

103^D CONGRESS
1ST SESSION

H. R. 2547

To improve the economy of the United States and promote the national security interests of the United States by establishing a National Shipbuilding Initiative to provide support for the United States shipbuilding industry in order to assist that industry in regaining a significant share of the world commercial shipbuilding market, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 29, 1993

Mr. STUDDS (for himself, Mr. DELLUMS, Mr. LIPINSKI, Mr. TAYLOR of Mississippi, Mr. FIELDS of Texas, Mr. BATEMAN, Mr. HUGHES, Mr. TAUZIN, Mr. ORTIZ, Mr. MANTON, Mr. PICKETT, Mr. HOCHBRUECKNER, Mrs. UNSOELD, Mr. REED, Mr. LANCASTER, Mr. ANDREWS of Maine, Ms. FURSE, Ms. SCHENK, Mr. HASTINGS, Ms. ESHOO, Mr. BARLOW, Mr. STUPAK, Mr. THOMPSON of Mississippi, Mr. ACKERMAN, Mr. SCOTT, Mr. SAXTON, Mr. CUNNINGHAM, Mr. KING, Mr. DIAZ-BALART, Mrs. BENTLEY, and Mr. HAMBURG) introduced the following bill; which was referred jointly to the Committees on Merchant Marine and Fisheries and Armed Services

A BILL

To improve the economy of the United States and promote the national security interests of the United States by establishing a National Shipbuilding Initiative to provide support for the United States shipbuilding industry in order to assist that industry in regaining a significant share of the world commercial shipbuilding market, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “National Shipbuilding
5 and Conversion Act of 1993”.

6 **TITLE I—NATIONAL**
7 **SHIPBUILDING INITIATIVE**

8 **SEC. 101. NATIONAL SHIPBUILDING INITIATIVE.**

9 (a) ESTABLISHMENT OF PROGRAM.—There shall be
10 a National Shipbuilding Initiative program, to be carried
11 out to support the industrial base for national security ob-
12 jectives by assisting in the reestablishment of the United
13 States shipbuilding industry as a self-sufficient, inter-
14 nationally competitive industry.

15 (b) ADMINISTERING DEPARTMENTS.—The program
16 shall be carried out—

17 (1) by the Secretary of Defense, with respect to
18 programs under the jurisdiction of the Secretary of
19 Defense; and

20 (2) by the Secretary of Transportation, with re-
21 spect to programs under the jurisdiction of the Sec-
22 retary of Transportation.

23 (c) PROGRAM ELEMENTS.—The National Shipbuild-
24 ing Initiative shall consist of the following program ele-
25 ments:

1 (1) FINANCIAL INCENTIVES PROGRAM.—A fi-
2 nancial incentives program to provide loan guaran-
3 tees to initiate commercial ship construction for do-
4 mestic and export sales, encourage shipyard mod-
5 ernization, and support increased productivity, as
6 provided in title XI of the Merchant Marine Act,
7 1936 (as amended by title II of this Act).

8 (2) TECHNOLOGY DEVELOPMENT PROGRAM.—A
9 technology development program, to be carried out
10 within the Department of Defense by the Advanced
11 Research Projects Agency, to improve the technology
12 base for advanced shipbuilding technologies and re-
13 lated dual-use technologies through activities includ-
14 ing a development program for innovative commer-
15 cial ship design and production processes and tech-
16 nologies.

17 (3) NAVY'S AFFORDABILITY THROUGH COM-
18 MONALITY PROGRAM.—Enhanced support by the
19 Secretary of Defense for the shipbuilding program of
20 the Department of the Navy known as the Afford-
21 ability Through Commonality (ATC) program, to in-
22 clude enhanced support (A) for the development of
23 common modules for military and commercial ships,
24 and (B) to foster civil-military integration into the
25 next generation of Naval surface combatants.

1 (4) NAVY'S MANUFACTURING TECHNOLOGY AND
2 TECHNOLOGY BASE PROGRAMS.—Enhanced support
3 by the Secretary of Defense for, and strengthened
4 funding for, that portion of the Manufacturing
5 Technology program of the Navy, and that portion
6 of the Technology Base program of the Navy, that
7 are in the areas of shipbuilding technologies and
8 ship repair technologies.

