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SHIP TRANSFERS

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HEARING

BEFORE THE

SUBCOMMITTEE ON GENERAL LEGISLATION

OF THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE


NINETY-FOURTH CONGRESS

SECOND SESSION

JULY 28, 1976



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(II)

SHIP TRANSFERS

WEDNESDAY, JULY 28, 1976

U.S. SENATE,
SUBCOMMITTEE ON GENERAL LEGISLATION,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The subcommittee met, pursuant to call at 8:25 a.m., in room 212, Russell Senate Office Building, Senator Harry F. Byrd, Jr. (chairman) presiding.

Present: Senator Byrd.

Also present: George H. Foster, Jr., professional staff member; Louise R. Hoppe, research assistant; John T. Ticer, chief clerk; Peter Hughes, assistant to Senator Byrd; Doug Racine, assistant to Senator Leahy; Will Ball, assistant to Senator Tower; and Fred Ruth, assistant to Senator Bartlett.

Senator BYRD. The subcommittee will come to order.

The subcommittee meets to consider an unnumbered bill approving the transfer of certain naval vessels to foreign countries.

The bill before the subcommittee has not yet been introduced. It represents a consolidation of 13 legislative proposals submitted by the Department of Defense. All of these separate proposals have been introduced in the House of Representatives but have not received further action.

The fiscal year 1975 Defense Authorization Act contained a provision which provided in part that, " * * * no naval vessel in excess of 2,000 tons or less than 20 years of age may be sold, leased, granted, loaned, bartered, transferred, or otherwise disposed of to another nation unless the disposition thereof has been approved by law * * * ." The purpose of this provision was to provide greater visibility and congressional participation in the substantial program of transferring U.S. Navy assets to foreign countries.

In considering ship transfer legislation, the subcommittee will want to focus on the military, political, and economic effects of such transfers on the United States and the recipient foreign country.

If enacted, this legislation would provide statutory approval for the transfer of 49 ships to 12 countries. Such ship transfers would be made pursuant to the foreign military sales program.

I would like to welcome this morning Rear Adm. Robert J. Hanks, Director, Security Assistance Division, Department of the Navy. If you have a prepared statement, Admiral Hanks, you may place it in the record and summarize it for the subcommittee in the interest of time.

STATEMENT OF ROBERT J. HANKS, REAR ADMIRAL, USN, DIRECTOR, SECURITY ASSISTANCE DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS; ACCOMPANIED BY CAPT. R. E. GRODER; AND COMDR. D. L. ROGERS

Admiral HANKS. Yes sir. I am pleased to be here today.

I am accompanied by Comdr. David Rogers and Capt. Robert Groder of the Office of the Chief of Naval Operations.

Senator BYRD. We are glad to have all of you.

Admiral HANKS. I will brief the statement in the interest of time and then submit the full statement for the record as you suggest, Mr. Chairman.

Of the three methods of transfer of ships, grants, loans, and leases, and sales, we are talking only about the sales today. The authority being requested would sell the ships in question, both those that are already on loan and lease, and those that are in the custody of the U.S. Navy.

The ships that are presently awaiting congressional legislation for transfer vary from 8 to 33 years of age, range from destroyers to small patrol gunboats, and are located both here in the United States as well as in countries where they are currently on loan or lease. Their usefulness to the receiving country ranges from a viable operational unit to that of one strictly for logistics support. For those ships under consideration which are on loan or lease—about 50 percent of the total—it is our desire to clear the books and transfer complete ownership and responsibility to the custodial nation. For those ships still in our possession in storage, it is highly desirable to transfer them at the earliest possible time to avoid further deterioration and further U.S. Government expense of providing berthing, security, and custodial service. We have some ships that are about ready to leave the U.S. fleet, and a "hot ship" transfer, that is, where our crew walks off and the recipient country's crew walks on, is the most cost effective way to transfer the ships, minimizing the deactivation costs, storage costs and costs to the recipient navy.

As you have noted, Mr. Chairman, all the ship transfers, whether they are sales, loans, or lease, are subject to congressional review. Under the terms of the present statute, ships under 2,000 tons and over 20 years of age may be transferred if there is no congressional objection within 30 days of notification. This 30 day notification system for ships over 20 years old and less than 2,000 tons displacement has worked exceptionally well. It has provided efficient processing of noncontroversial transfers; saved excessive deactivation and custodial costs, allowed effective planning for and implementation of hot ship transfers and eased the overall burden on the Congress, as well as saving administrative costs associated with preparing and processing legislation in both the legislative and executive branches. Where there has been congressional objection, sustained at committee level, transfers have been stopped without further congressional action.

Our problem, of course, is with the ships that require enabling legislation. As you pointed out, we have a backlog of some 49 ships now, and we have been unable to obtain enabling legislation since the amendment was passed in August of 1974.

These ships in many cases have already been included in the foreign country's budgetary planning, and further delay in the transfer could result in the proposed recipient navies, for example, losing the funds that they have budgeted for the purpose.

Senator BYRD. If I may interrupt there, the recipient country, I assume, has been informed of the U.S. laws?

Admiral HANKS. Yes, sir, in every case. And they are well aware of it.

Senator BYRD. So they presumably take that into consideration when they seek a transfer?

Admiral HANKS. That is quite correct, Mr. Chairman. The problem is that they are unable, as we are at the moment, to make any firm, long-range plans, because of the uncertainty of when we might obtain legislative approval. And coincident with the transfer, of course, there are many advance requirements for training, ship overhaul and rehabilitation planning that the other country must make, and supply support. And it is the general inability of the Navy to commit the ships in a specific time frame that makes this kind of planning impossible.

These transfers of course, constitute an integral part of our security assistance program in a total force concept. I respectfully urge expeditious, favorable action on the legislative proposal to transfer these ships to foreign military sales.

That concludes the brief of my prepared statement.

[The prepared statement in full follows:]

PREPARED STATEMENT OF REAR ADM. ROBERT J. HANKS, DIRECTOR, SECURITY ASSISTANCE DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS

Mr. Chairman and Members of the Committee, I am pleased to have the opportunity to appear today in connection with the transfer of naval vessels to other nations, in accordance with Title 10 United States Code, Section 7307. I am here to discuss the Navy's ship transfer program as a whole, and legislative proposals to authorize the transfer of certain naval vessels to specific foreign countries. Of necessity, I will also address Senator Byrd's amendment, incorporated in the foregoing legislation and under which provisions all of these ships fall. The amendment specifically requires enabling legislation to authorize the transfer to another country of any naval vessel which displaces in excess of 2,000 tons, or is less than 20 years of age.

By way of background and history, I would note that the United States has transferred obsolescent and excess naval vessels to other countries as part of its military assistance program for over 25 years. During this time it has granted, loaned, leased, or sold about 3,900 ships and small craft of various descriptions to some 56 different countries. About 2,600 are still held by 49 countries.

Mr. Chairman, ship transfers have their basis in the foreign policy of the United States under which security assistance and economic assistance are structured to strengthen our mutual defense arrangements and to foster economic growth of friendly countries and our allies, many of which are developing nations. The U.S. Navy is spread thinly in light of our global commitments. Our worldwide policy of collective security features assistance from allies as one of its cornerstones and our "Total Force" concept requires that allies assume increased maritime responsibilities as their naval capabilities grow.

The benefits accruing to the United States from the transfers of ships which no longer can meet the sophisticated threat which confronts us or which are no longer economically usable are highly visible ones. Ships which would otherwise be relegated to the scrap heap are instead sailing the world's oceans under friendly flags, providing potential extension of our own sea capabilities and constituting a significant reminder of our support to valued allies. The common training, operations, and logistics efforts, which attend the transfers, serve further to coalesce customs, doctrine, and procedures. Such transactions also permit these countries to achieve a greater degree of self reliance, afford them the

opportunity to manage their own resources; influence them to remain aligned with the U.S.; often raise the threshold at which U.S. involvement overseas may become necessary; and, provide the U.S. a reasonable monetary return.

We have greatly strengthened our allies over the past years. As some of them have become sufficiently strong, ship transfers to them have tapered off. But, so long as we possess assets of this nature, we ought to continue this program in areas where interim assistance is needed, or where indigenous industrial capability is lacking.

Through selective ship transfers, which are geared to the needs and capabilities of recipient countries, we can continue the process of strengthening mutual security arrangements and economic ties which have been a hallmark of our foreign policy.

There are three ship transfer methods:

(1) *Grants*.—Wherein a ship may be granted to friendly foreign countries under the Foreign Assistance Act of 1961. Vessels transferred under this authority have been determined to be no longer needed by the Navy and are stricken from the Naval Vessel Register, with title passing to the recipient on transfer.

(2) *Loans and leases*.—Ships loaned or leased to foreign countries are still considered part of the U.S. mobilization reserve but, for budgetary or other reasons, have been removed from the active fleet. In such transfers, the ship is still carried on the Naval Vessel Register and title remains with the United States. They are subject to recall. Ships are leased under authority of title 10 United States Code, Section 2667, by the Secretary of the Navy directly with the foreign navy. Ships may be loaned under the authority of special Acts of Congress or under the Foreign Assistance Act of 1961.

