

House Calendar No. 224

108TH CONGRESS
2^D SESSION

H. R. 4319

[Report No. 108–690]

To complete the codification of title 46, United States Code, “Shipping”,
as positive law.

IN THE HOUSE OF REPRESENTATIVES

MAY 10, 2004

Mr. SENSENBRENNER (for himself and Mr. CONYERS) introduced the
following bill; which was referred to the Committee on the Judiciary

SEPTEMBER 17, 2004

Reported with an amendment, referred to the House Calendar, and ordered
to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on May 10, 2004]

A BILL

To complete the codification of title 46, United States Code,
“Shipping”, as positive law.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) *SHORT TITLE.*—This Act may be cited as the “Title 46 Codification
5 *Act of 2004*”.

6 (b) *TABLE OF CONTENTS.*—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Title analysis.

1 **“§ 102. Barge**

2 *“In this title, the term ‘barge’ means a non-self-propelled vessel.*

3 **“§ 103. Boundary Line**

4 *“In this title, the term ‘Boundary Line’ means a line established under sec-*
5 *tion 2(b) of the Act of February 19, 1895 (33 U.S.C. 151).*

6 **“§ 104. Citizen of the United States**

7 *“In this title, the term ‘citizen of the United States’, when used in reference*
8 *to a natural person, means an individual who is a national of the United*
9 *States as defined in section 101(a)(22) of the Immigration and Nationality*
10 *Act (8 U.S.C. 1101(a)(22)).*

11 **“§ 105. Consular officer**

12 *“In this title, the term ‘consular officer’ means an officer or employee of*
13 *the United States Government designated under regulations to issue visas.*

14 **“§ 106. Documented vessel**

15 *“In this title, the term ‘documented vessel’ means a vessel for which a cer-*
16 *tificate of documentation has been issued under chapter 121 of this title.*

17 **“§ 107. Exclusive economic zone**

18 *“In this title, the term ‘exclusive economic zone’ means the zone established*
19 *by Presidential Proclamation 5030 of March 10, 1983 (16 U.S.C. 1453 note).*

20 **“§ 108. Fisheries**

21 *“In this title, the term ‘fisheries’ includes processing, storing, transporting*
22 *(except in foreign commerce), planting, cultivating, catching, taking, or har-*
23 *vesting fish, shellfish, marine animals, pearls, shells, or marine vegetation in*
24 *the navigable waters of the United States or in the exclusive economic zone.*

25 **“§ 109. Foreign commerce or trade**

26 *“(a) IN GENERAL.—In this title, the terms ‘foreign commerce’ and ‘foreign*
27 *trade’ mean commerce or trade between a place in the United States and a*
28 *place in a foreign country.*

29 *“(b) CAPITAL CONSTRUCTION FUNDS AND CONSTRUCTION-DIFFERENTIAL*
30 *SUBSIDIES.—In the context of capital construction funds under chapter 535*
31 *of this title, and in the context of construction-differential subsidies under*
32 *title V of the Merchant Marine Act, 1936, the terms ‘foreign commerce’ and*
33 *‘foreign trade’ also include, in the case of liquid and dry bulk cargo carrying*
34 *services, trading between foreign ports in accordance with normal commercial*
35 *bulk shipping practices in a manner that will permit United States-flag bulk*
36 *vessels to compete freely with foreign-flag bulk vessels in their operation or*
37 *competition for charters, subject to regulations prescribed by the Secretary of*
38 *Transportation.*

39 **“§ 110. Foreign vessel**

40 *“In this title, the term ‘foreign vessel’ means a vessel of foreign registry or*
41 *operated under the authority of a foreign country.*

1 **“§ 111. Numbered vessel**

2 *“In this title, the term ‘numbered vessel’ means a vessel for which a number*
 3 *has been issued under chapter 123 of this title.*

4 **“§ 112. State**

5 *“In this title, the term ‘State’ means a State of the United States, the Dis-*
 6 *trict of Columbia, Guam, Puerto Rico, the Virgin Islands, American Samoa,*
 7 *the Northern Mariana Islands, and any other territory or possession of the*
 8 *United States.*

9 **“§ 113. Undocumented**

10 *“In this title, the term ‘undocumented’ means not having and not required*
 11 *to have a certificate of documentation issued under chapter 121 of this title.*

12 **“§ 114. United States**

13 *“In this title, the term ‘United States’, when used in a geographic sense,*
 14 *means the States of the United States, the District of Columbia, Guam, Puer-*
 15 *to Rico, the Virgin Islands, American Samoa, the Northern Mariana Islands,*
 16 *and any other territory or possession of the United States.*

17 **“§ 115. Vessel**

18 *“In this title, the term ‘vessel’ has the meaning given that term in section*
 19 *3 of title 1.*

20 **“§ 116. Vessel of the United States**

21 *“In this title, the term ‘vessel of the United States’ means a vessel docu-*
 22 *mented under chapter 121 of this title, numbered under chapter 123 of this*
 23 *title, or titled under the law of a State.*

24 **“CHAPTER 3—FEDERAL MARITIME COMMISSION**

“Sec.

“301. General organization.

“302. Quorum.

“303. Record of meetings and votes.

“304. Delegation of authority.

“305. Regulations.

“306. Annual report.

“307. Expenditures.

25 **“§ 301. General organization**

26 *“(a) ORGANIZATION.—The Federal Maritime Commission is an inde-*
 27 *pendent establishment of the United States Government.*

28 *“(b) COMMISSIONERS.—*

29 *“(1) COMPOSITION.—The Commission is composed of 5 Commis-*
 30 *sioners, appointed by the President by and with the advice and consent*
 31 *of the Senate. Not more than 3 Commissioners may be appointed from*
 32 *the same political party.*

33 *“(2) TERMS.—The term of each Commissioner is 5 years, with each*
 34 *term beginning one year apart. An individual appointed to fill a va-*
 35 *cancy is appointed only for the unexpired term of the individual being*
 36 *succeeded. A vacancy shall be filled in the same manner as the original*

1 *appointment. When the term of a Commissioner ends, the Commissioner*
2 *may continue to serve until a successor is appointed and qualified.*

3 *“(3) REMOVAL.—The President may remove a Commissioner for inefficiency,*
4 *neglect of duty, or malfeasance in office.*

5 *“(c) CHAIRMAN.—*

6 *“(1) DESIGNATION.—The President shall designate one of the Commis-*
7 *sioners as Chairman.*

8 *“(2) GENERAL AUTHORITY.—The Chairman is the chief executive and*
9 *administrative officer of the Commission. In carrying out the duties and*
10 *powers of the Commission (other than under paragraph (3)), the Chair-*
11 *man is subject to the policies, regulatory decisions, findings, and deter-*
12 *minations of the Commission.*

13 *“(3) PARTICULAR DUTIES.—*

14 *“(A) IN GENERAL.—The Chairman shall—*

15 *“(i) appoint and supervise officers and employees of the*
16 *Commission;*

17 *“(ii) appoint the heads of major organizational units, but*
18 *only after consultation with the other Commissioners;*

19 *“(iii) distribute the business of the Commission among per-*
20 *sonnel and organizational units;*

21 *“(iv) supervise the expenditure of money for administrative*
22 *purposes; and*

23 *“(v) assign Commission personnel, including Commissioners,*
24 *to perform duties and powers delegated by the Commission*
25 *under section 304 of this title.*

26 *“(B) NONAPPLICATION.—Subparagraph (A) (other than clause*
27 *(v)) does not apply to personnel employed regularly and full-time*
28 *in the offices of Commissioners other than the Chairman.*

29 *“(4) DELEGATION.—The Chairman may designate officers and em-*
30 *ployees under the Chairman’s jurisdiction to perform duties and powers*
31 *of the Chairman, subject to the Chairman’s supervision and direction.*

32 *“(d) SEAL.—The Commission shall have a seal which shall be judicially*
33 *recognized.*

34 **“§ 302. Quorum**

35 *“A vacancy or vacancies in the membership of the Federal Maritime Com-*
36 *mission do not impair the power of the Commission to execute its functions.*
37 *The affirmative vote of a majority of the Commissioners serving on the Com-*
38 *mission is required to dispose of any matter before the Commission.*

1 **“§ 303. Record of meetings and votes**

2 *“The Federal Maritime Commission, through its secretary, shall keep a*
 3 *record of its meetings and the votes taken on any action, order, contract, or*
 4 *financial transaction of the Commission.*

5 **“§ 304. Delegation of authority**

6 *“(a) DELEGATION.—The Federal Maritime Commission, by published order*
 7 *or regulation, may delegate to a division of the Commission, an individual*
 8 *Commissioner, an employee board, or an officer or employee of the Commis-*
 9 *sion, any of its duties or powers, including those relating to hearing, deter-*
 10 *mining, ordering, certifying, reporting, or otherwise acting on any matter.*
 11 *This subsection does not affect section 556(b) of title 5.*

12 *“(b) REVIEW.—The Commission may review any action taken under a del-*
 13 *egation of authority under subsection (a). The review may be taken on the*
 14 *Commission’s own initiative or on the petition of a party to or an intervenor*
 15 *in the action, within the time and in the manner prescribed by the Commis-*
 16 *sion. The vote of a majority of the Commission, less one member, is sufficient*
 17 *to bring an action before the Commission for review.*

18 *“(c) DEEMED ACTION OF COMMISSION.—If the Commission declines review,*
 19 *or if review is not sought, within the time prescribed under subsection (b),*
 20 *the action taken under the delegation of authority is deemed to be the action*
 21 *of the Commission.*

22 **“§ 305. Regulations**

23 *“The Federal Maritime Commission may prescribe regulations to carry out*
 24 *its duties and powers.*

25 **“§ 306. Annual report**

26 *“(a) IN GENERAL.—Not later than April 1 of each year, the Federal Mari-*
 27 *time Commission shall submit a report to Congress. The report shall include*
 28 *the results of its investigations, a summary of its transactions, the purposes*
 29 *for which all of its expenditures were made, and any recommendations for*
 30 *legislation.*

31 *“(b) REPORT ON FOREIGN LAWS AND PRACTICES.—The Commission shall*
 32 *include in its annual report to Congress—*

33 *“(1) a list of the 20 foreign countries that generated the largest volume*
 34 *of oceanborne liner cargo for the most recent calendar year in bilateral*
 35 *trade with the United States;*

36 *“(2) an analysis of conditions described in section 42302(a) of this*
 37 *title being investigated or found to exist in foreign countries;*

38 *“(3) any actions being taken by the Commission to offset those condi-*
 39 *tions;*

40 *“(4) any recommendations for additional legislation to offset those*
 41 *conditions; and*

1 “(5) a list of petitions filed under section 42302(b) of this title that
2 the Commission rejected and the reasons for each rejection.

3 **“§ 307. Expenditures**

4 “The Federal Maritime Commission may make such expenditures as are
5 necessary in the performance of its functions from funds appropriated or oth-
6 erwise made available to it, which appropriations are authorized.

7 **“CHAPTER 5—OTHER GENERAL PROVISIONS**

“Sec.

“501. Waiver of navigation and vessel-inspection laws.

“502. Cargo exempt from forfeiture.

“503. Notice of seizure.

“504. Remission of fees and penalties.

“505. Penalty for violating regulation or order.

8 **“§ 501. Waiver of navigation and vessel-inspection laws**

9 “(a) *ON REQUEST OF SECRETARY OF DEFENSE.*—On request of the Sec-
10 retary of Defense, the head of an agency responsible for the administration
11 of the navigation or vessel-inspection laws shall waive compliance with those
12 laws to the extent the Secretary considers necessary in the interest of national
13 defense.

14 “(b) *BY HEAD OF AGENCY.*—When the head of an agency responsible for
15 the administration of the navigation or vessel-inspection laws considers it nec-
16 essary in the interest of national defense, the individual may waive compli-
17 ance with those laws to the extent, in the manner, and on the terms the indi-
18 vidual prescribes.

19 “(c) *TERMINATION OF AUTHORITY.*—The authority granted by this section
20 shall terminate at such time as the Congress by concurrent resolution or the
21 President may designate.

22 **“§ 502. Cargo exempt from forfeiture**

23 “Cargo on a vessel is exempt from forfeiture under this title if—

24 “(1) the cargo is owned in good faith by a person not the owner, mas-
25 ter, or crewmember of the vessel; and

26 “(2) the customs duties on the cargo have been paid or secured for
27 payment as provided by law.

28 **“§ 503. Notice of seizure**

29 “When a forfeiture of a vessel or cargo accrues, the official of the United
30 States Government required to give notice of the seizure of the vessel or cargo
31 shall include in the notice, if they are known to that official, the name and
32 the place of residence of the owner or consignee at the time of the seizure.

33 **“§ 504. Remission of fees and penalties**

34 “Any part of a fee, tax, or penalty paid or a forfeiture incurred under a
35 law or regulation relating to vessels or seamen may be remitted if—

36 “(1) application for the remission is made within one year after the
37 date of the payment or forfeiture; and

1 “(2) it is found that the fee, tax, penalty, or forfeiture was improperly
2 or excessively imposed.

3 **“§ 505. Penalty for violating regulation or order**

4 “A person convicted of knowingly and willfully violating a regulation or
5 order of the Federal Maritime Commission or the Secretary of Transportation
6 under subtitle IV or V of this title, for which no penalty is expressly provided,
7 shall be fined not more than \$500. Each day of a continuing violation is a
8 separate offense.”.

9 **SEC. 4. SUBTITLE II OF TITLE 46.**

10 Chapter 121 of title 46, United States Code, is amended to read as follows:

11 **“CHAPTER 121—DOCUMENTATION OF VESSELS**

 “SUBCHAPTER I—GENERAL

“Sec.

“12101. Definitions.

“12102. Vessels requiring documentation.

“12103. General eligibility requirements.

“12104. Applications for documentation.

“12105. Issuance of documentation.

“12106. Surrender of title and number.

“12107. Wrecked vessels.

 “SUBCHAPTER II—ENDORSEMENTS AND SPECIAL DOCUMENTATION

“12111. Registry endorsement.

“12112. Coastwise endorsement.

“12113. Fishery endorsement.

“12114. Recreational endorsement.

“12115. Temporary endorsement for vessels procured outside the United States.

“12116. Limited endorsements for Guam, American Samoa, and Northern Mariana Islands.

“12117. Oil spill response vessels.

“12118. Owners engaged primarily in manufacturing or mineral industry.

“12119. Owners engaged primarily in leasing or financing transactions.

“12120. Liquefied gas tankers.

“12121. Small passenger vessels and uninspected passenger vessels.

 “SUBCHAPTER III—MISCELLANEOUS

“12131. Command of documented vessels.

“12132. Loss of coastwise trade privileges.

“12133. Duty to carry certificate on vessel and allow examination.

“12134. Evidentiary uses of documentation.

“12135. Invalidity of certificates of documentation.

“12136. Surrender of certificates of documentation.

“12137. Recording of vessels built in the United States.

“12138. List of documented vessels.

“12139. Reports.

 “SUBCHAPTER IV—PENALTIES

“12151. Penalties.

“12152. Denial or revocation of endorsement for non-payment of civil penalty.

12 “SUBCHAPTER I—GENERAL

13 **“§ 12101. Definitions**

14 “(a) *REBUILT IN THE UNITED STATES.*—In this chapter, a vessel is deemed
15 to have been rebuilt in the United States only if the entire rebuilding, includ-
16 ing the construction of any major component of the hull or superstructure,
17 was done in the United States.

1 “(b) *RELATED TERMS IN OTHER LAWS.*—When the following terms are
2 used in a law, regulation, document, ruling, or other official act referring to
3 the documentation of a vessel, the following definitions apply:

4 “(1) *REGISTRY ENDORSEMENT.*—The terms ‘certificate of registry’,
5 ‘register’, and ‘registry’ mean a certificate of documentation with a reg-
6 istry endorsement issued under this chapter.

7 “(2) *COASTWISE ENDORSEMENT.*—The terms ‘license’, ‘enrollment and
8 license’, ‘license for the coastwise (or coasting) trade’, and ‘enrollment
9 and license for the coastwise (or coasting) trade’ mean a certificate of
10 documentation with a coastwise endorsement issued under this chapter.

11 “(3) *YACHT.*—The term ‘yacht’ means a recreational vessel even if not
12 documented.

13 **“§ 12102. Vessels requiring documentation**

14 “(a) *IN GENERAL.*—Except as otherwise provided, a vessel may engage in
15 a trade only if the vessel has been issued a certificate of documentation with
16 an endorsement for that trade under this chapter.

17 “(b) *VESSELS LESS THAN 5 NET TONS.*—A vessel of less than 5 net tons
18 may engage in a trade without being documented if the vessel otherwise satis-
19 fies the requirements to engage in the particular trade.

20 “(c) *BARGES.*—A barge qualified to engage in the coastwise trade may en-
21 gage in the coastwise trade, without being documented, on rivers, harbors,
22 lakes (except the Great Lakes), canals, and inland waters.

23 **“§ 12103. General eligibility requirements**

24 “(a) *IN GENERAL.*—Except as otherwise provided, a certificate of docu-
25 mentation for a vessel may be issued under this chapter only if the vessel is—

26 “(1) wholly owned by one or more individuals or entities described in
27 subsection (b);

28 “(2) at least 5 net tons as measured under part J of this subtitle; and

29 “(3) not documented under the laws of a foreign country.

30 “(b) *ELIGIBLE OWNERS.*—For purposes of subsection (a)(1), the following
31 are eligible owners:

32 “(1) An individual who is a citizen of the United States.

33 “(2) An association, trust, joint venture, or other entity if—

34 “(A) each of its members is a citizen of the United States; and

35 “(B) it is capable of holding title to a vessel under the laws of
36 the United States or a State.

37 “(3) A partnership if—

38 “(A) each general partner is a citizen of the United States; and

39 “(B) the controlling interest in the partnership is owned by citi-
40 zens of the United States.

41 “(4) A corporation if—

1 “(A) it is incorporated under the laws of the United States or
2 a State;

3 “(B) its chief executive officer, by whatever title, and the chair-
4 man of its board of directors are citizens of the United States; and

5 “(C) no more of its directors are noncitizens than a minority of
6 the number necessary to constitute a quorum.

7 “(5) The United States Government.

8 “(6) The government of a State.

9 “(c) *TEMPORARY CERTIFICATES PRIOR TO MEASUREMENT.*—Notwith-
10 standing subsection (a)(2), the Secretary may issue a temporary certificate
11 of documentation for a vessel before it is measured.

12 **“§ 12104. Applications for documentation**

13 “(a) *IN GENERAL.*—An application for a certificate of documentation or
14 endorsement under this chapter must be filed by the owner of the vessel. The
15 application must be filed in the manner, be in the form, and contain the in-
16 formation prescribed by the Secretary.

17 “(b) *APPLICANT’S IDENTIFYING INFORMATION.*—The Secretary shall require
18 the applicant to provide—

19 “(1) if the applicant is an individual, the individual’s social security
20 number; or

21 “(2) if the applicant is an entity—

22 “(A) the entity’s taxpayer identification number; or

23 “(B) if the entity does not have a taxpayer identification number,
24 the social security number of an individual who is a corporate offi-
25 cer, general partner, or individual trustee of the entity and who
26 signs the application.

27 **“§ 12105. Issuance of documentation**

28 “(a) *IN GENERAL.*—Except as provided in section 12152 of this title, the
29 Secretary, on receipt of a proper application, shall issue a certificate of docu-
30 mentation or a temporary certificate of documentation for a vessel satisfying
31 the requirements of section 12103 of this title. The certificate shall contain
32 each endorsement under subchapter II of this chapter for which the owner ap-
33 plies and the vessel is eligible.

34 “(b) *TEMPORARY CERTIFICATES FOR RECREATIONAL VESSELS.*—The Sec-
35 retary may delegate, subject to the supervision and control of the Secretary
36 and under terms prescribed by regulation, to private entities determined and
37 certified by the Secretary to be qualified, the authority to issue a temporary
38 certificate of documentation for a recreational vessel eligible under section
39 12103 of this title. A temporary certificate issued under this subsection is
40 valid for not more than 30 days.

1 “(c) *INFORMATION TO BE INCLUDED IN CERTIFICATE.*—A certificate of
2 documentation shall—

3 “(1) identify and describe the vessel;

4 “(2) identify the owner of the vessel; and

5 “(3) contain additional information prescribed by the Secretary.

6 “(d) *PROCEDURES TO ENSURE INTEGRITY AND ACCURACY.*—The Secretary
7 shall prescribe procedures to ensure the integrity of, and the accuracy of infor-
8 mation contained in, certificates of documentation.

9 **“§ 12106. Surrender of title and number**

10 “(a) *IN GENERAL.*—A documented vessel may not be titled by a State or
11 required to display numbers under chapter 123 of this title, and any certifi-
12 cate of title issued by a State for a documented vessel shall be surrendered
13 as provided by regulations prescribed by the Secretary.

14 “(b) *VESSELS COVERED BY PREFERRED MORTGAGE.*—The Secretary may
15 approve the surrender under subsection (a) of a certificate of title for a vessel
16 covered by a preferred mortgage under section 31322(d) of this title only if
17 the mortgagee consents.

18 **“§ 12107. Wrecked vessels**

19 “(a) *REQUIREMENTS.*—A vessel is a wrecked vessel under this chapter if
20 it—

21 “(1) was wrecked on a coast of the United States or adjacent waters;
22 and

23 “(2) has undergone repairs in a shipyard in the United States equal
24 to at least 3 times the appraised salvage value of the vessel.

25 “(b) *APPRAISALS.*—The Secretary may appoint a board of three appraisers
26 to determine whether a vessel satisfies subsection (a)(2). The costs of the ap-
27 praisal shall be paid by the owner of the vessel.

28 “SUBCHAPTER II—ENDORSEMENTS AND SPECIAL
29 DOCUMENTATION

30 **“§ 12111. Registry endorsement**

31 “(a) *REQUIREMENTS.*—A registry endorsement may be issued for a vessel
32 that satisfies the requirements of section 12103 of this title.

33 “(b) *AUTHORIZED ACTIVITY.*—A vessel for which a registry endorsement is
34 issued may engage in foreign trade or trade with Guam, American Samoa,
35 Wake, Midway, or Kingman Reef.

