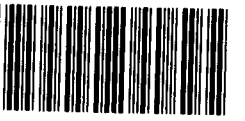
United States General Accounting Office 144350

# GAO

# Testimony



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## Part of the National Defense Reserve Fleet Is No Longer Needed

Statement of
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National Security and International
Affairs Division

Before the
Subcommittee on Merchant Marine, Committee on
Merchant Marine and Fisheries
and the
Subcommittee on Regulation, Business Opportunitie
and Energy, Committee on Small Business
House of Representatives

Mr. Chairmen, Members of the Subcommittees:

I am Brad Hathaway, an Associate Director in the National Security and International Affairs Division of GAO. I am accompanied today by Mr. Robert Eurich and Mr. Joseph Walsh of our office. We are pleased to appear before you today to discuss the viability of the older ships in the National Defense Reserve Fleet and the Maritime Administration's management of them. My remarks will be limited to those ships that are currently being retained because they are still considered militarily useful by the Maritime Administration (MARAD) and the Department of Defense (DOD).

As you know, our review was conducted at your requests as the Chairman of the Subcommittee on Merchant Marine and as Chair and Ranking Minority Member of the Subcommittee on Regulation, Business Opportunities, and Energy. Our review results were given to DOD and MARAD in a draft report for their official agency comments, and we expect to issue our final report later this summer.

Our testimony today notes that while the older ships in the Reserve Fleet probably could be activated, there are questions about the continued need for all of these ships. We discuss matters for congressional consideration and recommend that you direct the Secretary of Transportation (through MARAD) to sell-off most of the older ships in the fleet as soon as practicable. Sales proceeds could be used to improve that part of the fleet that has been, and will continue to be, a more valuable asset--the Ready Reserve

Force. If Congress chooses instead to continue reliance on the older ships, we recommend that you direct the Maritime Administrator to take steps to better maintain them. Better maintenance would help ensure that these ships could continue to be relied upon as viable emergency sealift assets.

## TWO COMPONENTS OF THE RESERVE FLEET

A brief explanation of the Reserve Fleet's makeup will be helpful for you to understand our findings. At one time there were over 2,000 Reserve Fleet ships at eight different anchorages along the Atlantic, Gulf, and Pacific coasts. Since 1946, a very large number of these ships have been sold for scrap, traded for other vessels, or used for purposes not related to transportation. Today, the Reserve Fleet comprises 212 ships which are being retained to meet national emergencies.

Since 1976 the Reserve Fleet has been divided into two components.

-- One component--the Ready Reserve Force, or "RRF,"--includes 96 ships that are to be routinely maintained so that they can be activated in 5, 10, or 20 days. Seventy-eight of the RRF ships were activated to help deploy and resupply U.S. forces during the recent Persian Gulf crisis. The Department of Defense goal is to increase the size of the RRF to 142 ships by 1994.

-- The other component now has 116 ships: 71 Victory-class ships built during World War II and 45 others of varying ages. These ships are mostly anchored at three fleet sites located in James River, Virginia; Beaumont, Texas; and Suisun Bay, California. We have coined the term "non-RRF ships" to refer to these ships. The non-RRF ships receive far less maintenance than RRF ships and would require much longer activation times--between 30 and 120 days. Because of their physical appearance, the non-RRF ships are often referred to as "rust buckets." Our display board indicates[1] that these ships' exteriors are sometimes quite rusty, but their appearance may be deceiving.

## 1980s UPGRADES TO SEALIFT CAPABILITIES

The 1976 establishment of the RRF was but the beginning of a program to improve sealift assets. During the 1980s DOD spent over $7 billion to improve military sealift capabilities. These expenditures provided funding for improvements or expansions of U.S. organic sealift assets. Key increases in sealift capabilities included the following:

-- A 25-ship prepositioned force (costing almost $4.2 billion) was deployed. This force includes 13 Maritime Prepositioning Ships, which are grouped into three squadrons. Each squadron is capable of equipping and supplying a Marine Expeditionary

[1] Copies of the display boards are at the end of our statement.