(3) *Sales*.—When the Navy has determined that a vessel is no longer fit for further USN service, it is stricken from the Naval Vessel Register and may be sold to a foreign country under the Arms Export Control Act (formerly entitled the Foreign Military Sales Act) as modified by current legislation. A sale is preferred to a grant, but, in either case, title passes to the recipient. The authority being requested today would sell the ships in question—both those already on loan or lease and those still in the custody of the U.S. Navy.

Price determinations for ship sales are provided by the Defense Property Disposal Office, Ship Sales Office in Newport, R.I. The price is based on the estimated market appraisal and past history on sales of the same type ship. That basic price is increased to cover the amount of spare parts on board, and the amount and condition of equipment remaining on board.

Recent developments in the ship transfer program include (1) a shift to sales vice loan/lease/grant as countries have become affluent; and (2) the expressed desire of the Congress, the State and Defense Departments that all loans and leases should be terminated and the vessels sold. A special sub-committee on transfer of Naval vessels to foreign countries (October 1972-HASC No. 92-77) stated "the sub-committee concluded that the program would achieve its aims better if the ships were transferred in title and not for limited times or circumstances." There are good reasons for going to sales vice loan/lease as set forth by the State Department in 1972. The reasons: (1) it would end a borrower/lender relationship which has at times been politically troublesome; it would place ship transfers on a more logical and acceptable basis in terms of Congressional and public support; (2) it would encourage self-reliance on part of the recipients who could then fully integrate units into their inventories and budgetary processes, thus avoiding uncertainty posed by even remote possibility of recall; (3) it would simplify administration of the program with corresponding savings to both USG and the borrower; and (4) such policy reflects the stated desire of a number of borrowers. In 1971, the Secretary of Defense stated "—as a matter of policy, cash/credit sales of ships are preferable to either loans or leases."

The ships that are presently awaiting Congressional legislation for transfer vary from 8 to 33 years of age, range from destroyers to small patrol gunboats, and are located both here in the U.S. as well as in countries where they are currently on loan or lease. Their usefulness to the receiving country ranges from a viable operational unit to that of one strictly for logistics support. For those ships under consideration which are on loan or lease (about 50% of the total), it is our desire to clear the books and transfer complete ownership and responsibility to the custodial nation. For those ships still in our possession in storage, it is highly desirable to transfer them at the earliest possible time to avoid further deterioration and further USG expense of providing berthing security,

and custodial service. For ships soon to leave the U.S. fleet, a "hot ship" transfer to the designated country would save the U.S. Government deactivation and storage costs and provide the foreign navy with a ship which it can sail away immediately. This is the most desirable and cost-effective method of transfer.

Some of the ships in this group are destined for transfer for logistic purposes. Their "worth" is strictly for parts to keep other vessels in operation. Delay in their transfer merely increases the security and custodial costs to the U.S. Government and accelerates their deterioration since the Navy, in anticipation of Congressional action on the legislative proposals for transfer, took minimal steps in deactivating and placing them in storage. As already noted, all U.S. Navy ship transfers (sale, loan, or lease) are subject to Congressional review. Under the terms of the present statute, ships under 2000 tons and over 20 years of age may be transferred if there is no Congressional objection within 30 days of notification. This 30-day notification system for ships over 20 years old and less than 2000 tons displacement has worked exceptionally well. It has provided efficient processing of non-controversial transfers; saved excessive deactivation and custodial costs, allowed effective planning for and implementation of "hot ship" transfers and eased the overall burden on the Congress, as well as saving administrative costs associated with preparing and processing legislation in both the Legislative and Executive branches. Where there has been Congressional objection, sustained at committee level, transfers have been stopped without further Congressional action. For ships over 2000 tons or under 20 years of age, enabling legislation is required.

Since Senator Byrd's Amendment became effective in August 1974, we have been unable to obtain authority to transfer any of the ships which it governs. We now have a backlog of 46 ships awaiting legislative action. The first proposal was sent to Congress in May 1975. These ships had already been included in the foreign countries budgetary planning, and further delay in the transfer could result in the proposed recipient navies losing the funds budgeted for the purchase. Additionally, these navies have included the ship in their ship-acquisition programs and operational planning, and the continued delay eliminates a much needed and planned-for capability. Coincident with transfer, there are advance requirements for training, ship overhaul planning or rehabilitation, and supply support, all of which require substantial early planning, scheduling, and budgetary commitments. The current inability of the U.S. Navy to commit the ships in a specific time frame because of legislative uncertainty makes adequate planning impossible.

The ship transfers which require specific legislation (over 2000 tons or under 20 years of age) constitute an integral part of the Security Assistance Program and the Total Force Concept. I respectfully urge expeditious favorable action on the legislative proposals to transfer them through Foreign Military Sales.

Mr. Chairman, I am prepared to answer questions concerning the Ship Transfer Program.

Admiral HANKS. With your permission, Mr. Chairman, I would like to make a few parenthetical observations and I will be ready for any questions.

First of all, normally when we commit to a foreign country we do not identify the specific ship. For example, a country may ask for a *Gearing* class destroyer. We will not give them the hull number of the ship we have in mind, however, because many things can change. If we have two or three countries that we would like to transfer this same class of ship to, it may well be that the budgetary constraints in the foreign country slow down its process, and another country will be ready to accept the ship first. And we need the flexibility to shift the same types of ships, I am not talking about substituting different kinds of ships. But I would hope that the Congress would allow us the flexibility to shift hull numbers within specific types of ships in order to meet this kind of contingency.

Senator BYRD. Would that be within the same age bracket, too?

Admiral HANKS. Yes, sir.

Senator BYRD. In other words, you wouldn't ask Congress to release a 22-year-old ship and then give them an 8 year old ship?

Admiral HANKS. No; and they are specified according to class, which puts them into a specific box category, outside of which we would of course not want to go.

The other observation I would have goes back to the 30-day notification period. I think that has worked extremely well. And I would submit to you, Mr. Chairman, that application of the extension of the 30-day notification to all classes of ships rather than the requirement for enabling legislation for these particular types would ease the burden on all of us, and allow us to do the kind of planning that I have talked about, so that the ships can be expeditiously transferred, and we can get rid of the uncertainties that we face now.

Our first legislative proposal was transmitted to the Congress in May of 1975, and we are here today with the 49 ship backlog.

Senator BYRD. As you know, this subcommittee and the Armed Services Committee as a whole want to cooperate fully with the Navy. The history of the legislation shows that the Navy—I am not speaking of you, of course—brought this legislation on itself. I think you will agree, these ships are the property of the U.S. taxpayers?

Admiral HANKS. Yes, sir.

Senator BYRD. Now, until the law was changed in 1974, the Navy was required by law to come before the Congress for any loans for major ships to foreign countries. Subsequently this committee agreed to the lease of certain ships to certain countries for a 5-year period, which is what the Navy requested. I am taking this from memory, correct me if I am wrong—

Admiral HANKS. That is quite correct—

Senator BYRD. The Navy also wanted a proviso in the legislation to permit the release of ships for another 5 years. This committee took the position that it is perfectly satisfactory to lease for 5 years, but that the Navy should come back to Congress if additional time is needed.

The Navy wasn't satisfied with the arrangement. So the Navy found what I might call a loophole in the law which permitted the Navy to give away a ship to a foreign country without congressional approval, whereas the Navy had to come to the Congress for approval if a ship loan or lease was involved. The committee consequently took the position, and the Congress took the position, that it wasn't very logical, to be able to give something away without congressional approval, but it was possible to loan it or lease it without congressional approval. That is the way this amendment happened to come into being.

Admiral HANKS. As you point out, Mr. Chairman, I was not here, I was out in the Middle East commanding ships and sailing seas at the time. But since I have been here I have reviewed all of these hearings, and I am thoroughly familiar with that. My concern, of course, is yours, that the congressional oversight of what the Navy is doing in the ship transfer business be maintained. And it is my contention that that provision of your amendment which provides for the 30-day notification provides that oversight. Now, there have been several cases—

Senator BYRD. But the Navy gave no consideration to the clearly expressed view of the Congress prior to the enactment of this amendment.

Admiral HANKS. I can't speak for that. I assure you that right now the U.S. Navy understands thoroughly the law, the spirit of it. And we have lived within the spirit, Mr. Chairman. As I was about to say, there have been two cases since I have been in this job, where objection was registered on the House side, and hearings were held by Chairman Bennett and his subcommittee, and then the hearings were taken to the full committee. And in each case, where there was objection registered and it was sustained rather than overridden by the subcommittee and the full committee, the Navy rang up all-stop and made no further efforts. And we understand through that channel what the will of the Congress is. And we have been very, very scrupulous in observing it.

Senator BYRD. Will any of these proposed ship transfers have an adverse effect on the readiness or capability of the U.S. forces?

Admiral HANKS. No, sir. These are all very old ships.

Senator BYRD. Not all of them.

Admiral HANKS. I stand corrected. The PG's are not, the PG's are newer ships.

Senator BYRD. Does the United States have mutual defense treaties with all of the navies receiving transfers of U.S. naval vessels under this legislation?

Admiral HANKS. I will have to provide that for the record, I am not certain, sir. I think not. But I will provide it for the record.