9 **SEC. 102. DEPARTMENT OF DEFENSE PROGRAM MANAGE-**
10 **MENT THROUGH ADVANCED RESEARCH**
11 **PROJECTS AGENCY.**

12 The Secretary of Defense shall designate the Ad-
13 vanced Research Projects Agency of the Department of
14 Defense as the lead agency of the Department of Defense
15 for activities of the Department of Defense which are part
16 of the National Shipbuilding Initiative program. Those ac-
17 tivities shall be carried out as part of defense conversion
18 activities of the Department of Defense.

19 **SEC. 103. ADVANCED RESEARCH PROJECTS AGENCY FUNC-**
20 **TIONS.**

21 The Secretary of Defense, acting through the Direc-
22 tor of the Advanced Research Projects Agency, shall carry
23 out the following functions with respect to the National
24 Shipbuilding Initiative program:

1 (1) Consultation with the Maritime Administra-
2 tion, the Office of Economic Adjustment, the Na-
3 tional Economic Council, the National Shipbuilding
4 Research Project, the Coast Guard, appropriate
5 naval commands and activities, and other appro-
6 priate Federal agencies on—

7 (A) development and transfer to the pri-
8 vate sector of dual-use shipbuilding tech-
9 nologies, ship repair technologies, and ship-
10 building management technologies;

11 (B) assessments of potential markets for
12 maritime product; and

13 (C) recommendation of industrial entities,
14 partnerships, joint ventures, or consortia for
15 short- and long-term manufacturing technology
16 investment strategies.

17 (2) Funding and program management activi-
18 ties to develop innovative design and production
19 processes and the technologies required to implement
20 those processes.

21 (3) Facilitation of industry and Government
22 technology development and technology transfer ac-
23 tivities (including education and training, market as-
24 sessments, simulations, hardware models and proto-

1 types, and national and regional industrial base
2 studies).

3 (4) Integration of promising technology ad-
4 vances made in the Technology Reinvestment Pro-
5 gram of the Advanced Research Projects Agency
6 into the National Shipbuilding Initiative to effect
7 full defense conversion potential.

8 **SEC. 104. ELIGIBLE SHIPYARDS.**

9 To be eligible to receive any assistance or otherwise
10 to participate in any program carried out under the Na-
11 tional Shipbuilding Initiative, a shipyard must be a private
12 shipyard located in the United States.

13 **TITLE II—GUARANTEES OF OBLI-**
14 **GATIONS FOR VESSEL CON-**
15 **STRUCTION AND UNITED**
16 **STATES SHIPYARD MOD-**
17 **ERNIZATION**

18 **SEC. 201. LOAN GUARANTEES FOR EXPORT VESSELS.**

19 Title XI of the Merchant Marine Act, 1936 (46 App.
20 U.S.C. 1271 et seq.) is amended as follows:

21 (1) ELIGIBLE EXPORT VESSEL DEFINED.—Sec-
22 tion 1101 is amended by adding at the end the fol-
23 lowing new subsection:

24 “(o) The term ‘eligible export vessel’ means a vessel
25 constructed, reconstructed, or reconditioned in the United

1 States for use in world-wide trade which will, upon deliv-
2 ery or redelivery, be placed under or continued to be docu-
3 mented under the laws of a country other than the United
4 States.”.

