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PROVIDING FOR CONSIDERATION OF THE BILL (H.R. 1350) THE MARITIME SECURITY ACT OF 1995

NOVEMBER 30, 1995.—Referred to the House Calendar and ordered to be printed

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Mr. QUILLEN, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 287]

The Committee on Rules, having had under consideration House Resolution 287, by a voice vote, report the same to the House with the recommendation that the resolution be adopted.

BRIEF SUMMARY OF PROVISIONS OF RESOLUTION

The resolution provides for an open rule, with one hour of general debate divided equally between the chairman and ranking minority member of the National Security Committee. The rule makes in order as an original bill for the purposes of amendment the committee amendment in the nature of a substitute. Each section will be considered as read.

Before the consideration of any other amendment, it will be in order to consider, without the intervention of points of order, the amendment printed in this report. The amendment may be offered only by the Chairman of the National Security Committee or his designee and will be debatable for 20 minutes equally divided between a proponent and an opponent. The amendment shall not be subject to amendment or demand for division of the question.

The rule further provides priority in recognition to members who pre-print their amendments in the Congressional Record. Finally, the rule provides for one motion to recommit with or without instructions.

THE TEXT OF THE AMENDMENT TO BE OFFERED BY THE CHAIRMAN OF THE COMMITTEE ON NATIONAL SECURITY, OR HIS DESIGNEE, DEBATABLE FOR 20 MINUTES

Page 5, strike lines 18 through 23, and insert the following:

"(c) REGULATORY RELIEF.—A contractor of a vessel included in an operating agreement under this subtitle may operate the vessel in the foreign commerce of the United States without restriction, and shall not be subject to any requirement under section 801, 808, 809, or 810. Participation in the program established by this subtitle shall not subject a contractor to section 805 or to any provision of subtitle A.

Page 13, line 24, insert before the period the following: "and the Secretary of Defense".

Page 14, strike lines 1 through 13, and insert the following:

"(n) NONRENEWAL FOR LACK OF FUNDS.—If, by the first day of a fiscal year, sufficient funds have not been appropriated under the authority provided by section 655 for that fiscal year, the Secretary of Transportation shall notify the Congress that operating agreements authorized under this subtitle for which sufficient funds are not available will not be renewed for that fiscal year if sufficient funds are not appropriated by the 60th day of that fiscal year. If funds are not appropriated under the authority provided by section 655 for any fiscal year by the 60th day of that fiscal year, then each vessel covered by an operating agreement under this subtitle for which funds are not available is thereby released from any further obligation under the operating agreement, and the vessel owner or operator may transfer and register such vessel under a foreign registry deemed acceptable by the Secretary of Transportation, notwithstanding any other provision of law. If section 902 is applicable to such vessel after registration of the vessel under such a registry, the vessel is available to be requisitioned by the Secretary of Transportation pursuant to section 902.

Page 16, strike line 21 and all that follows through line 8 on page 17, and insert the following:

"(2) TERMS OF AGREEMENT.—An Emergency Preparedness Agreement under this section shall require that upon a request by the Secretary of Defense during time of war or national emergency, or whenever determined by the Secretary of Defense to be necessary for national security (including any natural disaster, international peace operation, or contingency operation (as that term is defined in section 101 of title 10, United States Code)), a contractor for a vessel covered by an operating agreement under this subtitle shall make available commercial transportation resources (including services). The basic terms of the Emergency Preparedness Agreements shall be established pursuant to consultations among the Secretary, the Secretary of Defense, and Maritime Security Program contractors. In any Emergency Preparedness Agreement, the Secretary and a contractor may agree to additional or modifying terms appropriate to the contractor's circumstances if those terms have been approved by the Secretary of Defense.

"(3) PARTICIPATION AFTER EXPIRATION OF OPERATING AGREEMENT.—Except as provided by section 652(m), the Secretary may not require, through an Emergency Preparedness Agreement or operating agreement, that a contractor continue to participate in an Emergency Preparedness Agreement when the operating agreement with the contractor has expired according to its terms or is otherwise no longer in effect. After

expiration of an Emergency Preparedness Agreement, a contractor may volunteer to continue to participate in such an agreement.