[The information follows:]

The United States has Mutual Defense Agreements with all of the following countries which are seeking to purchase the vessels:

Argentina, Brazil, Colombia, Venezuela; Inter-American Treaty of Reciprocal Assistance (Rio Pact)—December 3, 1948 (TIAS 1838).

Germany, Fed. Rep., Greece; North Atlantic Treaty (NATO), April 4, 1949 (TIAS 1964).

China, Rep. of: Mutual Defense Treaty, December 2, 1954 (TIAS 3178).

Korea, Rep. of: Mutual Defense Treaty, October 1, 1953 (TIAS 3097).

Philippines, Rep. of: Mutual Defense Treaty, August 30, 1951 (TIAS 2529).

Spain; Mutual Defense Assistance Agreement, September 26, 1953 (TIAS 2849).

Pakistan; The Pacific Charter, September 8, 1954 (3171).

Iran, Pakistan; Baghdad Pact, July 28, 1958 (TIAS 4084).

Senator BYRD. Only 2 years ago the two patrol gunboats now being offered to Greece were offered for loan to another foreign country. At the time of the previous proposed loan these gunboats were not considered to be in excess of the needs of the U.S. Navy. Why are these gunboats now, only two years later, considered excess to U.S. Navy requirements?

Admiral HANKS. I wonder if I might call on Captain Groder to reply to that.

Captain GRODER. These gunboats in question, Senator, have been found deficient in sea keeping capabilities, but they do lend themselves to coastal territorial water type operations. Also this class of PG is currently being retired from the U.S. Navy for that reason. And they are being replaced by the hydrofoil, which is one of the new construction hydrofoils which are coming.

Senator BYRD. What is the status of the hydrofoils? You say they are coming. When will the Navy have them?

Captain GRODER. They are undergoing testing now, Senator. The first test platform operational. I can't speak for new construction, but I think in the 1977 program there is a provision for five or six hydrofoils.

Admiral HANKS. We will provide the initial operational capabilities for the record, Senator. Now, we still have some nine of these PG's in the active fleet which are currently deployed in the Mediterranean—four in the Mediterranean area. And they will be around for awhile.

[The information follows:]

The PHM will displace approximately 220 tons and will have a speed capability in excess of 40 knots. It will be armed with surface-to-surface missiles and an anti-aircraft gun.

Senator BYRD. How many do you have?

Admiral HANKS. I believe there are 15 altogether.

Senator BYRD. And they are what age?

Admiral HANKS. About 9 years old, as I recall.

Senator BYRD. Could the U.S. Coast Guard make use of these patrol gunboats?

Admiral HANKS. We asked the Coast Guard when we made the determination to phase them out of the fleet. And since these boats were designed primarily for Vietnam, they do not have a real open ocean capability such as the Coast Guard would require 200 miles out in the Atlantic, surveilling our coastal waters. And for that reason, the Coast Guard turned them down.

Senator BYRD. They were offered to the Coast Guard, and the Coast Guard turned them down?

Admiral HANKS. Yes, sir.

Senator BYRD. What is the minimum tonnage of our modern ships, such as the patrol frigate and the patrol hydrofoil ships?

Admiral HANKS. The patrol frigate is about 4,000 tons.

Senator BYRD. The hydrofoil, I guess, would be less?

Admiral HANKS. Much less, sir. It is a much smaller craft.

Senator BYRD. I take it from the Captain's comment that the patrol hydrofoil would take the place of the patrol gunboats.

Captain GRODER. Yes, sir.

Admiral HANKS. Two hundred and twenty tons for the PHM. So they are comparable in size to the PG's. The PG's as I recall are about 250 tons. But the hydrofoil is really an advanced state of the art, it will have greater sea keeping capabilities, and it will have the capabilities of carrying more modern armament like the surface-to-surface and surface-to-air missiles.

Senator BYRD. What would be the effect of increasing the weight limitation on this legislation requirement to 3,000 tons from the present 2,000 ton limitation?

Admiral HANKS. It would ease my problem somewhat, because it would free—it would place all of the World War II constructed destroyers into the 30-day notification category. It would not ease my problem with regard to things like repair ships and floating drydocks and tenders and vessels of greater tonnage. And of course it would ease it only temporarily, because we are just about out of those destroyers.

We have just about come to the end of the World War II destroyer transfer program. The last of them are being phased out of our fleet.

Senator BYRD. Let me digress just a moment on purely a matter of curiosity.

Is the *Richard C. Byrd* still in operation?

Admiral HANKS. Yes, sir. She is an *Adams* class DDG, and she will be around for quite awhile.

Senator BYRD. What age is that ship?

Admiral HANKS. The *Richard E. Byrd* has been in commission for 12 years, Mr. Chairman.

Senator BYRD. How many older ships over 20 years old does the Navy still retain on loan or active duty that are under 3,000 tons?

Admiral HANKS. I will have to provide that for the record.

[The information follows:]

Approximately 122. This figure includes the following types of ships on loan, lease or active duty: net tenders (ANL), gasoline tankers (AOG), battle damage repair ships (ARB), landing craft repair ships (ARL), submarine rescue ships (ARS), ocean going tugs (ATA and ATF), destroyers (DD), tank landing ships (LST), minesweepers (MSO), patrol escorts (PCE), and submarines (AGSS and SS).

Senator BYRD. Why is the Navy requesting approval to transfer ships out of the Navy when at the same time the Congress is advised of the serious shortage of Navy ships?

Admiral HANKS. Primarily, the reason is that these ships are old, they are worn out, it requires exceedingly large funds to maintain them. If we were to put them back into the fleet—if we are to give them the capability to meet the current threat, for instance, with the quantum jump in capability that has taken place in submarines with the advent of the nuclear submarine, if we were to try to put into those old hulls the equipment that would allow them to meet that kind of a threat, it would cost an inordinate amount of money, and we would still have an old hull. And in some cases we would be unable to do it. And with things like larger generators to take care of the requirements for the heavier electronic suit, they are just not capable of meeting the threat that we face.

Senator BYRD. Speaking generally, at what age do you consider a ship to be not cost effective?

Admiral HANKS. In the past the Navy's position has been 20 years, Senator. I commanded a *Fletcher* class destroyer, like one of these that we are asking authority to transfer, when she was 21-years old. And believe me, it took an awful lot of manpower, and a lot of time, and a lot of money to keep that poor old ship running. We did FRAM, that is, fleet rehabilitation and modernization program. We took a bunch of *Gearing* class destroyers a few years back, and we spent a good deal of money reworking them. We really chopped them right down to the main deck and did a good deal of rehabilitation, spent a good deal of money on them to extend their lives about 8 years. Some of those ships are still with us, 10, 11 years after that program started. But around 20 or 25 years you really run to the end of the cost effective useful life of a ship. The primary difference with these ships, of course, is that the threat has transformed so rapidly since World War II, that these ships are just no longer capable of doing the job that we need to do for the United States. There is useful

life in them. And they can meet the lesser requirements of some of our friends and allies around the world.

Senator BYRD. Have any of these foreign countries to which ships have been transferred used these ships for purposes for which the United States might find objectionable? For instance, interfering with U.S. fishing vessels?

Admiral HANKS. For the particular countries under consideration today, the answer to that, to the best of my knowledge, is no. There were some findings in a House Committee a couple of years ago that I think go directly to this question. And I think they might be useful. These were the findings of the Special Subcommittee on the Transfer of Naval Vessels to Foreign Countries in the House of Representatives October 10, 1972. And I found these figures fairly interesting, and I think they are pertinent, Mr. Chairman.

The subcommittee conclusions: Of the 3,905 ships and craft that have been transferred to 56 other nations since 1945, very few have been involved in matters contrary to the interests of the United States. Less than 7 percent of the nations that possess transferred ships have been involved in actions in which the U.S. interests were disturbed."

I guess the most prominent instance that comes to mind was the use by Ecuador of one of our ships to seize American fishing vessels out of San Diego. There have been other instances, but I don't have them at hand. We can research that and provide it for the record if you desire. But it has been a minimal problem, in my judgment.

Senator BYRD. Why is the Navy requesting approval of the transfer of inshore patrol craft to the Philippines?

Commander ROGERS. Senator, that particular craft was previously on lease to the Republic of Vietnam. And it was recovered a year ago, and it was in such poor condition, and located over there—it was one of those offered to the Republic of the Philippines and it was not considered required by the U.S. Navy.

Senator BYRD. What purposes will be served by giving this craft to the Philippines?

Commander ROGERS. We assume that they will use it in a patrol function within their island waters.

Senator BYRD. Has the Navy contacted the Coast Guard—or any other U.S. agency—to determine that there is no use for this craft to meet other U.S. requirements?

Commander ROGERS. Specifically, I don't know, sir. But I think, based on the condition and its location over there, that was ruled out.

Senator BYRD. Could this inshore patrol craft be used by any State or other local U.S. agency in law enforcement, or for other requirements?

Admiral HANKS. Senator, based on the condition of the ships that we recovered from Vietnam, I would think it highly unlikely.

Senator BYRD. The two destroyers to be transferred to Brazil are not scheduled to be decommissioned until fiscal year 1978. Why was the legislative authority for this transfer requested in July 1975, or 2 years before the scheduled decommissioning period?