5 (2) LIMITATIONS ON GUARANTEE OBLIGA-
6 TIONS.—Section 1103 is amended—

7 (A) by amending the first sentence of sub-
8 section (f) to read as follows: “The aggregate
9 unpaid principal amount of the obligations
10 guaranteed under this section and outstanding
11 at any one time shall not exceed
12 \$12,000,000,000, of which (1) \$850,000,000
13 shall be limited to obligations pertaining to
14 guarantees of obligations for fishing vessels and
15 fishery facilities made under this title, and (2)
16 \$3,000,000,000 shall be limited to obligations
17 pertaining to guarantees of obligations for eligi-
18 ble export vessels.”; and

19 (B) by adding at the end the following new
20 subsection:

21 “(g)(1) The Secretary may not issue a commitment
22 to guarantee obligations for an eligible export vessel un-
23 less, after considering—

24 “(A) the status of pending applications for com-
25 mitments to guarantee obligations for vessels docu-

1 mented under the laws of the United States and op-
2 erating or to be operated in the domestic or foreign
3 commerce of the United States,

4 “(B) the economic soundness of the applica-
5 tions referred to in subparagraph (A), and

6 “(C) the amount of guarantee authority avail-
7 able,

8 the Secretary determines, in the sole discretion of the Sec-
9 retary, that the issuance of a commitment to guarantee
10 obligations for an eligible export vessel will not result in
11 the denial of an economically sound application to issue
12 a commitment to guarantee obligations for vessels docu-
13 mented under the laws of the United States operating in
14 the domestic or foreign commerce of the United States.

15 “(2) The Secretary may not issue commitments to
16 guarantee obligations for eligible export vessels under this
17 section after the later of—

18 “(A) the 5th anniversary of the date on which
19 the Secretary publishes final regulations setting
20 forth the application procedures for the issuance of
21 commitments to guarantee obligations for eligible ex-
22 port vessels,

23 “(B) the last day of any 5-year period in which
24 funding and guarantee authority for obligations for

1 eligible export vessels have been continuously avail-
2 able, or

3 “(C) the last date on which those commitments
4 may be issued under any treaty, convention, or other
5 international agreement entered into after the date
6 of the enactment of the Shipbuilding Conversion Act
7 of 1993 that prohibits guarantee of those obliga-
8 tions.”.

9 (3) AUTHORITY TO GUARANTEE OBLIGATIONS
10 FOR ELIGIBLE EXPORT VESSELS.—Section 1104A is
11 amended—

12 (A) by amending so much of subsection
13 (a)(1) as precedes the proviso to read as fol-
14 lows:

15 “(1) financing, including reimbursement of an
16 obligor for expenditures previously made for, con-
17 struction, reconstruction, or reconditioning of a ves-
18 sel or vessels owned by citizens of the United States,
19 or in the case of an eligible export vessel, owned by
20 either non-United States or by a citizen of the
21 United States, which are designed principally for re-
22 search, or for commercial use (A) in the coastwise
23 or intercoastal trade; (B) on the Great Lakes, or on
24 bays, sounds, rivers, harbors, or inland lakes of the
25 United States; (C) in foreign trade as defined in sec-

1 tion 905 of this Act for purposes of title V of this
2 Act; or (D) as an ocean thermal energy conversion
3 facility or plantship; (E) with respect to floating dry-
4 docks in the construction, reconstruction, recondi-
5 tioning, or repair of vessels; or (F) with respect to
6 an eligible export vessel, in world-wide trade;”;

7 (B) by amending subsection (b)(2)—

8 (i) by striking “subject to the provi-
9 sions of paragraph (1) of subsection (c) of
10 this section,” and inserting “subject to the
11 provisions of subsection (c)(1) and sub-
12 section (i),”, and

13 (ii) by adding at the end the following
14 additional proviso: “*Provided, further* That
15 in the case of an eligible export vessel,
16 such obligations may be in an aggregate
17 principal amount which does not exceed
18 87½ percent of the actual cost or depre-
19 ciated actual cost of the eligible export ves-
20 sel.”;

21 (C) by amending subsection (b)(6) by in-
22 serting after “United States Coast Guard” the
23 following: “or, in the case of an eligible export
24 vessel, of the appropriate national flag authori-
25 ties under a treaty, convention, or other inter-

1 national agreement to which the United States
2 is a party”;

3 (D) by striking out all after the paragraph
4 (2) in subsection (d) and inserting the following
5 new paragraph:

6 “(3) No commitment to guarantee, or guaran-
7 tee of an obligation may be made by the Secretary
8 under this title for the construction, reconstruction
9 or reconditioning of an eligible export vessel un-
10 less—