Page 18, after line 16, insert the following:

"(3) APPROVAL OF AMOUNT BY SECRETARY OF DEFENSE.—No compensation may be provided for a vessel under this subsection unless the amount of the compensation is approved by the Secretary of Defense.

Page 20, strike lines 10 through 19, and insert the following:

"DEFINITIONS

"SEC. 654. In this subtitle:

"(1) BULK CARGO.—The term 'bulk cargo' means cargo that is loaded and carried in bulk without mark or count.

"(2) CONTRACTOR.—The term 'contractor' means an owner or operator of a vessel that enters into an operating agreement for the vessel with the Secretary of Transportation under section 652.

"(3) OCEAN COMMON CARRIER.—The term 'ocean common carrier' means a person holding itself out to the general public to operate vessels to provide transportation by water of passengers or cargo between the United States and a foreign country for compensation, that—

"(A) assumes responsibility for the transportation from the port or point of receipt to the port or point of destination, and

"(B) utilizes, for all or part of that transportation, a vessel operating on the high seas or the Great Lakes between a port in the United States and a port in a foreign country, except that the term does not include a common carrier engaged in ocean transportation by ferry boat, ocean tramp, or chemical parcel-tanker. As used in this paragraph, 'chemical parcel-tanker' means a vessel whose cargo-carrying capability consists of individual cargo tanks for bulk chemicals that are a permanent part of the vessel, that have segregation capability with piping systems to permit simultaneous carriage of several bulk chemical cargoes with minimum risk of cross-contamination, and that has a valid certificate of fitness under the International Maritime Organization Code for the Construction and Equipment of Ships Carrying Dangerous Chemicals in Bulk.

"(4) FLEET.—The term 'Fleet' means the Maritime Security Fleet established pursuant to section 651(a).

"(5) LASH VESSEL.—The term 'LASH vessel' means a lighter aboard ship vessel.

"(6) UNITED STATES-DOCUMENTED VESSEL.—The term 'United States-documented vessel' means a vessel documented under chapter 121 of title 46, United States Code.

Page 23, strike lines 10 through 13, and insert the following:

SEC. 4. DOMESTIC OPERATIONS.

(a) IN GENERAL.—Subtitle B of title VI of the Merchant Marine Act, 1936, as amended by section 102 of this title, is further amended by adding at the end the following new section:

"NONCONTIGUOUS DOMESTIC TRADES

"SEC. 656. (a)(1) Except as otherwise provided in this section, no contractor or related party shall receive payments pursuant to this subtitle during a period when it participates in a noncontiguous domestic trade, except upon written permission of the Secretary of Transportation. Such written permission shall also be required for any material change in the number or frequency of sailings, the capacity offered, or the domestic ports called by a contractor or related party in a noncontiguous domestic trade. The Secretary may grant such written permission pursuant to written application of such contractor or related party unless the Secretary finds that—

"(A) existing service in that trade is adequate; or

"(B) the service sought to be provided by the contractor or related party—

"(i) would result in unfair competition to any other person operating vessels in such noncontiguous domestic trade, or

"(ii) would be contrary to the objects and policy of this Act.

"(2) For purposes of this subsection, 'written permission of the Secretary' means permission which states the capacity offered, the number and frequency of sailings, and the domestic ports called, and which is granted following—

"(A) written application containing the information required by paragraph (e)(1) by a person seeking such written permission, notice of which application shall be published in the Federal Register within 15 days of filing of such application with the Secretary;

"(B) holding of a hearing on the application under section 554 of title 5, United States Code, in which every person, firm or corporation having any interest in the application shall be permitted to intervene and be heard; and

"(C) final decision on the application by the Secretary within 120 days following conclusion of such hearing.

"(b) Subsection (a) shall not apply in any way to provision by a contractor of service within the level of service provided by that contractor as of the date established by subsection (c) or to provision of service permitted by subsection (d).

"(c) The date referred to in subsection (b) shall be August 9, 1995: *Provided, however,* That with respect to tug and barge service to Alaska the date referred to in subsection (b) shall be July 1, 1992.

"(d) A contractor may provide service in a trade in addition to the level of service provided as of the applicable date established by subsection (c) in proportion to the annual increase in real gross product of the noncontiguous State or Commonwealth served since the applicable date established by subsection (c).