Admiral HANKS. This goes to the hot-ship transfer method that I mentioned earlier. It takes a lot of long-lead time planning in order to effect a transfer in that fashion. And based on the experience today, with the legislative uncertainty, we decided that we had better ask

for that authority now. Now, the ships are undesignated because, in the interim, the Brazilians have run into a money problem. And they have taken them out of their budget. But we know they want to put them back in their next budget. So we have asked for authority, advance authority to transfer these when they become available and the Brazilians get the money back in their budget. And for that reason we have not designated those particular ships.

Senator BYRD. How do you determine the appropriate price?

Admiral HANKS. That is done in conjunction with the defense property disposal office up in Newport, R.I. Essentially it is based on scrap value. The price determination for ship sales is provided by the defense property disposal office, ship sales office, in Newport, R.I. The price is based on the estimated market appraisal. And that is primarily scrap value, because there isn't any civilian market for warships and past history on sales of the same type—now, we increase that basic price to cover the amount of spare parts that are onboard and the amount and condition of the equipment remaining onboard.

And I might add, it is also affected by the location of the ship, because the scrap metal market, for example, varies around the world. It will be lower in South America, for example than it is in Europe or in the Far East, or in the United States. What we do is, working with the defense property disposal office—and the scrap market value varies considerably—working with them, we take the higher of the prices that might be estimated for transfer in the United States or transfer in that particular part of the world.

Senator BYRD. The request for transfers to Greece and other countries are indicated as coming from the country's respective Navy Departments. Is our policy to respond to requests from individual service branches of these foreign countries, or are these requests officially transmitted from the proper officials of the country with which we are dealing?

Admiral HANKS. In today's environment, whenever a country comes in—and we may have navy to navy contacts to begin with—the *attache* may come in and say, look, we need a *Gearing* class destroyer, and I see in the Navy Times that you are retiring one in such and such a year. And we tell them that the first thing they must do is submit a diplomatic note. And that is a government to government document rather than a navy to navy document. It may come in in a number of ways. It may come from the country's foreign office to our Embassy in-country, and in through the State Department channels. And it may be transmitted to their Embassy here in Washington to the State Department. But we require a diplomatic note, government to government, as a request for the ship.

Senator BYRD. The sales price of the gunboats to Greece indicates that we will be receiving more for each ship than we originally paid. Is that accurate? And if so, why?

Admiral HANKS. Yes, sir, and I would like Commander Rogers to explain that.

Commander ROGERS. The reason for that, sir, was that since the ships are young and still have some life left in them, we, that is, my predecessor, in working with the defense property disposal office, changed the dollars of the year, when they were constructed, into

fiscal year 1975 dollars, inflated them. And then we calculated the percentage of the years remaining in its estimated life of 20 years, and took 60 percent of that inflated figure as the sales price. So that is how it came to be more than we paid for them.

Senator BYRD. What is the figure range we are talking about?

Commander ROGERS. Well, the acquisition price I think was roughly \$4.5 million, and we are charging now \$5.4 million.

Senator BYRD. How many ships are involved?

Commander ROGERS. Two patrol boats, sir.

Admiral HANKS. For Greece we currently have two, the same class as the two on loan to Turkey and the one on loan to Korea, and the rest of them are still—

Senator BYRD. This would be a sale?

Admiral HANKS. Yes sir. All of these we are talking about today are sales.

Senator BYRD. And these are the only ships for which we are receiving a price higher than what we paid?

Admiral HANKS. Yes sir. Because they are the only young ones.

Senator BYRD. I am not speaking just of this group that we are concerned about today, but I am speaking generally of the entire transfer program.

Commander ROGERS. I think they are the only exception. And they are an exception because they are so new, and they are in the active fleet now.

Admiral HANKS. And they do have a good deal of useful life, percentage-wise, much more than the others that we are asking authority for today.

Senator BYRD. I think it is very good that you are asking that price. I think it is justified. And I am wondering if we couldn't on other ship transfers move in that general direction.

Admiral HANKS. I think only if we could have an auction, Mr. Chairman.

Senator BYRD. I want to state for the record that of the 49 ship backlog, ten of these ship proposals were received within the past 4 months. Also since the initial proposals for ship transfers in May 1975, the Navy has withdrawn requests for ship transfers.

Admiral HANKS. Yes, sir.

Senator BYRD. I have a number of additional questions, Admiral, which I would like to submit to you to be answered for the record.

Admiral HANKS. I would be very happy to, Mr. Chairman.

ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Senator BYRD. Has the transfer of any of these individual naval vessels to a foreign country been at the initiation of the United States?

Admiral HANKS. Following the decision to terminate loan/lease agreements with sales, the USG has offered the ships on loan or lease for sale to the particular countries. The same is true in the case of the ship and craft which were recovered from the Republic of Vietnam and offered to the Republic of the Philippines.

Senator BYRD. Are there any service or training costs associated with the transfer of these ships.

Admiral HANKS. Any service—i.e., reactivation, repair, overhaul—or training costs associated with the transfer of the ships would be at the cost of the purchasing country and the subject of separate cases under Foreign Military Sales.

Senator BYRD. What will be the cost for the United States taxpayer of the transfer of these ships?

Admiral HANKS. Sales would be made at no cost to taxpayer. As pointed out in my initial statement, these ships have been found unfit for further service in our Navy due to their obsolescence and degraded material condition. As such, it would not be cost effective for us to attempt an extension of their useful life or to preserve them in the inactive fleet; therefore, they would be sold for scrap.

Instead of scrapping these ships, it is our desire that they be sold at these same (scrap) prices to friendly foreign countries in hopes that the ships will be refurbished by them for a few more years of operations and in support of the Total Force Policy.

Senator BYRD. Which of these ships will be transferred to a foreign country for cash and which ships will be transferred for credit?

Admiral HANKS. All sales will be for cash, unless at the time of offer the country specifically requests credit. Approval for credit will be the subject of further review and determination by the Departments of State and Defense.

Senator BYRD. What are the terms of any credit arrangements involved in the transfer of these ships?

Admiral HANKS. Terms of credit agreements vary. The norm is repayment of principal in 6-8 years with interest charge at cost of money to USG. It involves two different transactions: (1) country signs credit agreement to finance purchases of defense articles and services, (2) country signs letter of acceptance for each article or service it wishes to purchase. Funds available under the credit agreement are used to finance the purchase, which could be a naval vessel.

Senator BYRD. How many of these ships proposed for transfer are presently in storage and how many are presently in active service in the USN?

Admiral HANKS. Ten ships are in storage and four are still in the active fleet (2 PG's and 2 DD's).

Senator BYRD. Have any of these recipient countries expropriated U.S. assets in the last 20 years?

Admiral HANKS. The following countries have expropriated U.S. assets in the past 14 years: Argentina, Brazil, Colombia, Pakistan, and Venezuela.

The U.S. recognizes the right of a foreign government to expropriate foreign owned property provided the requirements of international law are observed, among them the payment of prompt, adequate and effective compensation. With respect to the countries listed above, satisfactory settlements were reached in most of the expropriated cases involving U.S. citizens. In some cases, negotiations are still in progress.

Senator BYRD. What savings will these ship transfers accrue to the Navy and how will it be referred in the budget?

Admiral HANKS. The financial return is negligible, but comparable to that which would be received from scrap sale in the commercial market. These proposed sales are in support of Total Force Policy, and should, as we would hope, these ships be used to assist the U.S. in any all-out conflict with a mutual adversary, the costs of the ship, its crew and its operations could be considered as savings to the U.S. Government. Therefore, the transfers will provide no actual change in the budget.

Senator BYRD. What is the Navy planning for replacement ships to perform the function now being performed by the ships not already on loan?

Admiral HANKS. Because of their obsolescence and unfitness for further service they have been stricken from the Naval Vessel Register, removed from the force levels and have no mobilization requirement; therefore replacement for these specific ships is not required.

In the case of the PG's, they will be replaced with new construction patrol hydrofoils—guided missile.

Senator BYRD. What was the original cost of each of these ships and what is the expected sales value?

Admiral HANKS.

