

## **9. MARAD'S SHIP DISPOSAL PROGRAM**

The Maritime Administration (MARAD) currently has 116 obsolete vessels in the National Defense Reserve Fleet (NDRF) awaiting disposal. These vessels are deteriorating and pose an immediate environmental threat in Virginia, Texas, and California. They contain hazardous substances such as fuel oil, asbestos, solid and liquid polychlorinated biphenyls, lead, radium, and chromates. Immediate state and Federal action would be required, should the hazardous materials escape into the water.

The so-called "40 worst condition" vessels are on average 50 years old and have been awaiting disposal for two decades. Some have deteriorated to a point where a hammer can penetrate their hulls. During FYs 1999 and 2000, MARAD spent over \$2 million to repair leaking vessels and keep them afloat.

The approach of selling MARAD's vessels for domestic scrapping has not worked. Since 1995, only eight obsolete vessels were scrapped. The number of vessels awaiting disposal has grown from 66 in 1997 to 116 today and is expected to reach 155 by the end of FY 2001.

Key factors contributing to MARAD's limited progress are: (1) the loss of the overseas market for scrapping vessels; (2) current limitations in domestic capacity for scrapping; and (3) a Navy pilot program that is paying contractors to scrap its vessels.

### **Progress in the Last Year:**

- Two vessels were scrapped.
- MARAD's FY 2001 authorization included approval of a 5-year extension (from the end of FY 2001 to FY 2006) in the deadline for disposing of MARAD's obsolete vessels, and allowance for MARAD to pay to dispose of its obsolete vessels in the most economical manner at either foreign or domestic locations.
- Congress appropriated \$10 million, which can be used to scrap vessels in MARAD's National Defense Reserve Fleet. This amount will likely fund the scrapping of an *estimated* 3 to 5 vessels.

**Most Significant Open Recommendations and Issues:** The Department, the Administration, and the Congress continue to face a challenge in determining how to fund the disposal of MARAD's fleet of environmentally dangerous vessels in a timely manner.

- MARAD is required to consult with the Navy and the Environmental Protection Agency to develop a program for scrapping its obsolete vessels, and report to the Congress by April 30, 2001. The program must define how the vessels will be scrapped, identify funding and staffing requirements, and set milestone dates for the disposal of each vessel. Until this report is submitted, Congress has prohibited MARAD from scrapping any but its “worst condition” vessels.
- MARAD and the Navy must also report to the congressional defense committees no later than June 1, 2001, on the total number of vessels currently designated for scrapping, and the costs and schedule estimates for scrapping the vessels.

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## **9. MARAD's Ship Disposal Program**

**Dark Grey** = Top Priority Task for 2001

**Light Grey** = Include in 2001 Top Management Challenges Efforts

**White** = Sufficiently Resolved to be Dropped from Management Challenges Efforts

**First Year Issue  
Raised in OIG  
Management  
Challenges  
Report**

**Was Significant  
Progress made  
in last year?**

- |   |           |           |
|---|-----------|-----------|
| <ul style="list-style-type: none"> <li>In consultation with the Navy and the Environmental Protection Agency, MARAD must prepare and begin implementation of a plan for the vessels awaiting disposal, targeting the "worst condition" vessels. The plan must include disposal methods and milestones.</li> </ul> | 1999      | N         |
| <ul style="list-style-type: none"> <li>The Navy and MARAD must report to the congressional defense committees no later than June 1, 2001, regarding the total number of vessels currently designated for scrapping, and the schedule and costs for scrapping these vessels.</li> </ul>                            | New Issue | New Issue |
| <ul style="list-style-type: none"> <li>Seek legislative approval to extend the mandate to dispose of obsolete vessels by 2001.</li> </ul>   | 1999      | Y         |
| <ul style="list-style-type: none"> <li>Obtain relief from the requirement to maximize financial returns on obsolete vessels.</li> </ul>   | 1999      | Y         |