

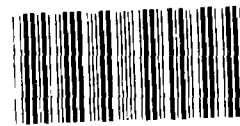
GAO

Fact Sheet for the Chairman, Committee
on Merchant Marine and Fisheries,
House of Representatives

August 1987

SHIP MAINTENANCE

Foreign Commercial Shipyard Repairs to U.S. Government Ships



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

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August 21, 1987

The Honorable Walter B. Jones
Chairman, Committee on Merchant Marine and Fisheries
House of Representatives

Dear Mr. Chairman:

In your February 20, 1987, letter you asked us to determine the number and value of contracts awarded to foreign commercial shipyards to repair vessels owned or operated by the U.S. government in the last 5 years. We also agreed to provide readily available data for overseas ship repair facilities that are operated by the Navy but are not foreign commercial shipyards.

We identified six agencies that own or operate vessels, and asked each of them to provide us cost data for repairs done by foreign commercial shipyards for the past 5 years, 1983 to May 1987. Three of them--the United States Customs Service, the National Oceanic and Atmospheric Administration, and the Coast Guard--reported no such expenditures over the period. The Maritime Administration reported four instances of minor emergency repairs in Italy, Germany, Spain, and the Netherlands that totaled about \$20,360.

The Navy reported foreign commercial shipyard repair expenditures of about \$154.1 million from 1983 through May 1987, which are listed by location and fiscal year in appendix I. The Navy also reported an additional \$62.6 million in cost for repairs to Military Sealift Command (MSC) ships from 1984 through 1986 (see app. II). MSC repair data for 1983 and 1987 were not readily available. We did not attempt to determine the type or classes of ships repaired under these contracts. In addition, the Pacific Fleet provided data that showed that from 1983 through May 1987 repair work performed at Navy ship repair facilities in Guam, Subic Bay (Philippines), and Yokosuka (Japan) totaled about \$879.5 million (see app. IV).

Representatives of the Office of the Secretary of Defense and the Navy noted that the total expenditure for repairs in foreign commercial shipyards is a small fraction of the Navy's ship maintenance and modernization expenditures. For example, the Navy's total expenditures under foreign commercial shipyard contracts were less than 2 percent of the Navy's 1986 funds for depot maintenance and modernization.

According to Navy officials, foreign commercial shipyard repairs become necessary when a ship underway develops emergency problems that must be repaired so it can continue to operate. Lesser problems that emerge while a ship is underway (emergent or voyage repairs) may be scheduled to be fixed in a foreign shipyard while the ship is in port. Foreign shipyards also are used when the Navy's three overseas ship repair facilities are overloaded with work.

The Army's foreign ship repair expenditures from 1982 through 1986 were about \$2.1 million and are shown by country and fiscal year in appendix III. According to the Army, it is necessary to use foreign shipyards because of the logistics required to bring a deployed vessel back to the United States for repairs. The Army noted that such repairs are also necessary to maintain operational readiness standards when repairs cannot be performed in a timely manner at the Navy's overseas repair facilities. The Army stated that if foreign shipyard repairs were to be prohibited, additional watercraft and crews would be needed so that replacements could be "on station" when watercraft are returned to the United States for overhaul or repair. Additional Army comments on repairing its vessels in foreign commercial shipyards are included in appendix III.

We performed this work from April to June 1987 in the Washington, D.C., area. We obtained documentation associated with foreign shipyard repairs from each of the agencies and interviewed agency officials as appropriate.

Department of Defense and Navy officials reviewed a draft of this fact sheet for accuracy and completeness. Minor changes they suggested to the tables in the appendixes were incorporated as appropriate.

Copies of this fact sheet are being sent to the Secretaries of Defense, the Navy, the Army, Transportation, Treasury, and Commerce. We will also make copies available to others upon request.

Sincerely yours,



John Landicho

Senior Associate Director

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ABBREVIATIONS

SRF	ship repair facility
MSC	Military Sealift Command
CONUS	continental United States

NAVY SHIP REPAIRS IN FOREIGNCOMMERCIAL SHIPYARDS

The number and value of contract actions (including modifications and change orders) for emergency and emergent (voyage) repairs to Navy ships in foreign commercial shipyards from 1983 through May 27, 1987 are shown in table I.1. The data are only for contract actions over \$25,000 and do not include any repair costs from three Navy-operated overseas ship repair facilities (see app. IV) or for repairs made to MSC ships (see app. II).