36 “(c) *CERTAIN VESSELS OWNED BY TRUSTS.*—

37 “(1) *NONAPPLICATION OF BENEFICIARY CITIZENSHIP REQUIREMENT.*—
38 For the issuance of a certificate of documentation with only a registry
39 endorsement, the beneficiaries of a trust are not required to be citizens
40 of the United States if the trust qualifies under paragraph (2) and the
41 vessel is subject to a charter to a citizen of the United States.

1 “(2) *REQUIREMENTS FOR TRUST TO QUALIFY.*—

2 “(A) *IN GENERAL.*—Subject to subparagraph (B), a trust quali-
3 fies under this paragraph with respect to a vessel only if—

4 “(i) each trustee is a citizen of the United States; and

5 “(ii) the application for documentation of the vessel includes
6 the affidavit of each trustee stating that the trustee is not
7 aware of any reason involving a beneficiary of the trust that
8 is not a citizen of the United States, or involving any other
9 person that is not a citizen of the United States, as a result
10 of which the beneficiary or other person would hold more than
11 25 percent of the aggregate power to influence or limit the exer-
12 cise of the authority of the trustee with respect to matters in-
13 volving any ownership or operation of the vessel that may ad-
14 versely affect the interests of the United States.

15 “(B) *AUTHORITY OF NON-CITIZENS.*—If any person that is not a
16 citizen of the United States has authority to direct or participate
17 in directing a trustee for a trust in matters involving any owner-
18 ship or operation of the vessel that may adversely affect the interests
19 of the United States or in removing a trustee for a trust without
20 cause, either directly or indirectly through the control of another
21 person, the trust is not qualified under this paragraph unless the
22 trust instrument provides that persons who are not citizens of the
23 United States may not hold more than 25 percent of the aggregate
24 authority to so direct or remove a trustee.

25 “(C) *OWNERSHIP BY NON-CITIZENS.*—Subparagraphs (A) and
26 (B) do not prohibit a person that is not a citizen of the United
27 States from holding more than 25 percent of the beneficial interest
28 in a trust.

29 “(3) *CITIZENSHIP OF PERSON CHARTERING VESSEL.*—If a person
30 chartering a vessel from a trust that qualifies under paragraph (2) is
31 a citizen of the United States under section 50501 of this title, the vessel
32 is deemed to be owned by a citizen of the United States for purposes of
33 that section and related laws, except subtitle B of title VI of the Merchant
34 Marine Act, 1936.

35 **“§ 12112. Coastwise endorsement**

36 “(a) *REQUIREMENTS.*—A coastwise endorsement may be issued for a vessel
37 that—

38 “(1) satisfies the requirements of section 12103 of this title;

39 “(2)(A) was built in the United States; or

40 “(B) if not built in the United States—

1 “(i) was captured in war by citizens of the United States and
2 lawfully condemned as prize;

3 “(ii) was adjudged to be forfeited for a breach of the laws of the
4 United States; or

5 “(iii) qualifies as a wrecked vessel under section 12107 of this
6 title; and

7 “(3) otherwise qualifies under the laws of the United States to engage
8 in the coastwise trade.

9 “(b) *AUTHORIZED ACTIVITY*.—Subject to the laws of the United States reg-
10 ulating the coastwise trade, a vessel for which a coastwise endorsement is
11 issued may engage in the coastwise trade.

12 **“§ 12113. Fishery endorsement**

13 “(a) *REQUIREMENTS*.—A fishery endorsement may be issued for a vessel
14 that—

15 “(1) satisfies the requirements of section 12103 of this title and, if
16 owned by an entity, the entity satisfies the ownership requirements in
17 subsection (c);

18 “(2) was built in the United States;

19 “(3) if rebuilt, was rebuilt in the United States;

20 “(4) was not forfeited to the United States Government after July 1,
21 2001, for a breach of the laws of the United States; and

22 “(5) otherwise qualifies under the laws of the United States to engage
23 in the fisheries.

24 “(b) *AUTHORIZED ACTIVITY*.—

25 “(1) *IN GENERAL*.—Subject to the laws of the United States regulating
26 the fisheries, a vessel for which a fishery endorsement is issued may en-
27 gage in the fisheries.

28 “(2) *USE BY PROHIBITED PERSONS*.—A fishery endorsement is invalid
29 immediately if the vessel for which it is issued is used as a fishing vessel
30 while it is chartered or leased to an individual who is not a citizen of
31 the United States or to an entity that is not eligible to own a vessel with
32 a fishery endorsement.

33 “(c) *OWNERSHIP REQUIREMENTS FOR ENTITIES*.—

34 “(1) *IN GENERAL*.—A vessel owned by an entity is eligible for a fish-
35 ery endorsement only if at least 75 percent of the interest in the entity,
36 at each tier of ownership and in the aggregate, is owned and controlled
37 by citizens of the United States.

38 “(2) *DETERMINING 75 PERCENT INTEREST*.—In determining whether
39 at least 75 percent of the interest in the entity is owned and controlled
40 by citizens of the United States under paragraph (1), the Secretary shall

1 *apply section 50501(d) of this title, except that for this purpose the terms*
 2 *‘control’ or ‘controlled’—*

3 *“(A) include the right to—*

4 *“(i) direct the business of the entity;*

5 *“(ii) limit the actions of or replace the chief executive officer,*
 6 *a majority of the board of directors, any general partner, or*
 7 *any person serving in a management capacity of the entity; or*

8 *“(iii) direct the transfer, operation, or manning of a vessel*
 9 *with a fishery endorsement; but*

10 *“(B) do not include the right to simply participate in the activi-*
 11 *ties under clause (A), or the exercise of rights under loan or mort-*
 12 *gage covenants by a mortgagee eligible to be a preferred mortgagee*
 13 *under section 31322(a) of this title, except that a mortgagee not eli-*
 14 *gible to own a vessel with a fishery endorsement may only operate*
 15 *such a vessel to the extent necessary for the immediate safety of the*
 16 *vessel or for repairs, drydocking, or berthing changes.*

17 *“(3) EXCEPTIONS.—This subsection does not apply to a vessel when*
 18 *it is engaged in the fisheries in the exclusive economic zone under the*
 19 *authority of the Western Pacific Fishery Management Council established*
 20 *under section 302(a)(1)(H) of the Magnuson-Stevens Fishery Conserva-*
 21 *tion and Management Act (16 U.S.C. 1852(a)(1)(H)) or to a purse seine*
 22 *vessel when it is engaged in tuna fishing in the Pacific Ocean outside*
 23 *the exclusive economic zone or pursuant to the South Pacific Regional*
 24 *Fisheries Treaty, provided that the owner of the vessel continues to com-*
 25 *ply with the eligibility requirements for a fishery endorsement under the*
 26 *Federal law that was in effect on October 1, 1998. A fishery endorsement*
 27 *issued pursuant to this paragraph is valid for engaging only in the ac-*
 28 *tivities described in this paragraph.*

29 *“(d) REQUIREMENTS BASED ON LENGTH, TONNAGE, OR HORSEPOWER.—*

30 *“(1) APPLICATION.—This subsection applies to a vessel that—*

31 *“(A) is greater than 165 feet in registered length;*

32 *“(B) is more than 750 gross registered tons as measured under*
 33 *chapter 145 of this title or 1,900 gross registered tons as measured*
 34 *under chapter 143 of this title; or*

35 *“(C) has an engine or engines capable of producing a total of*
 36 *more than 3,000 shaft horsepower.*

37 *“(2) REQUIREMENTS.—A vessel subject to this subsection is not eligible*
 38 *for a fishery endorsement unless—*

39 *“(A)(i) a certificate of documentation was issued for the vessel*
 40 *and endorsed with a fishery endorsement that was effective on Sep-*
 41 *tember 25, 1997;*

1 “(ii) the vessel is not placed under foreign registry after October
2 21, 1998; and

3 “(iii) if the fishery endorsement is invalidated after October 21,
4 1998, application is made for a new fishery endorsement within 15
5 business days of the invalidation; or

6 “(B) the owner of the vessel demonstrates to the Secretary that
7 the regional fishery management council of jurisdiction established
8 under section 302(a)(1) of the Magnuson-Stevens Fishery Conserva-
9 tion and Management Act (16 U.S.C. 1852(a)(1)) has recommended
10 after October 21, 1998, and the Secretary of Commerce has ap-
11 proved, conservation and management measures in accordance with
12 the American Fisheries Act (Public Law 105–277, div. C, title II)
13 (16 U.S.C. 1851 note) to allow the vessel to be used in fisheries
14 under the council’s authority.

15 “(e) *VESSELS MEASURING 100 FEET OR GREATER.*—

16 “(1) *IN GENERAL.*—The Administrator of the Maritime Administra-
17 tion shall administer subsections (c) and (d) with respect to vessels 100
18 feet or greater in registered length. The owner of each such vessel shall
19 file a statement of citizenship setting forth all relevant facts regarding
20 vessel ownership and control with the Administrator on an annual basis
21 to demonstrate compliance with those provisions.

22 “(2) *REGULATIONS.*—Regulations to implement this subsection shall
23 conform to the extent practicable with the regulations establishing the
24 form of citizenship affidavit set forth in part 355 of title 46, Code of
25 Federal Regulations, as in effect on September 25, 1997, except that the
26 form of the statement shall be written in a manner to allow the owner
27 of the vessel to satisfy any annual renewal requirements for a certificate
28 of documentation for the vessel and to comply with this subsection and
29 subsections (c) and (d), and shall not be required to be notarized.

30 “(3) *TRANSFER OF OWNERSHIP.*—Transfers of ownership and control
31 of vessels subject to subsection (c) or (d), which are 100 feet or greater
32 in registered length, shall be rigorously scrutinized for violations of those
33 provisions, with particular attention given to—

34 “(A) leases, charters, mortgages, financing, and similar arrange-
35 ments;

36 “(B) the control of persons not eligible to own a vessel with a
37 fishery endorsement under subsection (c) or (d), over the manage-
38 ment, sales, financing, or other operations of an entity; and

39 “(C) contracts involving the purchase over extended periods of
40 time of all, or substantially all, of the living marine resources har-
41 vested by a fishing vessel.

1 “(f) *VESSELS MEASURING LESS THAN 100 FEET.*—The Secretary shall es-
 2 tablish reasonable and necessary requirements to demonstrate compliance with
 3 subsections (c) and (d), with respect to vessels measuring less than 100 feet
 4 in registered length, and shall seek to minimize the administrative burden on
 5 individuals who own and operate those vessels.

6 “(g) *VESSELS PURCHASED THROUGH FISHING CAPACITY REDUCTION PRO-*
 7 *GRAM.*—A vessel purchased by the Secretary of Commerce through a fishing
 8 capacity reduction program under the Magnuson-Stevens Fishery Conserva-
 9 tion Management Act (16 U.S.C. 1801 et seq.) or section 308 of the Interjuris-
 10 dictional Fisheries Act of 1986 (16 U.S.C. 4107) is not eligible for a fishery
 11 endorsement, and any fishery endorsement issued for that vessel is invalid.

12 “(h) *REVOCATION OF ENDORSEMENTS.*—The Secretary shall revoke the fish-
 13 ery endorsement of any vessel subject to subsection (c) or (d) whose owner does
 14 not comply with those provisions.

15 “(i) *REGULATIONS.*—Regulations to implement subsections (c) and (d) and
 16 sections 12151(c) and 31322(b) of this title shall prohibit impermissible trans-
 17 fers of ownership or control, specify any transactions that require prior ap-
 18 proval of an implementing agency, identify transactions that do not require
 19 prior agency approval, and to the extent practicable, minimize disruptions
 20 to the commercial fishing industry, to the traditional financing arrangements
 21 of that industry, and to the opportunity to form fishery cooperatives.

22 **“§ 12114. Recreational endorsement**

23 “(a) *REQUIREMENTS.*—A recreational endorsement may be issued for a ves-
 24 sel that satisfies the requirements of section 12103 of this title.

25 “(b) *AUTHORIZED ACTIVITY.*—A vessel operating under a recreational en-
 26 dorsement may be operated only for pleasure.

27 “(c) *APPLICATION OF CUSTOMS LAWS.*—A vessel for which a recreational
 28 endorsement is issued may proceed between a port of the United States and
 29 a port of a foreign country without entering or clearing with the Secretary
 30 of Homeland Security. However, a recreational vessel is subject to the require-
 31 ments for reporting arrivals under section 433 of the Tariff Act of 1930 (19
 32 U.S.C. 1433), and individuals on the vessel are subject to applicable customs
 33 regulations.

34 **“§ 12115. Temporary endorsement for vessels procured out-**
 35 **side the United States**

36 “(a) *GENERAL AUTHORITY.*—The Secretary and the Secretary of State, act-
 37 ing jointly, may provide for the issuance of a certificate of documentation
 38 with an appropriate endorsement for a vessel procured outside the United
 39 States and meeting the ownership requirements of section 12103 of this title.

40 “(b) *AUTHORIZED ACTIVITY.*—Subject to limitations the Secretary may
 41 prescribe, a vessel documented under this section may proceed to the United

1 *States and engage en route in foreign trade or trade with Guam, American*
 2 *Samoa, Wake, Midway, or Kingman Reef.*

3 “(c) *APPLICATION OF UNITED STATES JURISDICTION AND LAWS.*—A vessel
 4 *documented under this section is subject to the jurisdiction and laws of the*
 5 *United States. However, if the Secretary considers it to be in the public inter-*
 6 *est, the Secretary may suspend for a period of not more than 6 months the*
 7 *application of a vessel inspection law carried out by the Secretary or regula-*
 8 *tions prescribed under that law.*

9 “(d) *SURRENDER OF CERTIFICATE.*—On the vessel’s arrival in the United
 10 *States, the certificate of documentation shall be surrendered as provided by*
 11 *regulations prescribed by the Secretary.*

12 **“§ 12116. Limited endorsements for Guam, American Samoa,**
 13 **and Northern Mariana Islands**

14 “(a) *ENDORSEMENTS.*—A vessel satisfying the requirements of subsection
 15 (b) may be issued—

16 “(1) *a coastwise endorsement to engage in the coastwise trade of fish-*
 17 *eries products between places in Guam, American Samoa, and the North-*
 18 *ern Mariana Islands; or*

19 “(2) *a fishery endorsement to engage in fishing in the territorial sea*
 20 *and fishery conservation zone adjacent to Guam, American Samoa, and*
 21 *the Northern Mariana Islands.*

22 “(b) *REQUIREMENTS.*—An endorsement may be issued under subsection (a)
 23 *for a vessel that—*

24 “(1) *satisfies the requirements of section 12103 of this title;*

25 “(2) *was not built in the United States, except that for an endorse-*
 26 *ment under subsection (a)(2), the vessel must not have been built or re-*
 27 *built in the United States;*

28 “(3) *is less than 200 gross tons as measured under section 14502 of*
 29 *this title, or an alternate tonnage as measured under section 14302 of*
 30 *this title as prescribed by the Secretary under section 14104 of this title;*
 31 *and*

32 “(4) *otherwise qualifies under the laws of the United States to engage*
 33 *in the coastwise trade or the fisheries, as the case may be.*

34 **“§ 12117. Oil spill response vessels**

35 “(a) *REQUIREMENTS.*—A coastwise endorsement may be issued for a vessel
 36 *that—*

37 “(1) *satisfies the requirements for a coastwise endorsement, except for*
 38 *the ownership requirement otherwise applicable without regard to this*
 39 *section;*

1 “(2) is owned by a not-for-profit oil spill response cooperative or by
2 members of such a cooperative that dedicate the vessel to use by the coop-
3 erative;

4 “(3) is at least 50 percent owned by individuals or entities described
5 in section 12103(b) of this title; and

6 “(4) is to be used only for—

7 “(i) deploying equipment, supplies, and personnel to recover, con-
8 tain, or transport oil discharged into the navigable waters of the
9 United States or the exclusive economic zone; or

10 “(ii) training exercises to prepare to respond to such a discharge.

11 “(b) *DEEMED OWNED BY CITIZENS.*—A vessel satisfying subsection (a) is
12 deemed to be owned only by citizens of the United States under sections
13 12103, 12132, and 50501 of this title.

14 **“§12118. Owners engaged primarily in manufacturing or**
15 **mineral industry**

16 “(a) *DEFINITIONS.*—In this section:

17 “(1) *BOWATERS CORPORATION.*—The term ‘Bowaters corporation’
18 means a corporation that has filed a certificate under oath with the Sec-
19 retary, in the form and at the times prescribed by the Secretary, estab-
20 lishing that—

21 “(A) the corporation is incorporated under the laws of the United
22 States or a State;

23 “(B) a majority of the officers and directors of the corporation
24 are individuals who are citizens of the United States;

25 “(C) at least 90 percent of the employees of the corporation are
26 residents of the United States;

27 “(D) the corporation is engaged primarily in a manufacturing
28 or mineral industry in the United States;

29 “(E) the total book value of the vessels owned by the corporation
30 is not more than 10 percent of the total book value of the assets of
31 the corporation; and

32 “(F) the corporation buys or produces in the United States at
33 least 75 percent of the raw materials used or sold in its operations.

34 “(2) *PARENT.*—The term ‘parent’ means a corporation that has filed
35 a certificate under oath with the Secretary, in the form and at the times
36 prescribed by the Secretary, establishing that the corporation—

37 “(A) is incorporated under the laws of the United States or a
38 State; and

39 “(B) controls, directly or indirectly, at least 50 percent of the vot-
40 ing stock of a Bowaters corporation.

1 “(3) *SUBSIDIARY*.—The term ‘subsidiary’ means a corporation that
2 has filed a certificate under oath with the Secretary, in the form and
3 at the times prescribed by the Secretary, establishing that the corpora-
4 tion—

5 “(A) is incorporated under the laws of the United States or a
6 State; and

7 “(B) has at least 50 percent of its voting stock controlled, directly
8 or indirectly, by a Bowaters corporation or its parent.

9 “(b) *DEEMED CITIZEN*.—A Bowaters corporation is deemed to be a citizen
10 of the United States for purposes of chapters 121, 551, and 561 and section
11 80104 of this title.

12 “(c) *ISSUANCE OF DOCUMENTATION*.—A certificate of documentation and
13 appropriate endorsement may be issued for a vessel that—

14 “(1) is owned by a Bowaters corporation;

15 “(2) was built in the United States; and

16 “(3)(A) is self-propelled and less than 500 gross tons as measured
17 under section 14502 of this title, or an alternate tonnage as measured
18 under section 14302 of this title as prescribed by the Secretary under sec-
19 tion 14104 of this title; or

20 “(B) is not self-propelled.

21 “(d) *EFFECTS OF DOCUMENTATION*.—

22 “(1) *IN GENERAL*.—Subject to paragraph (2)—

23 “(A) a vessel documented under this section may engage in the
24 coastwise trade; and

25 “(B) the vessel and its owner and master are entitled to the same
26 benefits and are subject to the same requirements and penalties as
27 if the vessel were otherwise documented or exempt from documenta-
28 tion under this chapter.

29 “(2) *TRANSPORTATION OF PASSENGERS OR MERCHANDISE*.—A vessel
30 documented under this section may transport passengers or merchandise
31 for hire in the coastwise trade only—

32 “(A) as a service for a parent or subsidiary of the corporation
33 owning the vessel; or

34 “(B) when under a demise or bareboat charter, at prevailing
35 rates for use not in the domestic noncontiguous trades, from the cor-
36 poration owning the vessel to a carrier that—

37 “(i) is subject to jurisdiction under subchapter II of chapter
38 135 of title 49;

39 “(ii) otherwise qualifies as a citizen of the United States
40 under section 50501 of this title; and

1 “(iii) is not owned or controlled, directly or indirectly, by
2 the corporation owning the vessel.

3 “(e) *VALIDITY OF CORPORATE CERTIFICATE.*—A certificate filed by a cor-
4 poration under this section remains valid only as long as the corporation con-
5 tinues to satisfy the conditions required of the corporation by this section.
6 When a corporation no longer satisfies those conditions, the corporation loses
7 its status under this section and immediately shall surrender to the Secretary
8 any documents issued to it based on that status.

9 “(f) *PENALTIES.*—

10 “(1) *FALSIFYING MATERIAL FACT.*—If a corporation knowingly fal-
11 sifies a material fact in a certificate filed under subsection (a), the vessel
12 (or its value) documented or operated under this section shall be forfeited.

13 “(2) *TRANSPORTING MERCHANDISE.*—If a vessel transports merchan-
14 dise for hire in violation of this section, the merchandise shall be forfeited
15 to the United States Government.

16 “(3) *TRANSPORTING PASSENGERS.*—If a vessel transports passengers
17 for hire in violation of this section, the vessel is liable for a penalty of
18 \$200 for each passenger so transported.

19 “(4) *REMISSION OR MITIGATION.*—A penalty or forfeiture incurred
20 under this subsection may be remitted or mitigated under section 2107(b)
21 of this title.

22 **“§ 12119. Owners engaged primarily in leasing or financing**
23 **transactions**

24 “(a) *DEFINITIONS.*—In this section:

25 “(1) *AFFILIATE.*—The term ‘affiliate’ means, with respect to any per-
26 son, any other person that is—

27 “(i) directly or indirectly controlled by, under common control
28 with, or controlling that person; or

29 “(ii) named as being part of the same consolidated group in any
30 report or other document submitted to the United States Securities
31 and Exchange Commission or the Internal Revenue Service.

32 “(2) *CARGO.*—The term ‘cargo’ does not include cargo to which title
33 is held for non-commercial reasons and primarily for the purpose of
34 evading the requirements of subsection (c)(3).

35 “(3) *OIL.*—The term ‘oil’ has the meaning given that term in section
36 2101(20) of this title.