"(e)(1) A person applying for award of an agreement under this subtitle shall include with the application a description of the level of service provided by that person in each noncontiguous domestic trade served as of the date applicable under subsection (c). The application also shall include, for each such noncontiguous domestic trade: a list of vessels operated by that person in such trade, their

container carrying capacity expressed in twenty-foot equivalent units (TEUs) or other carrying capacity, the itinerary for each such vessel, and such other information as the Secretary may require by regulation. Such description and information shall be made available to the public. Within 15 days of the date of an application for an agreement by a person seeking to provide service pursuant to subsections (b) and (c) of this section, the Secretary shall cause to be published in the Federal Register notice of such description, along with a request for public comment thereon. Comments on such description shall be submitted to the Secretary within 30 days of publication in the Federal Register. Within 15 days after receipt of comments, the Secretary shall issue a determination in writing either accepting, in whole or part, or rejecting use of the applicant's description to establish the level of service provided as of the date applicable under subsection (c): *Provided,* That notwithstanding the provisions of this subsection, processing of the application for an award of an agreement shall not be suspended or delayed during the time in which comments may be submitted with respect to the determination or during the time prior to issuance by the Secretary of the required determination: *Provided further,* That if the Secretary does not make the determination required by this paragraph within the time provided by this paragraph, the description of the level of service provided by the applicant shall be deemed to be the level of service provided as of the applicable date until such time as the Secretary makes the determination.

"(2) No contractor shall implement the authority granted in subsection (d) of this section except as follows:

"(A) An application shall be filed with the Secretary which shall state the increase in capacity sought to be offered, a description of the means by which such additional capacity would be provided, the basis for applicant's position that such increase in capacity would be in proportion to or less than the increase in real gross product of the relevant noncontiguous State or Commonwealth since the applicable date established by subsection (c), and such information as the Secretary may require so that the Secretary may accurately determine such increase in real gross product of the relevant noncontiguous State or Commonwealth.

"(B) Such increase in capacity sought by applicant and such information shall be made available to the public.

"(C) Within 15 days of the date of an application pursuant to this paragraph the Secretary shall cause to be published in the Federal Register notice of such application, along with a request for public comment thereon.

"(D) Comments on such application shall be submitted to the Secretary within 30 days of publication in the Federal Register.

"(E) Within 15 days after receipt of comments, the Secretary shall issue a determination in writing either accepting, in whole or part, or rejecting, the increase in capacity sought by the applicant as being in proportion to or less than the increase in real gross product of the relevant noncontiguous State or Commonwealth since the applicable date established by subsection (c): *Provided,* That, notwithstanding the provi-

sions of this section, if the Secretary does not make the determination required by this paragraph within the time provided by this paragraph, the increase in capacity sought by applicant shall be permitted as being in proportion to or less than such increase in real gross product until such time as the Secretary makes the determination.

"(f) With respect to provision by a contractor of service in a noncontiguous domestic trade not authorized by this section, the Secretary shall deny payments under the operating agreement with respect to the period of provision of such service but shall deny payments only in part if the extent of provision of such unauthorized service was de minimis or not material.

"(g) Notwithstanding any other provision of this subtitle, the Secretary may issue temporary permission for any United States citizen, as that term is defined in section 2 of the Shipping Act, 1916, to provide service to a noncontiguous State or Commonwealth upon the request of the Governor of such noncontiguous State or Commonwealth, in circumstances where an Act of God, a declaration of war or national emergency, or any other condition occurs that prevents ocean transportation service to such noncontiguous State or Commonwealth from being provided by persons currently providing such service. Such temporary permission shall expire 90 days from date of grant, unless extended by the Secretary upon written request of the Governor of such State or Commonwealth.

