

REPORT TO CONGRESS ON THE PROGRESS OF THE VESSEL DISPOSAL PROGRAM

October 2005



**OBSOLETE SHIPS
JAMES RIVER RESERVE FLEET**



**U.S. DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION**

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Report to Congress on the Progress of the Vessel Disposal Program

INTRODUCTION

This report is submitted pursuant to the following statutory direction:

- The Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Pub. L. 106-398, § 3502, 114 Stat. 1654 (2000) [the Act], which requires periodic reporting on the progress of the program developed for the disposal of the Maritime Administration's (MARAD) obsolete National Defense Reserve Fleet (NDRF) vessels, and
- The Bob Stump National Defense Authorization Act for Fiscal Year 2003, Pub. L. 107-314, § 3504, 116 Stat. 2458, 2471 (2003), which requires reporting on the development of best management practices for artificial reefing and reporting on the pilot program on the export of obsolete ships for dismantlement and recycling.
- 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 requires periodic reporting on the progress being made by the MARAD to dispose of the entire inventory of obsolete ships within the National Defense Reserve Fleet.

This report summarizes MARAD's ship disposal accomplishments since the last report dated April 2005 and outlines the current ship disposal challenges and plans for FY 2006 and beyond. In the interest of timely submissions, this report, unlike ones prior to October 2004, does not address the program's accomplishments from its genesis in FY 2001 through FY 2004. A review of the previous reports of the Ship Disposal Program, hereafter referred to as the Program, can provide a historical perspective. In coordination with the Secretary of the Navy, this report also includes the progress of the U.S. Navy's vessel disposal program, as required by the Act.

The Act requires by September 30, 2006, the disposal of all vessels in the NDRF that are not assigned to the Ready Reserve Force or otherwise designated for a specific purpose. In 2001, MARAD established the Program to accomplish the requirements of the Act. It became apparent at the start of the Program that conventional domestic dismantling, as the predominant means of disposal, was not adequate to make significant progress in the disposal of MARAD's non-retention vessels. Since the establishment of the Program, MARAD has aggressively pursued all feasible disposal alternatives including foreign recycling.

At this time, due to statutory constraints contained in the Toxic Substances Control Act (TSCA) and other environmental statutes, foreign disposal of obsolete vessels is not a commercially practicable option. This is primarily due to the general TSCA prohibition on the export of polychlorinated biphenyls (PCBs) and the amount of time necessary to

complete the formal EPA rulemaking process to gain an exemption to export MARAD obsolete vessels containing PCBs.

There are currently 113 vessels in the NDRF designated as obsolete that are not yet under contract for disposal. Even with the significant progress made since 2003, and as first reported to the Congress in 2002, MARAD will be unable to achieve the requirements of the Act by the statutory deadline of September 30, 2006. Sufficient funding resources and the use of all disposal options that are not currently available, such as foreign disposal, will be necessary to achieve expedited and cost-effective vessel disposals.

I. MARITIME ADMINISTRATION ACCOMPLISHMENTS AND ACTIVITIES SINCE THE LAST REPORT

Ship Disposal Funding

The Consolidated Appropriations Act, 2005 (Pub.L. 108-447) included \$21.6 million for the disposal of obsolete ships, not including a 0.80 percent reduction pursuant to Division J, Title I, Sec. 122 of Pub. L. 108-447. Of the \$21.6 million appropriated in FY 2005, \$2.0 million is earmarked for the continued decommissioning process for the remnants of the reactor and hazardous materials on board the retention nuclear vessel NS SAVANNAH.

Contract awards for the disposal of 20 ships were made in FY 2005 with the \$19.5 million appropriated for ship disposal. The 20 ships awarded exceeded the FY 2005 goal of 15. In spite of awarding contracts for a number of vessels that exceeded the targeted goal there was a significant carryover of FY 2005 funds into FY 2006 in the amount of approximately \$10.5 million. The carryover amount is a result of robust domestic competition and continued strong international scrap steel prices, both of which resulted in a significantly lower price-per-ton disposal rate with FY 2005 awards. With less emphasis by the Navy on conventional dismantling as a disposal method and an increase in the number of domestic contractors competing for MARAD ships, the price-per-ton disposal rate decreased significantly in FY 2005 which resulted in the awards and eventual disposal of more ships than anticipated.

The \$10.5 million carryover will allow MARAD to award contracts for additional obsolete ships into FY 2006 while awaiting the FY 2006 appropriation. Another benefit of the carryover is that the additional disposal awards into FY 2006 will level out the flow of dismantling work to the industry.

Ship Disposal Contracts

Utilizing the Federal Acquisition Regulation (FAR) Test Program for Certain Commercial Items, MARAD implemented the use of Standing Quotations in FY 2005 as the primary procurement method for soliciting ship disposal services. The use of Standing Quotations is a simplified acquisition procedure for the competitive procurement of commercial services (ship dismantling/recycling). The complete transition to the use of Standing Quotation process commenced with the posting of a request for quotations in January 2005 in response to which interested vendors may submit quotations and proposals continuously throughout the period of one year. Proposals received are evaluated and those offers determined to be

technically acceptable form a pool of standing quotations from which vessel specific price proposals are solicited. Based on the evaluation criteria posted in the Request for Quotation, contracts are then awarded to the offers that represent the best value to the Government. In addition to the use of Standing Quotations for the acquisition of ship dismantling/recycling services, a sales solicitation has been posted to accommodate qualified facilities that are interested in purchasing obsolete ships for recycling.

The program tracks three performance measures for the disposal of each vessel. These performance measures are 1) vessels awarded, 2) vessels removed from the fleets and 3) vessels disposed. The three performance measurements are not confined to a specific time frame or fiscal year and often ship disposal projects can span one, two or even three years. Table 1 lists a total of 35 vessels and indicates the date for which one, two or all three performance measures transpired. Performance measures that have a future occurrence are listed as pending. The table utilizes the disposal performance measure as the latest action and sorts the vessels in descending order based on their disposal date, followed next by vessels removed from the fleet and finally vessels awarded. Program actions resulting in measurable performance on 35 ships in a single year represent significant progress in the disposal of obsolete ships and the mitigation of the environmental threat represented by those ships. All contract awards in FY 2005 and through the end of September 2005 have been to domestic facilities.

Since the start of FY 2001, MARAD has awarded contracts for the disposal of 65 obsolete ships, removed 48 ships from its fleet sites and completed disposal action on 35 vessels. Of the 113 non-retention ships currently in the fleets and not under contract, 61 were retention ships that were downgraded since 2001 and added to the disposal queue.