Proposals by country and ships involved	Age	Purchase price (millions)	Sales price (thousands)
Argentina: 3 destroyers:			
Heerman (DD-532) ¹	July 1943.....	\$7.5	\$125
Stembel (DD-644) ¹	do.....	7.5	125
Dortch (DD-670) ¹	August 1943.....	7.5	125
		(7.5	225
Brazil: 2 destroyers: To be designated.....		7.5	225
China (Taiwan):			
1 landing ship dock: White Marsh (LSD-8) ¹	January 1944.....	6.0	270
1 auxiliary repair dry dock: ARD-9 ¹	September 1943.....	3.0	400
1 landing ship dock: Fort Marion (LSD-22).....	January 1946.....	6.0	270
Colombia: 1 destroyer: Hale (DD-642) ¹	June 1943.....	7.5	75
Germany: 4 destroyers:			
Ringold (DD-500) ¹	December 1942.....	7.5	150
Wadsworth (DD-516) ¹	March 1943.....	7.5	150
Claxton (DD-571) ¹	December 1942.....	7.5	150
Dyson (DD-572) ¹	do.....	7.5	150
Greece:			
6 destroyers:			
Brown (DD-546) ¹	July 1943.....	7.5	320
Aulick (DD-569) ¹	October 1942.....	7.5	320
Bradford (DD-545) ¹	June 1943.....	7.5	320
Charrette (DD-581) ¹	March 1943.....	7.5	320
Conner (DD-582) ¹	June 1943.....	7.5	320
Hall (DD-583) ¹	July 1943.....	7.5	320
1 destroyer: Beacon (PG-99).....	January 1969.....	4.6	5,430
2 patrol gunboats:			
Green Bay (PG-101).....	December 1969.....	4.6	5,430
Gurke (DD-783).....	March 1945.....	7.5	320
2 tank landing ships:			
Terrell County (LST-1157).....	May 1953.....	8.3	380
Whitfield County (LST-1169).....	September 1954.....	8.3	380
Iran:			
1 repair ship: Amphion (AR-13) ¹	January 1946.....	9.6	450
1 auxiliary repair dry dock: Arco (ARD-29) ¹	June 1944.....	3.0	400
Korea:			
5 destroyers:			
Powell (DD-686) ¹	October 1943.....	7.5	200
Erben (DD-631) ¹	May 1943.....	7.5	200
Hickox (DD-673) ¹	September 1943.....	7.5	200
Chevalier (DD-805) ¹	January 1945.....	7.5	200
Larson (DD-830) ¹	April 1945.....	7.5	200
1 landing craft repair ship: Minotar (ARL-15) ¹	February 1945.....	1.3	200
2 destroyers:			
New (DD-818).....	April 1946.....	7.5	250
Kraus (DD-849).....	May 1946.....	7.5	250
Pakistan: 2 destroyers:			
Wiltie (DD-716).....	January 1946.....	7.5	225
Rowan (DD-782).....	March 1945.....	7.5	225
Philippines:			
1 landing craft repair ship: SATYR (ARL-23).....	April 1945.....	1.3	180
1 inshore patrol craft: PCF-ZN12.....	October 1969.....	.2	14
Spain:			
5 destroyers:			
Furse (DD-882) ¹	July 1945.....	7.5	200
Greene (DD-711) ¹	June 1945.....	7.5	200
Noa (DD-841).....	November 1945.....	7.5	200
Leary (DD-879) ¹	May 1945.....	7.5	200
O'Hare (DD-889) ¹	November 1945.....	7.5	200
3 tank landing ships:			
Terrebonne Parish (LST-1158) ¹	November 1952.....	8.3	350
Tomgreen County (LST-1159) ¹	September 1953.....	8.3	350
Wexford County (LST-1168) ¹	September 1954.....	8.3	350
Venezuela:			
1 landing craft repair ship: Quirinus (ARL-39) ¹	November 1945.....	1.3	165
1 tank landing ship: Vernon County (LST-1161) ¹	May 1953.....	8.3	280
1 auxiliary repair dry dock: ARD-13 ¹	November 1943.....	3.0	320

¹ Currently on loan/lease.

Senator BYRD. How many ships are planned for transfer during the next year?

Admiral HANKS. We anticipate proposing transfer of fifty to sixty ships next year, but this figure will depend on the number of ships on loan or lease which the foreign governments choose to purchase.

Senator BYRD. What was the original cost of these two patrol gunboats and what is the expected price to be received? (The two patrol gunboats being offered to Greece)

Admiral HANKS. The original cost was \$4.6 million; the sale price will be \$5.4 million.

Senator BYRD. How many years have the ships currently on loan to various countries been on loan to these countries?

Admiral HANKS.

Proposals by country	Date forwarded to Congress	Ships involved	Age	Tonnage	Loan/lease date
Argentina: 3 destroyers	May 9, 1975	Heerman (DD-532) ¹	July 1943	2, 120	August 1961.
		Stembel (DD-644) ¹	do	2, 120	Do.
		Dorch (DD-670) ¹	August 1943	2, 120	Do.
Brazil: 2 destroyers	July 31, 1975	To be designated			
China (Taiwan): 1 landing ship dock and 1 auxiliary repair dry dock.	Dec. 18, 1975	White Marsh (LSD-8)	January 1944	4, 960	November 1960.
		ARD-9 ¹	September 1943	4, 200	November 1967.
1 landing ship dock	July 25, 1975	Fort Marion (LSD-22)	January 1946	4, 960	August 1959.
Colombia: 1 destroyer	May 9, 1975	Hale (DD-642) ¹	June 1943	2, 120	January 1961.
Germany: 4 destroyers	do	Ringold (DD-500) ¹	December 1942	2, 120	July 1959.
		Wadsworth (DD-516) ¹	March 1943	2, 120	October 1959.
		Claxton (DD-571) ¹	December 1942	2, 120	December 1959.
		Dyson (DD-572) ¹	do	2, 120	February 1960.
Greece: 6 destroyers	do	Brown (DD-546) ¹	July 1943	2, 120	September 1962.
		Aulick (DD-569) ¹	October 1942	2, 120	August 1959.
		Bradford (DD-545)	June 1943	2, 120	September 1962.
		Charrette (DD-581)	May 1953	2, 120	June 1959.
		Conner (DD-582)	June 1943	2, 120	October 1959.
		Hall (DD-583)	July 1943	2, 120	February 1960.
1 destroyer and 2 patrol gunboats.	July 25, 1975	Beacon (PG-99)	January 1969	180	
		Green Bay (PG-101)	December 1969	180	
2 tank landing ships	Dec. 18, 1975	Gurke (DD-783)	May 1945	2, 375	
		Terrell County (LST-1157)	March 1953	2, 590	
		Whitfield County (LST-169)	September 1954	2, 590	
Iran: 1 repair ship and 1 auxiliary repair dry dock.	July 19, 1976	Amphion (AR-13) ¹	January 1946	8, 800	October 1971.
		Arco (ARD-29) ¹	June 1944	5, 200	November 1971.
Korea: 5 destroyers and 1 landing craft repair ship.	May 9, 1975	Powell (SD-686) ¹	October 1943	2, 120	April 1968.
		Erben (DD-631) ¹	May 1943	2, 120	May 1963.
		Hickox (DD-673) ¹	September 1943	2, 120	November 1968.
		Chevalier (DD-805) ¹	January 1945	2, 370	September 1972.
		Larson (DD-830) ¹	April 1945	2, 370	December 1972.
		Minotar (ARL-15) ¹	February 1945	2, 280	October 1955.
2 destroyers	do	New (DD-818)	April 1946	2, 375	
		Kraus (DD-849)	May 1946	2, 375	
Pakistan: 2 destroyers	July 19, 1976	Wiltzie (DD-716)	January 1946	2, 375	
		Rowan (DD-782)	March 1945	2, 375	
Philippines: 1 landing craft repair ship and 1 inshore patrol craft.	Apr. 26, 1976	Satyr (ARL-23)	April 1945	2, 220	
		PCF-ZN12	October 1969	2, 200	
Spain: 5 destroyers	May 9, 1975	Furse (DD-882) ¹	July 1945	2, 375	August 1972.
		Greene (DD-711) ¹	June 1945	2, 375	Do.
		NOA (DD-841) ¹	November 1945	2, 375	October 1973.
		Leary (DD-879) ¹	May 1945	2, 375	Do.
		O'Hare (DD-889) ¹	November 1945	2, 375	Do.
3 tank landing ships	July 25, 1975	Terrebonne Parish (LST-1156) ¹	November 1952	2, 590	October 1971.
		Tomgreen County (LST-1159) ¹	September 1953	2, 590	January 1972.
		Wexford County (LST-1168) ¹	June 1954	2, 590	October 1971.
Venezuela: 1 landing craft repair ship, 1 tank landing ship and 1 auxiliary repair dry dock.	July 19, 1976	Quirinus (ARL-39) ¹	November 1945	2, 200	May 1962.
		Vernon County (LST-1161) ¹	May 1953	2, 590	June 1973.
		ARD-13 ¹	November 1943	5, 200	February 1962.

¹ Currently on loan/lease.

Senator BYRD. What mutual defense benefits will be gained by the transfer of these ships?

Admiral HANKS. The transfer of the ships listed is in consonance with the recommended mid-term objectives of the U.S. Total Force Policy. Pending the acquisition of new construction by these countries the ships, although old and tired, will continue to contribute to the security of the individual nations involved and to the strength of the the free world.

Senator BYRD. Do any of the recipient countries plan to scrap these ships within a reasonable time?

Admiral HANKS. At this time we know of no countries planning to do that, but legally they could after they own the title.

Senator BYRD. Have U.S. scrap dealers been contacted recently for any interest in these older ships? What, if any, has been their interest in these ships?

Admiral HANKS. Navy is very concerned that the demands of the scrap dealers and steel industry are met. Over the past 3 years, Navy has cooperated fully with a Department of Commerce request to expedite the disposal of our obsolete ships in an effort to alleviate a serious scrap shortage and to keep prices down. In this effort, Navy has leased pier space and equipment to the shipbreakers to expand their capacity to put scrap on the market while at the same time offering the domestic market over 600 ships. Whereas the industry normally bought about 40 Navy ships per year, it now absorbs about 200 per year. The scrap iron and steel institute which represents the shipbreakers is well satisfied and the Commerce Department has officially commended our efforts.

Senator BYRD. Have any of these proposed transfers been withdrawn by the Defense Department after they were forwarded to the Senate?