11 “(A) the Secretary finds that the construc-
12 tion, reconstruction, or reconditioning of such
13 eligible export vessel will aid in the transition of
14 United States shipyards to commercial activities
15 or will preserve shipbuilding assets that would
16 be essential in time of war or national emer-
17 gency, and

18 “(B) the owner of the eligible export vessel
19 agrees with the Secretary that the vessel shall
20 not be transferred to any country designated by
21 the Secretary as a country whose interests are
22 hostile to the interests of the United States.”;
23 and

24 (E) by adding at the end the following new
25 subsection:

1 “(i) The Secretary may not, with respect to—

2 “(1) the general 75 percent or less limitation in
3 subsection (b)(2);

4 “(2) the 87½ percent or less limitation in the
5 1st, 2nd, 4th, or 5th proviso to subsection (b)(2) or
6 section 1111(b); or

7 “(3) the 80 percent or less limitation in the 3rd
8 proviso to such subsection;

9 establish by rule, regulation, or procedure any percentage
10 within any such limitation that is, or is intended to be,
11 applied uniformly to all guarantees or commitments to
12 guarantee made under this section that are subject to the
13 limitation.”.

14 (4) LIMITATION ON AUTHORITY TO ESTABLISH
15 UNIFORM PERCENTAGE LIMITATION.—Section
16 1104B is amended by adding at the end of sub-
17 section (b) the following flush sentence:

18 “The Secretary may not by rule, regulation, or procedure
19 establish any percentage within the 87½ percent or less
20 limitation in paragraph (2) that is, or is intended to be,
21 applied uniformly to all guarantees or commitments to
22 guarantee made under this section.”.

23 (5) CONFORMING AMENDMENT.—Section
24 1103(a) is amended in the first sentence by striking

1 “, upon application by a citizen of the United
2 States,”.

3 **SEC. 202. LOAN GUARANTEES FOR SHIPYARD MODERNIZA-**
4 **TION AND IMPROVEMENT.**

5 (a) IN GENERAL.—Title XI of the Merchant Marine
6 Act, 1936, is further amended by adding at the end the
7 following new section:

8 “SEC. 1111. (a) The Secretary, under section
9 1103(a) and subject to the terms the Secretary shall pre-
10 scribe, may guarantee or make a commitment to guaran-
11 tee the payment of the principal of, and the interest on,
12 an obligation for advanced shipbuilding technology and
13 modern shipbuilding technology of a general shipyard fa-
14 cility located in the United States.

15 “(b) Guarantees or commitments to guarantee under
16 this section are subject to the extent applicable to all the
17 laws requirements, regulations, and procedures that apply
18 to guarantees or commitments to guarantee made under
19 this title, except that guarantees or commitments to guar-
20 antee made under this section may be in the aggregate
21 principal amount that does not exceed 87½ percent of the
22 actual cost of the advanced shipbuilding technology or
23 modern shipbuilding technology.

24 “(c) The Secretary may accept the transfer of funds
25 from any other department, agency, or instrumentality of

1 the United States Government and may use those funds
2 to make guarantees or commitments to guarantee loans
3 entered into under this section.

4 “(d) For purposes of this section:

5 “(1) The term ‘advanced shipbuilding tech-
6 nology’ includes—

7 “(A) numerically controlled machine tools,
8 robots, automated process control equipment,
9 computerized flexible manufacturing systems,
10 associated computer software, and other tech-
11 nology for improving shipbuilding and related
12 industrial production which advance the state-
13 of-the-art; and

14 “(B) novel techniques and processes de-
15 signed to improve shipbuilding quality, produc-
16 tivity, and practice, and to promote sustainable
17 development, including engineering design,
18 quality assurance, concurrent engineering, con-
19 tinuous process production technology, energy
20 efficiency, waste minimization, design for
21 recyclability or parts reuse, inventory manage-
22 ment, upgraded worker skills, and communica-
23 tions with customers and suppliers.