MARAD's accomplishments in FY 2005 were a result of executing its disposal management plan to continue the removal of the high and moderate priority ships in the James River Reserve Fleet (JRRF) moored in Virginia waters. In addition, MARAD began the removal of high and moderate priority vessels in the Suisun Bay Reserve Fleet (SBRF) in California. Export delays caused by legal challenges provided MARAD the opportunity to remove the moderate and high priority ships associated with the Post Service Remediation Partners (PRP) /Able UK contract. This action cleared the way for MARAD to follow its management plan and commitment to expedite the removal of high priority ships from the JRRF. The ships destined for the UK were in turn awarded for disposal to domestic facilities. The ships removed from the PRP/AbleUK contract will be substituted with other ships at a later date after the export legal challenges have been resolved. Due to delays in AbleUK acquiring its operating licenses and permissions, it has been determined that the balance of the vessels to be exported to AbleUK will not depart the U.S. until the spring of 2006 at the earliest. The PRP/AbleUK contract expires December 31, 2005 and actions after that will depend on whether or not MARAD decides to extend.

With award of the vessels shown in Table 1, only five high priority ships remain in MARAD's three fleets and four of those ships are not available for disposal because they are being held for donation to non-profit organizations or being assessed for historical significance. Of the five remaining high priority vessels, three are located the James River

Reserve Fleet (JRRF) in Virginia, one in the Suisun Bay Reserve Fleet (SBRF) in California and one in the Beaumont Reserve Fleet (BRF) in Texas. As the high priority vessels become available for disposal they will be given priority for disposal, however, in the meantime MARAD's disposal plan focuses on the moderate priority vessels that are not under contract for disposal which includes 20 moored in the SBRF, 11 in the BRF and the 7 moored in the JRRF. MARAD's management plan is to expedite the disposal of these ships so that with time they do not become high-risk vessels resulting from advanced deterioration.

Table 1: MARAD FY 2005 Ship Disposal Actions

Ship	Fleet	Contractor	Site	Award	Remove	Dispose	Final Amount (\$)
NAECO	BRF	Esco Marine, Inc.	TX	2/18/04	3/08/04	10/14/04	\$500
MARINE FIDDLER	JRRF	Bay Bridge Enterprise	VA	8/28/03	10/30/03	11/15/04	(\$1,245,012)
CATAWBA VICTORY	JRRF	Bay Bridge Enterprise	VA	8/27/03	11/18/03	1/12/05	(\$1,135,915)
OPPORTUNE	JRRF	Bay Bridge Enterprise	VA	8/28/03	12/05/03	1/12/05	(\$135,413)
MEACHAM	BRF	Esco Marine, Inc.	TX	10/08/04	10/15/04	2/24/05	\$1,000
AMERICAN RANGER	JRRF	Esco Marine, Inc.	TX	8/09/04	8/26/04	4/21/05	(\$796,052)
SANTA CRUZ	JRRF	Marine Metals, Inc.	TX	6/24/04	8/06/04	5/20/05	(\$1,009,885)
SANTA ISABEL	JRRF	Esco Marine, Inc.	TX	8/09/04	10/26/04	6/10/05	(\$970,772)
DONNER	JRRF	All Star Metals, Inc.	TX	9/10/04	11/12/04	6/11/05	(\$559,554)
MORMACMOON	JRRF	N. Amer. Ship Recycling	MD	9/13/04	3/4/05	8/24/05	(\$1,309,853)
SHIRLEY LYKES	JRRF	Bay Bridge Enterprise	VA	12/18/04	1/26/05	9/6/05	(\$849,800)
AMERICAN BANKER	JRRF	Marine Metals, Inc.	TX	6/24/04	10/27/04	9/19/05	(\$1,289,848)
LAUDERDALE	JRRF	N. Amer. Ship Recycling	MD	9/13/04	3/14/05	9/26/05	(\$985,620)
MORMACWAVE	JRRF	Esco Marine, Inc.	TX	8/09/04	11/26/04	Pending	(\$1,396,095)
PROTECTOR	Portsmouth	All Star Metals, Inc.	TX	9/10/04	11/29/04	Pending	(\$569,930)
GENERAL WALKER	JRRF	All Star Metals, Inc.	TX	9/13/04	1/4/05	Pending	(\$1,336,350)
NEOSHO	JRRF	Int'l Shipbreaking Ltd.	TX	12/18/04	2/9/05	Pending	(\$1)
GENERAL DARBY	JRRF	Marine Metals, Inc.	TX	9/13/04	2/16/05	Pending	(\$1,137,878)
MIZAR	JRRF	Bay Bridge Enterprise	VA	7/08/05	8/16/05	Pending	(\$243,900)
TIOGA COUNTY	SBRF	Esco Marine, Inc.	TX	6/22/05	8/17/05	Pending	(\$1,122,850)
SUNBIRD	JRRF	Bay Bridge Enterprise	VA	7/08/05	8/17/05	Pending	(\$85,920)
WAHIAKUM CNTY	SBRF	Esco Marine, Inc.	TX	6/22/05	8/24/05	Pending	(\$1,102,850)
ALBERT MEYER	JRRF	Int'l Shipbreaking Ltd.	TX	7/18/05	8/30/05	Pending	(\$399,726)
WABASH	SBRF	Marine Metals, Inc.	TX	6/22/05	9/2/05	Pending	(\$1,366,580)
NEPTUNE	JRRF	Int'l Shipbreaking Ltd.	TX	7/18/05	Pending	Pending	(\$398,601)
MARSHFIELD	JRRF	Bay Bridge Enterprise	VA	8/26/05	Pending	Pending	(\$335,000)
WACCAMAW	JRRF	Int'l Shipbreaking Ltd.	TX	8/26/05	Pending	Pending	(\$496,319)
PRESERVER	JRRF	Bay Bridge Enterprise	VA	8/26/05	Pending	Pending	(\$107,640)
NEMASKET	SBRF	Esco Marine, Inc.	TX	8/26/05	Pending	Pending	(\$1,224,100)
CONNECTICUT	SBRF	Int'l Shipbreaking Ltd.	TX	8/26/05	Pending	Pending	(\$1,299,327)
PAWCATUCK	JRRF	Bay Bridge Enterprise	VA	8/26/05	Pending	Pending	(\$569,373)
SANTA LUCIA	JRRF	Marine Metals, Inc.	TX	8/18/05	Pending	Pending	(\$565,827)
MONTICELLO	SBRF	Navy SINKEX	CA	9/9/05	Pending	Pending	(\$1,077,875)
MAUNA KEA	SBRF	Navy SINKEX	CA	9/9/05	Pending	Pending	(\$839,250)
PYRO	SBRF	Navy SINKEX	CA	9/9/05	Pending	Pending	(\$929,250)