Admiral HANKS. Yes, sir, proposals to transfer two destroyers to Greece for the purpose of logistic support and one destroyer to Iran have been withdrawn.

Senator BYRD. Why were these ships withdrawn from this sales legislation?

Admiral HANKS. Greece declined the ships after inspecting them and Iran withdrew its request.

Senator BYRD. What is the current status of these ships?

Admiral HANKS. All three are in temporary storage.

Senator BYRD. What is the Navy's plan for the future of these ships?

Admiral HANKS. The destroyer originally programmed for Iran is now earmarked for sale to another country and will be the subject of a subsequent legislative proposal. Although no decision has been made, the other two destroyers will likely be stripped, used by the fleets as targets for weapons evaluation or sold for scrap.

Senator BYRD. How many ships does the Navy still have outstanding on loan to foreign countries? Does the Navy plan to request transfer of these ships?

Admiral HANKS. Approximately 200, the majority of which are yard craft and service type ships. Consistent with the USG policy decision of 1972 to terminate leases and loans with sales, the Navy will in the future be requesting authority to sell these ships and craft.

Senator BYRD. Why are these ships no longer useful to the U.S. Navy if they can be considered useful to the foreign countries?

Admiral HANKS. With the exception of the patrol gunboats to be sold to Greece, these ships have been found unfit for further service in the U.S. Navy because of obsolescence and degraded material condition. Extension of this life for continued operations in the USN would be impossible without a massive investment to overhaul and modernize these ships, most of which are over thirty years of age. These ships, however, will provide a significant improvement to the capability of friendly foreign countries who will make a conservative investment (as compared to costs of new construction) and operate them at a lower tempo, close to their own shores. These navies do not have the requirement or the capability to deploy their forces far away from home waters, as does the U.S. Navy.

Senator BYRD. For what purposes will the foreign countries use these ships?

Admiral HANKS.

Argentina.—The three destroyers currently on loan to Argentina are active units of the Argentine fleet and will be used to protect coastal waters and immediate sea lines of communication.

Brazil.—The two destroyers to be transferred to Brazil will be employed as part of their anti-submarine task group and in the protection of their territorial waters.

Republic of China (Taiwan).—The two landing ships dock will be used by the ROC Navy as parent ships for landing craft. The auxiliary repair dry dock will be used to repair ships and craft of the ROC Navy.

Colombia.—The destroyer to be sold to Colombia will be used as a training ship for the Colombian Navy.

Germany.—The German Navy will use the four destroyers in the protection of German coastal waters and of maritime shipping lanes within the NATO sphere of operations and for training purposes.

Greece.—The Hellenic navy will use the seven destroyers to fulfill NATO commitments in protecting the sea lines of communication in the eastern Mediterranean; the patrol gunboats will be used in patrolling the Greek islands in the Aegean, and the tank landing ships will enhance the Greek capability for cargo

lift among the islands and provide additional amphibious ships in the Mediterranean for possible NATO operations.

Iran.—The repair ship and auxiliary repair dry dock will be used to repair ships and craft of the Imperial Iranian Navy.

Korea.—The ROK Navy will use their destroyers to protect their territorial waters and immediate sea lines of communication. The landing craft repair ship will provide logistic and repair support of fleet ships and craft.

Pakistan.—The two destroyers to be sold to Pakistan will be used to patrol the Indian Ocean approaches to Pakistan.

Philippines.—The landing craft repair ship will provide additional repair capability to the Philippine Navy and the inshore patrol craft will be used for patrol operations.

Spain.—The five destroyers will be employed in fleet anti-submarine training exercises and coastal operations. The tank landing ships will be employed in amphibious training exercises and resupply of offshore islands.

Venezuela.—The landing craft repair ship will be used by the Venezuelan Navy as a transport and repair ship. The tank landing ship will be used for cargo lift and fleet support and the auxiliary repair dry dock will be used for ship repair and overhaul.

Senator BYRD. What have these ships that have been on loan to foreign countries been used for since they have been on loan?

Admiral HANKS.

Argentina.—The three destroyers on loan to Argentina are active units of the Argentine fleet and are used to protect coastal waters and immediate sea lines of communication. These ships have participated in previous UNITAS operations with other Latin American navies and the U.S. Navy.

Republic of China (Taiwan).—The landing ship dock has been used as a parent ship for landing craft and the auxiliary repair dry dock has been used in repair of ships and craft of the ROC Navy.

Colombia.—The destroyer on loan to Colombia is presently used as a training ship for the Colombian Navy and has participated in previous UNITAS operations with other Latin American navies and the U.S. Navy.

Germany.—The German Navy has used the destroyers in the protection of German coastal waters and of maritime shipping lanes within the NATO sphere of operations and for training purposes.

Greece.—The six destroyers on loan to the Hellenic Navy are used to fulfill NATO commitments in protecting the sea lines of communication in the eastern Mediterranean.

Iran.—Both the repair ship and the auxiliary repair dry dock are used to repair ships and craft of the Imperial Iranian Navy.

Korea.—The ROK Navy uses the five destroyers on loan to protect their territorial waters and immediate sea lines of communication. The landing craft repair ship provides logistic and repair support of foreign ships and craft.

Spain.—The five destroyers on loan to Spain are employed in fleet anti-submarine training exercises and coastal operations. The tank landing ships are employed in amphibious training exercises and resupply of offshore islands.

Venezuela.—The landing craft repair ship has been used by the Venezuelan Navy as a transport and repair ship. The auxiliary repair dry dock has been used for basic ship repair and overhaul. The tank landing ship has been used for cargo lift and fleet support.

Senator BYRD. Germany had requested to purchase these four destroyers in January 1973. Why was the proposal for authority to transfer these ships not forwarded until May 1975?

Admiral HANKS. No single, substantive reason. The administrative processing was delayed in both governments in completing the requirements for transfer, e.g., required USN material inspection of ships, interagency staffing of purchase request, funding (cash) by the FRG, etc.

Senator BYRD. What NATO commitments do these destroyers fulfill?

Admiral HANKS. They are used in the protection of German coastal waters and of maritime shipping lanes within the NATO sphere of operations.

Senator BYRD. For what purposes will the landing craft repair ship be used by Korea?

Admiral HANKS. The landing craft repair ship provides logistic and repair support of fleet ships and craft.

Senator BYRD. Seven destroyers are to be sold to Korea. The original cost of each was \$7.5 million. Why are five being sold at \$200,000 each and two are being

sold at \$250,000? For the record, could you provide the selling price of each destroyer.

Admiral HANKS. Pricing of ships depends on the estimated scrap market value at the time. The five destroyers on loan (ex-POWELL (DD-686), ex-ERBEN (DD-681), ex-HICKOX (DD-673), ex-CHEVALIER (DD-805), ex-LARSON (DD-830)) were priced at \$200,000 each in 1974, the other two, ex-NEW (DD-818), ex-KRAUS (DD-849) at \$250,000 in April 1976.

Senator BYRD. For what purposes will the auxiliary repair drydock be used by the Republic of China?

Admiral HANKS. It is used to repair ships and craft of the ROC Navy.

Senator BYRD. The inshore patrol craft being sold to the Philippines was built in 1969 at a cost of \$200,000. Why is it being sold for only \$14,000?

Admiral HANKS. The patrol craft was among those assets recovered from the Republic of Vietnam in April 1975 and was subsequently offered to the Republic of Philippines. In view of its seriously degraded material condition and its location in Subic Bay, P.I., it is not required by the U.S. Navy and is being sold at scrap value.

Senator BYRD. Why was the legislative proposal to authorize the transfer of one destroyer to Peru withdrawn?

Admiral HANKS. In view of the current economic circumstances in Peru the Executive Branch has deferred decision on significant new initiatives to Peru, pending review by the Department of State and the National Security Council.

Senator BYRD. Could you explain how the Spanish Government intends to use the five destroyers and three tank landing ships?

Admiral HANKS. The destroyers are employed in fleet anti-submarine training exercises and coastal operations. The LST's are employed in amphibious training exercises and resupply of offshore islands.

Senator TOWER. Was any consideration given to transferring these patrol gunboats to the Naval Reserves?

Admiral HANKS. The Reserves have operated PG's of this same class since 1975; however, retention of the PG's in the Naval Reserve Force has not been justified due to cost and poor sea-keeping capability on the high seas.

Senator LEAHY. Could you provide us with sale prices of ships of a specific class, such as destroyers, that are being sold now, as compared to what we received for them, say ten years ago?

Admiral HANKS. Ten years ago these ships had a residual capability usable and required by our Navy and were not being sold. It is only in the past 4-5 years that we have been disposing, in volume, of the ships in the inactive fleet and those being retired from the active fleet. The prices fluctuate according to the price of scrap metal on the commercial market.

Senator LEAHY. Could you show us what costs would be incurred if we do not sell these ships?

Admiral HANKS. There would be no costs incurred. If these ships are not sold to friendly foreign governments they will be sold for scrap at about the same price.

Senator LEAHY. How can these particular ships have no mission whatsoever? Could they possibly be used or redesigned to help in the mission of some other vessel?

