



**Southern
Recycling**



November 2, 2009

Mr. Kent Peterman
Chairperson
Planning Commission
City of Vallejo
555 Santa Clara Street
Vallejo, CA 94590

RE: Comment on California Dry Dock Solutions: Reuse of Mare Island Dry Docks and Waterfront Area. Public Meeting November 2, 2009

Dear Mr. Peterman;

Southern Recycling first approached the City of Vallejo, LNR Property Corporation, and commercial leasing agent, CB Richard Ellis about acquiring a lease of the industrial area containing the Mare Island dry docks and waterfront area for a full-service metal recycling facility, including commercial and federal ship recycling, in the spring of 2008. Southern Recycling, LLC, (SOREC) the U.S. Gulf Coast regions largest metal recycling company, was established in New Orleans, Louisiana in 1900. The company has been engaged in high volume marine ferrous production since the end of World War II and annually recycles hundreds of commercial and federal blue and brown water vessels, barges, and platforms. SOREC is one of the Maritime Administration's (MARAD) pre-qualified ship recyclers and has the requisite past performance and capitalization to meet federal, state, local, and commercial requirements for metal recycling and marine ferrous production.

After developing an initial response to the City of Vallejo's Initial Study Environmental Checklist form and informing the City Planning Department that SOREC was ready to proceed, the City of Vallejo removed the option of competitive leasing from the table around July 2008, coincidentally when retiring LNR Property Corporation Vice President, Wanda Chihak, became a member of the Vallejo Planning Commission.¹ Since then, the City of Vallejo, LNR Property Corporation, and commercial leasing agent, CB Richard Ellis have exclusively entertained a proposal from Allied Defense Recycling, LLC, which began "doing business as" (dba) California Dry Dock Solutions (ADR/CDDS) in the late summer/early fall of 2008. Since then, ADR/CDDS has been unsuccessful in getting a lease from LNR Property Corporation, in lieu of transfer of the property to the City of Vallejo, to establish a multi-use ship recycling, ship maintenance/repair, and ship building facility.²

¹ Ms. Chihak left the Planning Commission sometime between May and June 2009.

² Ship building has been dropped from the amended October 2009 project description.

The dba, and its parent, have no past performance in ship recycling. The President is the principal in an East Bay recycling center and has an earlier background in running a liquor store and gas station. The Director of Marine Operations has done some repair work at the Suisun Bay Reserve Fleet and support tows for SBRF vessels going to Brownsville, Texas. The Director of Environmental Operations apparently owns an asbestos abatement firm in Bend, Oregon. The project manager was employed as an operations manager in the U.S. Navy pilot project conducted as a joint venture between VSE Corporation and EarthTech at Hunter's Point from 2000 through 2001.

The Hunter's Point Navy pilot was a public works (i.e., the Navy paid the contractor a profit to dismantle the vessels and all recycling proceeds reverted to the US Treasury). According to a 2007 personal interview conducted by myself with then-VSE International Group President, James Knowlton, who was the VSE program manager for the joint venture, the company left because it could not be guaranteed sufficient throughput to keep its employees on board. This is because the pilot program, while a public works, had vessels competitively bid among the four pre-qualified Navy recyclers. Thus, the rate of profit was not sufficient for VSE to capitalize operations during periods when they were not successful in having the low bid, nor was the company willing to underbid simply to get the work. This was exacerbated by neither the Navy nor MARAD being willing to allow the pre-qualified companies to submit unsolicited bids. Mr. Knowlton emphasized that VSE had entered the pilot to "help the Navy out," but when it became a financial drain, they had no choice but to leave the pilot program. VSE was then, and is now, a major defense contractor.

On the other hand, the ADR/CDDC venture has no apparent capitalization. The only thing it seems to have is some unidentified advocates at MARAD who, since 2005, have circumvented the MARAD solicitation rules and guidelines and the Federal Acquisition Regulations (FAR) to provide public relations to a company that does not exist except on paper. MARAD has even allowed, according to ADR/CDDC principals, the paper company to put in bids, be awarded contracts and be given a five-year exclusive option on SBRF vessels at a facility that does not exist.

