



Highlights of [GAO-05-264](#), a report to the Ranking Minority Member, Subcommittee on Readiness, Committee on Armed Services, House of Representatives

Why GAO Did This Study

The Maritime Administration (MARAD) has more than 100 obsolete and deteriorating ships awaiting disposal that pose potentially costly environmental threats to the waterways near where they are stored. Congress, in 2000, mandated that MARAD dispose of them by September 30, 2006. While MARAD has various disposal options available, each option is complicated by legal, financial, and regulatory factors.

In this report, GAO assesses (1) whether MARAD will meet the September 2006 disposal deadline for these ships and, if not, why not; (2) the extent that MARAD has used alternative disposal methods other than scrapping, and barriers to using other methods; (3) the appropriateness of MARAD's methods for procuring ship disposal services; and (4) the impact of foreign competition and other factors on reducing disposal costs.

What GAO Recommends

GAO is making recommendations that would strengthen the management of MARAD's ship disposal program, including developing a comprehensive, integrated approach and changing the contracting method for disposal services.

The Department of Transportation stated that MARAD is taking some actions that may address GAO recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-264.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

MARITIME ADMINISTRATION

Improved Program Management Needed to Address Timely Disposal of Obsolete Ships

What GAO Found

MARAD is unlikely to meet its statutory deadline of September 30, 2006. As of September 2004, MARAD had disposed of 18 ships from its inventory, with over 100 ships left to dispose of by the deadline. MARAD's current approach is not sufficient for disposing of these remaining ships within the next 2 years. MARAD's slow progress is due primarily to program leaders not developing a comprehensive management approach that could address the myriad of environmental, legal, and regulatory challenges that the program faces. MARAD's approach lacks an integrated strategy with goals, milestones, performance measures, and a mitigation plan for overcoming anticipated impediments. In the absence of this comprehensive approach, MARAD's ship disposal program lacks the vision needed to sustain a long-term effort. Consequently, MARAD has not been able to assure Congress that it can dispose of these ships in a timely manner to reduce the threat of a costly environmental event, nor has it clearly articulated what additional congressional assistance, such as funding, may be needed.

While MARAD has considered alternative disposal methods to scrapping, it has made limited use of these methods because of a number of environmental, financial, and legislative barriers. Since fiscal year 2001, MARAD has disposed of 17 ships through scrapping, but only 1 through artificial reefing. MARAD has not disposed of ships using deep-water sinking and donations to historic organizations. MARAD has taken positive steps to reduce barriers limiting its use of these methods but still may be years away from increasing the number of disposals using these alternative methods because it has not developed an overall plan for expanding their use. Consequently, MARAD may be losing opportunities that could expedite the disposal of the obsolete ships in its inventory.

Since fiscal year 2002, MARAD has relied almost entirely on an inappropriate procurement method—Program Research and Development Announcements (PRDA)—to acquire ship scrapping services. The Federal Acquisition Regulation and the Competition in Contracting Act of 1984 generally require that MARAD use other methods for acquiring these types of services. PRDAs may only be used to contract for research or development. According to MARAD, PRDAs provide greater flexibility and allow firms to propose innovative solutions to ship disposal. GAO found, however, that MARAD was not contracting for research or development but instead was acquiring ship scrapping services. MARAD's use of PRDAs has also resulted in a lack of transparency in the contract award process and has raised concerns among firms as to the fairness of MARAD's processes.

While GAO was unable to isolate the specific impact of foreign competition and other factors on reducing ship disposal costs, MARAD attributes the decrease in ship disposal prices almost exclusively to foreign competition. However, other factors, such as larger annual program funding and increases in the scrap value of steel, may have also played a role.