The Navy noted that the increase shown for Japan in 1986 is largely a result of extensive work on the aircraft carrier U.S.S. Midway, which is homeported in Yokosuka, Japan, and a devaluation of the U.S. dollar against the Japanese yen. The information in table I.1 was supplied by the Naval Supply Systems Command in response to our request. We did not verify it.

Table I.1: Foreign Shipyard Repairs for Navy Ships

Location	No. of contract actions ^a	Fiscal years					Total
		1983	1984	1985	1986	1987 ^b	
----- (000 omitted) -----							
Bahrain	66	\$ 1,296	\$ 669	\$ 911	\$ 614	\$ 730	\$ 4,220
Bermuda	-	60	-	-	-	-	60
France	104	263	1,325	1,422	3,078	2,252	8,340
Greece	2	798	146	-	-	-	944
Iceland	5	-	272	-	-	-	272
Israel	2	-	67	-	-	-	67
Italy	155	1,294	1,192	1,275	3,761	3,077	10,599
Japan	619	13,974	13,577	7,140	46,748	9,737	91,176
Korea	-	1,592	-	-	-	-	1,592
Norway	1	-	-	-	-	100	100
Pakistan	3	-	67	323	-	-	390
Paracel Is.	1	-	-	66	-	-	66
Philippines	22	1,381	3,508	992	35	2,462	8,378
Rep. of China	1	-	-	-	75	-	75
Spain	32	250	467	1,188	219	87	2,211
Tokelau Is.	6	-	480	-	-	-	480
Turkey	24	204	293	1,100	570	565	2,732
Arab Emirates	13	-	-	248	271	186	705
United Kingdom	62	4,877	8,833	4,588	2,640	663	21,601
Virgin Islands(GB)	0	118	-	-	-	-	118
Total	1,118	\$26,107	\$30,896	\$19,253	\$58,011	\$19,859	\$154,126
	=====	=====	=====	=====	=====	=====	=====

^a For fiscal years 1984-87, fiscal year 1983 information was not readily available.

^b Through May 27, 1987.

MILITARY SEALIFT COMMAND SHIP REPAIRS
IN FOREIGN COMMERCIAL SHIPYARDS

Table II.1 shows foreign commercial shipyard repair costs as reported by MSC for its ships from 1984 through 1986 (1983 and 1987 data were not readily available). The number of contract actions for fiscal years 1984 through 1986 is also shown by location in the table. The information was supplied by MSC in response to our request. We did not verify it.

Table II.1: Foreign Shipyard Repairs for MSC Ships

<u>Location</u>	<u>No. of contract actions</u>	<u>Fiscal years</u>			<u>Total</u>
		<u>1984</u>	<u>1985</u>	<u>1986</u>	
----- (000 omitted) -----					
Canada	5	\$ -	\$ 7,790	\$ -	\$ 7,790
Denmark	1	-	20	-	20
France	20	-	655	637	1,292
Greece	3	1,152	-	-	1,152
Israel	5	159	10	3	172
Italy	57	548	304	516	1,368
Ivory Coast	5	-	33	82	115
Japan	64	6,067	14,008	11,108	31,183
Kenya	19	-	131	178	309
Korea	6	723	-	2,383	3,106
Malaysia	14	235	47	-	282
Neth. Antilles	4	-	420	-	420
Philippines	16	120	-	3,641	3,761
Portugal	7	-	3,905	1,195	5,100
Senegal	1	-	-	3	3
Sicily	13	-	56	-	56
Singapore	5	a	-	2,653	2,653
Spain	30	-	898	2,346	3,244
United Kingdom	8	245	304	12	561
Other	11	-	25	-	25
Total	294	\$9,249	\$28,606	\$24,757	\$62,612
	===	=====	=====	=====	=====

^a Actual figure is less than \$500.

In its response to our request, MSC noted that:

"The work done on MSC ships overseas is necessary to keep these ships in reliable operating condition and assure continued certification as required. In the Far East, Navy Ship Repair Facilities are utilized, if available, before commercial sources are solicited. The ability to utilize foreign repair facilities other than for emergency repairs allows MSC to meet its worldwide mission requirements with the existing fleet. This is especially true of the Fleet Auxiliary Force and special mission ships on extended deployments overseas. Inability to continue overseas Maintenance and Repair work would have a severe adverse impact on MSC's mission performance for ships deployed overseas."

