

# GAO Highlights

Highlights of [GAO-14-223](#), a report to congressional committees

## Why GAO Did This Study

Timely and proper disposal of obsolete ships in the National Defense Reserve Fleet—older ships designated for use in national emergencies—is critical to protecting the environment. Because these ships often contain hazardous materials, members of Congress and others have raised issues about the environmental concerns. As part of the Department of Transportation, MARAD's Ship Disposal Program serves as the federal government's agent for competing and awarding contracts for recycling the ships' materials. Congress has required MARAD's ship disposal program to award ship recycling contracts to qualified ship recycling facilities on the basis of best value. The Coast Guard and Maritime Transportation Act of 2012 mandated that GAO review MARAD's source selection procedures and practices used to award ship recycling contracts.

In this report, GAO assessed MARAD's (1) source selection process; (2) communication strategy with ship recycling contractors; and (3) long-term ship disposal strategy. To complete this work, GAO reviewed and analyzed documentation on MARAD's qualification process, source selection procedures, and strategies; and interviewed MARAD and all of its qualified ship recycling contractors.

## What GAO Recommends

GAO is recommending that the Department of Transportation improve its communication strategy and update its strategic plan. The Department agreed with the facts but did not take a position on our recommendations.

View [GAO-14-223](#). For more information, contact Marie A. Mak at (202) 512-4841 or [makm@gao.gov](mailto:makm@gao.gov)

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## MARITIME ADMINISTRATION

### Ship Disposal Program Needs Improved Communications and Updated Strategic Plan

## What GAO Found

The Maritime Administration (MARAD) uses a two-step source selection process, first by qualifying contractors and then awarding contracts for ship recycling services based on best value, consistent with the Federal Acquisition Regulation (FAR). In the first step, MARAD qualifies contractors' ship recycling facilities. The qualification process involves evaluating ship recycling facilities' proposals based on multiple criteria, including how a facility plans to dismantle ships and the extent to which the contractor—including its ability to meet local, state, and federal regulations—supports that effort. For the second step, MARAD awards ship recycling contracts for specific ships using a best value source selection process. The best value source selection process allows the government to accept an offer other than the best-priced offer, considering both price and non-price factors, that provides the greatest overall benefit to the government. MARAD considers three evaluation criteria—price, schedule and capacity, and past performance.

MARAD has made some efforts over the last year to clarify certain elements of its source selection process; however, MARAD could strengthen its communication strategy with its contractors. All of the qualified contractors GAO spoke with were confused about MARAD's source selection process—including how MARAD uses past performance to evaluate contractors' offers. MARAD has made an effort to clarify its past performance criterion by further explaining what is considered in its most recent solicitation. However other concerns remain. For example, some contractors expressed concern as to whether changes to their facility were approved by MARAD. GAO's standards for internal controls state that management should ensure adequate means of communicating with external stakeholders that may have a significant impact on the agency achieving its goals. Improving its communication strategy with its contractors could help MARAD maximize the transparency of its source selection process.

In 2006, MARAD issued a comprehensive management plan, or strategic plan, that outlined short- and long-term strategies for the disposal of MARAD's obsolete ships; however several key elements are now outdated or no longer applicable. According to program officials, MARAD was required to provide regular reports to Congress for several years, the last of which was in March 2011, on the progress made to address the backlog of obsolete ships. However, these reports did not provide the strategic short- and long-term direction for the program. Further, they indicated that the principles of the plan remain relevant; but the 2006 strategy does not take into account current market conditions, goals, and external risks. For example, concerns about maintaining the supplier base are not addressed in the plan. MARAD wants to maintain a supplier base to ensure competition for future ship recycling contracts, but has not fully considered risks and options to address this pending issue. Competition is a cornerstone in federal contracting and a critical tool for achieving the best return on the government's investment. An updated strategic plan that reflects the current external environment and risks could better position MARAD to identify future challenges and opportunities to help ensure the long-term participation and competition of the industrial base for ship disposal.