

Maritime Administration's Ready Reserve Sealift Fleet

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Congress currently faces decisions about how best to restore the readiness of a fleet of government-owned ships kept on standby to support Department of Defense (DOD) surge sealift requirements. The [Ready Reserve Force](#) (RRF)—a subset of the statutorily required [National Defense Reserve Fleet](#)—comprises 46 vessels managed by the Department of Transportation's Maritime Administration (MARAD). RRF vessels are located strategically at ports throughout the United States. MARAD contracts with several private-sector companies to keep these ships maintained and ready to sail within five days' notice. These companies typically employ a skeleton crew of about 10 per ship who both live onboard and perform regular maintenance. MARAD contractors must also assemble the additional crew that would be needed for operating the ship if activated to support DOD. According to contract activity entered into the [Federal Procurement Data System](#) for FY2018 and FY2019, three of MARAD's leading RRF contractors are also major container ship carriers in the U.S. domestic trade. MARAD's other four leading contractors are primarily ship management companies.

Although MARAD owns and maintains the RRF in peacetime, when activated for national defense or civil purposes, operational control is turned over to the Military Sealift Command (MSC), a component of DOD's U.S. Transportation Command ([TRANSCOM](#)). TRANSCOM is responsible for providing air, land, and sea transportation for U.S. forces and coalition partners, and MSC provides DOD's sea transportation capability. MSC also directly manages 15 additional ships that have the same mission as the RRF. MARAD's budget for the RRF has ranged between \$330 million and \$454 million each fiscal year from 2015 to 2019, and was about \$10 million per ship in [FY2019](#). According to [statute](#), MARAD is funded through DOD for its RRF expenditures (typically on a reimbursable basis).

RRF ships, together with the 15 MSC-owned ships, are occasionally activated to test their readiness as part of TRANSCOM's *Organic Surge Fleet*. The most recent exercise, held in September 2019, was the largest ever conducted in terms of the number of ships participating. The exercise suggested that many RRF and MSC ships are not ready to perform their surge sealift mission. In TRANSCOM's official [after action report](#), the combatant command scored the cumulative fleet's success rate at 40.7%. The established target is to have 85% of the Organic Surge Fleet ready to perform on any given day.

Of the 46 RRF ships in MARAD's inventory, 14 (30%) could not participate in the TRANSCOM exercise because they were under repair—six were undergoing unplanned repairs and eight were undergoing

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scheduled repairs. Of the 26 RRF ships that participated in the at-sea phase of the exercise, half were scored “100% successful.” In the other half, the most significant deficiencies related to issues that kept the ships from reaching their required speed. However, exercise inspectors also reported a “C-3” casualty—which is “a deficiency in mission essential equipment that causes a major degradation but not the loss of a primary mission”—on seven of the RRF ships that were either in port or at sea. Overall, TRANSCOM gave a failing grade to 21% of the RRF fleet (not counting the ships under scheduled repair). As is [typical in these exercises](#), not all aspects of ship operation were tested. For instance, no cargo was loaded onto ships; thus ship cranes and stevedoring were not tested.

Issues for Congressional Consideration

With an average age of 45 years, the typical RRF ship is more than twice the age at which cargo ships in the worldwide commercial fleet are generally retired. Some Members of Congress and Administration officials are evaluating how best to recapitalize the fleet as part of [discussions about the pending](#) FY2021 National Defense Authorization Act. The outcome may involve overhauling some of the existing ships in domestic shipyards to extend their service life, while also acquiring some combination of new U.S.-built and older foreign-built ships (used U.S.-built ships in good condition are not often available). The MARAD Administrator has noted that one domestic shipyard currently builds commercial oceangoing ships, and constructing a new one could take two or three years. The time and cost to build or make major repairs in domestic shipyards are leading [some](#) policymakers to consider additional purchases of foreign-built used ships. Respectively, MARAD recently issued a contract [solicitation](#) for the purpose of buying used ships.

Besides the age of the fleet, [long-standing](#) issues for MARAD include contracting methods and contractor performance and accountability. MARAD’s RRF contracts, called “[General Agency Agreements](#),” are in effect for several years and contain both “fixed-price” and “cost-reimbursable” provisions. A fixed-price RRF contract puts the risk on the contractor to maintain the ship in a state of readiness without incurring unexpected high-cost repairs. MARAD’s costs for administering fixed-price contracts are fairly low. A cost-reimbursable contract places the risk on the government to budget the funds to make timely repairs. This type of contract requires MARAD to more closely scrutinize repair work with adequate marine surveyor staff. While a fixed-price contract can be a [disincentive](#) for contractors to flag needed repairs, cost-reimbursable arrangements make the condition of the ship more transparent.

Government audits of the RRF illustrate the relevance of contract types to the risk profile of a government program. A DOD Inspector General (IG) [audit](#) in January 2020 found readiness reporting provided by RRF contractors inaccurate, leading MSC to believe the fleet’s readiness was at a higher state than it actually was. A Government Accountability Office audit in 2017 indicated that budget constraints contributed to the accumulation of [deferred maintenance](#) for the ships, reducing readiness. In 2016, the Department of Transportation IG found an RRF contractor [falsified invoices](#) for tug services for two ships in the fleet, leading to overpayment by MARAD. Audits and investigations in 2002 ([March, July](#)), [2000](#), and [1998](#) also found improprieties and fraud in the management of the RRF. In addition to discussing how to recapitalize the fleet, Congress may also consider how to improve accountability in fleet management.

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