MSC also noted that it charters ships and that it neither controls where such ships are repaired nor, in most cases, pays for the repairs. The ship owners are responsible for maintenance and repair. Thus, the data on repairs to chartered ships were not available to MSC to be included in the MSC figures.

U.S. ARMY VESSEL REPAIRS IN
FOREIGN COMMERCIAL SHIPYARDS

Table III.1 shows foreign commercial shipyard repairs as reported by the Army for its vessels from 1982 to 1986. The information was supplied by the Army in response to our request. We did not verify it.

Table III.1: Foreign Shipyard Repairs for Army Vessels

Country	Fiscal years					Total
	1982	1983	1984	1985	1986	
England	\$ 91,500	\$177,000	\$194,400	\$246,400	\$ -	\$ 709,300
Japan	-	-	246,500	-	-	246,500
Korea	30,200	54,500	486,400	372,200	20,200	963,500
Portugal	-	-	-	-	109,000	109,000
Singapore	-	-	-	-	58,000	58,000
Total	\$121,700	\$231,500	\$927,300	\$618,600	\$187,200	\$2,086,300

In its response, the Army provided the following reasons for continuing to use foreign commercial shipyards for certain repairs:

- Most Army watercraft located overseas are not near Navy overseas ship repair facilities, thus making it essential to use foreign commercial shipyards.
- If inspection/repair work on three large Army tugboats stationed in the Azores were required to be done in the United States, the vessels would have to sail 2,400 miles across the open north Atlantic Ocean, a 9-day trip one way. This would be an unnecessary hazard for the vessels and crews.
- Army watercraft deployed outside the continental United States (CONUS) during exercises or limited missions have always been deployed so that scheduled cyclic maintenance and drydocking occur inside CONUS. Once a ship is overseas, it may be necessary to perform (1) unscheduled maintenance at foreign commercial shipyards to insure safety of ship and personnel and to meet mission objectives and (2) scheduled and unscheduled maintenance for vessels on extended overseas deployment to avoid degrading mission support to various commands.

- Acquisition strategy for Army watercraft is based on availability of commercial repair facilities worldwide. Only limited repairs are performed by a vessel's crew members, thus reducing crew size. This allows purchase of commercial design watercraft, which results in considerable savings to the government. The support concept additionally reduces the burden on force structure requirements.

- Watercraft in the prepositioned fleet are of major concern because routine servicing and repair are required to maintain operational readiness standards. These repairs cannot always be performed in a timely manner at overseas naval installations. Returning watercraft to CONUS would leave the supported Commander in Chief without mission capability for several months. Also, if CONUS repairs were mandated, it would be necessary to buy more watercraft and to add more crews so that replacements are available when watercraft are returned to CONUS for overhaul or repair.

REPAIR EXPENDITURES BY THE NAVY'S
OVERSEAS SHIP REPAIR FACILITIES

The expenditures for fiscal years 1983 through 1987 for the Navy-operated ship repair facilities in Guam; Subic Bay, Philippines; and Yokosuka, Japan, are shown in table IV.1. The data were supplied by the Naval Logistics Command, Pacific Fleet, in response to our request. We did not verify it. Subic Bay information includes work contracted by the U.S. Navy Office, Singapore.

Table IV.1: Expenditures by the Navy's Overseas Ship Repair Facilities

<u>Ship repair facility</u>	<u>Fiscal years</u>					<u>Total</u>
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987^a</u>	
	----- (millions) -----					
Yokosuka	\$ 62.5	\$ 68.0	\$ 41.3	\$ 37.0	\$ 54.6	\$263.4
Subic Bay	78.4	67.0	64.6	71.1	69.1	350.2
Guam	<u>45.2</u>	<u>66.0</u>	<u>60.0</u>	<u>50.0</u>	<u>44.7</u>	<u>265.9</u>
Total	\$186.1 =====	\$201.0 =====	\$165.9 =====	\$158.1 =====	\$168.4 =====	\$879.5 =====

^a Estimate for the fiscal year as of May 1987.

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