37 “(4) *PASSIVE INVESTMENT.*—The term ‘passive investment’ means an
38 investment in which neither the investor nor any affiliate of the investor
39 is involved in, or has the power to be involved in, the formulation, deter-
40 mination, or direction of any activity or function concerning the man-

1 *agement, use, or operation of the asset that is the subject of the invest-*
2 *ment.*

3 “(5) *QUALIFIED PROPRIETARY CARGO.*—*The term ‘qualified propri-*
4 *etary cargo’ means—*

5 “(A) *oil, petroleum products, petrochemicals, or liquefied natural*
6 *gas cargo that is beneficially owned by the person that submits to*
7 *the Secretary an application or annual certification under sub-*
8 *section (c)(3), or by an affiliate of that person, immediately before,*
9 *during, or immediately after the cargo is carried in coastwise trade*
10 *on a vessel owned by that person;*

11 “(B) *oil, petroleum products, petrochemicals, or liquefied natural*
12 *gas cargo not beneficially owned by the person that submits to the*
13 *Secretary an application or an annual certification under sub-*
14 *section (c)(3), or by an affiliate of that person, but which is carried*
15 *in coastwise trade by a vessel owned by that person and which is*
16 *part of an arrangement in which vessels owned by that person and*
17 *at least one other person are operated collectively as one fleet, to the*
18 *extent that an equal amount of oil, petroleum products, petrochemi-*
19 *cals, or liquefied natural gas cargo beneficially owned by that per-*
20 *son, or by an affiliate of that person, is carried in coastwise trade*
21 *on one or more other vessels, not owned by that person, or by an*
22 *affiliate of that person, if the other vessel or vessels are also part*
23 *of the same arrangement;*

24 “(C) *in the case of a towing vessel associated with a non-self-pro-*
25 *pelled tank vessel where both vessels function as a single self-pro-*
26 *pelled vessel, oil, petroleum products, petrochemicals, or liquefied*
27 *natural gas cargo that is beneficially owned by the person that owns*
28 *both the towing vessel and the non-self-propelled tank vessel, or any*
29 *United States affiliate of that person, immediately before, during,*
30 *or immediately after the cargo is carried in coastwise trade on ei-*
31 *ther of those vessels; or*

32 “(D) *any oil, petroleum products, petrochemicals, or liquefied*
33 *natural gas cargo carried on any vessel that is either a self-pro-*
34 *pelled tank vessel having a length of at least 210 meters or a tank*
35 *vessel that is a liquefied natural gas carrier that—*

36 “(i) *was delivered by the builder of the vessel to the owner*
37 *of the vessel after December 31, 1999; and*

38 “(ii) *was purchased by a person for the purpose, and with*
39 *the reasonable expectation, of transporting on the vessel lique-*
40 *fied natural gas or unrefined petroleum beneficially owned by*

1 the owner of the vessel, or an affiliate of the owner, from Alas-
2 ka to the continental United States.

3 “(6) UNITED STATES AFFILIATE.—The term ‘United States affiliate’
4 means, with respect to any person, an affiliate the principal place of
5 business of which is located in the United States.

6 “(b) REQUIREMENTS.—A coastwise endorsement may be issued for a vessel
7 if—

8 “(1) the vessel satisfies the requirements for a coastwise endorsement,
9 except for the ownership requirement otherwise applicable without regard
10 to this section;

11 “(2) the person that owns the vessel (or, if the vessel is owned by a
12 trust or similar arrangement, the beneficiary of the trust or similar ar-
13 rangement) meets the requirements of subsection (c);

14 “(3) the vessel is under a demise charter to a person that certifies to
15 the Secretary that the person is a citizen of the United States under sec-
16 tion 50501 of this title for engaging in the coastwise trade; and

17 “(4) the demise charter is for a period of at least 3 years or a shorter
18 period as may be prescribed by the Secretary.

19 “(c) OWNERSHIP CERTIFICATION.—

20 “(1) IN GENERAL.—A person meets the requirements of this subsection
21 if the person transmits to the Secretary each year the certification re-
22 quired by paragraph (2) or (3) with respect to a vessel.

23 “(2) INVESTMENT CERTIFICATION.—To meet the certification require-
24 ment of this paragraph, a person shall certify that it—

25 “(A) is a leasing company, bank, or financial institution;

26 “(B) owns, or holds the beneficial interest in, the vessel solely as
27 a passive investment;

28 “(C) does not operate any vessel for hire and is not an affiliate
29 of any person that operates any vessel for hire; and

30 “(D) is independent from, and not an affiliate of, any charterer
31 of the vessel or any other person that has the right, directly or indi-
32 rectly, to control or direct the movement or use of the vessel.

33 “(3) CERTAIN TANK VESSELS.—

34 “(A) IN GENERAL.—To meet the certification requirement of this
35 paragraph, a person shall certify that—

36 “(i) the aggregate book value of the vessels owned by the per-
37 son and United States affiliates of the person does not exceed
38 10 percent of the aggregate book value of all assets owned by
39 the person and its United States affiliates;

1 “(ii) not more than 10 percent of the aggregate revenues of
2 the person and its United States affiliates is derived from the
3 ownership, operation, or management of vessels;

4 “(iii) at least 70 percent of the aggregate tonnage of all
5 cargo carried by all vessels owned by the person and its United
6 States affiliates and documented with a coastwise endorsement
7 is qualified proprietary cargo;

8 “(iv) any cargo other than qualified proprietary cargo car-
9 ried by all vessels owned by the person and its United States
10 affiliates and documented with a coastwise endorsement con-
11 sists of oil, petroleum products, petrochemicals, or liquified
12 natural gas;

13 “(v) no vessel owned by the person or any of its United
14 States affiliates and documented with a coastwise endorsement
15 carries molten sulphur; and

16 “(vi) the person owned one or more vessels documented under
17 this section as of August 9, 2004.

18 “(B) APPLICATION ONLY TO CERTAIN VESSELS.—A person may
19 make a certification under this paragraph only with respect to—

20 “(i) a tank vessel having a tonnage of at least 6,000 gross
21 tons, as measured under section 14502 of this title (or an alter-
22 native tonnage measured under section 14302 of this title as
23 prescribed by the Secretary under section 14104 of this title);
24 or

25 “(ii) a towing vessel associated with a non-self-propelled
26 tank vessel that meets the requirements of clause (i), where both
27 vessels function as a single self-propelled vessel.

28 “(d) FILING OF DEMISE CHARTER.—The demise charter and any amend-
29 ments to the charter shall be filed with the certification required by subsection
30 (b)(3) or within 10 days after filing an amendment to the charter. The char-
31 ter and amendments shall be made available to the public.

32 “(e) CONTINUATION OF ENDORSEMENT AFTER TERMINATION OF CHAR-
33 TER.—When a charter required by subsection (b)(3) is terminated for default
34 by the charterer, the Secretary may continue the coastwise endorsement for
35 not more than 6 months on terms and conditions the Secretary may prescribe.

36 “(f) DEEMED OWNED BY CITIZENS.—A vessel satisfying the requirements
37 of this section is deemed to be owned only by citizens of the United States
38 under sections 12103 and 50501 of this title.

39 **“§ 12120. Liquified gas tankers**

40 “Notwithstanding any agreement with the United States Government, the
41 Secretary may issue a certificate of documentation with a coastwise endorse-

1 *ment for a vessel to transport liquified natural gas or liquified petroleum gas*
 2 *to Puerto Rico from other ports in the United States, if the vessel—*

3 *“(1) is a foreign built vessel that was built before October 19, 1996;*

4 *or*

5 *“(2) was documented under this chapter before that date, even if the*
 6 *vessel is placed under a foreign registry and subsequently redocumented*
 7 *under this chapter for operation under this section.*

8 **“§ 12121. *Small passenger vessels and uninspected passenger***
 9 ***vessels***

10 *“(a) DEFINITIONS.—In this section:*

11 *“(1) ELIGIBLE VESSEL.—The term ‘eligible vessel’ means a vessel*
 12 *that—*

13 *“(A) was not built in the United States and is at least 3 years*
 14 *old; or*

15 *“(B) if rebuilt, was rebuilt outside the United States at least 3*
 16 *years before the certificate requested under subsection (b) would take*
 17 *effect.*

18 *“(2) SMALL PASSENGER VESSEL; UNINSPECTED PASSENGER VESSEL;*
 19 *PASSENGER FOR HIRE.—The terms ‘small passenger vessel’, ‘uninspected*
 20 *passenger vessel’, and ‘passenger for hire’ have the meaning given those*
 21 *terms in section 2101 of this title.*

22 *“(b) ISSUANCE OF CERTIFICATE AND ENDORSEMENT.—Notwithstanding*
 23 *sections 12112, 12113, 55102, and 55103 of this title, the Secretary may issue*
 24 *a certificate of documentation with an appropriate endorsement for employ-*
 25 *ment in the coastwise trade as a small passenger vessel or an uninspected pas-*
 26 *senger vessel in the case of an eligible vessel authorized to carry no more than*
 27 *12 passengers for hire if the Secretary of Transportation, after notice and an*
 28 *opportunity for public comment, determines that the employment of the vessel*
 29 *in the coastwise trade will not adversely affect—*

30 *“(1) United States vessel builders; or*

31 *“(2) the coastwise trade business of any person that employs vessels*
 32 *built in the United States in that business.*

33 *“(c) REVOCATION.—*

34 *“(1) FOR FRAUD.—The Secretary shall revoke a certificate or endorse-*
 35 *ment issued under subsection (b) if the Secretary of Transportation, after*
 36 *notice and an opportunity for a hearing, determines that the certificate*
 37 *or endorsement was obtained by fraud.*

38 *“(2) OTHER PROVISIONS NOT AFFECTED.—Paragraph (1) does not af-*
 39 *fect—*

40 *“(A) the criminal prohibition on fraud and false statements in*
 41 *section 1001 of title 18; or*

1 “(B) any other authority of the Secretary to revoke a certificate
2 or endorsement issued under subsection (b).

3 “SUBCHAPTER III—MISCELLANEOUS

4 **“§ 12131. Command of documented vessels**

5 “(a) *IN GENERAL.*—Except as provided in subsection (b), a documented
6 vessel may be placed under the command only of a citizen of the United
7 States.

8 “(b) *EXCEPTIONS.*—Subsection (a) does not apply to—

9 “(1) a vessel with only a recreational endorsement; or

10 “(2) an unmanned barge operating outside of the territorial waters of
11 the United States.

12 **“§ 12132. Loss of coastwise trade privileges**

13 “A vessel having a lawful right to engage in the coastwise trade is perma-
14 nently prohibited from engaging in the coastwise trade if the vessel is—

15 “(1)(A) more than 200 gross tons as measured under chapter 143 of
16 this title; and

17 “(B) sold foreign or placed under foreign registry; or

18 “(2) rebuilt outside the United States.

19 **“§ 12133. Duty to carry certificate on vessel and allow exam-
20 ination**

21 “(a) *DUTY TO CARRY.*—The certificate of documentation of a vessel shall
22 be carried on the vessel unless the vessel is exempt by regulation from carrying
23 the certificate.

24 “(b) *AVAILABILITY.*—The owner or individual in charge of a vessel required
25 to carry its certificate of documentation shall make the certificate available
26 for examination at the request of an officer enforcing the revenue laws or as
27 otherwise required by law or regulation.

28 “(c) *CRIMINAL PENALTY.*—A person willfully violating subsection (b) shall
29 be fined under title 18, imprisoned for not more than one year, or both.

30 **“§ 12134. Evidentiary uses of documentation**

31 “A certificate of documentation is—

32 “(1) conclusive evidence of nationality for international purposes, but
33 not in a proceeding conducted under the laws of the United States;

34 “(2) conclusive evidence of qualification to engage in a specified trade;
35 and

36 “(3) not conclusive evidence of ownership in a proceeding in which
37 ownership is in issue.

38 **“§ 12135. Invalidation of certificates of documentation**

39 “A certificate of documentation or an endorsement on the certificate is in-
40 valid if the vessel for which it is issued—

1 “(1) no longer meets the requirements of this chapter and regulations
2 prescribed under this chapter applicable to the certificate or endorsement;
3 or

4 “(2) is placed under the command of an individual not a citizen of
5 the United States in violation of section 12131 of this title.

6 **“§ 12136. Surrender of certificates of documentation**

7 “(a) SURRENDER.—An invalid certificate of documentation, or a certificate
8 with an invalid endorsement, shall be surrendered as provided by regulations
9 prescribed by the Secretary.

10 “(b) CONDITIONS FOR SURRENDER.—

11 “(1) VESSELS OVER 1,000 TONS.—The Secretary may condition ap-
12 proval of the surrender of the certificate of documentation for a vessel
13 over 1,000 gross tons.

14 “(2) VESSELS COVERED BY MORTGAGE.—The Secretary may approve
15 the surrender of the certificate of documentation of a vessel covered by
16 a mortgage filed or recorded under section 31321 of this title only if the
17 mortgagee consents.

18 “(3) NOTICE OF LIEN.—The Secretary may not refuse to approve the
19 surrender of the certificate of documentation for a vessel solely on the
20 basis that a notice of a claim of a lien on the vessel has been recorded
21 under section 31343(a) of this title.

22 “(c) CONTINUED APPLICATION OF CERTAIN LAWS.—

23 “(1) IN GENERAL.—Notwithstanding subsection (a), until the certifi-
24 cate of documentation is surrendered with the approval of the Secretary,
25 a documented vessel is deemed to continue to be documented under this
26 chapter for purposes of—

27 “(A) chapter 313 of this title for an instrument filed or recorded
28 before the date of invalidation and an assignment after that date;

29 “(B) sections 56101 and 56102(a)(2) and chapter 563 of this
30 title; and

31 “(C) any other law of the United States identified by the Sec-
32 retary by regulation as a law to which the Secretary applies this
33 subsection.

34 “(2) EXCEPTION.—This subsection does not apply when a vessel is for-
35 feited or sold by order of a district court of the United States.

36 **“§ 12137. Recording of vessels built in the United States**

37 “The Secretary may provide for recording and certifying information about
38 vessels built in the United States that the Secretary considers to be in the
39 public interest.

1 **“§ 12138. List of documented vessels**

2 “(a) *IN GENERAL.*—*The Secretary shall publish periodically a list of all*
 3 *documented vessels and information about those vessels that the Secretary con-*
 4 *siders pertinent or useful. The list shall contain a notation clearly indicating*
 5 *all vessels classed by the American Bureau of Shipping.*

6 “(b) *VESSELS FOR CABLE LAYING, MAINTENANCE, AND REPAIR.*—

7 “(1) *IN GENERAL.*—*The Secretary of Transportation shall develop,*
 8 *maintain, and periodically update an inventory of vessels that are docu-*
 9 *mented under this chapter, are at least 200 feet in length, and have the*
 10 *capability to lay, maintain, or repair a submarine cable, without regard*
 11 *to whether a particular vessel is classed as a cable ship or cable vessel.*

12 “(2) *INFORMATION TO BE INCLUDED.*—*For each vessel listed in the in-*
 13 *ventory, the Secretary of Transportation shall include in the inventory—*

14 “(A) *the name, length, beam, depth, and other distinguishing*
 15 *characteristics of the vessel;*

16 “(B) *the abilities and limitations of the vessel with respect to lay-*
 17 *ing, maintaining, and repairing a submarine cable; and*

18 “(C) *the name and address of the person to whom inquiries re-*
 19 *garding the vessel may be made.*

20 “(3) *PUBLICATION.*—*The Secretary of Transportation shall publish in*
 21 *the Federal Register an updated inventory every 6 months.*

22 **“§ 12139. Reports**

23 “(a) *IN GENERAL.*—*To ensure compliance with this chapter and laws gov-*
 24 *erning the qualifications of vessels to engage in the coastwise trade and the*
 25 *fisheries, the Secretary may require owners, masters, and charterers of docu-*
 26 *mented vessels to submit reports in any reasonable form and manner the Sec-*
 27 *retary may prescribe.*

28 “(b) *VESSELS REBUILT OUTSIDE UNITED STATES.*—

29 “(1) *IN GENERAL.*—*Under regulations prescribed by the Secretary, if*
 30 *a vessel exceeding the tonnage specified in paragraph (2) and docu-*
 31 *mented or last documented under the laws of the United States is rebuilt*
 32 *outside the United States, the owner or master shall submit a report of*
 33 *the rebuilding to the Secretary.*

34 “(2) *TONNAGE.*—*The tonnage referred to in paragraph (1) is—*

35 “(A) *500 gross tons as measured under section 14502 of this title;*

36 *or*

37 “(B) *an alternate tonnage as measured under section 14302 of*
 38 *this title as prescribed by the Secretary under section 14104 of this*
 39 *title.*

40 “(3) *TIMING OF SUBMISSION.*—*If the rebuilding is completed in the*
 41 *United States, the report shall be submitted when the rebuilding is com-*

1 **“§ 12152. Denial or revocation of endorsement for non-pay-**
 2 **ment of civil penalty**

3 *“If the owner of a vessel fails to pay a civil penalty imposed by the Sec-*
 4 *retary, the Secretary may deny the issuance or renewal of an endorsement,*
 5 *or revoke the endorsement, on a certificate of documentation issued for the ves-*
 6 *sel under this chapter.”.*

7 **SEC. 5. SUBTITLE III OF TITLE 46.**

8 (a) *SUBTITLE ANALYSIS.*—*The analysis of subtitle III of title 46, United*
 9 *States Code, is amended to read as follows:*

<i>“Chapter</i>	<i>Sec.</i>
“301. General Liability Provisions	30101
“303. Death on the High Seas	30301
“305. Exoneration and Limitation of Liability	30501
“307. Liability of Water Carriers	30701
“309. Suits in Admiralty Against United States Government	30901
“311. Suits Involving Public Vessels	31101
“313. Commercial Instruments and Maritime Liens	31301”.

10 (b) *REPEALS.*—*Title 46, United States Code, is amended by striking chap-*
 11 *ter 301 and the lines appearing immediately before and immediately after*
 12 *chapter 313 indicating that certain chapters are reserved.*

13 (c) *CHAPTERS 301–311.*—*Title 46, United States Code, is amended by in-*
 14 *serting after the analysis of subtitle III the following:*

15 **“CHAPTER 301—GENERAL LIABILITY PROVISIONS**

“Sec.

“30101. Extension of jurisdiction to cases of damage or injury on land.

“30102. Liability to passengers.

“30103. Liability of master, mate, engineer, and pilot.

“30104. Personal injury to or death of seamen.

“30105. Restriction on recovery by non-citizens and non-resident aliens for incidents in waters
of other countries.

“30106. Time limit on bringing action.

16 **“§ 30101. Extension of jurisdiction to cases of damage or in-**
 17 **jury on land**

18 (a) *IN GENERAL.*—*The admiralty and maritime jurisdiction of the United*
 19 *States extends to and includes cases of injury or damage, to person or prop-*
 20 *erty, caused by a vessel on navigable waters, even though the injury or dam-*
 21 *age is done or consummated on land.*

22 (b) *PROCEDURE.*—*A civil action in a case under subsection (a) may be*
 23 *brought in rem or in personam according to the principles of law and the*
 24 *rules of practice applicable in cases where the injury or damage has been done*
 25 *and consummated on navigable waters.*

26 (c) *ACTIONS AGAINST UNITED STATES.*—

27 (1) *EXCLUSIVE REMEDY.*—*In a civil action against the United States*
 28 *Government for injury or damage done or consummated on land by a*
 29 *vessel on navigable waters, chapter 309 or 311 of this title, as appro-*
 30 *priate, provides the exclusive remedy.*

1 “(1) the individual suffering the injury or death was not a citizen or
2 permanent resident alien of the United States at the time of the incident
3 giving rise to the action;

4 “(2) the incident occurred in the territorial waters or waters over-
5 laying the continental shelf of a country other than the United States;
6 and

7 “(3) the individual suffering the injury or death was employed at the
8 time of the incident by a person engaged in the exploration, development,
9 or production of offshore mineral or energy resources, including drilling,
10 mapping, surveying, diving, pipelaying, maintaining, repairing, con-
11 structing, or transporting supplies, equipment, or personnel, but not in-
12 cluding transporting those resources by a vessel constructed or adapted
13 primarily to carry oil in bulk in the cargo spaces.

14 “(c) NONAPPLICATION.—Subsection (b) does not apply if the individual
15 bringing the action establishes that a remedy is not available under the laws
16 of—

17 “(1) the country asserting jurisdiction over the area in which the inci-
18 dent occurred; or

19 “(2) the country in which the individual suffering the injury or death
20 maintained citizenship or residency at the time of the incident.

21 **“§ 30106. Time limit on bringing action**

22 “Except as otherwise provided by law, a civil action for damages for per-
23 sonal injury or death arising out of a maritime tort must be brought within
24 3 years after the cause of action arose.

25 **“CHAPTER 303—DEATH ON THE HIGH SEAS**

“Sec.

“30301. Short title.

“30302. Cause of action.

“30303. Amount and apportionment of recovery.

“30304. Contributory negligence.

“30305. Death of plaintiff in pending action.

“30306. Foreign cause of action.

“30307. Commercial aviation accidents.

“30308. Nonapplication.

26 **“§ 30301. Short title**

27 “*This chapter may be cited as the ‘Death on the High Seas Act’.*

28 **“§ 30302. Cause of action**

29 “*When the death of an individual is caused by wrongful act, neglect, or*
30 *default occurring on the high seas beyond a marine league from the shore of*
31 *the United States, the personal representative of the decedent may bring a*
32 *civil action in admiralty against the person or vessel responsible. The action*
33 *shall be for the exclusive benefit of the decedent’s spouse, parent, child, or de-*
34 *pendent relative.*

1 **“§ 30303. Amount and apportionment of recovery**

2 “The recovery in an action under this chapter shall be a fair compensation
3 for the pecuniary loss sustained by the individuals for whose benefit the action
4 is brought. The court shall apportion the recovery among those individuals
5 in proportion to the loss each has sustained.

6 **“§ 30304. Contributory negligence**

7 “In an action under this chapter, contributory negligence of the decedent
8 is not a bar to recovery. The court shall consider the degree of negligence of
9 the decedent and reduce the recovery accordingly.

10 **“§ 30305. Death of plaintiff in pending action**

11 “If a civil action in admiralty is pending in a court of the United States
12 to recover for personal injury caused by wrongful act, neglect, or default de-
13 scribed in section 30302 of this title, and the individual dies during the ac-
14 tion as a result of the wrongful act, neglect, or default, the personal represent-
15 ative of the decedent may be substituted as the plaintiff and the action may
16 proceed under this chapter for the recovery authorized by this chapter.

