context of long-term vessel custody. The EEI includes refining procedures for accepting vessels into the fleets, identifying and evaluating environmental risks associated with long-term custody of vessels (including exfoliating paint), and development/implementation of longer-term management practices to reduce further environmental risk.

The Maritime Administration will continue to investigate all alternatives identified in this report, and others that are identified, to expedite the disposal of its obsolete vessels at qualified facilities and at the least cost to the Government, while giving consideration to worker safety and the environment, as required by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 P.L. 106-398, Section 3502; 114 Stat. 1654A-490.

## II. PROGRESS OF THE U.S. NAVY’S VESSEL DISPOSAL PROGRAM

### Navy-Titled Obsolete Vessels in the Maritime Administration National Defense Reserve Fleet

As of May 06, 2010, the total number of Navy-titled vessels designated for disposal remaining in the Maritime Administration (MARAD) National Defense Reserve Fleet facilities are nine ships and one service craft. Table 1 provides information regarding the method of disposal and projected cost for disposal of these vessels. On May 19, 2009, ex-ANDREW J HIGGINS (T-AO 190) was title transferred to the Government of Chile under a Foreign Military Sales case and the ship was removed from MARAD Suisun Bay Reserve Fleet (SBRF) on September 24, 2009. On September 3, 2009, ex-TRIUMPH (AGOS 4) was title transferred to MARAD. On January 4, 2010, ex-FORT FISHER (LSD 40) was removed from MARAD SBRF for dismantling in Brownsville, TX.

**Table 1: U. S. Navy-Titled Obsolete Vessels in the Maritime Administration National Defense Reserve Fleet designated for disposal**

<b>Ship</b>	<b>Location</b>	<b>Method of Disposition</b>	<b>Projected Cost of Disposal</b>
<b>Osprey (MHC 51)</b>	<b>MARAD BRF</b>	<b>Foreign Military Sale</b>	<b>\$0</b>
<b>Robin (MHC 54)</b>	<b>MARAD BRF</b>	<b>Foreign Military Sale</b>	<b>\$0</b>
<b>Oriole (MHC 55)</b>	<b>MARAD BRF</b>	<b>Foreign Military Sale</b>	<b>\$0</b>
<b>Kingfisher (MHC 56)</b>	<b>MARAD BRF</b>	<b>Foreign Military Sale</b>	<b>\$0</b>
<b>Cormorant (MHC 57)</b>	<b>MARAD BRF</b>	<b>Foreign Military Sale</b>	<b>\$0</b>
<b>Blackhawk (MHC 58)</b>	<b>MARAD BRF</b>	<b>Foreign Military Sale</b>	<b>\$0</b>
<b>Falcon (MHC 59)</b>	<b>MARAD BRF</b>	<b>Foreign Military Sale</b>	<b>\$0</b>
<b>Shrike (MHC 62)</b>	<b>MARAD BRF</b>	<b>Foreign Military Sale</b>	<b>\$0</b>
<b>Iowa (BB 61)</b>	<b>MARAD SBRF</b>	<b>Donation hold</b>	<b>\$0</b>
<b>Sea Shadow (IX 529)</b>	<b>MARAD SBRF</b>	<b>Donation hold</b>	<b>\$0</b>

Note: BRF – Beaumont Reserve Fleet