"(h) As used in this section:

"(1) The term 'level of service provided by a contractor' in a trade as of a date means—

"(A) with respect to service other than service described in (B), the total annual capacity provided by the contractor in that trade for the 12 calendar months preceding that date: *Provided,* That, with respect to unscheduled, contract carrier tug and barge service between points in Alaska south of the Arctic Circle and points in the contiguous 48 States, the level of service provided by a contractor shall include 100 percent of the capacity of the equipment dedicated to such service on the date specified in subsection (c) and actually utilized in that service in the two-year period preceding that date, excluding service to points between Anchorage, Alaska and Whittier, Alaska, served by common carrier service unless such unscheduled service is only for carriage of oil or pursuant to a contract with the United States military: *Provided further,* That, with respect to scheduled barge service between the contiguous 48 States and Puerto Rico, such total annual capacity shall be deemed as such total annual capacity plus the annual capacity of two additional barges, each capable of carrying 185 trailers and 100 automobiles; and

"(B) with respect to service provided by container vessels, the overall capacity equal to the sum of—

"(i) 100 percent of the capacity of vessels operated by or for the contractor on that date, with the vessels' configuration and frequency of sailing in effect on that date, and which participate solely in that noncontiguous domestic trade; and

"(ii) 75 percent of the capacity of vessels operated by or for the contractor on that date, with the vessels' configuration and frequency of sailing in effect on that date, and which participate in that noncontiguous domestic trade and in another trade, provided that the term does not include any restriction on frequency, or number of sailings, or on ports called within such overall capacity.

"(2) The level of service set forth in paragraph (1) shall be described with the specificity required by subsection (e)(1) and shall be the level of service in a trade with respect to the applicable date established by subsection (c) only if the service is not abandoned thereafter, except for interruptions due to military contingency or other events beyond the contractor's control.

"(3) The term 'participates in a noncontiguous domestic trade' means directly or indirectly owns, charters, or operates a vessel engaged in transportation of cargo between a point in the contiguous 48 states and a point in Alaska, Hawaii, or Puerto Rico, other than a point in Alaska north of the Arctic Circle.

"(4) The term 'related party' means—

"(A) a holding company, subsidiary, affiliate, or associate of a contractor who is a party to an operating agreement under this subtitle; and

"(B) an officer, director, agent, or other executive of a contractor or of a person referred to in subparagraph (A).".

(b) CONFORMING AMENDMENT.—Section 805 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1223) is amended—

(1) by striking "title VI of this Act" each place it appears and inserting "subtitle A of title VI of this Act"; and

(2) by striking "under title VI" each place it appears and inserting "under subtitle A of title VI".

Page 28, after line 26, add the following new sections:

SEC. 9. MERCHANT SHIP SALES ACT OF 1946 AMENDMENT.

Section 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744) is amended as follows:

(1) In subsection (b)(2) by striking "Secretary of the Navy," and inserting "Secretary of Defense,".

(2) By striking subsection (c) and redesignating subsection (d) as subsection (c).

SEC. 10. REEMPLOYMENT RIGHTS FOR CERTAIN MERCHANT SEAMEN.

(a) IN GENERAL.—Title III of the Merchant Marine Act, 1936 (46 App. U.S.C. 1131) is amended by inserting after section 301 the following new section:

"SEC. 302. (a) An individual who is certified by the Secretary of Transportation under subsection (c) shall be entitled to reemployment rights and other benefits substantially equivalent to the rights and benefits provided for by chapter 43 of title 38, United States Code, for any member of a Reserve component of the Armed Forces of the United States who is ordered to active duty.

"(b) An individual may submit an application for certification under subsection (c) to the Secretary of Transportation not later

than 45 days after the date the individual completes a period of employment described in subsection (c)(1)(A) with respect to which the application is submitted.

"(c) Not later than 20 days after the date the Secretary of Transportation receives from an individual an application for certification under this subsection, the Secretary shall—

"(1) determine whether or not the individual—

"(A) was employed in the activation or operation of a vessel—

"(i) in the National Defense Reserve Fleet maintained under section 11 of the Merchant Ship Sales Act of 1946, in a period in which that vessel was in use or being activated for use under subsection (b) of that section;

"(ii) that is requisitioned or purchased under section 902 of this Act; or

"(iii) that is owned, chartered, or controlled by the United States and used by the United States for a war, armed conflict, national emergency, or maritime mobilization need (including for training purposes or testing for readiness and suitability for mission performance); and

"(B) during the period of that employment, possessed a valid license, certificate of registry, or merchant mariner's document issued under chapter 71 or chapter 73 (as applicable) of title 46, United States Code; and

"(2) if the Secretary makes affirmative determinations under paragraph (1) (A) and (B), certify that individual under this subsection.