17 **“§ 30306. Foreign cause of action**

18 “When a cause of action exists under the law of a foreign country for death
19 by wrongful act, neglect, or default on the high seas, a civil action in admi-
20 ralty may be brought in a court of the United States based on the foreign
21 cause of action, without abatement for the amount for which recovery is au-
22 thorized.

23 **“§ 30307. Commercial aviation accidents**

24 “(a) DEFINITION.—In this section, the term ‘nonpecuniary damages’ means
25 damages for loss of care, comfort, and companionship.

26 “(b) BEYOND 12 NAUTICAL MILES.—In an action under this chapter, if the
27 death resulted from a commercial aviation accident occurring on the high seas
28 beyond 12 nautical miles from the shore of the United States, additional com-
29 pensation is recoverable for nonpecuniary damages for wrongful death, but
30 punitive damages are not recoverable.

31 “(c) WITHIN 12 NAUTICAL MILES.—This chapter does not apply if the
32 death resulted from a commercial aviation accident occurring on the high seas
33 12 nautical miles or less from the shore of the United States.

34 **“§ 30308. Nonapplication**

35 “(a) STATE LAW.—This chapter does not affect the law of a State regu-
36 lating the right to recover for death.

37 “(b) INTERNAL WATERS.—This chapter does not apply to the Great Lakes,
38 waters within the territorial limits of a State, or navigable waters in the
39 Panama Canal.

1 *not exceed that owner's proportionate interest in the vessel and pending*
 2 *freight.*

3 *“(b) NONAPPLICATION.—This section does not apply to a claim for wages.*

4 **“§ 30506. Limit of liability for personal injury or death**

5 *“(a) APPLICATION.—This section applies only to seagoing vessels, but does*
 6 *not apply to pleasure yachts, tugs, towboats, towing vessels, tank vessels, fish-*
 7 *ing vessels, fish tender vessels, canal boats, scows, car floats, barges, lighters,*
 8 *or nondescript vessels.*

9 *“(b) MINIMUM LIABILITY.—If the amount of the vessel owner's liability de-*
 10 *termined under section 30505 of this title is such that the portion available*
 11 *to pay claims for personal injury or death is less than \$420 times the tonnage*
 12 *of the vessel, that portion shall be increased to \$420 times the tonnage of the*
 13 *vessel. That portion may be used only to pay claims for personal injury or*
 14 *death.*

15 *“(c) CALCULATION OF TONNAGE.—Under subsection (b), the tonnage of a*
 16 *self-propelled vessel is the gross tonnage without deduction for engine room,*
 17 *and the tonnage of a sailing vessel is the tonnage for documentation. However,*
 18 *space for the use of seamen is excluded.*

19 *“(d) CLAIMS ARISING ON DISTINCT OCCASIONS.—Separate limits of liabil-*
 20 *ity apply to claims for personal injury or death arising on distinct occasions.*

21 *“(e) PRIVILEGE OR KNOWLEDGE.—In a claim for personal injury or death,*
 22 *the privity or knowledge of the master or managing agent, at or before the*
 23 *beginning of each voyage, is imputed to the owner.*

24 **“§ 30507. Apportionment of losses**

25 *“If the amount determined under sections 30505 and 30506 of this title is*
 26 *insufficient to pay all claimants, the claimants shall be paid in proportion*
 27 *to their respective losses.*

28 **“§ 30508. Provisions requiring notice of claim or limiting**
 29 ***time for bringing action***

30 *“(a) APPLICATION.—This section applies only to seagoing vessels, but does*
 31 *not apply to pleasure yachts, tugs, towboats, towing vessels, tank vessels, fish-*
 32 *ing vessels, fish tender vessels, canal boats, scows, car floats, barges, lighters,*
 33 *or nondescript vessels.*

34 *“(b) MINIMUM TIME LIMITS.—The owner, master, manager, or agent of a*
 35 *vessel transporting passengers or property between ports in the United States,*
 36 *or between a port in the United States and a port in a foreign country, may*
 37 *not limit by regulation, contract, or otherwise the period for—*

38 *“(1) giving notice of, or filing a claim for, personal injury or death*
 39 *to less than 6 months after the date of the injury or death; or*

40 *“(2) bringing a civil action for personal injury or death to less than*
 41 *one year after the date of the injury or death.*

1 “(c) *EFFECT OF FAILURE TO GIVE NOTICE.*—When notice of a claim for
2 personal injury or death is required by a contract, the failure to give the no-
3 tice is not a bar to recovery if—

4 “(1) the court finds that the owner, master, or agent of the vessel had
5 knowledge of the injury or death and the owner has not been prejudiced
6 by the failure;

7 “(2) the court finds there was a satisfactory reason why the notice
8 could not have been given; or

9 “(3) the owner of the vessel fails to object to the failure to give the
10 notice.

11 “(d) *TOLLING OF PERIOD TO GIVE NOTICE.*—If a claimant is a minor or
12 mental incompetent, or if a claim is for wrongful death, any period provided
13 by a contract for giving notice of the claim is tolled until the earlier of—

14 “(1) the date a legal representative is appointed for the minor, incom-
15 petent, or decedent’s estate; or

16 “(2) 3 years after the injury or death.

17 **“§30509. Provisions limiting liability for personal injury or**
18 **death**

19 “(a) *PROHIBITION.*—

20 “(1) *IN GENERAL.*—The owner, master, manager, or agent of a vessel
21 transporting passengers between ports in the United States, or between
22 a port in the United States and a port in a foreign country, may not
23 include in a regulation or contract a provision limiting—

24 “(A) the liability of the owner, master, or agent for personal in-
25 jury or death caused by the negligence or fault of the owner or the
26 owner’s employees or agents; or

27 “(B) the right of a claimant for personal injury or death to a
28 trial.

29 “(2) *VOIDNESS.*—A provision described in paragraph (1) is void.

30 “(b) *EMOTIONAL DISTRESS, MENTAL SUFFERING, AND PSYCHOLOGICAL IN-*
31 *JURY.*—

32 “(1) *IN GENERAL.*—Subsection (a) does not prohibit a provision in a
33 contract or in ticket conditions of carriage with a passenger that relieves
34 an owner, master, manager, agent, operator, or crewmember of a vessel
35 from liability for infliction of emotional distress, mental suffering, or
36 psychological injury so long as the provision does not limit such liability
37 when the emotional distress, mental suffering, or psychological injury
38 is—

39 “(A) the result of physical injury to the claimant caused by the
40 negligence or fault of a crewmember or the owner, master, manager,
41 agent, or operator;

1 “(B) the result of the claimant having been at actual risk of phys-
2 ical injury, and the risk was caused by the negligence or fault of
3 a crewmember or the owner, master, manager, agent, or operator;
4 or

5 “(C) intentionally inflicted by a crewmember or the owner, mas-
6 ter, manager, agent, or operator.

7 “(2) *SEXUAL OFFENSES.*—This subsection does not limit the liability
8 of a crewmember or the owner, master, manager, agent, or operator of
9 a vessel in a case involving sexual harassment, sexual assault, or rape.

10 **“§ 30510. Vicarious liability for medical malpractice**

11 *“In a civil action by any person in which the owner or operator of a vessel*
12 *or employer of a crewmember is claimed to have vicarious liability for med-*
13 *ical malpractice with regard to a crewmember occurring at a shoreside facil-*
14 *ity, and to the extent the damages resulted from the conduct of any shoreside*
15 *doctor, hospital, medical facility, or other health care provider, the owner, op-*
16 *erator, or employer is entitled to rely on any statutory limitations of liability*
17 *applicable to the doctor, hospital, medical facility, or other health care pro-*
18 *vider in the State of the United States in which the shoreside medical care*
19 *was provided.*

20 **“§ 30511. Action by owner for limitation**

21 “(a) *IN GENERAL.*—The owner of a vessel may bring a civil action in a
22 district court of the United States for limitation of liability under this chap-
23 ter. The action must be brought within 6 months after a claimant gives the
24 owner written notice of a claim.

25 “(b) *CREATION OF FUND.*—When the action is brought, the owner shall—

26 “(1) deposit with the court, for the benefit of claimants—

27 “(A) an amount equal to the value of the owner’s interest in the
28 vessel and pending freight, or approved security; and

29 “(B) an amount, or approved security, that the court may fix
30 from time to time as necessary to carry out this chapter; or

31 “(2) transfer to a trustee appointed by the court, for the benefit of
32 claimants—

33 “(A) the owner’s interest in the vessel and pending freight; and

34 “(B) an amount, or approved security, that the court may fix
35 from time to time as necessary to carry out this chapter.

36 “(c) *CESSATION OF OTHER ACTIONS.*—When an action has been brought
37 under this section and the owner has complied with subsection (b), all claims
38 and proceedings against the owner related to the matter in question shall
39 cease.

1 **“§ 30512. Liability as master, officer, or seaman not affected**

2 *“This chapter does not affect the liability of an individual as a master,*
 3 *officer, or seaman, even though the individual is also an owner of the vessel.*

4 **“CHAPTER 307—LIABILITY OF WATER CARRIERS**

“Sec.

“30701. Definition.

“30702. Application.

“30703. Bills of lading.

“30704. Loading, stowage, custody, care, and delivery.

“30705. Seaworthiness.

“30706. Defenses.

“30707. Civil penalty.

5 **“§ 30701. Definition**

6 *“In this chapter, the term ‘carrier’ means the owner, manager, charterer,*
 7 *agent, or master of a vessel.*

8 **“§ 30702. Application**

9 *“(a) IN GENERAL.—Except as otherwise provided, this chapter applies to*
 10 *a carrier engaged in the carriage of goods to or from any port in the United*
 11 *States.*

12 *“(b) RELATION TO COGSA.—The relationship between this chapter and the*
 13 *Carriage of Goods By Sea Act shall be the same as the relationship that ex-*
 14 *isted between the Act of February 13, 1893 (ch. 105, 27 Stat. 445) (commonly*
 15 *known as the Harter Act) and the Carriage of Goods By Sea Act, prior to*
 16 *the repeal of the Harter Act.*

17 *“(c) LIVE ANIMALS.—Sections 30703 and 30704 of this title do not apply*
 18 *to the carriage of live animals.*

19 **“§ 30703. Bills of lading**

20 *“(a) ISSUANCE.—A carrier shall issue to a shipper a bill of lading or ship-*
 21 *ping document.*

22 *“(b) CONTENTS.—The bill of lading or shipping document shall include a*
 23 *statement of—*

24 *“(1) the marks necessary to identify the goods;*

25 *“(2) the number of packages, or the quantity or weight, and whether*
 26 *it is carrier’s or shipper’s weight; and*

27 *“(3) the apparent condition of the goods.*

28 *“(c) PRIMA FACIE EVIDENCE OF RECEIPT.—A bill of lading or shipping*
 29 *document issued under this section is prima facie evidence of receipt of the*
 30 *goods described.*

31 **“§ 30704. Loading, stowage, custody, care, and delivery**

32 *“A carrier may not insert in a bill of lading or shipping document a pro-*
 33 *vision relieving the carrier from liability for loss or damage arising from im-*
 34 *proper loading, stowage, custody, care, or delivery. Any such provision is*
 35 *void.*

“§ 30705. Seaworthiness

“(a) *PROHIBITION.*—A carrier may not insert in a bill of lading or shipping document a provision lessening or avoiding its obligation to exercise due diligence to—

“(1) make the vessel seaworthy; and

“(2) properly man, equip, and supply the vessel.

“(b) *VOIDNESS.*—A provision described in subsection (a) is void.

“§ 30706. Defenses

“(a) *DUE DILIGENCE.*—If a carrier has exercised due diligence to make the vessel in all respects seaworthy and to properly man, equip, and supply the vessel, the carrier and the vessel are not liable for loss or damage arising from an error in the navigation or management of the vessel.

“(b) *OTHER DEFENSES.*—A carrier and the vessel are not liable for loss or damage arising from—

“(1) dangers of the sea or other navigable waters;

“(2) acts of God;

“(3) public enemies;

“(4) seizure under legal process;

“(5) inherent defect, quality, or vice of the goods;

“(6) insufficiency of package;

“(7) act or omission of the shipper or owner of the goods or their agent; or

“(8) saving or attempting to save life or property at sea, including a deviation in rendering such a service.

“§ 30707. Civil penalty

“(a) *IN GENERAL.*—A carrier that violates this chapter is liable for a civil penalty of not more than \$2,000.

“(b) *LIEN.*—The amount of the penalty and costs for the violation constitute a lien on the vessel engaged in the carriage. A civil action in rem to enforce the lien may be brought in the district court of the United States for any district in which the vessel is found.

“(c) *DISPOSITION OF PENALTY.*—Half of the penalty shall be paid to the person injured by the violation and half to the United States Government.

“CHAPTER 309—SUITS IN ADMIRALTY AGAINST UNITED STATES GOVERNMENT

“Sec.

“30901. Short title.

“30902. Definition.

“30903. Waiver of immunity.

“30904. Exclusive remedy.

“30905. Period for bringing action.

“30906. Venue.

“30907. Security.

“30908. Procedure for hearing and determination.

“30909. Exoneration and limitation.

- “30910. *Costs and interest.*
 “30911. *Arbitration, compromise, or settlement.*
 “30912. *Payment of judgment or settlement.*
 “30913. *Exemption from arrest or seizure.*
 “30914. *Release of privately owned vessel after seizure.*
 “30915. *Seizures and other proceedings in foreign jurisdictions.*
 “30916. *Recovery by United States Government for salvage services.*
 “30917. *Disposition of amounts recovered by United States Government.*
 “30918. *Reports.*

1 **“§ 30901. Short title**

2 *“This chapter may be cited as the ‘Suits in Admiralty Act’.*

3 **“§ 30902. Definition**

4 *“In this chapter, the term ‘federally-owned corporation’ means a corpora-*
 5 *tion in which the United States Government owns all the outstanding capital*
 6 *stock.*

7 **“§ 30903. Waiver of immunity**

8 *“(a) IN GENERAL.—In a case in which, if a vessel were privately owned*
 9 *or operated, or if cargo were privately owned or possessed, or if a private per-*
 10 *son or property were involved, a civil action in admiralty could be main-*
 11 *tained, a civil action in personam may be brought against the United States*
 12 *Government or a federally-owned corporation. In a civil action in admiralty*
 13 *brought by the Government or a federally-owned corporation, an admiralty*
 14 *claim in personam may be filed or a setoff claimed against the Government*
 15 *or corporation.*

16 *“(b) NON-JURY.—A claim against the Government or a federally-owned*
 17 *corporation under this section shall be tried without a jury.*

18 **“§ 30904. Exclusive remedy**

19 *“If a remedy is provided by this chapter, it shall be exclusive of any other*
 20 *action arising out of the same subject matter against the officer, employee,*
 21 *or agent of the United States Government or the federally-owned corporation*
 22 *whose act or omission gave rise to the claim.*

23 **“§ 30905. Period for bringing action**

24 *“A civil action under this chapter must be brought within 2 years after*
 25 *the cause of action arose.*

26 **“§ 30906. Venue**

27 *“(a) IN GENERAL.—A civil action under this chapter shall be brought in*
 28 *the district court of the United States for the district in which—*

29 *“(1) any plaintiff resides or has its principal place of business; or*

30 *“(2) the vessel or cargo is found.*

31 *“(b) TRANSFER.—On a motion by a party, the court may transfer the ac-*
 32 *tion to any other district court of the United States.*

1 **“§ 30907. Security**

2 “Neither the United States Government nor a federally-owned corporation
3 may be required to give a bond or admiralty stipulation in a civil action
4 under this chapter.

5 **“§ 30908. Procedure for hearing and determination**

6 “(a) *IN GENERAL.*—A civil action under this chapter shall proceed and be
7 heard and determined according to the principles of law and the rules of
8 practice applicable in like cases between private parties.

9 “(b) *IN REM.*—

10 “(1) *REQUIREMENTS.*—The action may proceed according to the prin-
11 ciples of an action in rem if—

12 “(A) the plaintiff elects in the complaint; and

13 “(B) it appears that an action in rem could have been main-
14 tained had the vessel or cargo been privately owned and possessed.

15 “(2) *EFFECT ON RELIEF IN PERSONAM.*—An election under paragraph
16 (1) does not prevent the plaintiff from seeking relief in personam in the
17 same action.

18 **“§ 30909. Exoneration and limitation**

19 “The United States Government is entitled to the exemptions from and lim-
20 itations of liability provided by law to an owner, charterer, operator, or agent
21 of a vessel.

22 **“§ 30910. Costs and interest**

23 “(a) *IN GENERAL.*—A judgment against the United States Government or
24 a federally-owned corporation under this chapter may include costs and inter-
25 est at the rate of 4 percent a year until satisfied. Interest shall run as ordered
26 by the court, except that interest is not allowable for the period before the ac-
27 tion is filed.

28 “(b) *CONTRACT PROVIDING FOR INTEREST.*—Notwithstanding subsection
29 (a), if the claim is based on a contract providing for interest, interest may
30 be awarded at the rate and for the period provided in the contract.

31 **“§ 30911. Arbitration, compromise, or settlement**

32 “The Secretary of a department of the United States Government, or the
33 board of trustees of a federally-owned corporation, may arbitrate, compromise,
34 or settle a claim authorized by this chapter.

35 **“§ 30912. Payment of judgment or settlement**

36 “(a) *IN GENERAL.*—The proper accounting officer of the United States
37 Government shall pay a final judgment, arbitration award, or settlement
38 under this chapter on presentation of an authenticated copy.

39 “(b) *SOURCE OF PAYMENT.*—Payment shall be made from an appropria-
40 tion or fund available specifically for the purpose. If no appropriation or
41 fund is specifically available, there is hereby appropriated, out of money in

1 *the Treasury not otherwise appropriated, an amount sufficient to pay the*
 2 *judgment, award, or settlement.*

3 **“§ 30913. Exemption from arrest or seizure**

4 *“The following are not subject to arrest or seizure by judicial process in*
 5 *the United States:*

6 *“(1) A vessel owned by, possessed by, or operated by or for the United*
 7 *States Government or a federally-owned corporation.*

8 *“(2) Cargo owned or possessed by the Government or a federally-owned*
 9 *corporation.*

10 **“§ 30914. Release of privately owned vessel after seizure**

11 *“If a privately owned vessel not in the possession of the United States Gov-*
 12 *ernment or a federally-owned corporation is arrested or attached in a civil*
 13 *action arising or alleged to have arisen from prior ownership, possession, or*
 14 *operation by the Government or corporation, the vessel shall be released with-*
 15 *out bond or stipulation on a statement by the Government, through the Attor-*
 16 *ney General or other authorized law officer, that the Government is interested*
 17 *in the action, desires release of the vessel, and assumes liability for the satis-*
 18 *faction of any judgment obtained by the plaintiff. After the vessel is released,*
 19 *the action shall proceed against the Government in accordance with this chap-*
 20 *ter.*

21 **“§ 30915. Seizures and other proceedings in foreign jurisdic-**
 22 **tions**

23 *“(a) IN GENERAL.—If a vessel or cargo described in section 30913 or 30914*
 24 *of this title is arrested, attached, or otherwise seized by judicial process in*
 25 *a foreign country, or if an action is brought in a court of a foreign country*
 26 *against the master of such a vessel for a claim arising from the ownership,*
 27 *possession, or operation of the vessel, or the ownership, possession, or carriage*
 28 *of such cargo, the Secretary of State, on request of the Attorney General or*
 29 *another officer authorized by the Attorney General, may direct the United*
 30 *States consul residing at or nearest the place at which the action was*
 31 *brought—*

32 *“(1) to claim the vessel or cargo as immune from arrest, attachment,*
 33 *or other seizure, and to execute an agreement, stipulation, bond, or un-*
 34 *dertaking, for the United States Government or federally-owned corpora-*
 35 *tion, for the release of the vessel or cargo and the prosecution of any ap-*
 36 *peal; or*

37 *“(2) if an action has been brought against the master of such a vessel,*
 38 *to enter the appearance of the Government or corporation and to pledge*
 39 *the credit of the Government or corporation to the payment of any judg-*
 40 *ment and costs in the action.*

41 *“(b) ARRANGING BOND OR STIPULATION.—The Attorney General may—*

1 “(1) arrange with a bank, surety company, or other person, whether
2 in the United States or a foreign country, to execute a bond or stipula-
3 tion; and

4 “(2) pledge the credit of the Government to secure the bond or stipula-
5 tion.

6 “(c) *PAYMENT OF JUDGMENT.*—The appropriate accounting officer of the
7 Government or corporation may pay a judgment in an action described in
8 subsection (a) on presentation of a copy of the judgment if certified by the
9 clerk of the court and authenticated by—

10 “(1) the certificate and seal of the United States consul claiming the
11 vessel or cargo, or by the consul’s successor; and

12 “(2) the certificate of the Secretary as to the official capacity of the
13 consul.

14 “(d) *RIGHT TO CLAIM IMMUNITY NOT AFFECTED.*—This section does not
15 affect the right of the Government to claim immunity of a vessel or cargo from
16 foreign jurisdiction.

17 **“§30916. Recovery by United States Government for salvage**
18 **services**

19 “(a) *CIVIL ACTION.*—The United States Government, and the crew of a
20 merchant vessel owned or operated by the Government, or a federally-owned
21 corporation, may bring a civil action to recover for salvage services provided
22 by the vessel and crew.

23 “(b) *DEPOSIT OF AMOUNTS RECOVERED.*—Any amount recovered under
24 this section by the Government for its own benefit, and not for the benefit
25 of the crew, shall be deposited in the Treasury to the credit of the department
26 of the Government, or the corporation, having control of the possession or op-
27 eration of the vessel.

28 **“§30917. Disposition of amounts recovered by United States**
29 **Government**

30 “Amounts recovered in a civil action brought by the United States Govern-
31 ment on a claim arising from the ownership, possession, or operation of a
32 merchant vessel, or the ownership, possession, or carriage of cargo, shall be
33 deposited in the Treasury to the credit of the department of the Government,
34 or the federally-owned corporation, having control of the vessel or cargo, for
35 reimbursement of the appropriation, insurance fund, or other fund from
36 which the compensation for which the judgment was recovered was or will be
37 paid.