Removal from the fleets of the 11 ships listed as "pending" will begin in October 2005

MARAD is working to identify cost-effective, qualified facilities on the U.S. West Coast and in foreign markets that are interested in recycling the obsolete vessels located in the SBRF. A few foreign facilities have identified cost-effective proposals for disposal of a large number of ships. MARAD's challenge is to ensure the facilities have the capability of dismantling ships in a manner that protects the environment and worker safety and health. Of course MARAD's ability to award future contracts to foreign facilities is contingent to a large degree on the outcome of the legal challenge to the export of ships to the UK for recycling, and is subject to the restrictive nature of environmental regulations. There are currently no operational U.S. West Coast facilities dedicated to vessel dismantling/recycling available to the Navy or MARAD, which, in the absence of a foreign recycling outlet, will have a significant effect on the cost of disposing of the SBRF vessels because of the high towing costs through the Panama Canal to the nearest Gulf Coast recycler.

Ship Disposal Alternatives

Foreign Recycling - Based upon proposals received and an investigation of facilities abroad, MARAD continues to believe that environmentally sound facilities exist abroad that offer the United States very competitive prices for the disposal of MARAD's obsolete vessels. The foreign option could provide the capacity and competition necessary to accelerate the disposal of MARAD's 113 obsolete ships and mitigation of the environmental threat they represent. However, as explained in more detail in the June 2004 Report, MARAD has been unable to successfully recycle any vessels abroad due to legal challenges and statutory impediments. In spite of the difficulties involved, a best value contract award for the disposal of 13 ships was made, and the export of four of the 13 ships to a qualified UK facility occurred in 2003. The four exported vessels remain on hold for disposal and are thus unable to be dismantled until the UK legal issues are resolved.

Since the initial hearing in the U.S. in October, 2003, MARAD has conducted an Environmental Assessment (EA) regarding the potential environmental impacts of sending the additional nine vessels to the PRP/Able UK dismantling facility in Teesside, England. On the basis of this EA, MARAD has concluded that this project will have no significant impact to human health or the natural environment. Plaintiffs are challenging this EA in the U.S. District Court for the District of Columbia, arguing that this EA is inadequate and does not sufficiently comply with the requirements of National Environmental Policy Act (NEPA). A hearing on cross motions for summary judgment took place on October 15, 2004. On March 2, 2005 the Court concluded the EA prepared by MARAD fully met its obligations under NEPA and dismissed the plaintiff's complaint. Further the Court ordered that the defendant's motion for summary judgment be granted and further ordered the plaintiff's motion for summary judgment be denied. In its ruling the Court dismissed the claims of the plaintiffs primarily on the following considerations: a) the Basil Action Network (BAN), lead plaintiff, lacked standing to file suit; however, the co-plaintiff, the Sierra Club does have standing; b) the plaintiffs did not bring their initial TSCA claims within the requisite 60 day-notice period as required by the citizen's suit provisions of TSCA; and c) the risk of threatened harm is not present because there is no current or ongoing violation by MARAD of the provisions of the Resource Conservation and Recovery Act (RCRA). The plaintiff has filed a request for reconsideration by the U.S. District Court

of its decision related to RCRA, and the Court's decision on that request is pending. The period allowed for plaintiff's appeal of the U.S. District Court's decision will start after the court decides on the request for reconsideration. The court ruling does not remedy the underlying environmental issues which triggered the legal action initially and does not preclude plaintiffs or other citizens from immediately filing another civil action against MARAD to deny the export of its obsolete ships.

In addition to the process followed by the PRP/AbleUK recycling contract, there is a process under TSCA for petitioning EPA for an exemption to allow the export of PCBs. However, the process requires a full rulemaking that would take a minimum of nine months to complete. If an exemption is granted, it may have only a one-year life span and in every case will be limited to a specific activity or circumstance, e.g., the recycling of ships at Able UK. Once EPA issues a final rule in an export situation, that rule is subject to legal challenge, which is likely in the recycling area. Such a process, when viewed in the context of the realities of commercial business contracting, the length of time associated with the Federal procurement process, the ever changing business considerations of the ship recycling industry, and the legal limitations on appropriations, makes it nearly impossible to pursue any export ship recycling/dismantling contract. This is a significant setback to the availability of cost-effective, expedited disposal of MARAD ships.

MARAD has remained in close contact with the United Kingdom Environment Agency. PRP/Able UK has prepared and submitted the necessary documents for a new Waste Management License and the appropriate local planning approval permits. Those applications are currently under review by the cognizant local and national government agencies. Several critical activities will need to be completed after the permissions are in place and prior to the vessels being towed to the UK. Those activities include a favorable ruling from the U.S. District Court, MARAD obtaining a TSCA exemption through the rulemaking process, application and consent for transfrontier shipment of hazardous materials to the UK, vessel surveys and tow preparations, and coordination of the transatlantic tows. Because of the unresolved issues and time constraints, the remaining nine vessels will not be exported for recycling to the UK this calendar year.

Domestic Recycling – To date the domestic approach is the most expedient but also the most costly disposal alternative and remains the least cost effective disposal option for MARAD and Navy obsolete ships. Limited domestic ship recycling facilities (i.e., lack of cost-effective and productive capacity and industrial throughput), make this disposal method effective only for the removal of a small number of ships on a per contract basis. In FY 2001, MARAD contracts involved only three domestic companies. Since then three additional companies have been awarded ship dismantling contracts; two of those companies are located on the East Coast. MARAD is encouraging increased domestic competition to increase cost-effective and productive capacity and is pleased to see that two additional domestic companies have submitted bids in response to the most recent request for updated prices.

In light of the export limitation, and continuing challenges associated with alternative disposal methods, the rate of disposal is highly dependent on the availability of cost effective

domestic facilities. Industrial capacity, in terms of annual ship disposal rates, is difficult to quantify because of several factors including the variance in vessel condition and the scope of hazardous material remediation that is necessary. However, due to capacity and resource limitations, the six domestic facilities that have been awarded contracts over the past few years have demonstrated a potential cost effective capability to dismantle and recycle up to a total of 17 to 22 vessels per year. Further, even at award rates that are lower than the 17-22 ship potential, the limitations of many domestic facilities often result in significant delays of months after contract award before the facility finally takes possession of the vessels and commences dismantling work. It is also not uncommon for domestic facilities to request significant extensions for completing the work beyond the original contract performance period. Over the past two years, with the exception of two facilities, domestic facilities have had significant production throughput problems, which significantly delayed completion of recycling projects awarded by MARAD.