"(d) For purposes of reemployment rights and benefits provided by this section, a certification under subsection (c) shall be considered to be the equivalent of a certificate referred to in paragraph (1) of section 4301(a) of title 38, United States Code.".

(b) APPLICATION.—The amendment made by subsection (a) shall apply to employment described in section 302(c)(1)(A) of the Merchant Marine Act, 1936, as amended by subsection (a), occurring after the date of enactment of this Act.

(c) REGULATION.—Not later than 120 days after the date of the enactment of this Act, the Secretary of Transportation shall issue regulations implementing this section.

SEC. 11. TITLE XI LOAN GUARANTEES.

Title XI of the Merchant Marine Act, 1936 (46 App. U.S.C. 1271 et seq.) is amended—

(1) in section 1101(b), by striking "owned by citizens of the United States";

(2) in section 1104B(a), in the material preceding paragraph (1), by striking "owned by citizens of the United States"; and

(3) in section 1110(a), by striking "owned by citizens of the United States".

SEC. 12. EXTENSION OF WAR RISK INSURANCE AUTHORITY.

Section 1214 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1294) is amended by striking "June 30, 1995" and inserting "June 30, 2000".

SEC. 13. VESSEL LOAN GUARANTEE PROGRAM.

(a) RISK FACTOR DETERMINATIONS.—Section 1103 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1273) is amended by adding at the end the following new subsection:

"(h)(1) The Secretary shall—

"(A) establish in accordance with this subsection a system of risk categories for obligations guaranteed under this title, that categorizes the relative risk of guarantees made under this title with respect to the risk factors set forth in paragraph (3); and

"(B) determine for each of the risk categories a subsidy rate equivalent to the cost of obligations in the category, expressed as a percentage of the amount guaranteed under this title for obligations in the category.

"(2)(A) Before making a guarantee under this section for an obligation, the Secretary shall apply the risk factors set forth in paragraph (3) to place the obligation in a risk category established under paragraph (1)(A).

"(B) The Secretary shall consider the aggregate amount available to the Secretary for making guarantees under this title to be reduced by the amount determined by multiplying—

"(i) the amount guaranteed under this title for an obligation, by

"(ii) the subsidy rate for the category in which the obligation is placed under subparagraph (A) of this paragraph.

"(C) The estimated cost to the Government of a guarantee made by the Secretary under this title for an obligation is deemed to be the amount determined under subparagraph (B) for the obligation.

"(D) The Secretary may not guarantee obligations under this title after the aggregate amount available to the Secretary under appropriations Acts for the cost of loan guarantees is required by subparagraph (B) to be considered reduced to zero.

"(3) The risk factors referred to in paragraphs (1) and (2) are the following:

"(A) If applicable, the country risk for each eligible export vessel financed or to be financed by an obligation.

"(B) The period for which an obligation is guaranteed or to be guaranteed.

"(C) The amount of an obligation, which is guaranteed or to be guaranteed, in relation to the total cost of the project financed or to be financed by the obligation.

"(D) The financial condition of an obligor or applicant for a guarantee.

"(E) If applicable, any guarantee related to the project, other than the guarantee under this title for which the risk factor is applied.

"(F) If applicable, the projected employment of each vessel or equipment to be financed with an obligation.

"(G) If applicable, the projected market that will be served by each vessel or equipment to be financed with an obligation.

"(H) The collateral provided for a guarantee for an obligation.

"(I) The management and operating experience of an obligor or applicant for a guarantee.

"(J) Whether a guarantee under this title is or will be in effect during the construction period of the project.

"(4) In this subsection, the term 'cost' has the meaning given that term in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a).".

(b) APPLICATION.—Subsection (h)(2) of section 1103 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1273), as amended by subsection (a) of this section, shall apply to guarantees that the Secretary of Transportation makes or commits to make with any amounts that are unobligated on or after the date of enactment of this Act.

(c) GUARANTEE FEES.—Section 1104A(e) of title XI of the Merchant Marine Act, 1936 (46 App. U.S.C. 1274(e)) is amended to read as follows:

"(e)(1) Except as otherwise provided in this subsection, the Secretary shall prescribe regulations to assess in accordance with this subsection a fee for the guarantee of an obligation under this title.