38 **“§30918. Reports**

39 “The Secretary of each department of the United States Government, and
40 the board of trustees of each federally-owned corporation, shall report to Con-
41 gress at each session thereof all arbitration awards and settlements agreed to

1 *under this chapter since the previous session, for which the time to appeal*
 2 *has expired or been waived.*

3 **“CHAPTER 311—SUITS INVOLVING PUBLIC VESSELS**

“Sec.

“31101. *Short title.*

“31102. *Waiver of immunity.*

“31103. *Applicable procedure.*

“31104. *Venue.*

“31105. *Security when counterclaim filed.*

“31106. *Exoneration and limitation.*

“31107. *Interest.*

“31108. *Arbitration, compromise, or settlement.*

“31109. *Payment of judgment or settlement.*

“31110. *Subpoenas to officers or members of crew.*

“31111. *Claims by nationals of foreign countries.*

“31112. *Lien not recognized or created.*

“31113. *Reports.*

4 **“§31101. Short title**

5 *“This chapter may be cited as the ‘Public Vessels Act’.*

6 **“§31102. Waiver of immunity**

7 *“(a) IN GENERAL.—A civil action in personam in admiralty may be*
 8 *brought, or an impleader filed, against the United States Government for—*

9 *“(1) damages caused by a public vessel of the United States; or*

10 *“(2) compensation for towage and salvage services, including contract*
 11 *salvage, rendered to a public vessel of the United States.*

12 *“(b) COUNTERCLAIM OR SETOFF.—If the Government brings a civil action*
 13 *in admiralty for damages caused by a privately owned vessel, the owner of*
 14 *the vessel, or the successor in interest, may file a counterclaim in personam,*
 15 *or claim a setoff, against the Government for damages arising out of the same*
 16 *subject matter.*

17 **“§31103. Applicable procedure**

18 *“A civil action under this chapter is subject to the provisions of chapter*
 19 *309 of this title except to the extent inconsistent with this chapter.*

20 **“§31104. Venue**

21 *“(a) IN GENERAL.—A civil action under this chapter shall be brought in*
 22 *the district court of the United States for the district in which the vessel or*
 23 *cargo is found within the United States.*

24 *“(b) VESSEL OR CARGO OUTSIDE TERRITORIAL WATERS.—If the vessel or*
 25 *cargo is outside the territorial waters of the United States—*

26 *“(1) the action shall be brought in the district court of the United*
 27 *States for any district in which any plaintiff resides or has an office*
 28 *for the transaction of business; or*

29 *“(2) if no plaintiff resides or has an office for the transaction of busi-*
 30 *ness in the United States, the action may be brought in the district court*
 31 *of the United States for any district.*

1 **“§31105. Security when counterclaim filed**

2 *“If a counterclaim is filed for a cause of action for which the original ac-*
3 *tion is filed under this chapter, the respondent to the counterclaim shall give*
4 *security in the usual amount and form to respond to the counterclaim, unless*
5 *the court for cause shown orders otherwise. The proceedings in the original*
6 *action shall be stayed until the security is given.*

7 **“§31106. Exoneration and limitation**

8 *“The United States Government is entitled to the exemptions from and lim-*
9 *itations of liability provided by law to an owner, charterer, operator, or agent*
10 *of a vessel.*

11 **“§31107. Interest**

12 *“A judgment in a civil action under this chapter may not include interest*
13 *for the period before the judgment is issued unless the claim is based on a*
14 *contract providing for interest.*

15 **“§31108. Arbitration, compromise, or settlement**

16 *“The Attorney General may arbitrate, compromise, or settle a claim au-*
17 *thorized by this chapter if the claim actually has been filed.*

18 **“§31109. Payment of judgment or settlement**

19 *“The proper accounting officer of the United States shall pay a final judg-*
20 *ment, arbitration award, or settlement under this chapter on presentation of*
21 *an authenticated copy. Payment shall be made from any money in the Treas-*
22 *ury appropriated for the purpose.*

23 **“§31110. Subpoenas to officers or members of crew**

24 *“An officer or member of the crew of a public vessel may not be subpoenaed*
25 *in a civil action under this chapter without the consent of—*

26 *“(1) the Secretary of the department or the head of the independent*
27 *establishment having control of the vessel at the time the cause of action*
28 *arose; or*

29 *“(2) the master or commanding officer of the vessel at the time the*
30 *subpoena is issued.*

31 **“§31111. Claims by nationals of foreign countries**

32 *“A national of a foreign country may not maintain a civil action under*
33 *this chapter unless it appears to the satisfaction of the court in which the*
34 *action is brought that the government of that country, in similar cir-*
35 *cumstances, allows nationals of the United States to sue in its courts.*

36 **“§31112. Lien not recognized or created**

37 *“This chapter shall not be construed as recognizing the existence of or as*
38 *creating a lien against a public vessel of the United States.*

39 **“§31113. Reports**

40 *“The Attorney General shall report to Congress at each session thereof all*
41 *claims settled under this chapter.”.*

1 **SEC. 6. SUBTITLE IV OF TITLE 46.**

2 Title 46, United States Code, is amended by inserting after subtitle III the
3 following:

4 **“Subtitle IV—Regulation of Ocean Shipping**

5 **“PART A—OCEAN SHIPPING**

<i>“Chapter</i>	<i>Sec.</i>
“401. General	40101
“403. Agreements	40301
“405. Tariffs, Service Contracts, Refunds, and Waivers	40501
“407. Controlled Carriers	40701
“409. Ocean Transportation Intermediaries	40901
“411. Prohibitions and Penalties	41101
“413. Enforcement	41301

6 **“PART B—ACTIONS TO ADDRESS FOREIGN PRACTICES**

“421. Regulations Affecting Shipping in Foreign Trade	42101
“423. Foreign Shipping Practices	42301

7 **“PART C—MISCELLANEOUS**

“441. Evidence of Financial Responsibility for Passenger Transportation.	44101
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8 **“PART A—OCEAN SHIPPING**

9 **“CHAPTER 401—GENERAL**

“Sec.

“40101. Purposes.

“40102. Definitions.

“40103. Administrative exemptions.

“40104. Reports filed with the Commission.

10 **“§ 40101. Purposes**

11 *“The purposes of this part are to—*

12 *“(1) establish a nondiscriminatory regulatory process for the common*
13 *carriage of goods by water in the foreign commerce of the United States*
14 *with a minimum of government intervention and regulatory costs;*

15 *“(2) provide an efficient and economic transportation system in the*
16 *ocean commerce of the United States that is, insofar as possible, in har-*
17 *mony with, and responsive to, international shipping practices;*

18 *“(3) encourage the development of an economically sound and efficient*
19 *United States-flag liner fleet capable of meeting national security needs;*
20 *and*

21 *“(4) promote the growth and development of United States exports*
22 *through competitive and efficient ocean transportation and by placing a*
23 *greater reliance on the marketplace.*

24 **“§ 40102. Definitions**

25 *“In this part:*

26 *“(1) AGREEMENT.—The term ‘agreement’—*

27 *“(A) means a written or oral understanding, arrangement, or as-*
28 *sociation, and any modification or cancellation thereof; but*

29 *“(B) does not include a maritime labor agreement.*

1 “(2) *ANTITRUST LAWS.*—*The term ‘antitrust laws’ means—*

2 “(A) *the Sherman Act (15 U.S.C. 1 et seq.);*

3 “(B) *sections 73 and 74 of the Wilson Tariff Act (15 U.S.C. 8,*
4 *9);*

5 “(C) *the Clayton Act (15 U.S.C. 12 et seq.);*

6 “(D) *the Act of June 19, 1936 (15 U.S.C. 13, 13a, 13b, 21a);*

7 “(E) *the Federal Trade Commission Act (15 U.S.C. 41 et seq.);*

8 “(F) *the Antitrust Civil Process Act (15 U.S.C. 1311 et seq.); and*

9 “(G) *Acts supplementary to those Acts.*

10 “(3) *ASSESSMENT AGREEMENT.*—*The term ‘assessment agreement’*
11 *means an agreement, whether part of a collective bargaining agreement*
12 *or negotiated separately, to the extent the agreement provides for the*
13 *funding of collectively bargained fringe-benefit obligations on other than*
14 *a uniform worker-hour basis, regardless of the cargo handled or type of*
15 *vessel or equipment used.*

16 “(4) *BULK CARGO.*—*The term ‘bulk cargo’ means cargo that is loaded*
17 *and carried in bulk without mark or count.*

18 “(5) *CHEMICAL PARCEL-TANKER.*—*The term ‘chemical parcel-tanker’*
19 *means a vessel that has—*

20 “(A) *a cargo-carrying capability consisting of individual cargo*
21 *tanks for bulk chemicals that—*

22 “(i) *are a permanent part of the vessel; and*

23 “(ii) *have segregation capability with piping systems to per-*
24 *mit simultaneous carriage of several bulk chemical cargoes with*
25 *minimum risk of cross-contamination; and*

26 “(B) *a valid certificate of fitness under the International Mari-*
27 *time Organization Code for the Construction and Equipment of*
28 *Ships Carrying Dangerous Chemicals in Bulk.*

29 “(6) *COMMON CARRIER.*—*The term ‘common carrier’—*

30 “(A) *means a person that—*

31 “(i) *holds itself out to the general public to provide transpor-*
32 *tation by water of passengers or cargo between the United*
33 *States and a foreign country for compensation;*

34 “(ii) *assumes responsibility for the transportation from the*
35 *port or point of receipt to the port or point of destination; and*

36 “(iii) *uses, for all or part of that transportation, a vessel op-*
37 *erating on the high seas or the Great Lakes between a port in*
38 *the United States and a port in a foreign country; but*

39 “(B) *does not include a carrier engaged in ocean transportation*
40 *by ferry boat, ocean tramp, or chemical parcel-tanker, or by vessel*

1 *when primarily engaged in the carriage of perishable agricultural*
 2 *commodities—*

3 “(i) *if the carrier and the owner of those commodities are*
 4 *wholly-owned, directly or indirectly, by a person primarily en-*
 5 *gaged in the marketing and distribution of those commodities;*
 6 *and*

7 “(ii) *only with respect to the carriage of those commodities.*

8 “(7) *CONFERENCE.—The term ‘conference’—*

9 “(A) *means an association of ocean common carriers permitted,*
 10 *pursuant to an approved or effective agreement, to engage in con-*
 11 *certed activity and to use a common tariff; but*

12 “(B) *does not include a joint service, consortium, pooling, sailing,*
 13 *or transshipment agreement.*

14 “(8) *CONTROLLED CARRIER.—The term ‘controlled carrier’ means an*
 15 *ocean common carrier that is, or whose operating assets are, directly or*
 16 *indirectly, owned or controlled by a government, with ownership or con-*
 17 *trol by a government being deemed to exist for a carrier if—*

18 “(A) *a majority of the interest in the carrier is owned or con-*
 19 *trolled in any manner by that government, an agency of that gov-*
 20 *ernment, or a public or private person controlled by that govern-*
 21 *ment; or*

22 “(B) *that government has the right to appoint or disapprove the*
 23 *appointment of a majority of the directors, the chief operating offi-*
 24 *cer, or the chief executive officer of the carrier.*

25 “(9) *DEFERRED REBATE.—The term ‘deferred rebate’ means a return*
 26 *by a common carrier of any freight money to a shipper, where the return*
 27 *is—*

28 “(A) *consideration for the shipper giving all or any portion of*
 29 *its shipments to that or any other common carrier over a fixed pe-*
 30 *riod of time;*

31 “(B) *deferred beyond the completion of the service for which it*
 32 *was paid; and*

33 “(C) *made only if the shipper has agreed to make a further ship-*
 34 *ment with that or any other common carrier.*

35 “(10) *FOREST PRODUCTS.—The term ‘forest products’ includes lumber*
 36 *in bundles, rough timber, ties, poles, piling, laminated beams, bundled*
 37 *siding, bundled plywood, bundled core stock or veneers, bundled particle*
 38 *or fiber boards, bundled hardwood, wood pulp in rolls, wood pulp in*
 39 *unitized bales, and paper and paper board in rolls or in pallet or skid-*
 40 *sized sheets.*

1 “(11) *INLAND DIVISION*.—*The term ‘inland division’ means the*
 2 *amount paid by a common carrier to an inland carrier for the inland*
 3 *portion of through transportation offered to the public by the common*
 4 *carrier.*

5 “(12) *INLAND PORTION*.—*The term ‘inland portion’ means the charge*
 6 *to the public by a common carrier for the non-ocean portion of through*
 7 *transportation.*

8 “(13) *LOYALTY CONTRACT*.—*The term ‘loyalty contract’ means a con-*
 9 *tract with an ocean common carrier or agreement providing for—*

10 “(A) *a shipper to obtain lower rates by committing all or a fixed*
 11 *portion of its cargo to that carrier or agreement; and*

12 “(B) *a deferred rebate arrangement.*

13 “(14) *MARINE TERMINAL OPERATOR*.—*The term ‘marine terminal op-*
 14 *erator’ means a person engaged in the United States in the business of*
 15 *providing wharfage, dock, warehouse, or other terminal facilities in con-*
 16 *nection with a common carrier, or in connection with a common carrier*
 17 *and a water carrier subject to subchapter II of chapter 135 of title 49.*

18 “(15) *MARITIME LABOR AGREEMENT*.—*The term ‘maritime labor*
 19 *agreement’—*

20 “(A) *means—*

21 “(i) *a collective bargaining agreement between an employer*
 22 *subject to this part, or a group of such employers, and a labor*
 23 *organization representing employees in the maritime or steve-*
 24 *doring industry;*

25 “(ii) *an agreement preparatory to such a collective bar-*
 26 *gaining agreement among members of a multi-employer bar-*
 27 *gaining group; or*

28 “(iii) *an agreement specifically implementing provisions of*
 29 *such a collective bargaining agreement or providing for the for-*
 30 *mation, financing, or administration of a multi-employer bar-*
 31 *gaining group; but*

32 “(B) *does not include an assessment agreement.*

33 “(16) *NON-VESSEL-OPERATING COMMON CARRIER*.—*The term ‘non-ves-*
 34 *sel-operating common carrier’ means a common carrier that—*

35 “(A) *does not operate the vessels by which the ocean transpor-*
 36 *tation is provided; and*

37 “(B) *is a shipper in its relationship with an ocean common car-*
 38 *rier.*

39 “(17) *OCEAN COMMON CARRIER*.—*The term ‘ocean common carrier’*
 40 *means a vessel-operating common carrier.*

1 “(18) *OCEAN FREIGHT FORWARDER.*—*The term ‘ocean freight forwarder’ means a person that—*

2 “(A) *in the United States, dispatches shipments from the United*
3 *States via a common carrier and books or otherwise arranges space*
4 *for those shipments on behalf of shippers; and*

5 “(B) *processes the documentation or performs related activities*
6 *incident to those shipments.*

7 “(19) *OCEAN TRANSPORTATION INTERMEDIARY.*—*The term ‘ocean*
8 *transportation intermediary’ means an ocean freight forwarder or a non-*
9 *vessel-operating common carrier.*

10 “(20) *SERVICE CONTRACT.*—*The term ‘service contract’ means a writ-*
11 *ten contract, other than a bill of lading or receipt, between one or more*
12 *shippers, on the one hand, and an individual ocean common carrier or*
13 *an agreement between or among ocean common carriers, on the other,*
14 *in which—*

15 “(A) *the shipper or shippers commit to providing a certain vol-*
16 *ume or portion of cargo over a fixed time period; and*

17 “(B) *the ocean common carrier or the agreement commits to a*
18 *certain rate or rate schedule and a defined service level, such as as-*
19 *sured space, transit time, port rotation, or similar service features.*

20 “(21) *SHIPMENT.*—*The term ‘shipment’ means all of the cargo carried*
21 *under the terms of a single bill of lading.*

22 “(22) *SHIPPER.*—*The term ‘shipper’ means—*

23 “(A) *a cargo owner;*

24 “(B) *the person for whose account the ocean transportation of*
25 *cargo is provided;*

26 “(C) *the person to whom delivery is to be made;*

27 “(D) *a shippers’ association; or*

28 “(E) *a non-vessel-operating common carrier that accepts respon-*
29 *sibility for payment of all charges applicable under the tariff or*
30 *service contract.*

31 “(23) *SHIPPERS’ ASSOCIATION.*—*The term ‘shippers’ association’*
32 *means a group of shippers that consolidates or distributes freight on a*
33 *nonprofit basis for the members of the group to obtain carload, truckload,*
34 *or other volume rates or service contracts.*

35 “(24) *THROUGH RATE.*—*The term ‘through rate’ means the single*
36 *amount charged by a common carrier in connection with through trans-*
37 *portation.*

38 “(25) *THROUGH TRANSPORTATION.*—*The term ‘through transpor-*
39 *tation’ means continuous transportation between origin and destination*
40 *for which a through rate is assessed and which is offered or performed*
41

1 “(5) engage in an exclusive, preferential, or cooperative working ar-
2 rangement between themselves or with a marine terminal operator;

3 “(6) control, regulate, or prevent competition in international ocean
4 transportation; or

5 “(7) discuss and agree on any matter related to a service contract.

6 “(b) *MARINE TERMINAL OPERATOR AGREEMENTS.*—This part applies to
7 an agreement between or among marine terminal operators, or between or
8 among one or more marine terminal operators and one or more ocean com-
9 mon carriers, to—

10 “(1) discuss, fix, or regulate rates or other conditions of service; or

11 “(2) engage in exclusive, preferential, or cooperative working arrange-
12 ments, to the extent the agreement involves ocean transportation in the
13 foreign commerce of the United States.

14 “(c) *ACQUISITIONS.*—This part does not apply to an acquisition by any
15 person, directly or indirectly, of any voting security or assets of any other
16 person.

17 “(d) *MARITIME LABOR AGREEMENTS.*—This part does not apply to a mar-
18 itime labor agreement. However, this subsection does not exempt from this
19 part any rate, charge, regulation, or practice of a common carrier that is re-
20 quired to be set forth in a tariff or is an essential term of a service contract,
21 whether or not the rate, charge, regulation, or practice arises out of, or is oth-
22 erwise related to, a maritime labor agreement.

23 “(e) *ASSESSMENT AGREEMENTS.*—This part (except sections 40305 and
24 40307(a)) does not apply to an assessment agreement.

25 **“§ 40302. Filing requirements**

26 “(a) *IN GENERAL.*—A true copy of every agreement referred to in section
27 40301(a) or (b) of this title shall be filed with the Federal Maritime Commis-
28 sion. If the agreement is oral, a complete memorandum specifying in detail
29 the substance of the agreement shall be filed.

30 “(b) *EXCEPTIONS.*—Subsection (a) does not apply to—

31 “(1) an agreement related to transportation to be performed within or
32 between foreign countries; or

33 “(2) an agreement among common carriers to establish, operate, or
34 maintain a marine terminal in the United States.

35 “(c) *REGULATIONS.*—The Commission may by regulation prescribe the
36 form and manner in which an agreement shall be filed and any additional
37 information and documents necessary to evaluate the agreement.

38 **“§ 40303. Content requirements**

39 “(a) *OCEAN COMMON CARRIER AGREEMENTS.*—

40 “(1) *RESTRICTIONS.*—An ocean common carrier agreement may not—

1 “(A) prohibit or restrict a member of the agreement from engag-
2 ing in negotiations for a service contract with a shipper;

3 “(B) require a member of the agreement to disclose a negotiation
4 on a service contract, or the terms of a service contract, other than
5 those terms required to be published under section 40502(d) of this
6 title; or

7 “(C) adopt mandatory rules or requirements affecting the right
8 of an agreement member to negotiate and enter into a service con-
9 tract.

10 “(2) VOLUNTARY GUIDELINES.—An ocean common carrier agreement
11 may provide authority to adopt voluntary guidelines relating to the
12 terms and procedures of an agreement member’s service contracts if the
13 guidelines explicitly state the right of members of the agreement not to
14 follow the guidelines. Any guidelines adopted shall be submitted confiden-
15 tially to the Federal Maritime Commission.