24 “(2) The term ‘modern shipbuilding technology’
25 means the best available proven technology, tech-

1 niques, and processes appropriate to enhancing the
2 productivity of shipyards.

3 “(3) The term ‘general shipyard facility’
4 means—

5 “(A) for operations on land—

6 “(i) any structure or appurtenance
7 thereto designed for the construction, re-
8 pair, rehabilitation, refurbishment or re-
9 building of any vessel (as defined in title 1,
10 United States Code) and including graving
11 docks, building ways, ship lifts, wharves,
12 and pier cranes;

13 “(ii) the land necessary for any struc-
14 ture or appurtenance described in clause
15 (i); and

16 “(iii) equipment that is for the use in
17 connection with any structure or appur-
18 tenance and that is necessary for the per-
19 formance of any function referred to in
20 subparagraph (A);

21 “(B) for operations other than on land,
22 any vessel, floating drydock or barge built in
23 the United States and used for, equipped to be
24 used for, or of a type that is normally used for

1 activities referred to in subparagraph (A)(i) of
2 this paragraph.”.

3 (b) CONFORMING AMENDMENT.—Section 1101(n) of
4 that Act (46 App. U.S.C. 1271(n)) is amended by striking
5 “vessels.” and inserting “vessels and general shipyard fa-
6 cilities (as defined in section 1111(d)(3)).”.

7 **SEC. 203. AUTHORIZATIONS OF APPROPRIATIONS.**

8 (a) AUTHORIZATION OF APPROPRIATIONS TO DE-
9 PARTMENT OF DEFENSE.—There is authorized to be ap-
10 propriated to the Secretary of Defense for fiscal year 1994
11 the sum of \$200,000,000, which shall be available only
12 for transfer to the Secretary of Transportation and of
13 which—

14 (1) \$175,000,000 shall be available only for
15 costs (as defined in section 502 of the Federal Cred-
16 it Reform Act of 1990 (2 U.S.C. 661a)) of new loan
17 guarantee commitments under section 1104A(a)(1)
18 of the Merchant Marine Act, 1936 (46 App. U.S.C.
19 1274(a)(1)), as amended by section 201, for—

20 (A) eligible export vessels; and

21 (B) vessels in any series of vessels for
22 which a series construction agreement is en-
23 tered into by the Secretary under section 305 of
24 this Act; and

1 (2) \$25,000,000 shall be available only for costs
2 (as defined in section 502 of the Federal Credit Re-
3 form Act of 1990) of new loan guarantee commit-
4 ments under section 1111 of the Merchant Marine
5 Act, 1936, as added by section 202.

6 (b) AUTHORIZATIONS FOR DEPARTMENT OF TRANS-
7 PORTATION.—There is authorized to be appropriated to
8 the Secretary of Transportation for fiscal year 1994 the
9 sum of \$10,000,000 to pay administrative costs related
10 to new loan guarantee commitments described in sub-
11 section (a), of which—

12 (1) \$8,000,000 shall be for administrative costs
13 related to new loan guarantee commitments de-
14 scribed in paragraph (1) of that subsection; and

15 (2) \$2,000,000 shall be for administrative costs
16 related to new loan guarantee commitments de-
17 scribed in paragraph (2) of that subsection.

18 (c) AVAILABILITY OF AMOUNTS.—Amounts appro-
19 priated under the authority of this section shall remain
20 available until expended.

21 (d) TRANSFER TO SECRETARY OF TRANSPOR-
22 TATION.—Subject to the provisions of appropriations Acts,
23 amounts appropriated under the authority of subsection
24 (a) shall be transferred to the Secretary of Transportation
25 for use as described in that subsection. Any such transfer

1 shall be made not later than 90 days after the date of
2 the enactment of an Act appropriating the funds to be
3 transferred.

4 **TITLE III—SERIES**
5 **CONSTRUCTION ASSISTANCE**

6 **SEC. 301. PAYMENT OF ASSISTANCE AUTHORIZED.**

7 (a) IN GENERAL.—The Secretary of Defense may,
8 subject to the availability of appropriations, pay assistance
9 in accordance with this title to the owner of a shipyard
10 that is located in the United States for the construction
11 (including outfitting and equipping) of any commercial
12 vessel that is one of a series of vessels for which payment
13 of assistance under this section to the owner is approved
14 by the Secretary under section 302.