"(2)(A) The amount of a fee under this subsection for a guarantee is equal to the sum determined by adding the amounts determined under subparagraph (B) for the years in which the guarantee is in effect.

"(B) The amount referred to in subparagraph (A) for a year is the present value (determined by applying the discount rate determined under subparagraph (F)) of the amount determined by multiplying—

"(i) the estimated average unpaid principal amount of the obligation that will be outstanding during the year (determined in accordance with subparagraph (E)), by

"(ii) the fee rate established under subparagraph (C) for the obligation for each year.

"(C) The fee rate referred to in subparagraph (B)(ii) for an obligation shall be—

"(i) in the case of an obligation for a delivered vessel or equipment, not less than one-half of 1 percent and not more than 1 percent, determined by the Secretary for the obligation under the formula established under subparagraph (D); or

"(ii) in the case of an obligation for a vessel to be constructed, reconstructed, or reconditioned, or of equipment to be delivered, not less than one-quarter of 1 percent and not more than one-half of 1 percent, determined by the Secretary for the obligation under the formula established under subparagraph (D).

"(D) The Secretary shall establish a formula for determining the fee rate for an obligation for purposes of subparagraph (C), that—

"(i) is a sliding scale based on the creditworthiness of the obligor;

"(ii) takes into account the security provided for a guarantee under this title for the obligation; and

"(iii) uses—

"(I) in the case of the most creditworthy obligors, the lowest rate authorized under subparagraph (C) (i) or (ii), as applicable; and

"(II) in the case of the least creditworthy obligors, the highest rate authorized under subparagraph (C) (i) or (ii), as applicable.

"(E) For purposes of subparagraph (B)(i), the estimated average unpaid principal amount does not include the average amount (except interest) on deposit in a year in the escrow fund under section 1108.

"(F) For purposes of determining present value under subparagraph (B) for an obligation, the Secretary shall apply a discount rate determined by the Secretary of the Treasury taking into consideration current market yields on outstanding obligations of the United States having periods to maturity comparable to the period to maturity for the obligation with respect to which the determination of present value is made.

"(3) A fee under this subsection shall be assessed and collected not later than the date on which amounts are first paid under an obligation with respect to which the fee is assessed.

"(4) A fee paid under this subsection is not refundable. However, an obligor shall receive credit for the amount paid for the remaining term of the guaranteed obligation if the obligation is refinanced and guaranteed under this title after such refinancing.

"(5) A fee paid under subsection (e) shall be included in the amount of the actual cost of the obligation guaranteed under this title and is eligible to be financed under this title.".

SEC. 14. MARITIME POLICY REPORT.

(a) REPORT.—The Secretary of Transportation shall transmit to the Congress a report setting forth the Department of Transportation's policies for the 5-year period beginning October 1, 1995, with respect to—

(1) fostering and maintaining a United States merchant marine capable of meeting economic and national security requirements;

(2) improving the vitality and competitiveness of the United States merchant marine and the maritime industrial base, including ship repairers, shipbuilders, ship manning, ship operators, and ship suppliers;

(3) reversing the precipitous decrease in the number of ships in the United States-flag fleet and the Nation's shipyard and repair capability;

(4) stabilizing and eventually increasing the number of mariners available to crew United States merchant vessels;

(5) achieving adequate manning of merchant vessels for national security needs during a mobilization;

(6) ensuring that sufficient civil maritime resources will be available to meet defense deployment and essential economic requirements in support of our national security strategy;

(7) ensuring that the United States maintains the capability to respond unilaterally to security threats in geographic areas not covered by alliance commitments and otherwise meets sealift requirements in the event of crisis or war;

(8) ensuring that international agreements and practices do not place United States maritime industries at an unfair competitive disadvantage in world markets;

(9) ensuring that Federal agencies promote, through efficient application of laws and regulations, the readiness of the United States merchant marine and supporting industries; and

(10) any other relevant maritime policies.

(b) DATE OF TRANSMITTAL.—The report required under subsection (a) shall be transmitted along with the President's budget submission, under section 1105 of title 31, United States Code, for fiscal year 1997.

SEC. 15. RELIEF FROM U.S. DOCUMENTATION REQUIREMENT FOR 3 VESSELS.