While performance of many of the contractors in the limited domestic ship disposal industry is a challenge to the Program, it has in the past been considered manageable because of the direct, hands-on project/contract management and on-site facility oversight applied by the Program. However, an area of concern for FY 2006, and perhaps beyond, is the additional pressure that will be on domestic industrial capacity as a result of the significant number of ship disposal awards made in FY 2005 by the MARAD and Navy disposal programs. In July and September 2005, the Navy awarded contracts for the disposal of eight ships by three domestic contractors that are also qualified contractors under MARAD's program. Two of the three contractors, considered the two domestic facilities with the greatest capacity, have several on-going MARAD disposal contracts in addition to the Navy work. The combined effect of the Navy and MARAD awards to these two contractors will be to "max out" the capacity for the balance of FY 2006 barring some unforeseen increase by those facilities in resources and production throughput.

While MARAD has aggressively pursued the participation of domestic facilities in the recycling of MARAD ships, and is encouraged with the increase from three to six in the number of competitive qualified facilities since 2003, there is a note of caution moving forward because of the sharing of limited industrial facilities between MARAD and the Navy. The capacity, resources and management of domestic contractors will be tested in light of the significant number of disposal awards made in FY 2005, which will need to be completed in FY 2006, and in light of the number of vessel awards anticipated for FY 2006 by both Programs. Exaggerated capacity claims by the domestic industry in the past that heretofore have not materialized will also be tested. Significant delays in the removal of awarded ships from the fleet sites and continued, as well as increasing, schedule overruns by dismantling contractors are anticipated in FY 2006 as the limits of domestic capacity and capability are exceeded.

Artificial Reefing - Reefing has potential that 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 sharing in the significant costs associated with reefing activities. MARAD has requested a legislative language change that would provide MARAD the flexibility to determine the time and place of vessel transfer.

This change would allow MARAD to be responsible for more of the responsibilities for preparing a ship for reefing, which, under the current statute, falls entirely to the State. Cost sharing with the States has the potential to increase demand to some degree. However, MARAD will consider providing significant financial assistance only to States for vessels MARAD considers to be a higher priority. Generally, higher priority ships are not good reefing candidates.

Limited demand is also a result of the lack of national standards to prepare ships for reefing. Draft Best Management Practices (BMP) for the preparation of ships to be used as artificial reefs have been developed through the interagency efforts of the MARAD, Environmental Protection Agency (EPA), Navy, National Oceanic and Atmospheric Administration (NOAA), United States Coast Guard (USCG), Army Corps of Engineers (ACOE) and National Marine Fisheries Service (NMFS). The draft BMPs were published in the Federal Register on August 2, 2004, for a 60-day public notice and comment period. The draft BMPs are still in the internal EPA review process with completion anticipated in FY 2006. The delay in completing the BMPs has been affected by the PCB issues on the ex-Oriskany, an obsolete aircraft carrier, which the Navy is in the process of preparing for use as a reef off the coast of Florida. The process involves the EPA and issues related to leaving some PCBs above the regulated limits onboard the vessel when it is sunk. The decision made related to the ex-Oriskany may have a significant effect on the use of obsolete ships as artificial reefs in the future. The requirements in the draft BMPs to remove all solid PCBs above the regulated limits could potentially negate the cost advantage of artificial reefing compared to conventional dismantling.

Vessel Sales - This is a low revenue to no-cost option to the Government for selected vessels. It is not a significant disposal option in terms of numbers of ships. In spite of the domestic sale of two vessels in FY 2004 and one in 2005, the increase in domestic vessel purchases was a result of the increased market price of steel and “sales of opportunity” for the companies purchasing the vessels -- it is not considered a trend that can be relied upon for significant sales of vessels on an annual basis.

There is, however, a large demand for scrap metal on the international markets and MARAD has received numerous inquiries for the sale of its obsolete vessels to foreign ship recyclers. Due to the environmental impediments of TSCA, which burdens the export of MARAD ships, foreign sales currently are not commercially practicable in the present legal environment, even to environmentally sound facilities.

Vessel Donation - Donation of vessels is based on the demand of non-profit historical preservationist and humanitarian groups. Historically, donation has not been a significant disposal option in terms of numbers of vessels; however, MARAD has established a formal donation program to support the efforts of legitimate not-for-profit groups to acquire and preserve vessels. The formal program is intended to replace the previous practice of organizations obtaining 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.

Deep Sinking - Joint Navy/MARAD ship disposal projects through the Navy's sink at-sea live-fire training exercises (SINKEX Program). Deep-sinking is a low-volume option with costs comparable to artificial reefing. Vessels are prepared for sinking by the Navy in accordance with procedures that protect the environment as agreed to between the Navy and the EPA. MARAD and the Navy executed a Memorandum of Agreement on September 5, 2003, for the deep sinking of MARAD ships through the Navy's program. Pursuant to this agreement, the vessel GAGE has been prepared by the Navy; however, the sinking of this vessel has been postponed due to the historical assessment process and donation interest in the vessel. In 2005, MARAD requested the Navy to provide cost estimates for the SINKEX preparations of six SBRF vessels. Estimates provided by the Navy on four of the vessels are being considered by MARAD at this time. The feasibility of SINKEX as a future disposal option will depend on cost-effective estimates from the Navy that are comparable in cost to MARAD's other disposal alternatives. A disposal rate of one to two ships per year through deep-sinking at this point is considered possible.

Ship Disposal Management Approach

MARAD's comprehensive disposal management plan is a flexible approach that maximizes disposal opportunities. MARAD's approach is a dual track, market based approach that strives to mitigate disposal impediments and to maximize the full potential of all disposal methods while disposing of the most vessels possible given the resources and disposal methods available. The management approach in place assesses, on a continuous basis, all variables that affect the disposal of obsolete ships. Those variables include market conditions; the number, condition and location of obsolete ships; disposal alternatives realistically available to MARAD; capacity, capability and production throughput of disposal facilities; and available resources.

The assessments feed into and allow the development of meaningful Department level goals associated with DOT's environmental stewardship responsibilities; development of realistic MARAD program performance measures; development of fiscally responsible budget requests; development of procurement strategies that foster competition and increased capacity; establishment of comprehensive project oversight to ensure timely disposal and environmentally safe disposal; and review of and changes to the management approach to maximize the disposal rate in a fiscally and environmentally responsible manner. MARAD is concerned about the environmental threats that currently exist with its highest priority vessels, and with the potential for that threat to increase as all obsolete vessels continue to age and deteriorate. This concern is emphasized in the disposal approach that is planned and managed by all levels of leadership within the Department.