15 (b) AMOUNT OF ASSISTANCE.—The total amount of
16 assistance paid under this section with respect to a vessel
17 shall be equal to the series transition payment determined
18 for the vessel under section 303(a).

19 **SEC. 302. APPROVAL OF ASSISTANCE FOR CONSTRUCTION**
20 **OF SERIES OF VESSELS.**

21 (a) APPROVAL OF ASSISTANCE.—

22 (1) IN GENERAL.—The Secretary of Defense
23 may approve payment of assistance under section
24 301 for construction of a series of vessels in a ship-
25 yard if—

1 (A) the owner of the shipyard submits an
2 application for that assistance in accordance
3 with section 305;

4 (B) the Secretary of Transportation makes
5 the determinations described in subsection (b);
6 and

7 (C) the Secretary of Defense determines
8 that payment of the assistance will contribute
9 to maintaining national vessel construction ca-
10 pabilities that are essential in time of war or
11 national emergency.

12 (2) LIMITATION.—The Secretary of Defense
13 may not approve assistance under this section for a
14 series of vessels if the series transition payment de-
15 termined under section 303(a) for any vessel in the
16 series is greater than 50 percent of the estimate of
17 the cost of constructing the vessel determined by the
18 Secretary of Defense under section 303(b)(2).

19 (b) DETERMINATIONS BY SECRETARY OF TRANSPOR-
20 TATION.—The Secretary of Defense may not approve as-
21 sistance for construction of a series of vessels in a ship-
22 yard unless the Secretary of Transportation has deter-
23 mined the following:

24 (1) VESSEL REQUIREMENTS.—The vessels
25 are—

1 (A) commercial vessels of at least 10,000
2 gross tons; and

3 (B) commercially marketable on the inter-
4 national market.

5 (2) SHIPYARD REQUIREMENTS.—The shipyard
6 in which the vessels will be constructed—

7 (A) is located in the United States; and

8 (B) upon completion of construction of the
9 vessels, will be capable of constructing addi-
10 tional vessels of the same type as those in the
11 series for a price that is competitive in the
12 international market.

13 (3) APPLICANT REQUIREMENTS.—The appli-
14 cant for the assistance—

15 (A) has the ability, financial resources, and
16 other qualifications necessary for construction
17 of the vessels;

18 (B) has entered into a contract for the
19 construction of each of the first 2 vessels to be
20 constructed in the series, which may include a
21 contract for a vessel that will be constructed
22 without assistance under this title; and

23 (C) is the owner of the shipyard in which
24 the vessels will be constructed.

1 (4) CONTRACT REQUIREMENTS.—Each of the
2 contracts required under paragraph (3)(B) are bind-
3 ing obligations on the applicant and all other parties
4 to the contracts, except that such a contract may be
5 contingent on—

6 (A) the approval of assistance under this
7 title for construction of a vessel under the con-
8 tract; and

9 (B) the making of a guarantee or commit-
10 ment to guarantee obligations under title XI of
11 the Merchant Marine Act, 1936 (46 App.
12 U.S.C. 1273), as amended by this Act, for con-
13 struction under the contract.

14 (5) PURCHASER REQUIREMENTS.—Each person
15 that is a purchaser of a vessel under a contract re-
16 quired under paragraph (3)(B)—

17 (A) has the ability, financial resources, and
18 other qualifications necessary to own and oper-
19 ate the vessel in commercial service; and

20 (B) is a party to the contract.

21 (6) SERIES TRANSITION PAYMENT.—The series
22 transition payment under section 303 for each vessel
23 in the series.