Brigade of about 16,500 combat Marines. Another 12 ships constitute the Afloat Prepositioning Ships, which carry Army and Air Force equipment and supplies and a Navy field hospital. Supplies from some of these ships were the first to arrive in Saudi Arabia during the Persian Gulf crisis.

-- Eight Fast Sealift Ships (costing about $827 million) were acquired. These ships are large (almost as big as aircraft carriers) fast (up to 33 knots) converted container ships modified to a roll-on/roll-off configuration and especially suited to transport Army unit equipment such as tanks, large vehicles, and helicopters. They are maintained in a reduced operating status with a partial crew, allowing activation in 4 days or less.

-- Two aviation logistics support ships and two hospital ships were acquired, and 10 crane ships were converted (costing about $717 million).

-- Perhaps most relevant to the topic we are discussing today, the RRF was expanded to the current 96 ships (costing about $1 billion). The increase was accomplished by the direct purchase of ships no longer needed by commercial ship operators, the exchange of scrap Reserve Fleet ships for obsolete commercial ships, and the acquisition of ships formerly operated by the Navy. MARAD has been using the sale of obsolete non-RRF

vessels, together with direct appropriations, to acquire ships for the RRF. Since the establishment of the RRF in 1976, 13 ships have been added to this force through trade-outs of non-RRF ships.

## QUESTIONABLE NEED FOR ALL RESERVE SHIPS

The U.S. deployment to Saudi Arabia during the Persian Gulf crisis was the largest concentrated sealift activity since World War II. General Johnson of the Transportation Command put it this way: "Never before in history has any nation transported so much, so far, so fast." But, the non-RRF ships in the Reserve Fleet were not needed.

We believe these ships were excluded for varying and sound reasons. For example, at different times during the different phases of the troop buildup, Defense officials had to weigh the most likely duration of the war against the extended amount of time and expense it would have taken to activate appreciable numbers of non-RRF ships. Other factors that were taken into consideration are what we refer to as the "technological limitations" of the non-RRF ships themselves. These limitations include the ships' relatively smaller size, slower loading and transit speeds, larger crew sizes, and older propulsion systems in comparison with the majority of ships in the RRF. The ready availability of privately owned U.S.

and foreign commercial ships was another factor that negated the need for non-RRF ships in the Persian Gulf war.

Because of their specific technological limitations, it is difficult to envision when the non-RRF ships would be needed. In a sudden regional conflict there would likely not be time to activate the non-RRF ships. In a longer regional conflict it seems likely that sufficient resupply sealift would be available on commercial U.S. container ships, as was the case after initial deployments to the Persian Gulf. These commercial ships would also be assisted in resupply missions by RRF ships and other government-owned and controlled cargo ships after they deployed combat forces. Finally, the probability of a prolonged, global conventional war--which could include large losses of merchant ships--appears to be lower now than it has been since the Reserve Fleet was first formed in 1946.

Because of the questionable need for the non-RRF ships, we recommend selling as soon as practicable, ships within the Reserve Fleet that are not being held for future upgrade to the RRF or for other specific purposes. Sale proceeds could be used to help improve or expand the RRF. The amount of the proceeds would, of course, depend on a number of factors. The number of ships which might be sold and the timing of the sales would be affected by market conditions. During the past four years, MARAD has sold such vessels for between $132 and $66 per ton. Unrestricted sales to

the highest bidder would yield greater revenues than would sales restricted to domestic firms. Our review of offer files showed that domestic firms have consistently bid much lower that foreign firms. The most recent sale had a high foreign bid of $76 a ton while the high domestic bid was $41.60 a ton.

NON-RRF SHIPS CAN PROBABLY BE ACTIVATED

You requested us to determine if the non-RRF ships were still a viable sealift asset. This objective was a critical part of our assignment, for it really didn't matter whether MARAD was administering the non-RRF ships perfectly, if we decided they could not be activated at all. However, such was not the case.

To illustrate this point, I refer you to the second of our display boards, which shows a before and after photograph of the Hattiesburg Victory (one of the two non-RRF ships test activated in 1985). As you can see, there was a lot of surface rust on this ship before she had topside repairs as part of the activation. However, a substantial amount of equipment and parts had been stored below deck in areas protected from excessive humidity, and low currents of electricity had been used to protect the underwater portion of the hull. She was successfully activated in 108 days at a cost of about $2 million.