While the Congressionally mandated September 30, 2006, deadline was for the removal of all vessels, MARAD has in place an achievable alternative plan to first remove all vessels that have a high or moderate risk to the environment as soon as possible. At the same time, MARAD is continuing to work on disposal alternatives which, with the necessary funding in place, will ensure that the remaining obsolete vessels can be disposed of at a rate that exceeds the number of obsolete vessels entering MARAD's fleets. This in itself is a formidable

challenge given the projections that approximately 13 additional ships will become available for disposal in FY 2006.

MARAD has developed a ship disposal “end state” which sets achievable, realistic long range and annual goals. The main “end state” elements are as follows:

- To eliminate the backlog of high priority vessels that accumulated in the 1990s. This has essentially been accomplished with only five high priority vessels not under contract remaining in three MARAD fleet sites -- and only 1 of those ships is currently available for disposal by recycling or artificial reefing. Of the four high priority vessels not available, two are on hold for potential donation to historical preservation groups and two are considered potentially historically significant and are undergoing a historic review process.
- To remove from the fleet sites all “high” and “moderate” priority ships at a rate of 20-24 ships per year. Elimination of high and moderate priority ships from the fleets also mitigates the high and moderate risks to the environment at MARAD’s fleets. The number of vessels removed by each disposal alternative will be determined by the industry proposals, funding availability, suitability of each ship for the disposal methods available/proposed, the outcome of the current foreign recycling litigation, and other factors.
- To maintain only “low” priority/low-risk ships at the fleet sites. The target number of obsolete vessels to be maintained on an annual basis is a total of 40-60 at all three fleet sites. With the projected designation of an additional 13 ships as obsolete, followed by additional vessels in subsequent years which include DOD vessels, an annual disposal rate of 20-24 ships will have to be maintained for 3-4 years beyond 2006 in order to achieve and maintain an obsolete vessel fleet size at a maximum range of 40-60 ships. In addition to maintaining only “low” priority obsolete ships at the fleets, further mitigation of environmental risks will be achieved by continuing to use the established protocol for the acceptance of vessels into the National Defense Reserve Fleet. This includes accomplishment of material condition and liquid load surveys, removal of readily removable hazardous materials, preliminary residual hazardous material characterization, and defueling of vessels to the maximum practical extent.
- To have a level of funding that permits the “end state” near term disposal rate of 20-24 ships and then a level of funding in the out years that permits the disposal of at least the number of ships that are designated as obsolete on an annual basis. A failure to achieve that level of funding and to maintain all disposal options will result in an accumulation of obsolete vessels such as occurred in the 1990s.

Critical factors which impact the achievement of a realistic and environmentally responsible disposal “end state” include:

- Foreign recycling becoming a viable disposal option in 2006 and beyond.

- The Ship Disposal Program is funded at levels in 2006 and beyond allowing consideration of proposals that include economies of scale.
- The majority of vessels to be designated as obsolete in the future are in “fair” or “good” condition.

Conclusions

In spite of the legal challenges and domestic industry opposition to the export of obsolete ships by MARAD, an aggressive program of maximizing disposal funding and pursuing all feasible disposal options resulted in the award of contracts of a significant number of high-priority vessel disposals in the last three years. The 24 vessels awarded for disposal in FY 2003 is the highest number of vessel disposal awards made since 1993. That reversed a trend of growth in the number of obsolete ships in MARAD’s custody. The legal challenges to the 2003 AbleUK foreign recycling contract have delayed the removal of the remaining nine ships from the fleet site to the UK facility for recycling. Due to the time constraints resulting from the legal challenges, the nine ships were not removed from the fleet in FY 2005.

Whether the nine vessels are eventually removed for disposal in the UK or not, it has become clear to MARAD that, under existing environmental laws and regulations, the export of ships for recycling is currently not a commercially practicable method of disposal for MARAD or for recycling companies interested in foreign recycling. Four vessels departed the United States to the Able/UK facility due to the express Congressional authorization for MARAD to engage in one or more pilot projects. Export of the remaining nine has been halted by litigation. Because of the standing afforded to citizens under TSCA to contest export actions, MARAD is convinced that future export of vessels can be accomplished with any certainty only through an exemption to TSCA provided in a rulemaking by the EPA. However, given the legal and practical requirements for a TSCA exemption rulemaking, it will take at least nine months, and more likely one to two years, to comply with all of the regulatory requirements to export vessels containing PCBs. Additionally, the process cannot even begin before a facility is selected. The TSCA exemption rulemaking process is not workable in a Federal procurement action with a commercial facility. Thus, it is evident that the legislative requirement to select disposal facilities on a “best value” basis without predisposition towards foreign or domestic facilities is a practical impossibility. Given the legal requirements imposed by TSCA that must be met before any foreign vessel disposal can take place, MARAD is relegated to essentially using only domestic recycling facilities. The March 2, 2005 ruling by the U.S. District Court for the District of Columbia did not provide MARAD relief from the requirements of TSCA. The effective loss of vessel export as a disposal option has lost MARAD the opportunity to take advantage of very cost-effective proposals including some that are at no cost to the government. The Department of Transportation is available to provide technical assistance to the Congress related to possible statutory changes to allow MARAD to have access to an important disposal option and to carry out such disposals.

One year remains in the statutory disposal deadline of September 30, 2006. MARAD first reported to the Congress in 2002 that it was unlikely that MARAD would be able to dispose

of the more than 120 obsolete ships by the deadline due to external impediments that do not allow access to all cost-effective disposal methods and additional competitive ship disposal capacity. Those constraints still exist today, and with the addition of legal challenges to vessel export that began in 2003, the 2006 deadline will not be met. The legal challenges to the PRP/Able UK export contract have effectively suspended the export of vessels containing solid PCBs as a ship disposal option. In addition, the TSCA formal rulemaking process has significantly delayed near term prospects for contract awards resulting from cost-effective export proposals.

Notwithstanding the export challenges, MARAD will continue to investigate all alternatives identified in this report, and others that we may identify, 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.

The progress and momentum gained since FY 2003 need to be sustained to achieve the outcomes identified by the Administration, the Congress, and the States. The award and removal of the majority of MARAD's high priority ships since the start of the Program in 2001 have significantly mitigated the threat of residual oil discharge into the environment. Section 3502 of the National Maritime Heritage Act (P.L. 106-398 signed October 30, 2000) extended the Congressional disposal mandate to September 30, 2006. Section 3502 also listed 39 obsolete ships that posed the most immediate threat to the environment. Of the 39 ships identified in 2000, only three ships that are still considered high priority for disposal have not yet been removed from MARAD's fleets, and one of the three has been awarded for disposal. The other two vessels are on historic hold and are not available for disposal.