1 (c) PRIORITY FOR CERTAIN SERIES OF VESSELS.—
2 In approving assistance under this title, the Secretary of
3 Defense may give priority to a series of vessels—

4 (1) if a smaller number of vessels in the series
5 are required to be constructed with assistance before
6 construction of that type of vessel becomes cost ef-
7 fective;

8 (2) for which the total of the series transition
9 payments determined under section 303 for all ves-
10 sels in the series is less than that total for other se-
11 ries of vessels for which applications are submitted
12 for assistance under this title;

13 (3) that will be constructed in a shipyard with
14 respect to which assistance under this title has not
15 been provided; or

16 (4) that would contribute to the preservation of
17 a shipyard that would be essential in a time of war
18 or national emergency.

19 **SEC. 303. DETERMINATION OF SERIES TRANSITION PAY-**
20 **MENTS.**

21 (a) IN GENERAL.—The Secretary of Transportation
22 shall determine the series transition payment for each ves-
23 sel in a series of vessels for which an application for assist-
24 ance under this title is received by the Secretary of De-
25 fense.

1 (b) AMOUNT OF SERIES TRANSITION PAYMENT.—

2 The series transition payment for a vessel under sub-
3 section (a) is equal to the difference of—

4 (1) the estimated cost of completing construc-
5 tion of the vessel, as included in the application for
6 assistance submitted under section 305; minus

7 (2) a reasonable estimate of the cost of con-
8 structing the vessel under similar plans and speci-
9 fications in a foreign shipyard that is considered by
10 the Secretary of Transportation to be a fair and rep-
11 resentative example for purposes of determining the
12 payment.

13 **SEC. 304. SERIES CONSTRUCTION AGREEMENT.**

14 (a) IN GENERAL.—

15 (1) IN GENERAL.—The Secretary of Defense
16 shall, for each series of vessels for which assistance
17 is approved under section 302, enter into a series
18 construction agreement with the owner of the ship-
19 yard in which the series of vessels will be con-
20 structed, under which the Secretary is required to
21 pay the owner assistance in accordance with a sched-
22 ule established under paragraph (2).

23 (2) SCHEDULE FOR PAYMENTS.—An agreement
24 under this subsection shall establish a schedule for
25 the payment of assistance under the agreement, that

1 is based on the construction schedule for vessels for
2 which the assistance is paid.

3 (3) TERMINATION OF AGREEMENT.—An agree-
4 ment under this subsection shall authorize the Sec-
5 retary of Defense to terminate the agreement if—

6 (A) a contract required under section
7 302(b)(3)(B) is terminated by the purchaser of
8 the vessel under the contract, and the owner of
9 the shipyard does not enter into a new contract
10 for construction of the vessel within a period
11 which shall be specified in the agreement; or

12 (B) the owner of the shipyard fails to enter
13 into contracts for construction of all vessels in
14 the series of vessels to which the agreement ap-
15 plies, within a period which shall be specified in
16 the agreement.

17 (4) CONTINUING EFFECT OF AGREEMENT WITH
18 RESPECT TO VESSELS COVERED BY CONTRACTS.—
19 The termination of a series construction agreement
20 under paragraph (3) shall not affect the effective-
21 ness of the agreement with respect to vessels for
22 which a construction contract is in effect on the date
23 of termination.

24 (b) BINDING OBLIGATION OF THE UNITED
25 STATES.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (2), a requirement that the Secretary of De-
3 fense make payments under a series construction
4 agreement under subsection (a) shall constitute a
5 binding obligation of the United States.

6 (2) TERMINATION OF OBLIGATION.—If the Sec-
7 retary of Defense terminates a series construction
8 agreement pursuant to subsection (a)(3), the obliga-
9 tion of the United States under paragraph (1) to
10 make payments under the agreement shall terminate
11 with respect to vessels for which no construction
12 contract is in effect on the date of termination of the
13 agreement.

14 (3) CONTINUING AVAILABILITY OF AMOUNTS.—
15 Amounts to be used to liquidate an obligation under
16 paragraph (1) that terminates under paragraph (2)
17 shall remain available to the Secretary of Defense
18 for the payment of assistance under this title.

19 **SEC. 305. APPLICATIONS FOR ASSISTANCE.**

20 (a) SUBMITTAL.—A person desiring assistance under
21 this title shall, in accordance with this section, submit an
22 application to the Secretary of Defense.