16 “(b) CONFERENCE AGREEMENTS.—Each conference agreement must—

17 “(1) state its purpose;

18 “(2) provide reasonable and equal terms for admission and readmis-
19 sion to conference membership for any ocean common carrier willing to
20 serve the particular trade or route;

21 “(3) permit any member to withdraw from conference membership on
22 reasonable notice without penalty;

23 “(4) at the request of any member, require an independent neutral
24 body to police fully the obligations of the conference and its members;

25 “(5) prohibit the conference from engaging in conduct prohibited by
26 section 41105(1) or (3) of this title;

27 “(6) provide for a consultation process designed to promote—

28 “(A) commercial resolution of disputes; and

29 “(B) cooperation with shippers in preventing and eliminating
30 malpractices;

31 “(7) establish procedures for promptly and fairly considering requests
32 and complaints of shippers; and

33 “(8) provide that—

34 “(A) any member of the conference may take independent action
35 on a rate or service item on not more than 5 days’ notice to the
36 conference; and

37 “(B) except for an exempt commodity not published in the con-
38 ference tariff, the conference will include the new rate or service
39 item in its tariff for use by that member, effective no later than 5
40 days after receipt of the notice, and by any other member that noti-
41 fies the conference that it elects to adopt the independent rate or

1 *service item on or after its effective date, in lieu of the existing con-*
 2 *ference tariff provision for that rate or service item.*

3 “(c) *INTERCONFERENCE AGREEMENTS.*—*Each agreement between carriers*
 4 *not members of the same conference must provide the right of independent ac-*
 5 *tion for each carrier. Each agreement between conferences must provide the*
 6 *right of independent action for each conference.*

7 “(d) *VESSEL SHARING AGREEMENTS.*—

8 “(1) *IN GENERAL.*—*An ocean common carrier that is the owner, oper-*
 9 *ator, or bareboat, time, or slot charterer of a United States-flag liner ves-*
 10 *sel documented under section 12103 or 12111(c) of this title may agree*
 11 *with an ocean common carrier described in paragraph (2) to which it*
 12 *charters or subcharters the vessel or space on the vessel that the charterer*
 13 *or subcharterer may not use or make available space on the vessel for*
 14 *the carriage of cargo reserved by law for United States-flag vessels.*

15 “(2) *CARRIER DESCRIBED.*—*An ocean common carrier described in*
 16 *this paragraph is one that is not the owner, operator, or bareboat*
 17 *charterer for at least one year of United States-flag liner vessels that are*
 18 *eligible to be included in the Maritime Security Fleet Program and are*
 19 *enrolled in an Emergency Preparedness Program under chapter 531 of*
 20 *this title.*

21 **“§40304. Commission action**

22 “(a) *NOTICE OF FILING.*—*Within 7 days after an agreement is filed, the*
 23 *Federal Maritime Commission shall transmit a notice of the filing to the Fed-*
 24 *eral Register for publication.*

25 “(b) *PRELIMINARY REVIEW AND REJECTION.*—*After preliminary review,*
 26 *the Commission shall reject an agreement that it finds does not meet the re-*
 27 *quirements of sections 40302 and 40303 of this title. The Commission shall*
 28 *notify in writing the person filing the agreement of the reason for rejection.*

29 “(c) *REVIEW AND EFFECTIVE DATE.*—*Unless rejected under subsection (b),*
 30 *an agreement (other than an assessment agreement) is effective—*

31 “(1) *on the 45th day after filing, or on the 30th day after notice of*
 32 *the filing is published in the Federal Register, whichever is later; or*

33 “(2) *if additional information or documents are requested under sub-*
 34 *section (d)—*

35 “(A) *on the 45th day after the Commission receives all the addi-*
 36 *tional information and documents; or*

37 “(B) *if the request is not fully complied with, on the 45th day*
 38 *after the Commission receives the information and documents sub-*
 39 *mitted and a statement of the reasons for noncompliance with the*
 40 *request.*

1 “(d) *REQUEST FOR ADDITIONAL INFORMATION.*—*Before the expiration of*
2 *the period specified in subsection (c)(1), the Commission may request from*
3 *the person filing the agreement any additional information and documents*
4 *the Commission considers necessary to make the determinations required by*
5 *this section.*

6 “(e) *MODIFICATION OF REVIEW PERIOD.*—

7 “(1) *SHORTENING.*—*On request of the party filing an agreement, the*
8 *Commission may shorten a period specified in subsection (c), but not to*
9 *a date that is less than 14 days after notice of the filing of the agreement*
10 *is published in the Federal Register.*

11 “(2) *EXTENSION.*—*The period specified in subsection (c)(2) may be ex-*
12 *tended only by the United States District Court for the District of Co-*
13 *lumbia in a civil action brought by the Commission under section*
14 *41307(c) of this title.*

15 “(f) *FIXED TERMS.*—*The Commission may not limit the effectiveness of an*
16 *agreement to a fixed term.*

17 **“§ 40305. Assessment agreements**

18 “(a) *FILING REQUIREMENT.*—*An assessment agreement shall be filed with*
19 *the Federal Maritime Commission and is effective on filing.*

20 “(b) *COMPLAINTS.*—*If a complaint is filed with the Commission within 2*
21 *years after the date of an assessment agreement, the Commission shall dis-*
22 *approve, cancel, or modify the agreement, or an assessment or charge pursu-*
23 *ant to the agreement, that the Commission finds, after notice and opportunity*
24 *for a hearing, to be unjustly discriminatory or unfair as between carriers,*
25 *shippers, or ports. The Commission shall issue its final decision in the pro-*
26 *ceeding within one year after the date the complaint is filed.*

27 “(c) *ADJUSTMENTS OF ASSESSMENTS AND CHARGES.*—*To the extent that*
28 *the Commission finds under subsection (b) that an assessment or charge is*
29 *unjustly discriminatory or unfair as between carriers, shippers, or ports, the*
30 *Commission shall adjust the assessment or charge for the period between the*
31 *filing of the complaint and the final decision by awarding prospective credits*
32 *or debits to future assessments and charges. However, if the complainant has*
33 *ceased activities subject to the assessment or charge, the Commission may*
34 *award reparations.*

35 **“§ 40306. Nondisclosure of information**

36 “*Information and documents (other than an agreement) filed with the Fed-*
37 *eral Maritime Commission under this chapter are exempt from disclosure*
38 *under section 552 of title 5 and may not be made public except as may be*
39 *relevant to an administrative or judicial proceeding. This section does not*
40 *prevent disclosure to either House of Congress or to a duly authorized com-*
41 *mittee or subcommittee of Congress.*

1 **“§ 40307. Exemption from antitrust laws**

2 “(a) *IN GENERAL.*—*The antitrust laws do not apply to—*

3 “(1) *an agreement (including an assessment agreement) that has been*
4 *filed and is effective under this chapter;*

5 “(2) *an agreement that is exempt under section 40103 of this title*
6 *from any requirement of this part;*

7 “(3) *an agreement or activity within the scope of this part, whether*
8 *permitted under or prohibited by this part, undertaken or entered into*
9 *with a reasonable basis to conclude that it is—*

10 “(A) *pursuant to an agreement on file with the Federal Maritime*
11 *Commission and in effect when the activity takes place; or*

12 “(B) *exempt under section 40103 of this title from any filing or*
13 *publication requirement of this part;*

14 “(4) *an agreement or activity relating to transportation services with-*
15 *in or between foreign countries, whether or not via the United States,*
16 *unless the agreement or activity has a direct, substantial, and reasonably*
17 *foreseeable effect on the commerce of the United States;*

18 “(5) *an agreement or activity relating to the foreign inland segment*
19 *of through transportation that is part of transportation provided in a*
20 *United States import or export trade;*

21 “(6) *an agreement or activity to provide wharfage, dock, warehouse,*
22 *or other terminal facilities outside the United States; or*

23 “(7) *an agreement, modification, or cancellation approved before June*
24 *18, 1984, by the Commission under section 15 of the Shipping Act, 1916,*
25 *or permitted under section 14b of that Act, and any properly published*
26 *tariff, rate, fare, or charge, or classification, rule, or regulation explana-*
27 *tory thereof implementing that agreement, modification, or cancellation.*

28 “(b) *EXCEPTIONS.*—*This part does not extend antitrust immunity to—*

29 “(1) *an agreement with or among air carriers, rail carriers, motor*
30 *carriers, or common carriers by water not subject to this part relating*
31 *to transportation within the United States;*

32 “(2) *a discussion or agreement among common carriers subject to this*
33 *part relating to the inland divisions (as opposed to the inland portions)*
34 *of through rates within the United States;*

35 “(3) *an agreement among common carriers subject to this part to es-*
36 *tablish, operate, or maintain a marine terminal in the United States;*
37 *or*

38 “(4) *a loyalty contract.*

39 “(c) *RETROACTIVE EFFECT OF DETERMINATIONS.*—*A determination by an*
40 *agency or court that results in the denial or removal of the immunity to the*

1 antitrust laws under subsection (a) does not remove or alter the antitrust im-
2 munity for the period before the determination.

3 “(d) *RELIEF UNDER CLAYTON ACT.*—A person may not recover damages
4 under section 4 of the Clayton Act (15 U.S.C. 15), or obtain injunctive relief
5 under section 16 of that Act (15 U.S.C. 26), for conduct prohibited by this
6 part.

7 **“CHAPTER 405—TARIFFS, SERVICE CONTRACTS,**
8 **REFUNDS, AND WAIVERS**

“Sec.

“40501. General rate and tariff requirements.

“40502. Service contracts.

“40503. Refunds and waivers.

9 **“§ 40501. General rate and tariff requirements**

10 “(a) *AUTOMATED TARIFF SYSTEM.*—

11 “(1) *IN GENERAL.*—Each common carrier and conference shall keep
12 open to public inspection in an automated tariff system, tariffs showing
13 all its rates, charges, classifications, rules, and practices between all
14 points or ports on its own route and on any through transportation
15 route that has been established. However, a common carrier is not re-
16 quired to state separately or otherwise reveal in tariffs the inland divi-
17 sions of a through rate.

18 “(2) *EXCEPTIONS.*—Paragraph (1) does not apply with respect to bulk
19 cargo, forest products, recycled metal scrap, new assembled motor vehi-
20 cles, waste paper, or paper waste.

21 “(b) *CONTENTS OF TARIFFS.*—A tariff under subsection (a) shall—

22 “(1) state the places between which cargo will be carried;

23 “(2) list each classification of cargo in use;

24 “(3) state the level of compensation, if any, of any ocean freight for-
25 warder by a carrier or conference;

26 “(4) state separately each terminal or other charge, privilege, or facil-
27 ity under the control of the carrier or conference and any rules that in
28 any way change, affect, or determine any part or the total of the rates
29 or charges;

30 “(5) include sample copies of any bill of lading, contract of affreight-
31 ment, or other document evidencing the transportation agreement; and

32 “(6) include copies of any loyalty contract, omitting the shipper’s
33 name.

34 “(c) *ELECTRONIC ACCESS.*—A tariff under subsection (a) shall be made
35 available electronically to any person, without time, quantity, or other limita-
36 tion, through appropriate access from remote locations. A reasonable fee may
37 be charged for such access, except that no fee may be charged for access by
38 a Federal agency.

1 “(d) *TIME-VOLUME RATES.*—A rate contained in a tariff under subsection
2 (a) may vary with the volume of cargo offered over a specified period of time.

3 “(e) *EFFECTIVE DATES.*—

4 “(1) *INCREASES.*—A new or initial rate or change in an existing rate
5 that results in an increased cost to a shipper may not become effective
6 earlier than 30 days after publication. However, for good cause, the Fed-
7 eral Maritime Commission may allow the rate to become effective sooner.

8 “(2) *DECREASES.*—A change in an existing rate that results in a de-
9 creased cost to a shipper may become effective on publication.

10 “(f) *MARINE TERMINAL OPERATOR SCHEDULES.*—A marine terminal oper-
11 ator may make available to the public a schedule of rates, regulations, and
12 practices, including limitations of liability for cargo loss or damage, per-
13 taining to receiving, delivering, handling, or storing property at its marine
14 terminal. Any such schedule made available to the public is enforceable by
15 an appropriate court as an implied contract without proof of actual knowl-
16 edge of its provisions.

17 “(g) *REGULATIONS.*—

18 “(1) *IN GENERAL.*—The Commission shall by regulation prescribe the
19 requirements for the accessibility and accuracy of automated tariff sys-
20 tems established under this section. The Commission, after periodic re-
21 view, may prohibit the use of any automated tariff system that fails to
22 meet the requirements established under this section.

23 “(2) *REMOTE TERMINALS.*—The Commission may not require a com-
24 mon carrier to provide a remote terminal for electronic access under sub-
25 section (c).

26 “(3) *MARINE TERMINAL OPERATOR SCHEDULES.*—The Commission
27 shall by regulation prescribe the form and manner in which marine ter-
28 minal operator schedules authorized by this section shall be published.

29 **“§ 40502. Service contracts**

30 “(a) *IN GENERAL.*—An individual ocean common carrier or an agreement
31 between or among ocean common carriers may enter into a service contract
32 with one or more shippers subject to the requirements of this part.

33 “(b) *FILING REQUIREMENTS.*—

34 “(1) *IN GENERAL.*—Each service contract entered into under this sec-
35 tion by an individual ocean common carrier or an agreement shall be
36 filed confidentially with the Federal Maritime Commission.

37 “(2) *EXCEPTIONS.*—Paragraph (1) does not apply to contracts regard-
38 ing bulk cargo, forest products, recycled metal scrap, new assembled
39 motor vehicles, waste paper, or paper waste.

40 “(c) *ESSENTIAL TERMS.*—Each service contract shall include—

41 “(1) the origin and destination port ranges;

1 “(2) *the origin and destination geographic areas in the case of through*
2 *intermodal movements;*

3 “(3) *the commodities involved;*

4 “(4) *the minimum volume or portion;*

5 “(5) *the line-haul rate;*

6 “(6) *the duration;*

7 “(7) *service commitments; and*

8 “(8) *the liquidated damages for nonperformance, if any.*

9 “(d) *PUBLICATION OF CERTAIN TERMS.—When a service contract is filed*
10 *confidentially with the Commission, a concise statement of the essential terms*
11 *specified in clauses (1), (3), (4), and (6) of subsection (c) shall be published*
12 *and made available to the general public in tariff format.*

13 “(e) *DISCLOSURE OF CERTAIN TERMS.—*

14 “(1) *DEFINITIONS.—In this subsection, the terms ‘dock area’ and*
15 *‘within the port area’ have the same meaning and scope as in the appli-*
16 *cable collective bargaining agreement between the requesting labor orga-*
17 *nization and the carrier.*

18 “(2) *DISCLOSURE.—An ocean common carrier that is a party to or*
19 *is otherwise subject to a collective bargaining agreement with a labor or-*
20 *ganization shall, in response to a written request by the labor organiza-*
21 *tion, state whether it is responsible for the following work at a dock area*
22 *or within a port area in the United States with respect to cargo trans-*
23 *portation under a service contract:*

24 “(A) *The movement of the shipper’s cargo on a dock area or with-*
25 *in the port area or to or from railroad cars on a dock area or with-*
26 *in the port area.*

27 “(B) *The assignment of intraport carriage of the shipper’s cargo*
28 *between areas on a dock or within the port area.*

29 “(C) *The assignment of the carriage of the shipper’s cargo be-*
30 *tween a container yard on a dock area or within the port area and*
31 *a rail yard adjacent to the container yard.*

32 “(D) *The assignment of container freight station work and con-*
33 *tainer maintenance and repair work performed at a dock area or*
34 *within the port area.*

35 “(3) *WITHIN REASONABLE TIME.—The common carrier shall provide*
36 *the information described in paragraph (2) to the requesting labor orga-*
37 *nization within a reasonable period of time.*

38 “(4) *EXISTENCE OF COLLECTIVE BARGAINING AGREEMENT.—This sub-*
39 *section does not require the disclosure of information by an ocean com-*
40 *mon carrier unless there exists an applicable and otherwise lawful collec-*
41 *tive bargaining agreement pertaining to that carrier. A disclosure by an*

1 ocean common carrier may not be deemed an admission or an agreement
2 that any work is covered by a collective bargaining agreement. A dispute
3 about whether any work is covered by a collective bargaining agreement
4 and the responsibility of an ocean common carrier under a collective bar-
5 gaining agreement shall be resolved solely in accordance with the dispute
6 resolution procedures contained in the collective bargaining agreement
7 and the National Labor Relations Act (29 U.S.C. 151 et seq.), and with-
8 out reference to this subsection.

9 “(5) *EFFECT UNDER OTHER LAWS.*—This subsection does not affect the
10 lawfulness or unlawfulness under this part or any other Federal or State
11 law of any collective bargaining agreement or element thereof, including
12 any element that constitutes an essential term of a service contract.

13 “(f) *REMEDY FOR BREACH.*—Unless the parties agree otherwise, the exclu-
14 sive remedy for a breach of a service contract is an action in an appropriate
15 court. The contract dispute resolution forum may not be controlled by or in
16 any way affiliated with a controlled carrier or by the government that owns
17 or controls the carrier.

18 **“§ 40503. Refunds and waivers**

19 “The Federal Maritime Commission, on application of a carrier or shipper,
20 may permit a common carrier or conference to refund a portion of the freight
21 charges collected from a shipper, or to waive collection of a portion of the
22 charges from a shipper, if—

23 “(1) there is an error in a tariff, a failure to publish a new tariff,
24 or an error in quoting a tariff, and the refund or waiver will not result
25 in discrimination among shippers, ports, or carriers;

26 “(2) the common carrier or conference, before filing an application for
27 authority to refund or waive any charges for an error in a tariff or a
28 failure to publish a tariff, has published a new tariff setting forth the
29 rate on which the refund or waiver would be based; and

30 “(3) the application for the refund or waiver is filed with the Commis-
31 sion within 180 days from the date of shipment.

32 **“CHAPTER 407—CONTROLLED CARRIERS**

“Sec.

“40701. Rates.

“40702. Rate standards.

“40703. Effective date of rates.

“40704. Commission review.

“40705. Presidential review of Commission orders.

“40706. Exceptions.

33 **“§ 40701. Rates**

34 “(a) *IN GENERAL.*—A controlled carrier may not—

35 “(1) maintain a rate or charge in a tariff or service contract, or
36 charge or assess a rate, that is below a just and reasonable level; or

1 “(2) *establish, maintain, or enforce in a tariff or service contract a*
 2 *classification, rule, or regulation that results, or is likely to result, in*
 3 *the carriage or handling of cargo at a rate or charge that is below a*
 4 *just and reasonable level.*

5 “(b) *COMMISSION PROHIBITION.—The Federal Maritime Commission, at*
 6 *any time after notice and opportunity for a hearing, may prohibit the publi-*
 7 *cation or use of a rate, charge, classification, rule, or regulation that a con-*
 8 *trolled carrier has failed to demonstrate is just and reasonable.*

9 “(c) *BURDEN OF PROOF.—In a proceeding under this section, the burden*
 10 *of proof is on the controlled carrier to demonstrate that its rate, charge, classi-*
 11 *fication, rule, or regulation is just and reasonable.*

12 “(d) *VOIDNESS.—A rate, charge, classification, rule, or regulation that has*
 13 *been suspended or prohibited by the Commission is void and its use is unlaw-*
 14 *ful.*

15 **“§ 40702. Rate standards**

16 “(a) *DEFINITION.—In this section, the term ‘constructive costs’ means the*
 17 *costs of another carrier, other than a controlled carrier, operating similar ves-*
 18 *sels and equipment in the same or a similar trade.*

19 “(b) *STANDARDS.—In determining whether a rate, charge, classification,*
 20 *rule, or regulation of a controlled carrier is just and reasonable, the Federal*
 21 *Maritime Commission—*

22 “(1) *shall take into account whether the rate or charge that has been*
 23 *published or assessed, or that would result from the pertinent classifica-*
 24 *tion, rule, or regulation, is below a level that is fully compensatory to*
 25 *the controlled carrier based on the carrier’s actual costs or constructive*
 26 *costs; and*

27 “(2) *may take into account other appropriate factors, including*
 28 *whether the rate, charge, classification, rule, or regulation is—*

29 “(A) *the same as, or similar to, those published or assessed by*
 30 *other carriers in the same trade;*

31 “(B) *required to ensure movement of particular cargo in the same*
 32 *trade; or*

33 “(C) *required to maintain acceptable continuity, level, or quality*
 34 *of common carrier service to or from affected ports.*

35 **“§ 40703. Effective date of rates**

36 “*Notwithstanding section 40501(e) of this title and except for service con-*
 37 *tracts, a rate, charge, classification, rule, or regulation of a controlled carrier*
 38 *may not become effective, without special permission of the Federal Maritime*
 39 *Commission, until the 30th day after publication.*

1 **“§ 40704. Commission review**

2 “(a) *REQUEST FOR JUSTIFICATION.*—On request of the Federal Maritime
3 Commission, a controlled carrier shall file with the Commission, within 20
4 days of the request, a statement of justification that sufficiently details the
5 carrier’s need and purpose for an existing or proposed rate, charge, classifica-
6 tion, rule, or regulation and upon which the Commission may reasonably
7 base a determination of its lawfulness.

8 “(b) *DETERMINATION.*—Within 120 days after receipt of information re-
9 quested under subsection (a), the Commission shall determine whether the
10 rate, charge, classification, rule, or regulation may be unjust and unreason-
11 able.

12 “(c) *SHOW CAUSE ORDER.*—Whenever the Commission is of the opinion
13 that a rate, charge, classification, rule, or regulation published or assessed by
14 a controlled carrier may be unjust and unreasonable, the Commission shall
15 issue an order to the controlled carrier to show cause why the rate, charge,
16 classification, rule, or regulation should not be prohibited.

17 “(d) *SUSPENSION PENDING DETERMINATION.*—

18 “(1) *NOT YET EFFECTIVE.*—Pending a determination of the lawfulness
19 of a rate, charge, classification, rule, or regulation in a proceeding under
20 subsection (c), the Commission may suspend the rate, charge, classifica-
21 tion, rule, or regulation at any time before its effective date.

22 “(2) *ALREADY EFFECTIVE.*—If a rate, charge, classification, rule, or
23 regulation has already become effective, the Commission, on issuance of
24 an order to show cause, may suspend the rate, charge, classification, rule,
25 or regulation on at least 30 days’ notice to the controlled carrier.

26 “(3) *MAXIMUM SUSPENSION.*—A period of suspension under this sub-
27 section may not exceed 180 days.

28 “(e) *REPLACEMENT DURING SUSPENSION.*—Whenever the Commission has
29 suspended a rate, charge, classification, rule, or regulation under this section,
30 the controlled carrier may publish a new rate, charge, classification, rule, or
31 regulation to take effect immediately during the suspension in lieu of the sus-
32 pended rate, charge, classification, rule, or regulation. However, the Commis-
33 sion may reject the new rate, charge, classification, rule, or regulation if the
34 Commission believes it is unjust and unreasonable.

35 **“§ 40705. Presidential review of Commission orders**

36 “(a) *TRANSMISSION TO PRESIDENT.*—The Federal Maritime Commission
37 shall transmit to the President, concurrently with publication thereof, each
38 order of suspension or final order of prohibition issued under section 40704
39 of this title.

40 “(b) *PRESIDENTIAL REQUEST AND COMMISSION ACTION.*—Within 10 days
41 after receipt or the effective date of a Commission order referred to in sub-

1 section (a), the President, in writing, may request the Commission to stay
 2 the effect of the order if the President finds that the stay is required for rea-
 3 sons of national defense or foreign policy. The reasons shall be specified in
 4 the request. The Commission shall immediately grant the request by issuing
 5 an order in which the President's request shall be described. During a stay,
 6 the President shall, whenever practicable, attempt to resolve the matter by ne-
 7 gotiating with representatives of the applicable foreign governments.

8 **“§ 40706. Exceptions**

9 “This chapter does not apply to—

10 “(1) a controlled carrier of a foreign country whose vessels are entitled
 11 by a treaty of the United States to receive national or most-favored-na-
 12 tion treatment; or

13 “(2) a trade served only by controlled carriers.