(a) IN GENERAL.—Notwithstanding any other law or any agreement with the United States Government, a vessel described in subsection (b) may be sold to a person that is not a citizen of the United States and transferred to or placed under a foreign registry.

(b) VESSELS DESCRIBED.—The vessels referred to in subsection (a) are the following:

(1) RAINBOW HOPE (United States official number 622178).

(2) IOWA TRADER (United States official number 642934).

(3) KANSAS TRADER (United States official number 634621).

SEC. 16. VESSEL REPAIR AND MAINTENANCE PILOT PROGRAM.

(a) IN GENERAL.—The Secretary of Transportation shall conduct a pilot program to evaluate the feasibility of using renewable contracts for the maintenance and repair of outported vessels in the Ready Reserve Force to enhance the readiness of those vessels. Under the pilot program, the Secretary, subject to the availability of appropriations and with 6 months after the date of the enactment of this Act, shall award 9 contracts for this purpose.

(b) USE OF VARIOUS CONTRACTING ARRANGEMENTS.—In conducting a pilot program under this section, the Secretary of Transportation shall use contracting arrangements similar to those used by the Department of Defense for procuring maintenance and repair of its vessels.

(c) CONTRACT REQUIREMENTS.—Each contract with a shipyard under this section shall—

(1) subject to subsection (d), provide for the procurement from the shipyard of all repair and maintenance (including activation, deactivation, and drydocking) for 1 vessel in the Ready Reserve Force that is outported in the geographical vicinity of the shipyard;

(2) be effective for 1 fiscal year; and

(3) be renewable, subject to the availability of appropriations, for each subsequent fiscal year through fiscal year 1998.

(d) LIMITATION OF WORK UNDER CONTRACTS.—A contract under this section may not provide for the procurement of operation or manning for a vessel that may be procured under another contract for the vessel to which section 11(d)(2) of the Merchant Ship Sales Act of 1946 (50 U.S.C. App. 1774(d)(2)) applies.

(e) GEOGRAPHIC DISTRIBUTION.—The Secretary shall seek to distribute contract awards under this section to shipyards located throughout the United States.

(f) REPORTS.—The Secretary shall submit to the Congress—

(1) an interim report on the effectiveness of each contract under this section in providing for economic and efficient repair and maintenance of the vessel included in the contract, no later than 20 months after the date of the enactment of this Act; and

(2) a final report on that effectiveness no later than 6 months after the termination of all contracts awarded pursuant to this section.

SEC. 17. STREAMLINING OF CARGO ALLOCATION PROCEDURES.

Section 901b(c)(3) of the Merchant Marine Act, 1936 (46 App. U.S.C. 1241f(c)(3)) is amended—

(1) in subparagraph (A)—

(A) by striking ''and consistent with those sections,'' and inserting ''and, subject to subparagraph (B) of this paragraph, consistent with those sections,''; and

(B) by striking ''50 percent'' and inserting ''25 percent''; and

(2) by striking subparagraph (B) and inserting the following new subparagraphs:

''(B) In carrying out this paragraph, there shall first be calculated the allocation of 100 percent of the quantity to be procured on an overall lowest landed cost basis without regard to the country of documentation of the vessel and there shall be allocated to the Great Lakes port range any cargoes for which it has the lowest landed cost under that calculation. The requirements for United States-flag transportation under section 901(b) and this section shall not apply to commodities allocated under subparagraph (A) to the Great Lakes port range, and commodities allocated under subparagraph (A) to that port range may not be reallocated or diverted to another port range to meet those requirements to the extent that the total tonnage of commodities to which subparagraph (A) applies that is furnished and transported from the Great Lakes port range is less than 25 percent of the total annual tonnage of such commodities furnished.

''(C) In awarding any contract for the transportation by vessel of commodities from the Great Lakes port range pursuant to an export activity referred to in subsection (b), each agency or instrumentality—

''(i) shall consider expressions of freight interest for any vessel from a vessel operator who meets reasonable requirements for financial and operational integrity; and

''(ii) may not deny award of the contract to a person based on the type of vessel on which the transportation would be provided (including on the basis that the transportation would not be provided on a liner vessel (as that term is used in the Shipping Act of 1984, as in effect on November 14, 1995)), if the person otherwise satisfies reasonable requirements for financial and operational integrity.''.

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