23 (b) CONTENTS OF APPLICATION.—An application for
24 assistance under this title with respect to a series of ves-
25 sels shall include the following:

1 (1) A detailed description of the type of vessels
2 included in the series, including plans and specifica-
3 tions for the vessels.

4 (2) Detailed estimates of the cost of completing
5 construction of each of the vessels in the series, in-
6 cluding such estimates from subcontractors for the
7 construction as may be required by the Secretary of
8 Defense.

9 (3) Copies of the contracts required under sec-
10 tion 302(b)(3)(B).

11 (4) Other information required by the Secretary
12 to fulfill the requirements of this title.

13 (c) TRANSMITTAL TO SECRETARY OF TRANSPOR-
14 TATION.—The Secretary of Defense shall transmit a copy
15 of each application submitted under this section to the
16 Secretary of Transportation.

17 (d) REGULATIONS.—The Secretary of Defense shall
18 issue regulations setting forth the procedures for submit-
19 ting an application for assistance under this title.

20 **SEC. 306. RESTRICTION ON VESSEL OPERATIONS.**

21 A vessel for which assistance is paid under this title—

22 (1) may be operated only in foreign trade or do-
23 mestic trade authorized under a registry endorse-
24 ment for the vessel issued under section 12105 of
25 title 46, United States Code; and

1 (2) may not be operated in the coastwise trade
2 of the United States (including mixed coastwise and
3 foreign trade), except coastwise trade authorized
4 under a registry endorsement for the vessel issued
5 under section 12105 of title 46, United States Code.

6 **SEC. 307. TERMINATION OF AUTHORITY TO PROVIDE NEW**
7 **ASSISTANCE.**

8 The Secretary of Defense may not under section 302
9 approve the payment of assistance under section 301, and
10 may not enter into any series construction agreement
11 under section 305, after—

12 (1) the 5th anniversary of the date on which
13 the Secretary publishes final regulations setting
14 forth the procedures for submitting an application
15 for that assistance,

16 (2) the last day of any 5-year period in which
17 amounts have been continuously available for paying
18 that assistance, or

19 (3) the last date on which that assistance may
20 be paid under any treaty, convention, or other inter-
21 national agreement entered into after the date of the
22 enactment of this Act that prohibits that payment.

1 **TITLE IV—DOUBLE HULL RE-**
2 **QUIREMENT FOR TANKERS**
3 **CHARTERED BY DEPART-**
4 **MENT OF DEFENSE**

5 **SEC. 401. DOUBLE-HULL TANKER CHARTERS.**

6 Section 2401 of title 10, United States Code, is
7 amended by adding at the end the following new sub-
8 section:

9 “(g) After December 31, 1994, the Secretary of De-
10 fense may not enter into, renew, or extend a contract for
11 the charter of a tanker unless the tanker—

12 “(1) is built in a shipyard located in the United
13 States under a contract entered into after October
14 1, 1993;

15 “(2) is equipped with a double hull that satis-
16 fies the requirements applicable under section 3703a
17 of title 46 without regard to subsection (c) of that
18 section; and

19 “(3) is chartered under the contract for a pe-
20 riod of at least 10 years.”.

21 **SEC. 402. PROHIBITION ON ENTERING INTO, RENEWING, OR**
22 **EXTENDING CERTAIN CHARTERS FOR TANK-**
23 **ERS.**

24 Notwithstanding any other law, between the date of
25 the enactment of this Act, and January 1, 1995, the Sec-

1 retary of Defense may not enter into, renew, or extend
2 a contract for a charter of a tanker that expires after De-
3 cember 31, 1994. The Secretary shall cancel any contract
4 or contract provision that was entered into, renewed, or
5 extended during the period beginning on June 30, 1993,
6 and ending on the date of the enactment of this Act for
7 a charter of a tanker that expires after December 31,
8 1994.

9 **SEC. 403. TANKER DEFINED.**

10 In this title, the term “tanker” has the meaning given
11 that term in section 2101 of title 46, United States Code.

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