Admiral HANKS. These ships are rapidly approaching obsolescence due to the advanced technological requirements for current and future warfare. For example, their hulls provide inadequate platforms to carry the newer weapons systems, their electrical plant is inadequate to power the new systems, and their space is inadequate to carry the additional personnel that would be required to operate and maintain the newer systems. It would be very costly, if not impossible, to upgrade them even for the less demanding missions; and it would be wasteful to man, modernize, maintain and operate a ship that couldn't measure up to its fully, required operating capability.

Senator LEAHY. After depreciation, what type of a loss (if any) or gain (if any) do we incur by the selling of these vessels? Could you specifically apply this question to the patrol gunboats that are being sold now but were procured in 1969?

Admiral HANKS. All of the ships except the patrol gunboats have been found unfit for further service due to obsolescence and degraded material condition; it would not be cost effective to attempt to extend their useful life for opera-

tions in our Navy or to retain them in the inactive fleet. Accordingly, their disposition would be for scrap sale unless they can be sold to friendly foreign governments who can be expected to invest in their refurbishment as necessary for a lower tempo of operations in coastal waters. The sales price is about the same as we would receive from the scrap markets; therefore, there is not a loss.

The patrol gunboats are currently excess to the needs of our Navy due to their restricted operating capabilities in the open ocean. Because they are in excellent condition they are being sold at their current estimated market value, which is more than Navy originally paid for their construction.

Senator LEAHY. Do the ships go "as is" or are they first stripped for spare parts for our other Navy vessels?

Admiral HANKS. The ships already on loan would be sold in their present condition. The others would be screened to determine and remove those components, spare parts and material required to support other U.S. Navy ships. This screening and removal process takes place before the ships are offered for sale.

Senator LEAHY. Where does the money that is received from ship transfer transactions go, into the Treasury or into a Navy account?

Admiral HANKS. Under current DOD policy, the proceeds from ship transfers like proceeds from the sale of other material/services under FMS procedures, are deposited to the most current applicable appropriation used to finance the procurement of the material/services sold.

Senator LEAHY. What type of mission will these vessels be used for by our allies?

Admiral HANKS. In general terms, our allies will use these ships in their national defense, i.e., in protection of their waters and their sea lines of communication.

Senator LEAHY. Might they be used for, say, harassing our fishing vessels?

Admiral HANKS. They certainly could be, and in a few cases in the past have been.

Senator LEAHY. Or, in times of political difference or conflict might they be used against United States interests?

Admiral HANKS. Yes; they could be, but we would hope that our present close relationship with these allies will prevail.

Senator LEAHY. Could they in any way be used to stop the present U.S. fleet from carrying out its primary missions?

Admiral HANKS. I think not, primarily because of their obsolescence.

Senator LEAHY. How have our allies used the ships we have transferred in the past?

Admiral HANKS. The majority of the many ships and craft we have transferred over the past twenty-five years have been auxiliary or service type ships and craft, which have been used in a supporting role of the respective navies or in developing the country itself. The warships, which represent only a small percentage of the ships transferred, have been used in patrolling the country's coastline and adjacent sea lines of communications and in routine training operations, often with the U.S. Navy or other allied navies.

Senator LEAHY. Have they ever been used against the United States?

Admiral HANKS. Over the long period of U.S. ship transfers to other countries only a small percentage of nations that possess these ships have been involved in actions in which U.S. interests were disturbed.

Senator BYRD. We will expedite action in this as quickly as we can.

Thank you, Admiral, Captain, and Commander.

Admiral HANKS. Thank you very much, Mr. Chairman. We appreciate your time.

[Whereupon, at 9 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

SHIP TRANSFER PROGRAM

BACKGROUND

Ship transfers represent an integral part of the Security Assistance Program which supports U.S. foreign policy and, consistent with the Total Force Policy strengthens mutual defense arrangements with various friendly foreign countries.

Ships which would otherwise be relegated to the scrap heap are instead sailing the world's oceans under friendly flags, providing potential extension of our own seapower capabilities and constituting a significant reminder of our support to valued allies. The common training, operations, and logistics efforts, which attend the transfers, serve further to coalesce customs, doctrine, and procedures. Such transactions also permit these countries to achieve a greater degree of self reliance, afford them the opportunity to manage their own resources; influence them to remain aligned with the U.S.; often raise the threshold at which U.S. involvement overseas may become necessary; and, provide the U.S. a reasonable monetary return.

With few exceptions the ships which are being transferred to other countries have been found unfit for further service in the U.S. Navy because of obsolescence and degraded material condition. Extension of their service life for continued operations in the U.S. Navy would be impossible without a massive investment to overhaul and modernize these ships, most of which are over thirty years of age. The end result of such modernization would still be a limited capability in an aged, thirty year old hull. Furthermore, in many type ships, there is insufficient space in the old hulls to provide adequate generator capacity for electrical power required to support modern weapons systems.

It is also not economical or feasible to retain these ships in a mothball fleet, as was done after WW II. Then, the majority of our mothballed ships were relatively new with only a few years' active service and technological development was not so rapid as it is today. These ships are old with obsolescent systems, which some years hence will be completely outmoded for fleet operations. For example, the development of the nuclear submarine has revolutionized anti-submarine warfare to the degree that only a coordinated effort by ships, aircraft and other submarines using modern, sophisticated detection and weapons systems can counter the submarine threat. Old destroyers quickly reactivated from a reserve fleet can not cope with the modern submarine problem. The same can be said for the rapid developments in missiles. Therefore, today's Navy must be able to carry out its missions with the ships in the active fleets and cannot be dependent on a mothball fleet.

The two patrol gunboats being sold to Greece are exceptions to the normal condition of ships in the program. These boats, built in 1967, are fit for further service but are excess to U.S. Navy requirements. Because of budgetary constraints, the Navy plans to phase out PG's

over the next several years. The decision is supported by the marginal capability of this class patrol boat for U.S. Navy operational requirements. Its operations are limited by sea state, the requirement for frequent refueling, inadequate communications equipment, a lack of equipment redundancy, and the requirement for a dedicated support ship. They will be replaced by the new PHM, patrol hydrofoil-guided missile, which will have much more capability. The PG's are well suited, however, for coastal protection and patrol, which is a common mission of smaller allied navies and the purpose for which the Greek Navy is acquiring them.

In every case the ships proposed for transfer have been found excess to U.S. Navy requirements, and prior to their sale will have been stricken from the Naval Register.

These ships will provide a significant improvement to the capability of friendly foreign countries who will make a conservative investment (as compared to costs of new construction) and operate them at a lower tempo close to home. These navies do not have the requirement or the capability to deploy their forces far away from home waters, as does the U.S. Navy.

As to the foreign navy's use and disposition of the ships, the sales agreement includes the following restrictions:

shall, except as may otherwise be mutually agreed, use the ships only (a) for the purposes specified in mutual defense agreements or bilateral or regional defense treaties to which the USG and Purchaser are both parties, (b) for internal security, self defense, and/or civic action.

Further, the country shall not transfer title to, or possession of the ship, components and associated support material furnished under the sales agreement to any other government unless the written consent of the USG has first been obtained. It shall not disclose, dispose of, or permit use of any plans, specifications or information furnished in connection with this transaction, except to the extent authorized in writing by the USG.

The ship transfers now being proposed, which under the terms of the Byrd Amendment require specific enabling legislation, involve 49 ships and craft and 12 countries. Of the 49 ships/craft, 35 are already in the particular country on loan or lease. The remainder are in USN custody, in storage awaiting the authority for transfer. All the ships will be sold in accordance with the provisions of International Security Assistance and Arms Export Control Act of 1976. Each transfer proposal has been reviewed and approved by the Departments of State and Defense and by the Office of Management and Budget.

ARGENTINA

By diplomatic note dated August 13, 1974 the Government of Argentina expressed its desire to purchase three destroyers which it previously obtained on loan from the USG in August 1961. These destroyers ex-Heerman (DD-532), ex-Stembel (DD-644) and Dortch (DD-670) are of the Fletcher Class, displace 2120 tons and were built over thirty years ago for approximately \$7.5 million each. Their main armament includes four 5"/38 and six 3"/50 guns. They are active units of the Argentine fleet and are used to protect coastal waters and immediate sea lines of communication. These ships have participated in previous UNITAS operations with other Latin American Navies and the USN. The destroyers will be sold on an "as is, where is" basis for \$125,000 each.

BRAZIL

By letter from the Brazilian Naval Attache, Washington, D.C., dated 2 August 1974, the Brazilian Navy expressed the desire to obtain four Gearing Class destroyers. Two will be designated from those Fram I destroyers scheduled to be decommissioned from the U.S. Navy in Fiscal Year 78 after more than 30 years of service and will be transferred as "hot ships". The destroyers, constructed during WW II at a cost of \$7.5 million, displace 2375 tons and have two twin 5"/38 guns for main armament. The Brazilian Navy will employ the destroyers as part of their anti-submarine task group and in protection of their territorial waters. Sale will be made on an "as is, where is" basis for approximately \$225,000 each.

