of the contract approved by section 1 of this Act, does not exceed the maximum construction charge obligation of the North Unit irrigation district.

Approved August 10, 1954.

## Public Law 574 CHAPTER 664

August 10, 1954
[S. 2408]

AN ACT

To amend the Merchant Marine Act, 1936, to provide a national defense reserve of tankers and to promote the construction of new tankers, and for other purposes.

Tankers.
53 Stat. 1183.
46 USC 1160.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 510 of the Merchant Marine Act, 1936, as amended, is amended by adding at the end thereof the following new subsection:

Acquisition for national defense reserve.

"(h) The Secretary of Commerce is authorized until July 1, 1958 (subject to the provisions of this section as herein amended), to acquire a tanker or tankers, determined by him to be desirable for inclusion in the national defense reserve, in exchange for an allowance of credit to be applied upon the purchase price of a new tanker or tankers: *Provided*, That each of the tankers to be traded in (1) is not less than one thousand three hundred and fifty gross tons; (2) is not less than ten years old; (3) is owned by a citizen or citizens of the United States; (4) and preference shall be given to those tankers which have been documented under the laws of the United States for not less than three years immediately preceding; and (5) is in class with respect to hull and machinery satisfactory to the Secretary of Commerce on the date of its physical delivery to the United States and shall be considered an 'obsolete vessel' for purposes of this section: *And provided further*, That only a tanker which is constructed after the date of enactment of this subsection and documented under the laws of the United States shall be considered a 'new vessel' for purposes of this section.

Limitations.

"New vessel."

Payment.

"The Secretary of Commerce is authorized to pay the cost of national defense features incorporated in any such new tanker. In the event that the United States acquires ownership of such new tanker, the price paid therefor shall not include any amount for national defense features paid for by the United States. The foregoing provisions shall run with the title to each new tanker and be binding on all owners thereof.

Credit allowance.
60 Stat. 41.
50 USC app. 1735 note.
50 USC app. 1742.

"The allowance of credit for a traded-in tanker which was sold under the Merchant Ship Sales Act of 1946, as amended, or which was eligible for a price adjustment under section 9 of such Act, shall be: (1) in the case of tankers sold under such Act, the depreciated net sales price paid to the United States, and (2) in the case of tankers which were eligible for price adjustment under such Act, the statutory sales price of such tanker as of March 8, 1946, depreciated: plus the depreciated cost of any additions or betterments to the tanker which were capitalized by the owner and allowed for Federal income tax purposes. Such allowance shall be determined as of the date the owner contracts for the construction of a new tanker. In each case, depreciation shall be computed on the basis of the life of the tanker adopted or accepted by the Internal Revenue Service for determining depreciation for income-tax purposes to the date the owner contracts for the construction of a new tanker.

Depreciation.

"The allowance of credit for any other traded-in tanker shall be determined in accordance with the provisions of subsection (d) of this section.

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"In no event shall the amount of credit allowed under this subsection or subsection (d) for a traded-in tanker exceed the price paid by the owner for such tanker, plus the cost of any additions or betterments to the tanker capitalized by such owner and allowed for income-tax purposes. Restriction.

"If an owner uses any tanker traded in pursuant to this section subsequent to the date of the contract for construction of a new tanker, the allowance determined shall be reduced by an amount equal to depreciation for the period of such use and computed in accordance with the schedule adopted or accepted by the Internal Revenue Service. Title to the traded-in tanker shall in all instances vest in the United States, and the allowance of credit shall be applied at the time of physical delivery of such tanker to the United States, which shall be no later than ninety days after delivery of the new tanker. The traded-in tanker shall thereupon be placed in the national defense reserve subject to the provisions of section 11 of the Merchant Ship Sales Act of 1946, as amended." Title. 50 USC app. 1744.

Approved August 10, 1954.

## Public Law 575 — CHAPTER 665

AN ACT

To authorize the long term time chartering of tankers and the construction of tankers by the Secretary of the Navy, and for other purposes.

August 10, 1954
[S. 3458]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That (a) the Secretary of the Navy or such officer as he shall designate is authorized to enter into contracts upon such terms as the Secretary of the Navy shall determine to be in the best interests of the Government for the time charter to the Navy of not to exceed fifteen tankers not now in being for periods of not more than ten years to commence upon tender of the tankers for service after completion of construction. The Secretary of the Navy shall (1) award such contracts on a competitive basis to the lowest responsible bidder, and (2) give preference to operators who are exclusively engaged in the operation of American flag ships. Tankers for Navy. Charter.

(b) The hire stipulated with respect to any tanker in any charter party entered into under this section shall not exceed an average rate for the life of the charter party of $5 per deadweight ton per month: *Provided*, That such average rate will not result in the recovery of more than two-thirds of the construction cost of such tanker. Hire.

(c) No contract shall be entered into by the Secretary of the Navy pursuant to the provisions of this section unless the contractor agrees (1) that during the period of such contract he will not transfer to foreign registry any tanker owned by him at the time of entering into such contract, and (2) that the tanker or tankers contracted for shall remain under United States registry during the period in which such tanker or tankers are under charter to the United States. U. S. registry.

(d) Any contract entered into pursuant to this section shall grant to the Secretary of the Navy an option to purchase any tanker chartered pursuant to this section at the expiration of such contract at its then depreciated value or fair market value, whichever is less, and shall contain a provision that such option shall not be exercised later than one year prior to the expiration of such contract. Purchase option.

SEC. 2. The President is authorized to undertake the construction of not to exceed five tankers, and there is hereby authorized to be appropriated not to exceed $37,500,000 for such purpose. Construction. Appropriation.