Assisted by marine surveyors from the American Bureau of Shipping and MARAD, we conducted limited physical inspections of selected non-RRF ships at all three fleet sites. On the basis of our physical inspections, our review of previous ship inspection studies, and the 1985 test activation of two Victory ships, we concluded that despite their poor physical appearance, the non-RRF ships probably could be activated if necessary.

## SHIP MAINTENANCE AND MANAGEMENT IMPROVEMENTS NEEDED

You also asked us to review MARAD's overall management of the non-RRF ships in the Reserve Fleet. Our own inspections and review of ship records lead us to conclude that MARAD would need to spend additional money and apply additional management attention in four areas if non-RRF ships are to continue to be relied upon as viable sealift assets. MARAD would need to:

-- ensure that proper dehumidification procedures are carried out regularly on the ships.

-- better control shipboard spare parts.

-- develop and maintain ship condition data to justify decisions on which ships should be activated first--or conversely, which ships should be scrapped first--and also develop written criteria and procedures for ship disposal.

-- maintain current information on the available pool of mariners that could be drawn upon in an emergency to crew the non-RRF ships.

Our findings are not new. For example, although corrective actions to remedy maintenance deficiencies were recommended by independent marine surveyors in 1983 and MARAD's own personnel in 1985, we found that effective actions had not been taken to correct such conditions. Our report will point out that officials cite the lack of funding and lower priority for non-RRF ships compared with RRF ships as the principal reasons corrective actions were not taken.

Specific information about our findings as well as specific recommendations to help remedy these conditions are contained in our draft report and will be included in our final report to you later this summer. We will also include information on other, specific management actions and programs that you requested we review.

This concludes our prepared statement. I would be pleased to answer questions at this time.

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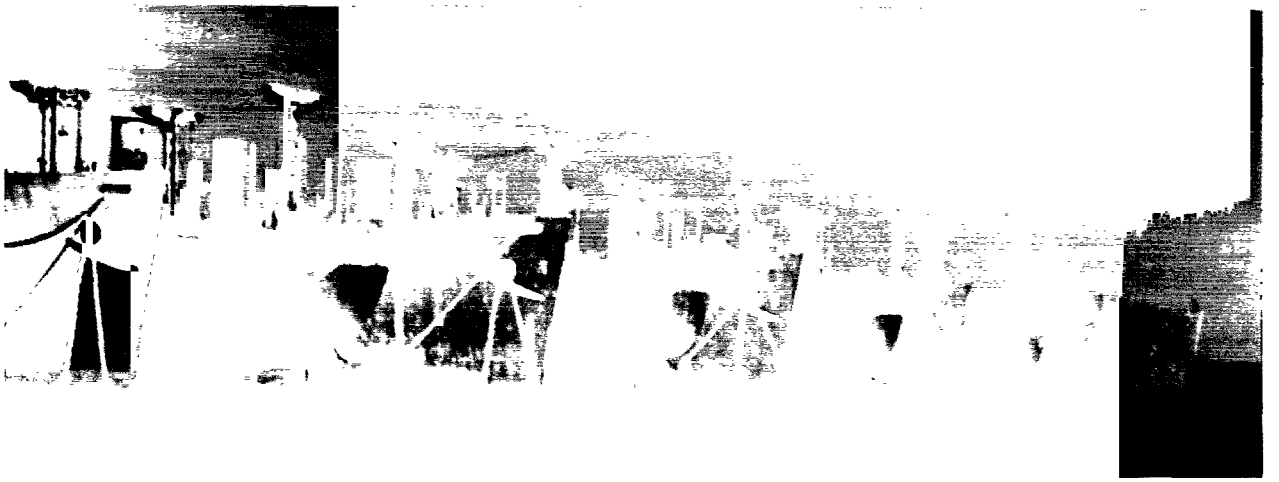
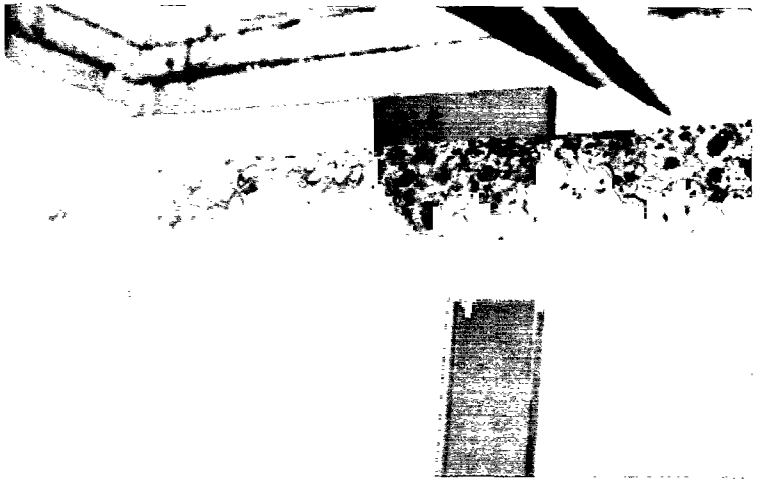
# GAO Non-RRF Ships at James River Fleet Site