While MARAD will continue to pursue all disposal options to ensure the best value disposal decisions, limited funding will result in less utilization of the higher-cost disposal options including domestic dismantling, which is the highest cost of all ship disposal options available. Generally, higher funding levels increase the cost-effectiveness of disposal awards by effectively lowering the unit cost of disposal (i.e., cost per ton) and allowing the Government to take advantage of economies of scale for the disposal of greater numbers of ships.

In FY 2001, six ships were disposed of domestically through contract awards to three different facilities. The final unit costs were approximately \$220 per ton. In FY 2003, the PRP/AbleUK contract involved the export of 13 ships at a unit cost of \$144 per ton, and with the barter provision for title to two additional obsolete ships the total disposal costs for 15 ships was \$104 per ton. In FY 2004, contracts were awarded by MARAD for the disposal of 13 ships at a unit cost of \$118 per ton. This unit cost computation excludes the two vessels which were sold. In FY 2005, the unit cost for the ship disposal, excluding the one vessel sold, was also \$118 per ton. This is a much lower than anticipated cost-per-ton given the fact that it included the disposal of eight SBRF vessels without the benefit of an operational dismantling/recycling facility on the West Coast. The decrease in per ton costs since FY 2001 is attributable to a combination of factors including the increased competition

represented by foreign proposals and domestic contractors, and an increase in the international market price of recyclable steel.

While disposal methodologies such as foreign recycling and artificial reefing present many difficult challenges, the cost-effective, long-term solution to responsible and safe ship disposal must include these disposal alternatives. Without access to all disposal methods the rate of disposal is unlikely to increase beyond the current rate and the costs associated with ship disposal will be unlikely to decrease.

II. PROGRESS OF THE U.S. NAVY'S VESSEL DISPOSAL PROGRAM

Introduction

Pursuant to Division M - Section 102 of House Joint Resolution 2 for the 108th Congress (Public Law 108-7), the Secretary of the Navy and the Secretary of Transportation shall report to the Congressional defense committees regarding the total number of obsolete vessels in the Maritime Administration National Defense Reserve Fleet designated for disposal, the comparative condition of the vessels, the method of disposal, and the projected costs for disposal of each vessel.

Further, pursuant to Section 3502 of the Fiscal Year 2001 Department of Defense Authorization Act (Public Law 106-398), the Secretary of Transportation, in coordination with the Secretary of the Navy, is also required to report on the progress of any other scrapping of obsolete Government-owned vessels.

This portion of the report responds to the Consolidated Appropriation Resolution, 2003 regarding Navy-titled obsolete vessels in the MARAD's National Defense Reserve Fleet, and updates the progress of the U.S. Navy's vessel disposal program that was addressed in the May 2005 report to Congress released by the Secretary of Transportation.

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

The total number of Navy-titled vessels that are designated for disposal and that are remaining in MARAD National Defense Reserve Fleet (NDRF) facilities is 10. Table A provides information regarding the method of disposal and projected cost of these vessels.

Accomplishments Since May 2005

Domestic Ship Dismantling:

The Navy continues to execute its strategy of utilizing multiple ship disposal methodologies to reduce the size of the inactive ship inventory, including foreign military sales, ship donations, experimental/target use, and domestic ship dismantling. In addition, Public Law 108-136 provides authority for the Navy to transfer vessels stricken from the Naval Vessel Register directly to a State, Commonwealth, possession of the United States, municipal corporation, or political subdivision for use as an artificial reef.

Since May 2005, three additional ships have been completely dismantled and recycled under the Navy's Ship Disposal Project contracts. As fiscal year 2004 was the last year of the five-year Indefinite Delivery/Indefinite Quantity (IDIQ) contract originally awarded on September 29, 1999, no additional task orders had been awarded in FY05 until a new competitive IDIQ contract was awarded on July 29, 2005. Table B highlights the status of task orders under the Navy's Ship Disposal Project contracts that were competitively awarded on a best value basis since September 1999. This program enables the Navy to continue reducing its inventory of stricken ships, as expected in Senate Armed Services Committee report 107-62 of 12 Sep 01, while ensuring that ship dismantling will be completed in a timely and cost effective manner, and remaining in compliance with all environmental and occupational safety laws and regulations.

A total of three new Ship Disposal Project contracts was awarded on July 29, 2005 with one ship each awarded to International Shipbreaking Limited and ESCO Marine Incorporated, for ship dismantling in Brownsville, TX, and to Metro Machine Corporation for ship dismantling in Philadelphia, PA. Each contract is a five-year IDIQ contract with only the initial ship guaranteed. The initial task orders are firm-fixed-price at the net cost of production, with an award fee for superior environmental and safety performance. Follow-on task orders for additional ship dismantling will be competed between the three IDIQ contractors by the Navy Supervisor of Shipbuilding, Conversion and Repair USN (SUPSHIP) Bath, ME, the administrating contract office.

On September 9, 2005, SUPSHIP Bath competitively awarded five additional ships for dismantling, two to ISL, two to ESCO and one to MMC. Table C highlights the status of task orders under the new Ship Disposal Project contracts that were awarded in July 2005. Table C highlights the status of task orders under the new Ship Disposal Project contracts that were awarded in July 2005.

Navy Sink Exercises

Since May 2005, nine additional ships and craft¹ have been environmentally prepared and sunk during Fleet at-sea live-fire training exercises in water depths of at least 6,000 feet and at least 50 miles from land, in accordance with Title 40 Code of Federal Regulations Section 229.2.

Artificial Reefing

In December 2004, the Navy completed the environmental preparation of ex-Oriskany (CVA 34) in conformance with EPA's draft Best Management Practices for Preparing Vessels Intended to Create Artificial Reefs. The ship was towed from Corpus Christi, TX to the Port of Pensacola, FL pending completion of ecological and human health risk assessment reports supporting issuance of a risk-based PCB disposal approval by EPA Region IV for the solid PCB containing materials remaining onboard (e.g., electrical cable insulation, various rubber products). However, the schedule was delayed for completion of the Prospective Risk Assessment Model (PRAM) and ex-Oriskany ecological and human health risk assessments, and EPA's internal and external peer reviews, affecting the timeline for EPA Region IV issuance of a risk-based PCB disposal approval for ex-Oriskany. The Navy decided to temporarily move the ex-Oriskany to MARAD Beaumont, TX to safeguard both the Port and the ship during the 2005 hurricane season. The ex-Oriskany will remain at MARAD Beaumont, TX pending EPA Region IV issuance of a risk-based PCB disposal approval.