GERMANY

The Federal Republic of Germany in January 1973 requested to purchase the four destroyers which it has had on loan from the U.S. Government since 1959/60—ex-Ringold (DD-500), ex-Wadsworth (DD-516), ex-Claxton (DD-571) and ex-Dyson (DD-572), all of the Fletcher Class. Constructed over thirty years ago at approximate cost of \$7.5 million each, they displace 2120 tons and have four 5"/38 and six 3"/50 guns for armament. The German Navy has used the ships to fulfill NATO commitments and for training purposes. The sale will be on an "as is, where is" basis for \$150,000 each.

COLOMBIA

In November 1973 the Colombian Navy requested to purchase the ex-Hale (DD-642), which it received on loan from the U.S. Government in January 1961. A Fletcher Class destroyer with displacement of 2120 tons, Hale was built in June 1943 at an approximate cost of \$7.5 million and has four 5"/38 guns and six 3"/50 guns for armament. The ship is presently used as a training ship for the Colombian Navy and has participated in previous UNITAS operations with other Latin American navies and the U.S. Navy. The sale will be made on an "as is, where is" basis for \$75,000.

GREECE

By letter dated October 21, 1974, the Commander-in-Chief of the Hellenic Navy expressed the desire to purchase six destroyers which were previously transferred on loan during the period from June 1959 to September 1962, viz, ex-Brown (DD-546), ex-Aulick (DD-569), ex-Bradford (DD-545), ex-Charrette (DD-581), ex-Conner (DD-582) and ex-Hall (DD-583). All are of the Fletcher Class and were built over thirty years ago at approximate cost of \$7.5 million dollars each. Each displaces 2120 tons and has four (or five) 5"/38 guns for main armament. In response to a Hellenic Navy request of September 1974 two patrol gunboats of the Asheville Class and one Gearing Class (FRAM I) destroyer are being made available for sale. USS Beacon (PG-99) and USS Green Bay (PG-101) were built in 1969 at an approximate cost of \$4.6 million each with a displacement of 180 tons and armament of one 3"/50 gun and one 40mm gun. The destroyer ex-Gurke (DD-783) was completed in 1945 at a cost of \$7.5 million, displaces 2375 tons, and is armed with two twin 5"/38 gun mounts and ASROC. The Hellenic Navy uses its destroyers to fulfill NATO commitments in protecting the sea lines of communication in the eastern Mediterranean and will employ the patrol gunboats in patrolling the Greek Islands, in the Aegean. In April 1975, the Hellenic Navy requested additional tank landing ships, and ex-Terrell County (LST-1157) and ex-Whitfield County (LST-1169) will be sold to satisfy their requirement. They were completed in 1953 and 1954 at a cost of \$8.3 million, displace 2590 tons and have three twin 3"/50 gun mounts for armament. Their acquisition will enhance the Greek capability for cargo lift among the islands and will provide additional amphibious ships in the Mediterranean for possible NATO operations. All sales will be on an "as is, where is" basis—seven destroyers at \$320,000 each, two patrol gunboats at \$5,430,000 each, and two tank landing ships at \$380,000 each.

IRAN

In June 1976 the Government of Iran requested to purchase the repair ship, ex-Amphion (AR-13) and auxiliary repair drydock, ex-Arco (ARD-29), which were leased to Iran in October and November 1971. AR-13 was built in 1946 at a cost of \$9.6 million and displaces 8800 tons. ARD-29 was completed for \$3 million in 1944 and displaces 5200 tons. Both are used to repair ships and craft of the Imperial Iranian Navy. Sales will be on an "as is, where is" basis—the repair ship for \$450,000 and the drydock for \$400,000.

KOREA

By diplomatic note dated June 6, 1974 the Republic of Korea requested to purchase five destroyers and a landing craft repair ship which were obtained from the U.S. Government on loan, viz., ex-Powell (DD-686) loaned in April 1968, ex-Erben (DD-631) in May 1963, ex-Hickox (DD-673) in November 1968, ex-Chevalier (DD-805) in September 1972, ex-Larson (DD-830) in December 1972 and ex-Minotar (ARL-15) in October 1955. All were built over thirty years ago, the destroyers at an approximate cost of \$7.5 million each and ARL-15 at \$1.3 million. Three destroyers are of the Fletcher Class, displace 2120 tons, and have five 5"/38 guns as main armament; the other two are Gearing Class with 2370 ton displacement and six 5"/38 guns for main armament. The landing craft repair ship replaces 2280 tons and has 40mm and 20mm guns. Two other Gearing Class FRAM I destroyers are also being sold to the Republic of Korea, ex-New (DD-818) and ex-Kraus (DD-849). Both were completed in 1946 at a cost of approximately \$7.5 million each, displace 2375 tons, and have two twin 5"/38 gun mounts for main armament. The ASROC system will have been removed to satisfy U.S. Navy requirements. The ROK Navy uses their destroyers to protect their territorial waters and immediate sea lines of communication. The landing craft repair ship provides logistic and repair support of fleet ships and craft. All sales will be on an "as is, where is" basis—the five destroyers on loan at \$200,000 each, two destroyers (DD-818, DD-849) at \$250,000 each, and one landing craft repair ship at \$200,000.

PAKISTAN

In August 1975 the Government of Pakistan expressed the desire to purchase from the USG destroyers to update their small fleet. In response to their request, two destroyers are being made available—ex-Wiltzie (DD-716) and ex-Rowan (DD-782) of the Gearing Class (FRAM I). They were constructed over thirty years ago at a cost of \$7.5 million each. They displace 2375 tons and have two twin 5"/38 gun mounts. The ASROC system, part of the FRAM modernization, will be removed prior transfer due to USN requirements. These destroyers will replace older ships in the Pakistan Navy, which will then be decommissioned. Their employment will be to patrol the Indian Ocean approaches to Pakistan. Sale will be on an "as is, where is" basis for \$225,000 each.

REPUBLIC OF CHINA

By diplomatic note dated May 9, 1975 the Republic of China "requested the agreement of the USG to sell" the landing ship dock, ex-White Marsh (LSD-8), and the auxiliary repair dry dock (ARD-9). White Marsh, which displaces 4960 tons and has 12 40mm guns for armament, was built in 1944 for approximately \$6 million and transferred to ROC under loan in November 1960. It serves as parent ship for landing craft. ARD-9, which displaces 4200 tons, was built in 1943 and leased to the Chinese in November 1967 for use in repair of ships and craft. In December 1974, the Chinese Navy requested inter alia another LSD, and ex-Fort Marion (LSD-22) is proposed to satisfy this requirement. Fort Marion, constructed thirty years ago at a cost of approximately \$6 million, displaces 4960 tons and has eight 40mm guns. The ships and drydock will be sold on an "as is, where is" basis—LSD-8 and LSD-22 for \$270,000 each and ARD-9 for \$400,000.

REPUBLIC OF PHILIPPINES

The landing craft repair ship ex-Satyr (ARL-23) and one inshore patrol craft, previously on lease to the Republic of Vietnam, are being sold to Republic of Philippines. ARL-23, built over thirty years ago at a cost of \$1.3 million,

displaces 2220 tons and will provide additional repair capability to the Philippine Navy. The PCF, built in October 1969 for \$200,000, displaces 22 tons and will be used for patrol operations. Sale will be on an "as is, where is" basis—ARL-23 for \$180,000, PCF for \$14,000.

SPAIN

In accordance with the terms of the Treaty of Friendship and Cooperation signed in August 1970, five destroyers and three tank landing ships were subsequently transferred to Spain on a loan or lease basis. In June 1974 and January 1975 the Spanish Navy expressed the desire to purchase these ships—ex-Furse (DD-882) and ex-Greene (DD-711) loaned in August 1972; ex-Noa (DD-841), ex-Leary (DD-879), and ex-O'Hare (DD-889) loaned in October 1973; ex-Terrebonne Parish (LST-1156) and ex-Wexford County (LST 1168) loaned in October 1971, and ex-Tomgreen County (LST-1159) leased in January 1972. The five destroyers of the Gearing Class (FRAM I), were built over thirty years ago at \$7.5 million each, displace 2375 tons, and have two twin 5"/38 guns and ASROC for armament. They are employed in fleet anti-submarine training exercises and coastal operations. The three LST's were built over twenty-two years ago at \$8.3 million each, displace 2590 tons, and have three twin 3"/50 guns for armament. They are employed in amphibious training exercises and resupply of offshore islands. Sales will be on an "as is, where is" basis—destroyers at \$200,000 each, tank landing ships at \$350,000 each.

VENEZUELA

In January 1976 the Government of Venezuela advised that it wished to purchase ex-Vernon County (LST-1161), which was leased from the U.S. Government in June 1973, ex-Quirinus (ARL-39) and the auxiliary repair dry dock (ARD-13), which were leased in May and February 1962. LST-1161, of the Terrebonne Parish Class, was built in May 1953 at approximate cost of \$8.3 million and displaces 2590 tons. It has 3 twin 3"/50 guns and is used for cargo lift and fleet support. ARL-39, a landing craft repair ship, was built over thirty years ago at a cost of \$1.3 million, displaces 2220 tons, and has two quad 40mm gun mounts. It has been used by the Venezuelan Navy as a transport and repair ship. ARD-13, completed in November 1943 at a cost of \$3 million, displaces 5200 tons and is used for basic ship repair and overhaul. Sales will be on an "as is, where is" basis—LST-1161 for \$280,000, ARL-39 for \$165,000 and ARD-13 for \$320,000.



