



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

National Security and
International Affairs Division



159543

B-278289

October 17, 1997

The Honorable John Glenn
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Subject: Federal Ships: Policy Changes in the Disposal of Surplus Ships

Dear Senator Glenn:

The Navy and the Maritime Administration currently have about 170 surplus ships awaiting disposal for scrapping. At your request, we are currently reviewing a number of federal ship disposal issues. In briefing your staff on the progress of this work, it was agreed that we would provide you with an interim report on a major shift in policy by the Environmental Protection Agency (EPA) and the Navy as it relates to the disposal of surplus ships for scrapping.

BACKGROUND

The Navy became aware of the presence of polychlorinated biphenyls (PCBs)¹ in various solid materials on board its ships in April 1989 and initiated discussions with EPA on how to properly handle the hazardous materials in September 1989. In July 1994, EPA advised the Maritime Administration that surplus ships could not be exported for scrapping under EPA's regulations if the ships contained materials with concentrations of PCBs at 50 parts per million or greater. On December 6, 1994, EPA issued a notice of proposed rulemaking related to PCB management and disposal. As a result, the Maritime Administration stopped its sales of surplus ships for overseas scrapping in 1994.

¹PCBs are a class of organic chemical compounds that are nonflammable and can conduct heat without conducting electricity. On ships, liquid PCBs are found in transformers and large capacitors. Solid PCBs are found in a wide range of ship components including electrical cables, felt gaskets, rubber mounts, adhesives, and paints. Under the 1976 Toxic Substances Control Act, PCBs were singled out for handling as a threat to the environment and human health by restricting the manufacture and use of equipment containing this substance.

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The Navy's policy for sometime was that its surplus combatant ships should be scrapped domestically whenever practicable. In July 1995, the policy was changed to restrict all ship scrapping to the United States because of the PCB regulatory issues. Since then, the Defense Reutilization and Marketing Service, the sales agent for the Navy, has only sold ships for domestic scrapping.

MAJOR POLICY CHANGE

Recognizing a need to reduce its backlog of about 100 surplus ships and the potential for increased revenues from sales of ships for overseas scrapping, the Navy negotiated an agreement with EPA, effective on August 8, 1997, to allow its surplus ships to be exported for scrapping. Except for certain aircraft carriers and nuclear powered ships that will not be scrapped overseas for national security reasons, all other obsolete combatant ships may be scrapped overseas as long as they have been properly demilitarized during the inactivation process.

The agreement allows Navy ships to be exported for scrap if liquid PCBs are removed. Items containing solid PCBs must also be removed if they are readily removable and if their removal does not jeopardize the ship's structural integrity. The agreement also requires the Navy to notify EPA prior to export of a ship and specifies that EPA notify the countries where ships will be scrapped. This agreement will remain in effect until EPA's final rule on PCBs is issued, and it is expected that the governing language in the final rule will be consistent with the approaches taken in the agreement. The Navy and the Defense Reutilization and Marketing Service are now developing procedures to be used for sale of ships for overseas scrapping. Further, Maritime Administration ship disposal program managers advised us that they are seeking a similar agreement with EPA to allow them to resume exporting its 70 surplus ships for overseas scrapping.

We discussed the matters contained in this report with officials of the Department of the Navy, Maritime Administration, and EPA, and incorporated their comments where appropriate.

As requested, our final report on federal ship disposal issues will address the agencies' disposal programs and recent actions taken to improve their efficiency and effectiveness, the potential benefits and drawbacks of foreign sales, and the potential for streamlining and consolidating the marketing and sales of surplus ships.

As agreed with your staff, we plan no further distribution of this interim report for 1 week, unless you publicly announce its contents earlier. At that time, we will provide copies to the Chairman of the Senate Governmental Affairs

B-278289

Committee, other interested committees, the Secretaries of Defense and the Navy, and the Administrators of the Environmental Protection Agency and the Maritime Administration.

If you should have any questions, you may contact me on (202) 512-8412 or my Assistant Director, George Jahnigen, on (202) 512-8434. Major contributors to this interim report were Larry Peacock, Willie Cheely, Margaret Armen, and Nancy Lively.

Sincerely yours,



David R. Warren, Director
Defense Management Issues

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