The Navy has submitted all documentation to EPA Region IV related to the Prospective Risk Assessment Model (PRAM), a computer simulation model that predicts the ecological and human health risk of solid PCB containing materials built into the construction of a vessel. Review of PRAM by EPA internal reviewers as well as the external Science Advisory Board is necessary for EPA to advise Navy on issuance of the risk based disposal approval for ex-Oriskany. This effort is currently ongoing.

¹ Inactive ships sunk during Fleet at-sea live-fire training exercises since May 2005 include ex-America (CV 66), ex-Guadalcanal (LPH 7), ex-Mount Vernon (LSD 39), ex-William H. Standley (CG 32), ex-Elliot (DD 967), ex-Fife (DD 991), ex-Oldendorf (DD 972), ex-Briscoe (DD 977) and ex-Deyo (DD 989).

Remaining Inventory

As of August 28, 2005, the Navy's inventory of inactive conventionally powered ships was 75, including 16 retention assets for possible future reactivation, 5 logistic support assets held for extended Fleet stripping, and 54 ships designated for disposal by Foreign Military Sales transfer, ship donation for public display, Navy sink exercise, domestic dismantling, or artificial reefing.

Planned Activities

Domestic Ship Dismantling

In August 2005, the Navy solicited proposals under its IDIQ contracts for the dismantling of eight additional ships. Proposals are due from the three IDIQ contractors on 7 Sep 05 with price quotes valid for 180 days. This allows additional task orders to be awarded in FY05 and/or FY06 based on availability of funding.

Navy Sink Exercises

The Navy will continue to environmentally prepare ships stricken from the Naval Vessel Register for Fleet at-sea, live-fire training exercises and in support of new ship acquisition programs. Approximately eight ships per year are utilized for these purposes.

Artificial Reefing

The Navy continues to work with EPA Region IV to complete the requirements necessary to obtain a risk-based PCB disposal approval for the reefing of ex-ORISKANY. Remaining actions include EPA Region IV's completion of its peer reviews of the Prospective Risk Assessment Model (PRAM) and ex-Oriskany ecological and human health risk assessments, Navy revision of the documentation as necessary, participation in EPA Region IV's public comment period and public meeting, EPA Region IV's issuance of the risk-based PCB disposal approval, completion of the final sink preparations on the ship, and execution of the ship scuttling plan with USCG and State of Florida participation. Additionally, the Navy will be working with EPA to develop a national risk-based PCB disposal approval process to allow the sinking of additional ships as artificial reefs. Currently, the Navy has identified 12 additional ships that could potentially be donated to States for use as artificial reefs.

Navy/MARAD cooperation

The Navy and MARAD are also engaging in cooperative strategies addressing their respective inactive ship inventories and are meeting at regular intervals to share lessons learned on ship disposal programs. Ongoing initiatives include:

- Navy and MARAD are executing a Memorandum of Agreement that supports MARAD with on-site contract surveillance where Navy and MARAD both have ship dismantling contracts in place with the same contractor.
- Navy and MARAD are executing a Memorandum of Agreement where Navy provides turn-key environmental preparation on a reimbursable basis for former Navy ships that can be used in Navy sink exercises. In 2003, Navy accomplished environmental preparations for SINKEX on ex-GAGE (APA 168) for MARAD. MARAD has recently accepted Navy cost estimates for the environmental preparations for SINKEX on three additional MARAD ships,

ex-MAUNA KEA (AE 22), ex-MONTICELLO (LSD 35) and ex-PYRO (AE 24) located at MARAD Suisun Bay, CA.

- H.R. 1815 Section 3505 (FY06 National Defense Authorization bill) would provide MARAD with the authority to transfer during FY06 no fewer than four obsolete combatant vessels to the Navy for disposal, subject to the availability of Department of Transportation appropriations and consistent with section 1535 of title 31, United States Code, popularly known as the Economy Act. MARAD will identify the four ships, which will be competed for dismantling under the Navy's IDIQ contracts for ship dismantling.

Conclusions

As addressed in the Navy's August 10, 2001 Report to Congress on the Disposal and Scrapping of Stricken U.S. Navy Ships, the Navy remains committed to reducing and eliminating any environmental risks posed by its inactive ships, and to reducing the size of the inactive ship inventory utilizing multiple ship disposal methodologies (i.e., foreign military sale transfers, ship donations, experimental/target use, title transfers to MARAD, domestic ship dismantling, and artificial reefing) that are most advantageous to the Navy, while also evaluating additional options for ship disposal.

Delaying ship disposal creates unnecessary risks and increases life cycle costs as inactive ships designated for disposal continue to deteriorate with age and the cost to maintain them increases. However, the Navy cannot sustain full utilization of all available ship disposal methodologies with limited future budgets for ship disposal and is therefore decreasing its emphasis on ship dismantling, which is the highest cost of all ship disposal options available, as the capability to execute ship artificial reefing is developed for additional ships beyond ex-ORISKANY.

III. APPENDICES

Table A – Navy-Titled Obsolete Vessels in the MARAD National Defense Reserve Fleet designated for disposal

Ship	Location	Method of Disposal	Projected Cost of Disposal
AFDM 2 drydock	MARAD Beaumont, TX	H.R. 1815 Section 1013 (FY06 National Defense Authorization bill) proposes to grant AFDM 2 to the Port of Port Arthur, TX	\$0
Fox (CG 33)	MARAD Beaumont, TX	Solicited for ship dismantling. Price proposals are due on 7 Sep 05.	TBD
Gallup (PG 85)	MARAD Beaumont, TX	Navy Sink Exercise or artificial reefing	\$250,000
Oriskany (CVA-34)	MARAD Beaumont, TX	Navy artificial reefing	\$4,000,000
Triumph (AGOS 1)	MARAD Suisun Bay, CA	Transfer to another Navy activity for use as a training vessel	\$0
Jouett (CG 29)	MARAD Suisun Bay, CA	Navy Sink Exercise	\$750,000
Horne (CG 30)	MARAD Suisun Bay, CA	Navy Sink Exercise	\$750,000
Proteus (IX 518)	MARAD Suisun Bay, CA	Navy Sink Exercise or artificial reefing	\$800,000
New Orleans (LPH 11)	MARAD Suisun Bay, CA	Navy Sink Exercise	\$800,000
Fort Fisher (LSD 40)	MARAD Suisun Bay, CA	Navy Sink Exercise	\$400,000

I. Notes:

- (1) Ships designated for Navy sink exercise or artificial reefing may also be placed under contract for domestic ship dismantling based on availability of funding and determination of the disposition that is most advantageous for the Navy for the purpose of inactive ship inventory reduction.
- (2) Ex-Oriskany was towed from Pensacola to MARAD Beaumont, TX in Jun 05 to avoid the 2005 hurricane season in Pensacola. This ship will be removed from MARAD Beaumont, TX upon EPA Region IV issuance of a risk-based PCB disposal approval.