14 **“CHAPTER 409—OCEAN TRANSPORTATION**
 15 **INTERMEDIARIES**

“Sec.

“40901. License requirement.

“40902. Financial responsibility.

“40903. Suspension or revocation of license.

“40904. Compensation by common carriers.

16 **“§ 40901. License requirement**

17 “(a) *IN GENERAL.*—A person in the United States may not act as an ocean
 18 transportation intermediary unless the person holds an ocean transportation
 19 intermediary's license issued by the Federal Maritime Commission. The Com-
 20 mission shall issue a license to a person that the Commission determines to
 21 be qualified by experience and character to act as an ocean transportation
 22 intermediary.

23 “(b) *EXCEPTION.*—A person whose primary business is the sale of merchan-
 24 dise may forward shipments of the merchandise for its own account without
 25 an ocean transportation intermediary's license.

26 **“§ 40902. Financial responsibility**

27 “(a) *IN GENERAL.*—A person may not act as an ocean transportation
 28 intermediary unless the person furnishes a bond, proof of insurance, or other
 29 surety—

30 “(1) in a form and amount determined by the Federal Maritime Com-
 31 mission to insure financial responsibility; and

32 “(2) issued by a surety company found acceptable by the Secretary of
 33 the Treasury.

34 “(b) *SCOPE OF FINANCIAL RESPONSIBILITY.*—A bond, insurance, or other
 35 surety obtained under this section—

36 “(1) shall be available to pay any penalty assessed under section
 37 41109 of this title or any order for reparation issued under section 41305
 38 of this title;

1 “(2) may be available to pay any claim against an ocean transpor-
2 tation intermediary arising from its transportation-related activities—

3 “(A) with the consent of the insured ocean transportation inter-
4 mediary and subject to review by the surety company; or

5 “(B) when the claim is deemed valid by the surety company after
6 the ocean transportation intermediary has failed to respond to ade-
7 quate notice to address the validity of the claim; and

8 “(3) shall be available to pay any judgment for damages against an
9 ocean transportation intermediary arising from its transportation-re-
10 lated activities, if the claimant has first attempted to resolve the claim
11 under paragraph (2) and the claim has not been resolved within a rea-
12 sonable period of time.

13 “(c) *REGULATIONS ON COURT JUDGMENTS.*—The Commission shall pre-
14 scribe regulations for the purpose of protecting the interests of claimants,
15 ocean transportation intermediaries, and surety companies with respect to the
16 process of pursuing claims against ocean transportation intermediary bonds,
17 insurance, or sureties through court judgments. The regulations shall provide
18 that a judgment for monetary damages may not be enforced except to the ex-
19 tent that the damages claimed arise from the transportation-related activities
20 of the insured ocean transportation intermediary, as defined by the Commis-
21 sion.

22 “(d) *RESIDENT AGENT.*—An ocean transportation intermediary not domi-
23 ciled in the United States shall designate a resident agent in the United
24 States for receipt of service of judicial and administrative process, including
25 subpoenas.

26 **“§ 40903. Suspension or revocation of license**

27 “(a) *FAILURE TO MAINTAIN QUALIFICATIONS OR TO COMPLY.*—The Fed-
28 eral Maritime Commission, after notice and opportunity for a hearing, shall
29 suspend or revoke an ocean transportation intermediary’s license if the Com-
30 mission finds that the ocean transportation intermediary—

31 “(1) is not qualified to provide intermediary services; or

32 “(2) willfully failed to comply with a provision of this part or with
33 an order or regulation of the Commission.

34 “(b) *FAILURE TO MAINTAIN BOND, PROOF OF INSURANCE, OR OTHER*
35 *SURETY.*—The Commission may revoke an ocean transportation
36 intermediary’s license for failure to maintain a bond, proof of insurance, or
37 other surety as required by section 40902(a) of this title.

38 **“§ 40904. Compensation by common carriers**

39 “(a) *CERTIFICATION OF LICENSE AND SERVICES.*—A common carrier may
40 compensate an ocean freight forwarder for a shipment dispatched for others
41 only when the ocean freight forwarder has certified in writing that it holds

1 *an ocean transportation intermediary's license (if required under section*
2 *40901 of this title) and has—*

3 *“(1) engaged, booked, secured, reserved, or contracted directly with the*
4 *carrier or its agent for space aboard a vessel or confirmed the avail-*
5 *ability of the space; and*

6 *“(2) prepared and processed the ocean bill of lading, dock receipt, or*
7 *other similar document for the shipment.*

8 *“(b) DUAL COMPENSATION.—A common carrier may not pay compensation*
9 *for services described in subsection (a) more than once on the same shipment.*

10 *“(c) BENEFICIAL INTEREST SHIPMENTS.—An ocean freight forwarder may*
11 *not receive compensation from a common carrier for a shipment in which the*
12 *ocean freight forwarder has a direct or indirect beneficial interest. A common*
13 *carrier may not knowingly pay compensation on that shipment.*

14 *“(d) LIMITS ON AUTHORITY OF CONFERENCE OR GROUP.—A conference or*
15 *group of two or more ocean common carriers in the foreign commerce of the*
16 *United States that is authorized to agree on the level of compensation paid*
17 *to an ocean freight forwarder may not—*

18 *“(1) deny a member of the conference or group the right, upon notice*
19 *of not more than 5 days, to take independent action on any level of com-*
20 *penensation paid to an ocean freight forwarder; or*

21 *“(2) agree to limit the payment of compensation to an ocean freight*
22 *forwarder to less than 1.25 percent of the aggregate of all rates and*
23 *charges applicable under a tariff and assessed against the cargo on which*
24 *the services of the ocean freight forwarder are provided.*

25 **“CHAPTER 411—PROHIBITIONS AND PENALTIES**

“Sec.

“41101. Joint ventures and consortiums.

“41102. General prohibitions.

“41103. Disclosure of information.

“41104. Common carriers.

“41105. Concerted action.

“41106. Marine terminal operators.

“41107. Monetary penalties.

“41108. Additional penalties.

“41109. Assessment of penalties.

26 **“§ 41101. Joint ventures and consortiums**

27 *“In this chapter, a joint venture or consortium of two or more common*
28 *carriers operating as a single entity is deemed to be a single common carrier.*

29 **“§ 41102. General prohibitions**

30 *“(a) OBTAINING TRANSPORTATION AT LESS THAN APPLICABLE RATES.—*
31 *A person may not knowingly and willfully, directly or indirectly, by means*
32 *of false billing, false classification, false weighing, false report of weight, false*
33 *measurement, or any other unjust or unfair device or means, obtain or at-*
34 *tempt to obtain ocean transportation for property at less than the rates or*
35 *charges that would otherwise apply.*

1 “(b) *OPERATING CONTRARY TO AGREEMENT.*—A person may not operate
2 under an agreement required to be filed under section 40302 or 40305 of this
3 title if—

4 “(1) the agreement has not become effective under section 40304 of this
5 title or has been rejected, disapproved, or canceled; or

6 “(2) the operation is not in accordance with the terms of the agree-
7 ment or any modifications to the agreement made by the Federal Mari-
8 time Commission.

9 “(c) *PRACTICES IN HANDLING PROPERTY.*—A common carrier, marine ter-
10 minal operator, or ocean transportation intermediary may not fail to estab-
11 lish, observe, and enforce just and reasonable regulations and practices relat-
12 ing to or connected with receiving, handling, storing, or delivering property.

13 **“§41103. Disclosure of information**

14 “(a) *PROHIBITION.*—A common carrier, marine terminal operator, or
15 ocean freight forwarder, either alone or in conjunction with any other person,
16 directly or indirectly, may not knowingly disclose, offer, solicit, or receive any
17 information concerning the nature, kind, quantity, destination, consignee, or
18 routing of any property tendered or delivered to a common carrier, without
19 the consent of the shipper or consignee, if the information—

20 “(1) may be used to the detriment or prejudice of the shipper, the con-
21 signee, or any common carrier; or

22 “(2) may improperly disclose its business transaction to a competitor.

23 “(b) *EXCEPTIONS.*—Subsection (a) does not prevent providing the informa-
24 tion—

25 “(1) in response to legal process;

26 “(2) to the Federal Maritime Commission or an agency of the United
27 States Government; or

28 “(3) to an independent neutral body operating within the scope of its
29 authority to fulfill the policing obligations of the parties to an agreement
30 effective under this part.

31 “(c) *DISCLOSURE FOR DETERMINING BREACH OR COMPILING STATIS-
32 TICS.*—An ocean common carrier that is a party to a conference agreement
33 approved under this part, a receiver, trustee, lessee, agent, or employee of the
34 carrier, or any other person authorized by the carrier to receive informa-
35 tion—

36 “(1) may give information to the conference or any person or agency
37 designated by the conference, for the purpose of—

38 “(A) determining whether a shipper or consignee has breached an
39 agreement with the conference or its member lines;

40 “(B) determining whether a member of the conference has
41 breached the conference agreement; or

1 “(C) compiling statistics of cargo movement; and
 2 “(2) may not prevent the conference or its designee from soliciting or
 3 receiving information for any of those purposes.

4 **“§41104. Common carriers**

5 “A common carrier, either alone or in conjunction with any other person,
 6 directly or indirectly, may not—

7 “(1) allow a person to obtain transportation for property at less than
 8 the rates or charges established by the carrier in its tariff or service con-
 9 tract by means of false billing, false classification, false weighing, false
 10 measurement, or any other unjust or unfair device or means;

11 “(2) provide service in the liner trade that is—

12 “(A) not in accordance with the rates, charges, classifications,
 13 rules, and practices contained in a tariff published or a service con-
 14 tract entered into under chapter 405 of this title, unless excepted or
 15 exempted under section 40103 or 40501(a)(2) of this title; or

16 “(B) under a tariff or service contract that has been suspended
 17 or prohibited by the Federal Maritime Commission under chapter
 18 407 or 423 of this title;

19 “(3) retaliate against a shipper by refusing, or threatening to refuse,
 20 cargo space accommodations when available, or resort to other unfair or
 21 unjustly discriminatory methods because the shipper has patronized an-
 22 other carrier, or has filed a complaint, or for any other reason;

23 “(4) for service pursuant to a tariff, engage in any unfair or unjustly
 24 discriminatory practice in the matter of—

25 “(A) rates or charges;

26 “(B) cargo classifications;

27 “(C) cargo space accommodations or other facilities, with due re-
 28 gard being given to the proper loading of the vessel and the avail-
 29 able tonnage;

30 “(D) loading and landing of freight; or

31 “(E) adjustment and settlement of claims;

32 “(5) for service pursuant to a service contract, engage in any unfair
 33 or unjustly discriminatory practice in the matter of rates or charges
 34 with respect to any port;

35 “(6) use a vessel in a particular trade for the purpose of excluding,
 36 preventing, or reducing competition by driving another ocean common
 37 carrier out of that trade;

38 “(7) offer or pay any deferred rebates;

39 “(8) for service pursuant to a tariff, give any undue or unreasonable
 40 preference or advantage or impose any undue or unreasonable prejudice
 41 or disadvantage;

1 “(9) for service pursuant to a service contract, give any undue or un-
2 reasonable preference or advantage or impose any undue or unreasonable
3 prejudice or disadvantage with respect to any port;

4 “(10) unreasonably refuse to deal or negotiate;

5 “(11) knowingly and willfully accept cargo from or transport cargo
6 for the account of an ocean transportation intermediary that does not
7 have a tariff as required by section 40501 of this title and a bond, insur-
8 ance, or other surety as required by section 40902 of this title; or

9 “(12) knowingly and willfully enter into a service contract with an
10 ocean transportation intermediary that does not have a tariff as required
11 by section 40501 of this title and a bond, insurance, or other surety as
12 required by section 40902 of this title, or with an affiliate of such an
13 ocean transportation intermediary.

14 **“§41105. Concerted action**

15 “A conference or group of two or more common carriers may not—

16 “(1) boycott or take any other concerted action resulting in an unrea-
17 sonable refusal to deal;

18 “(2) engage in conduct that unreasonably restricts the use of inter-
19 modal services or technological innovations;

20 “(3) engage in any predatory practice designed to eliminate the par-
21 ticipation, or deny the entry, in a particular trade of a common carrier
22 not a member of the conference, a group of common carriers, an ocean
23 tramp, or a bulk carrier;

24 “(4) negotiate with a non-ocean carrier or group of non-ocean carriers
25 (such as truck, rail, or air operators) on any matter relating to rates
26 or services provided to ocean common carriers within the United States
27 by those non-ocean carriers, unless the negotiations and any resulting
28 agreements are not in violation of the antitrust laws and are consistent
29 with the purposes of this part, except that this clause does not prohibit
30 the setting and publishing of a joint through rate by a conference, joint
31 venture, or association of ocean common carriers;

32 “(5) deny in the export foreign commerce of the United States com-
33 pensation to an ocean freight forwarder or limit that compensation to
34 less than a reasonable amount;

35 “(6) allocate shippers among specific carriers that are parties to the
36 agreement or prohibit a carrier that is a party to the agreement from
37 soliciting cargo from a particular shipper, except as—

38 “(A) authorized by section 40303(d) of this title;

39 “(B) required by the law of the United States or the importing
40 or exporting country; or

41 “(C) agreed to by a shipper in a service contract;

1 “(7) for service pursuant to a service contract, engage in any unjustly
2 discriminatory practice in the matter of rates or charges with respect to
3 any locality, port, or person due to the person’s status as a shippers’ as-
4 sociation or ocean transportation intermediary; or

5 “(8) for service pursuant to a service contract, give any undue or un-
6 reasonable preference or advantage or impose any undue or unreasonable
7 prejudice or disadvantage with respect to any locality, port, or person
8 due to the person’s status as a shippers’ association or ocean transpor-
9 tation intermediary.

10 **“§41106. Marine terminal operators**

11 “A marine terminal operator may not—

12 “(1) agree with another marine terminal operator or with a common
13 carrier to boycott, or unreasonably discriminate in the provision of ter-
14 minal services to, a common carrier or ocean tramp;

15 “(2) give any undue or unreasonable preference or advantage or im-
16 pose any undue or unreasonable prejudice or disadvantage with respect
17 to any person; or

18 “(3) unreasonably refuse to deal or negotiate.

19 **“§41107. Monetary penalties**

20 “(a) *IN GENERAL.*—A person that violates this part or a regulation or
21 order of the Federal Maritime Commission issued under this part is liable
22 to the United States Government for a civil penalty. Unless otherwise pro-
23 vided in this part, the amount of the penalty may not exceed \$5,000 for each
24 violation or, if the violation was willfully and knowingly committed, \$25,000
25 for each violation. Each day of a continuing violation is a separate violation.

26 “(b) *LIEN ON CARRIER’S VESSELS.*—The amount of a civil penalty im-
27 posed on a common carrier under this section constitutes a lien on the vessels
28 operated by the carrier. Any such vessel is subject to an action in rem to en-
29 force the lien in the district court of the United States for the district in
30 which it is found.

31 **“§41108. Additional penalties**

32 “(a) *SUSPENSION OF TARIFFS.*—For a violation of section 41104(1), (2),
33 or (7) of this title, the Federal Maritime Commission may suspend any or
34 all tariffs of the common carrier, or that common carrier’s right to use any
35 or all tariffs of conferences of which it is a member, for a period not to exceed
36 12 months.

37 “(b) *OPERATING UNDER SUSPENDED TARIFF.*—A common carrier that ac-
38 cepts or handles cargo for carriage under a tariff that has been suspended,
39 or after its right to use that tariff has been suspended, is liable to the United
40 States Government for a civil penalty of not more than \$50,000 for each ship-
41 ment.

1 “(c) *FAILURE TO PROVIDE INFORMATION.*—

2 “(1) *PENALTIES.*—*If the Commission finds, after notice and oppor-*
 3 *tunity for a hearing, that a common carrier has failed to supply infor-*
 4 *mation ordered to be produced or compelled by subpoena under section*
 5 *41303 of this title, the Commission may—*

6 “(A) *suspend any or all tariffs of the carrier or the carrier’s right*
 7 *to use any or all tariffs of conferences of which it is a member; and*

8 “(B) *request the Secretary of Homeland Security to refuse or re-*
 9 *voke any clearance required for a vessel operated by the carrier, and*
 10 *when so requested, the Secretary shall refuse or revoke the clearance.*

11 “(2) *DEFENSE BASED ON FOREIGN LAW.*—*If, in defense of its failure*
 12 *to comply with a subpoena or discovery order, a common carrier alleges*
 13 *that information or documents located in a foreign country cannot be*
 14 *produced because of the laws of that country, the Commission shall im-*
 15 *mediately notify the Secretary of State of the failure to comply and of*
 16 *the allegation relating to foreign laws. On receiving the notification, the*
 17 *Secretary of State shall promptly consult with the government of the na-*
 18 *tion within which the information or documents are alleged to be located*
 19 *for the purpose of assisting the Commission in obtaining the information*
 20 *or documents.*

21 “(d) *IMPAIRING ACCESS TO FOREIGN TRADE.*—*If the Commission finds,*
 22 *after notice and opportunity for a hearing, that the action of a common car-*
 23 *rier, acting alone or in concert with another person, or a foreign government*
 24 *has unduly impaired access of a vessel documented under the laws of the*
 25 *United States to ocean trade between foreign ports, the Commission shall take*
 26 *action that it finds appropriate, including imposing any of the penalties au-*
 27 *thorized by this section. The Commission also may take any of the actions*
 28 *authorized by sections 42304 and 42305 of this title.*

29 “(e) *SUBMISSION OF ORDER TO PRESIDENT.*—*Before an order under this*
 30 *section becomes effective, it shall be submitted immediately to the President.*
 31 *The President, within 10 days after receiving it, may disapprove it if the*
 32 *President finds that disapproval is required for reasons of national defense*
 33 *or foreign policy.*

34 **“§ 41109. Assessment of penalties**

35 “(a) *GENERAL AUTHORITY.*—*Until a matter is referred to the Attorney*
 36 *General, the Federal Maritime Commission may, after notice and opportunity*
 37 *for a hearing, assess a civil penalty provided for in this part. The Commis-*
 38 *sion may compromise, modify, or remit, with or without conditions, a civil*
 39 *penalty.*

40 “(b) *FACTORS IN DETERMINING AMOUNT.*—*In determining the amount of*
 41 *a civil penalty, the Commission shall take into account the nature, cir-*

1 *cumstances, extent, and gravity of the violation committed and, with respect*
 2 *to the violator, the degree of culpability, history of prior offenses, ability to*
 3 *pay, and other matters justice may require.*

4 “(c) *EXCEPTION.—A civil penalty may not be imposed for conspiracy to*
 5 *violate section 41102(a) or 41104(1) or (2) of this title or to defraud the Com-*
 6 *mission by concealing such a violation.*

7 “(d) *PROHIBITED BASIS OF PENALTY.—The Commission or a court may*
 8 *not order a person to pay the difference between the amount billed and agreed*
 9 *upon in writing with a common carrier or its agent and the amount set forth*
 10 *in a tariff or service contract by that common carrier for the transportation*
 11 *service provided.*

12 “(e) *TIME LIMIT.—A proceeding to assess a civil penalty under this section*
 13 *must be commenced within 5 years after the date of the violation.*

14 “(f) *REVIEW OF CIVIL PENALTY.—A person against whom a civil penalty*
 15 *is assessed under this section may obtain review under chapter 158 of title*
 16 *28.*

17 “(g) *CIVIL ACTIONS TO COLLECT.—If a person does not pay an assessment*
 18 *of a civil penalty after it has become final or after the appropriate court has*
 19 *entered final judgment in favor of the Commission, the Attorney General at*
 20 *the request of the Commission may seek to collect the amount assessed in an*
 21 *appropriate district court of the United States. The court shall enforce the*
 22 *order of the Commission unless it finds that the order was not regularly made*
 23 *and duly issued.*

24 **“CHAPTER 413—ENFORCEMENT**

“Sec.

“41301. *Complaints.*

“41302. *Investigations.*

“41303. *Discovery and subpoenas.*

“41304. *Hearings and orders.*

“41305. *Award of reparations.*

“41306. *Injunctive relief sought by complainants.*

“41307. *Injunctive relief sought by the Commission.*

“41308. *Enforcement of subpoenas and orders.*

“41309. *Enforcement of reparation orders.*

25 **“§41301. Complaints**

26 “(a) *IN GENERAL.—A person may file with the Federal Maritime Commis-*
 27 *sion a sworn complaint alleging a violation of this part, except section*
 28 *41307(b)(1). If the complaint is filed within 3 years after the claim accrues,*
 29 *the complainant may seek reparations for an injury to the complainant*
 30 *caused by the violation.*

31 “(b) *NOTICE AND RESPONSE.—The Commission shall provide a copy of the*
 32 *complaint to the person named in the complaint. Within a reasonable time*
 33 *specified by the Commission, the person shall satisfy the complaint or answer*
 34 *it in writing.*

1 “(c) *IF COMPLAINT NOT SATISFIED.*—If the complaint is not satisfied, the
2 Commission shall investigate the complaint in an appropriate manner and
3 make an appropriate order.

4 **“§ 41302. Investigations**

5 “(a) *IN GENERAL.*—The Federal Maritime Commission, on complaint or
6 its own motion, may investigate any conduct or agreement that the Commis-
7 sion believes may be in violation of this part. The Commission may by order
8 disapprove, cancel, or modify any agreement that operates in violation of this
9 part.

10 “(b) *EFFECTIVENESS OF AGREEMENT DURING INVESTIGATION.*—Unless an
11 injunction is issued under section 41306 or 41307 of this title, an agreement
12 under investigation by the Commission remains in effect until the Commis-
13 sion issues its order.

14 “(c) *DATE FOR DECISION.*—Within 10 days after the initiation of a pro-
15 ceeding under this section or section 41301 of this title, the Commission shall
16 set a date by which it will issue its final decision. The Commission by order
17 may extend the date for good cause.

18 “(d) *SANCTIONS FOR DELAY.*—If, within the period for final decision under
19 subsection (c), the Commission determines that it is unable to issue a final
20 decision because of undue delay caused by a party to the proceeding, the Com-
21 mission may impose sanctions, including issuing a decision adverse to the de-
22 laying party.