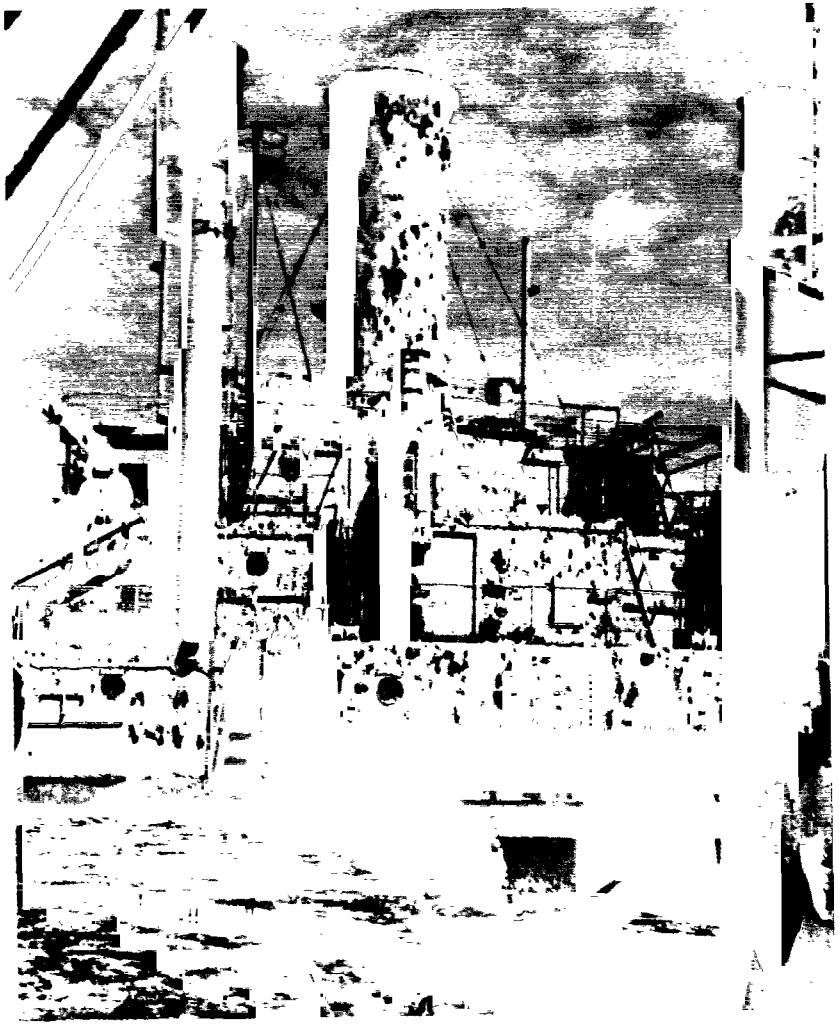
Victory Ships at Anchor



Hole in Dehumidifier Exhaust Pipe

Water on Floor in Emergency Generator Room

# GAO 1985 Test Activation of Hattiesburg Victory



Before

After