In March of 2009, as part of a SOREC protest against the MARAD FY09-10 Solicitation, in which MARAD removed all transparency from the sales and acquisition process, MARAD was forced to rescind its pre-qualification of the paper company, ADR/CDDC, and rescind its awards to a facility and company that did not exist except on paper. Nonetheless, the information provided by ADR/CDDC that the City of Vallejo posted in July 2009 for review by the public contains the erroneous information that MARAD has awarded four contracts for four SBRF vessels and was awarded an exclusive five-year option as the only West Coast ship disposal site for SBRF vessels. While the staff report for this November 2, 2009 meeting now asserts that the ADR/CDDC will operate only ship maintenance, repair, and dismantling at the facility, it continues to assert that it will receive SBRF vessels under contract from the Maritime Administration without providing evidence it has a lease or has been pre-qualified to bid.

In the summer of 2008, the Maritime Administration issued a draft Programmatic Environmental Assessment for the Removal of Non-Retention Vessels from National Defense Reserve Fleet Sites for Disposal. The study indicated that the Maritime Administration had pre-qualified a non-existent facility at Mare Island. Further, the study based its environmental assessment of all the functional facilities that were actually engaged in the regulatory compliant recycling of MARAD National Defense Reserve Fleet (NDRF) vessels on the non-existent Mare Island facility. As

the Mare Island facility is proposed by a paper company with no past performance in ship recycling, no lease nor apparent capitalization, it is confounding as to why MARAD or the City of Vallejo continues to entertain anything from a paper entity when presented with interest from a viable, real company that is capitalized and has past performance in ship recycling.

Most troubling, is during the 18 months that the City of Vallejo has exclusively pursued ADR/CDDS, there appears to be no economic benchmarks or bonding requirements, nor does the City appear to be concerned that the paper company has engaged in extravagant, unfounded claims of federal monetary support for its endeavor as well as claimed extra-legal "contract awards" with a federal agency that has refused, outside of comment in the spring of 2009 that ADR/CDDC had no contracts, to be transparent with the City of Vallejo and its citizens.

Further, the revised November 2, 2009 project description continues to demonstrate that ADR/CDDC does not understand the economic and operational requirements of market-based ship recycling – a pre-requisite to successful, profitable federal ship recycling. In addition, the ADR/CDDC revised proposal continues to demonstrate the company does not understand the MARAD ship recycling sales or acquisition solicitation or award process and continues to be premised on a public works model rather than the competitive sales or subsidy (acquisition) amongst a pool of pre-qualified recyclers. Unlike the proposed public works project envisioned by ADR/CDDC, the other ship recyclers are mindful of the competitive nature of their bids as well as their responsibility to the taxpayers when engaged in the production of a value-based commodity.

Finally, ADR/CDDC has not provided one whit of public proof that it has been re-qualified for bidding by MARAD, or has options on "the first four demolition/dismantling contracts" or has a "five-year option as the only West Coast-based prequalified bidder for demolition of MARAD ships (this includes the Suisun Bay mothball fleet)" *[sic]*. (page 18, Project Description, *California Dry Dock Solutions Final Initial Study, October 2009*).

As a viable company whose commercial and operational expertise was rejected by the City of Vallejo and Lennar Property Corporation without hearing, we are well aware the City of Vallejo Planning Commission is entitled to make whatever decision it best sees fit, even with the paucity of information on the business and operational plans of the paper company. However, unlike the proposal being entertained by the Planning Commission, we understand the negative experiences that a number of Bay Area municipalities, including Vallejo, suffered from unscrupulous entrepreneurs who thought ship recycling was easy money until the market proved them otherwise and who left their cleanup to those city's budgets.

From the technical reports in the staff report, it remains unclear if ADR/CDDC ever expects to actually become operational as a ship dismantling facility, given that their ship recycling business plan is based upon a chimera at best and collusion to evade the Federal Acquisition Regulations and government ethics standards at worst. As the ship maintenance/repair business plan is even more undeveloped than the ship dismantling plan, it is unclear how viable that entity might be. As to whether it will be profitable, that remains to be seen. We are keenly aware that the failure of ADR/CDDC will give ammunition to anti-ship recycling advocates who have aggressively endeavored to keep viable ship recycling out of the San Francisco Bay Area.

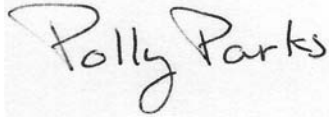
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4

If the City of Vallejo decides to do as they first told us in late summer 2008, which was develop minimum CEQA requirements for the industrial development of the parcel and then put the site out for competitive bid, please let us know. At this point, we remain interested.

Respectfully submitted,

A handwritten signature in black ink that reads "Polly Parks". The signature is written in a cursive, slightly slanted style.

Polly Parks

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