Table B – Ship Disposal Project Task Order Status – FY99 Contract

Ship	Contractor	Awarded	Completed	Final Net Cost to Navy	Cost per ton
Blakely (FF 1072)	Metro Machine Corp., Philadelphia, PA	Sep 1999	Sep 2000	\$5,172,449	\$1,592
Paterson (FF 1061)	Baltimore Marine Industries, Baltimore, MD	Sep 1999	Jun 2000	\$4,385,074	\$1,349
Bagley (FF 1069)	International Shipbreaking Ltd., Brownsville, TX	Sep 1999	Sep 2000	\$2,997,529	\$922
Lockwood (FF 1064)	Ship Dismantlement and Recycling Joint Venture (VSE Corp./Earth Tech), San Francisco, CA	Sep 1999	Aug 2000	\$3,385,985	\$1,042
Voge (FF 1047)	Metro Machine Corp.	May 2000	Jan 2001	\$2,614,337	\$968
Gray (FF 1054)	Ship Dismantlement and Recycling Joint Venture (VSE Corp./Earth Tech)	May 2000	Aug 2001	\$2,922,153	\$899
Cochrane (DDG 21)	International Shipbreaking Ltd.	Nov 2000	Oct 2000	\$2,268,025	\$687
Biddle (CG 34)	Metro Machine Corp.	Dec 2000	Jan 2002	\$3,700,814	\$661
Lot of seven minesweepers	Baltimore Marine Ind.	Dec 2000	Feb 2002	\$3,825,039	\$869
Meyerkord (FF 1058)	Ship Dismantlement and Recycling Joint Venture (VSE Corp./Earth Tech)	Dec 2000	Sep 2001	\$2,925,127	\$900
Lang (FF 1060)	Ship Dismantlement and Recycling Joint Venture (VSE Corp./Earth Tech)	Jan 2001	Sep 2001	\$2,924,651	\$900
Harry E. Yarnell (CG 17)	Metro Machine Corp.	Feb 2001	Apr 2002	\$3,302,625	\$590
Hewitt (DD 966)	International Shipbreaking Ltd.	Tow Aug 2001 Scrap Nov 2001	Nov 2002	\$3,144,520	\$524
Edward McDonnell (FF 1043)	Metro Machine Corp.	Dec 2001	Jul 2002	\$2,272,377	\$842
Claude V. Ricketts (DDG 5)	Metro Machine Corp.	Dec 2001	Oct 2002	\$2,702,506	\$819

Coontz (DDG 40)	Metro Machine Corp.	Feb 2002	Apr 2003	\$3,376,077	\$650
Francis Hammond (FF 1067)	International Shipbreaking Ltd.	Feb 2002	Jan 2003	\$1,436,224	\$442#
Preble (DDG 46)	Metro Machine Corp.	Mar 2002	Jan 2003	\$3,377,173	\$532
Halsey (CG 23)	International Shipbreaking Ltd.	Nov 2002	Nov 2003	\$2,933,079	\$500#
Mahan (DDG 42)	Baltimore Marine Ind.	Jan 2003	Jul 2004 +	\$3,141,501	\$603
Sampson (DDG 10)	Metro Machine Corp.	Feb 2003	Oct 2003	\$2,818,980	\$854
England (CG 22)	International Shipbreaking Ltd.	Sep 2003	Oct 2004	\$1,097,851	\$187
Sellers (DDG 11)	Metro Machine Corp.	Sep 2003	Sep 2004	\$2,455,863	\$744
MacDonough (DDG 39)	Metro Machine Corp.	Sep 2003	Sep 2004	\$3,020,864	\$580
Roarke (FF 1053)	International Shipbreaking Ltd.	Oct 2003	Oct 2004	\$1,466,295	\$451
Gridley (CG 21)	International Shipbreaking Ltd.	Nov 2003	Feb 2005	\$1,857,478	\$399#
Lawrence (DDG 4)	Metro Machine Corp.	Nov 2003	Oct 2004	\$2,572,898	\$780
Luce (DDG 38)	Metro Machine Corp.	Mar 2004	Jun 2005	\$2,784,842	\$535
Aubrey Fitch (FFG 34)	Metro Machine Corp.	May 2004	May 2005	\$1,757,021	\$603
Leahy (CG 16)	International Shipbreaking Ltd.	Jul 2004	Jul 2005	\$1,948,000	\$348#

+ Due to the bankruptcy of Baltimore Marine Industries, the contract has been terminated for default and the ex-Mahan task order has been re-awarded to Metro Machine Corp. for dismantling in Philadelphia.

Towing accomplished by Navy assets, not part of contract cost.

Table C – Ship Disposal Project Task Order Status – FY05 Contract

Ship	Contractor	Awarded	Completed	Net Cost to Navy	Cost per ton
Sterrett (CG 31)	International Shipbreaking Ltd., Brownsville, TX	Jul 2005	Pending tow	\$2,784,982*	\$416*
Barney (DDG 6)	Metro Machine Corp.	Jul 2005	In Progress	\$1,419,924*	\$478*
Dahlgren (DDG 43)	ESCO Marine, Inc.	Jul 2005	Pending tow	\$1,197,395*	\$239*
John Rodgers (DD 983)	International Shipbreaking Ltd.	Sep 2005	Pending tow	\$1,867,580	\$283
Farragut (DDG 37)	International Shipbreaking Ltd.	Sep 2005	Pending tow	\$2,074,275	\$415
Oliver Hazard Perry (FFG 7)	Metro Machine Corp.	Sep 2005	Pending tow	\$2,515,714	\$839
Seattle (AOE 3)	ESCO Marine, Inc	Sep 2005	Pending tow	\$1,385,726	\$127
Detroit (AOE 4)	ESCO Marine, Inc	Sep 2005	Pending tow	\$1,785,726	\$164

* Firm-fixed price award cost. Additionally, contractors are eligible for \$150,000 award fee for superior environmental and safety performance.