23 “(e) *REPORT.*—The Commission shall make a written report of every inves-
24 tigation under this part in which a hearing was held, stating its conclusions,
25 decisions, findings of fact, and order. The Commission shall provide a copy
26 of the report to all parties and publish the report for public information. A
27 published report is competent evidence in a court of the United States.

28 **“§ 41303. Discovery and subpoenas**

29 “(a) *IN GENERAL.*—In an investigation or adjudicatory proceeding under
30 this part—

31 “(1) the Federal Maritime Commission may subpoena witnesses and
32 evidence; and

33 “(2) a party may use depositions, written interrogatories, and dis-
34 covery procedures under regulations prescribed by the Commission that,
35 to the extent practicable, shall conform to the Federal Rules of Civil Pro-
36 cedure (28 App. U.S.C.).

37 “(b) *WITNESS FEES.*—Unless otherwise prohibited by law, a witness is en-
38 titled to the same fees and mileage as in the courts of the United States.

1 **“§ 41304. Hearings and orders**

2 “(a) *OPPORTUNITY FOR HEARING.*—*The Federal Maritime Commission*
3 *shall provide an opportunity for a hearing before issuing an order relating*
4 *to a violation of this part or a regulation prescribed under this part.*

5 “(b) *MODIFICATION OF ORDER.*—*The Commission may reverse, suspend, or*
6 *modify any of its orders.*

7 “(c) *REHEARING.*—*On application of a party to a proceeding, the Commis-*
8 *sion may grant a rehearing of the same or any matter determined in the pro-*
9 *ceeding. Except by order of the Commission, a rehearing does not operate as*
10 *a stay of an order.*

11 “(d) *PERIOD OF EFFECTIVENESS.*—*An order of the Commission remains*
12 *in effect for the period specified in the order or until suspended, modified,*
13 *or set aside by the Commission or a court of competent jurisdiction.*

14 **“§ 41305. Award of reparations**

15 “(a) *DEFINITION.*—*In this section, the term ‘actual injury’ includes the loss*
16 *of interest at commercial rates compounded from the date of injury.*

17 “(b) *BASIC AMOUNT.*—*If the complaint was filed within the period speci-*
18 *fied in section 41301(a) of this title, the Federal Maritime Commission shall*
19 *direct the payment of reparations to the complainant for actual injury caused*
20 *by a violation of this part, plus reasonable attorney fees.*

21 “(c) *ADDITIONAL AMOUNTS.*—*On a showing that the injury was caused by*
22 *an activity prohibited by section 41102(b), 41104(3) or (6), or 41105(1) or*
23 *(3) of this title, the Commission may order the payment of additional*
24 *amounts, but the total recovery of a complainant may not exceed twice the*
25 *amount of the actual injury.*

26 “(d) *DIFFERENCE BETWEEN RATES.*—*If the injury was caused by an ac-*
27 *tivity prohibited by section 41104(4)(A) or (B) of this title, the amount of*
28 *the injury shall be the difference between the rate paid by the injured shipper*
29 *and the most favorable rate paid by another shipper.*

30 **“§ 41306. Injunctive relief sought by complainants**

31 “(a) *IN GENERAL.*—*After filing a complaint with the Federal Maritime*
32 *Commission under section 41301 of this title, the complainant may bring a*
33 *civil action in a district court of the United States to enjoin conduct in viola-*
34 *tion of this part.*

35 “(b) *VENUE.*—*The action must be brought in the judicial district in*
36 *which—*

37 “(1) *the Commission has brought a civil action against the defendant*
38 *under section 41307(a) of this title; or*

39 “(2) *the defendant resides or transacts business, if the Commission has*
40 *not brought such an action.*

1 “(c) *REMEDIES BY COURT.*—After notice to the defendant, and a showing
2 that the standards for granting injunctive relief by courts of equity are met,
3 the court may grant a temporary restraining order or preliminary injunction
4 for a period not to exceed 10 days after the Commission has issued an order
5 disposing of the complaint.

6 “(d) *ATTORNEY FEES.*—A defendant prevailing in a civil action under this
7 section shall be allowed reasonable attorney fees to be assessed and collected
8 as part of the costs of the action.

9 **“§ 41307. Injunctive relief sought by the Commission**

10 “(a) *GENERAL VIOLATIONS.*—In connection with an investigation under
11 section 41301 or 41302 of this title, the Federal Maritime Commission may
12 bring a civil action to enjoin conduct in violation of this part. The action
13 must be brought in the district court of the United States for any judicial
14 district in which the defendant resides or transacts business. After notice to
15 the defendant, and a showing that the standards for granting injunctive relief
16 by courts of equity are met, the court may grant a temporary restraining
17 order or preliminary injunction for a period not to exceed 10 days after the
18 Commission has issued an order disposing of the issues under investigation.

19 “(b) *REDUCTION IN COMPETITION.*—

20 “(1) *ACTION BY COMMISSION.*—If, at any time after the filing or effec-
21 tive date of an agreement under chapter 403 of this title, the Commission
22 determines that the agreement is likely, by a reduction in competition,
23 to produce an unreasonable reduction in transportation service or an un-
24 reasonable increase in transportation cost, the Commission, after notice
25 to the person filing the agreement, may bring a civil action in the
26 United States District Court for the District of Columbia to enjoin the
27 operation of the agreement. The Commission’s sole remedy with respect
28 to an agreement likely to have such an effect is an action under this sub-
29 section.

30 “(2) *REMEDIES BY COURT.*—In an action under this subsection, the
31 court may issue—

32 “(A) a temporary restraining order or a preliminary injunction;
33 and

34 “(B) a permanent injunction after a showing that the agreement
35 is likely to have the effect described in paragraph (1).

36 “(3) *BURDEN OF PROOF AND THIRD PARTIES.*—In an action under
37 this subsection, the burden of proof is on the Commission. The court may
38 not allow a third party to intervene.

39 “(c) *FAILURE TO PROVIDE INFORMATION.*—If a person filing an agree-
40 ment, or an officer, director, partner, agent, or employee of the person, fails
41 substantially to comply with a request for the submission of additional infor-

1 *mation or documents within the period provided in section 40304(c) of this*
 2 *title, the Commission may bring a civil action in the United States District*
 3 *Court for the District of Columbia. At the request of the Commission, the*
 4 *Court—*

5 *“(1) may order compliance;*

6 *“(2) shall extend the period specified in section 40304(c)(2) of this title*
 7 *until there has been substantial compliance; and*

8 *“(3) may grant other equitable relief that the court decides is appro-*
 9 *priate.*

10 *“(d) REPRESENTATION.—The Commission may represent itself in a pro-*
 11 *ceeding under this section in—*

12 *“(1) a district court of the United States, on notice to the Attorney*
 13 *General; and*

14 *“(2) a court of appeals of the United States, with the approval of the*
 15 *Attorney General.*

16 **“§ 41308. Enforcement of subpoenas and orders**

17 *“(a) CIVIL ACTION.—If a person does not comply with a subpoena or order*
 18 *of the Federal Maritime Commission, the Attorney General, at the request of*
 19 *the Commission, or an injured party, may seek enforcement in a district*
 20 *court of the United States having jurisdiction over the parties. If, after hear-*
 21 *ing, the court determines that the subpoena or order was regularly made and*
 22 *duly issued, the court shall enforce the subpoena or order.*

23 *“(b) TIME LIMIT ON BRINGING ACTIONS.—An action under this section to*
 24 *enforce an order of the Commission must be brought within 3 years after the*
 25 *date the order was violated.*

26 **“§ 41309. Enforcement of reparation orders**

27 *“(a) CIVIL ACTION.—If a person does not comply with an order of the Fed-*
 28 *eral Maritime Commission for the payment of reparation, the person to whom*
 29 *the award was made may seek enforcement of the order in a district court*
 30 *of the United States having jurisdiction over the parties.*

31 *“(b) PARTIES AND SERVICE OF PROCESS.—All parties in whose favor the*
 32 *Commission has made an award of reparation by a single order may be*
 33 *joined as plaintiffs, and all other parties in the order may be joined as de-*
 34 *fendants, in a single action in a judicial district in which any one plaintiff*
 35 *could maintain an action against any one defendant. Service of process*
 36 *against a defendant not found in that district may be made in a district in*
 37 *which any office of that defendant is located or in which any port of call on*
 38 *a regular route operated by that defendant is located. Judgment may be en-*
 39 *tered for any plaintiff against the defendant liable to that plaintiff.*

1 “(c) *NATURE OF REVIEW.*—*In an action under this section, the findings*
 2 *and order of the Commission are prima facie evidence of the facts stated in*
 3 *the findings and order.*

4 “(d) *COSTS AND ATTORNEY FEES.*—*The plaintiff is not liable for costs of*
 5 *the action or for costs of any subsequent stage of the proceedings unless they*
 6 *accrue on the plaintiff’s appeal. A prevailing plaintiff shall be allowed rea-*
 7 *sonable attorney fees to be assessed and collected as part of the costs of the*
 8 *action.*

9 “(e) *TIME LIMIT ON BRINGING ACTIONS.*—*An action under this section to*
 10 *enforce an order of the Commission must be brought within 3 years after the*
 11 *date the order was violated.*

12 “*PART B—ACTIONS TO ADDRESS FOREIGN PRACTICES*
 13 **“CHAPTER 421—REGULATIONS AFFECTING SHIPPING IN**
 14 **FOREIGN TRADE**

“Sec.

“42101. *Regulations of the Commission.*

“42102. *Regulations of other agencies.*

“42103. *No preference to Government-owned vessels.*

“42104. *Information, witnesses, and evidence.*

“42105. *Disclosure to public.*

“42106. *Other actions to remedy unfavorable conditions.*

“42107. *Refusal of clearance and entry.*

“42108. *Penalty for operating under suspended tariff or service contract.*

“42109. *Consultation with other agencies.*

15 **“§ 42101. Regulations of the Commission**

16 “(a) *UNFAVORABLE CONDITIONS.*—*To further the objectives and policy set*
 17 *forth in section 50101 of this title, the Federal Maritime Commission shall*
 18 *prescribe regulations affecting shipping in foreign trade, not in conflict with*
 19 *law, to adjust or meet general or special conditions unfavorable to shipping*
 20 *in foreign trade, whether in a particular trade or on a particular route or*
 21 *in commerce generally, including intermodal movements, terminal operations,*
 22 *cargo solicitation, agency services, ocean transportation intermediary services*
 23 *and operations, and other activities and services integral to transportation*
 24 *systems, and which arise out of or result from laws or regulations of a foreign*
 25 *country or competitive methods, pricing practices, or other practices employed*
 26 *by owners, operators, agents, or masters of vessels of a foreign country.*

27 “(b) *INITIATION OF REGULATION.*—*A regulation under subsection (a) may*
 28 *be initiated by the Commission on its own motion or on the petition of any*
 29 *person, including another component of the United States Government.*

30 **“§ 42102. Regulations of other agencies**

31 “(a) *REQUEST TO AGENCY.*—*To further the objectives and policy set forth*
 32 *in section 50101 of this title, the Federal Maritime Commission shall request*
 33 *the head of a department, agency, or instrumentality of the United States*
 34 *Government to suspend, modify, or annul any existing regulations, or to make*
 35 *new regulations, affecting shipping in the foreign trade, except regulations re-*

1 *lating to the Public Health Service, the Consular Service, or the inspection*
 2 *of vessels.*

3 “(b) *PRIOR REVIEW AND APPROVAL.*—*A department, agency, or instrumen-*
 4 *tality of the Government may not prescribe a regulation affecting shipping*
 5 *in the foreign trade (except a regulation affecting the Public Health Service,*
 6 *the Consular Service, or the inspection of vessels) until the regulation has been*
 7 *submitted to the Commission for its approval and final action has been taken*
 8 *by the Commission or the President.*

9 “(c) *SUBMISSION TO PRESIDENT.*—*If the head of a department, agency, or*
 10 *instrumentality of the Government refuses to comply with a request under*
 11 *subsection (a) or objects to a decision of the Commission under subsection (b),*
 12 *the Commission or the head of the department, agency, or instrumentality*
 13 *may submit the facts to the President. The President may establish, suspend,*
 14 *modify, or annul the regulation.*

15 **“§ 42103. No preference to Government-owned vessels**

16 “*A regulation may not give a vessel owned by the United States Govern-*
 17 *ment a preference over a vessel owned by citizens of the United States and*
 18 *documented under the laws of the United States.*

19 **“§ 42104. Information, witnesses, and evidence**

20 “(a) *ORDER TO SUPPLY INFORMATION.*—*In carrying out section 42101 of*
 21 *this title, the Federal Maritime Commission may order any person (including*
 22 *a common carrier, tramp operator, bulk operator, shipper, shippers’ associa-*
 23 *tion, ocean transportation intermediary, or marine terminal operator, or an*
 24 *officer, receiver, trustee, lessee, agent, or employee thereof) to file with the*
 25 *Commission a report, answers to questions, documentary material, or other*
 26 *information the Commission considers necessary or appropriate. The Commis-*
 27 *sion may require the response to any such order to be made under oath. The*
 28 *response shall be provided in the form and within the time specified by the*
 29 *Commission.*

30 “(b) *SUBPOENAS AND DISCOVERY.*—*In carrying out section 42101 of this*
 31 *title, the Commission may—*

32 “(1) *subpoena witnesses and evidence; and*

33 “(2) *authorize a party to use depositions, written interrogatories, and*
 34 *discovery procedures that, to the extent practicable, conform to the Fed-*
 35 *eral Rules of Civil Procedure (28 App. U.S.C.).*

36 “(c) *WITNESS FEES.*—*Unless otherwise prohibited by law, and subject to*
 37 *funds being appropriated, a witness in a proceeding under section 42101 of*
 38 *this title is entitled to the same fees and mileage as in the courts of the United*
 39 *States.*

40 “(d) *PENALTIES.*—*For failure to supply information ordered to be pro-*
 41 *duced or compelled by subpoena under this section, the Commission may—*

1 “(1) after notice and opportunity for a hearing, suspend tariffs and
2 service contracts of a common carrier or the common carrier’s right to
3 use tariffs of conferences and service contracts of agreements of which it
4 is a member; or

5 “(2) assess a civil penalty of not more than \$5,000 for each day that
6 the information is not provided.

7 “(e) *ENFORCEMENT.*—If a person does not comply with an order or sub-
8 poena of the Commission under this section, the Commission may seek en-
9 forcement in a district court of the United States having jurisdiction over the
10 parties. If, after hearing, the court determines that the order or subpoena was
11 regularly made and duly issued, the court shall enforce the order or subpoena.

12 **“§ 42105. Disclosure to public**

13 “Notwithstanding any other provision of law, the Federal Maritime Com-
14 mission may refuse to disclose to the public a response or other information
15 submitted to it under this chapter.

16 **“§ 42106. Other actions to remedy unfavorable conditions**

17 “If the Federal Maritime Commission finds that conditions unfavorable to
18 shipping in foreign trade as described in section 42101 of this title exist, the
19 Commission may—

20 “(1) limit voyages to and from United States ports or the amount or
21 type of cargo carried;

22 “(2) suspend, in whole or in part, tariffs and service contracts for car-
23 riage to or from United States ports, including a common carrier’s right
24 to use tariffs of conferences and service contracts of agreements in United
25 States trades of which it is a member for any period the Commission
26 specifies;

27 “(3) suspend, in whole or in part, an ocean common carrier’s right
28 to operate under any agreement filed with the Commission, including
29 any agreement authorizing preferential treatment at terminals, pref-
30 erential terminal leases, space chartering, or pooling of cargo or revenue
31 with other ocean common carriers;

32 “(4) impose a fee not to exceed \$1,000,000 per voyage; or

33 “(5) take any other action the Commission finds necessary and appro-
34 priate to adjust or meet any condition unfavorable to shipping in the
35 foreign trade of the United States.

36 **“§ 42107. Refusal of clearance and entry**

37 “*At the request of the Federal Maritime Commission—*

38 “(1) the Secretary of Homeland Security shall—

39 “(A) refuse the clearance required by section 60105 of this title
40 to a vessel of a country that is named in a regulation prescribed
41 by the Commission under section 42101 of this title; and

1 “(B) collect any fees imposed by the Commission under section
2 42106(4) of this title; and

3 “(2) the Secretary of the department in which the Coast Guard is op-
4 erating shall—

5 “(A) deny entry, for purposes of oceanborne trade, of a vessel of
6 a country that is named in a regulation prescribed by the Commis-
7 sion under section 42101 of this title, to a port or place in the
8 United States or the navigable waters of the United States; or

9 “(B) detain the vessel at the port or place in the United States
10 from which it is about to depart for another port or place in the
11 United States.

12 **“§ 42108. Penalty for operating under suspended tariff or**
13 **service contract**

14 “A common carrier that accepts or handles cargo for carriage under a tar-
15 riff or service contract that has been suspended under section 42104(d)(1) or
16 42106(2) of this title, or after its right to use another tariff or service contract
17 has been suspended under those provisions, is liable to the United States Gov-
18 ernment for a civil penalty of not more than \$50,000 for each day that it
19 is found to be operating under a suspended tariff or service contract.

20 **“§ 42109. Consultation with other agencies**

21 “The Federal Maritime Commission may consult with, seek the cooperation
22 of, or make recommendations to other appropriate agencies of the United
23 States Government prior to taking any action under this chapter.

24 **“CHAPTER 423—FOREIGN SHIPPING PRACTICES**

“Sec.

“42301. Definitions.

“42302. Investigations.

“42303. Information requests.

“42304. Action against foreign carriers.

“42305. Refusal of clearance and entry.

“42306. Submission of determinations to President.

“42307. Review of regulations and orders.

25 **“§ 42301. Definitions**

26 “(a) *DEFINED IN PART A.*—In this chapter, the terms ‘common carrier’,
27 ‘marine terminal operator’, ‘ocean common carrier’, ‘ocean transportation
28 intermediary’, ‘shipper’, and ‘shippers’ association’ have the meaning given
29 those terms in section 40102 of this title.

30 “(b) *OTHER DEFINITIONS.*—In this chapter:

31 “(1) *FOREIGN CARRIER.*—The term ‘foreign carrier’ means an ocean
32 common carrier a majority of whose vessels are documented under the
33 laws of a foreign country.

34 “(2) *MARITIME SERVICES.*—The term ‘maritime services’ means port-
35 to-port transportation of cargo by vessels operated by an ocean common
36 carrier.

1 “(3) *MARITIME-RELATED SERVICES.*—*The term ‘maritime-related serv-*
 2 *ices’ means intermodal operations, terminal operations, cargo sollicita-*
 3 *tion, agency services, ocean transportation intermediary services and op-*
 4 *erations, and all other activities and services integral to total transpor-*
 5 *tation systems of ocean common carriers and their foreign domiciled af-*
 6 *iliates for themselves and others.*

7 “(4) *UNITED STATES CARRIER.*—*The term ‘United States carrier’*
 8 *means an ocean common carrier operating vessels documented under the*
 9 *laws of the United States.*

10 “(5) *UNITED STATES OCEANBORNE TRADE.*—*The term ‘United States*
 11 *oceanborne trade’ means the carriage of cargo between the United States*
 12 *and a foreign country, whether directly or indirectly, by an ocean com-*
 13 *mon carrier.*

14 **“§ 42302. Investigations**

15 “(a) *IN GENERAL.*—*The Federal Maritime Commission shall investigate*
 16 *whether any laws, rules, regulations, policies, or practices of a foreign govern-*
 17 *ment, or any practices of a foreign carrier or other person providing mari-*
 18 *time or maritime-related services in a foreign country, result in the existence*
 19 *of conditions that—*

20 “(1) *adversely affect the operations of United States carriers in United*
 21 *States oceanborne trade; and*

22 “(2) *do not exist for foreign carriers of that country in the United*
 23 *States under the laws of the United States or as a result of acts of*
 24 *United States carriers or other persons providing maritime or maritime-*
 25 *related services in the United States.*

26 “(b) *INITIATION OF INVESTIGATION.*—*An investigation under subsection (a)*
 27 *may be initiated by the Commission on its own motion or on the petition*
 28 *of any person, including another component of the United States Government.*

29 “(c) *TIME FOR DECISION.*—*The Commission shall complete an investiga-*
 30 *tion under this section and render a decision within 120 days after it is initi-*
 31 *ated. However, the Commission may extend this 120-day period for an addi-*
 32 *tional 90 days if the Commission is unable to obtain sufficient information*
 33 *to determine whether a condition specified in subsection (a) exists. A notice*
 34 *providing an extension shall state clearly the reasons for the extension.*

35 **“§ 42303. Information requests**

36 “(a) *IN GENERAL.*—*To further the purposes of section 42302(a) of this title,*
 37 *the Federal Maritime Commission may order any person (including a com-*
 38 *mon carrier, shipper, shippers’ association, ocean transportation inter-*
 39 *mediary, or marine terminal operator, or an officer, receiver, trustee, lessee,*
 40 *agent or employee thereof) to file with the Commission any periodic or special*
 41 *report, answers to questions, documentary material, or other information the*

1 *Commission considers necessary or appropriate. The Commission may require*
 2 *the response to any such order to be made under oath. The response shall be*
 3 *provided in the form and within the time specified by the Commission.*

4 “(b) *SUBPOENAS.—In an investigation under section 42302 of this title, the*
 5 *Commission may subpoena witnesses and evidence.*

6 “(c) *NONDISCLOSURE.—Notwithstanding any other provision of law, the*
 7 *Commission may determine that any information submitted to it in response*
 8 *to a request under this section, or otherwise, shall not be disclosed to the pub-*
 9 *lic.*

10 **“§ 42304. Action against foreign carriers**

11 “(a) *IN GENERAL.—Subject to section 42306 of this title, whenever the Fed-*
 12 *eral Maritime Commission, after notice and opportunity for comment or*
 13 *hearing, determines that the conditions specified in section 42302(a) of this*
 14 *title exist, the Commission shall take such action to offset those conditions as*
 15 *it considers necessary and appropriate against any foreign carrier that is a*
 16 *contributing cause, or whose government is a contributing cause, to those con-*
 17 *ditions. The action may include—*

18 “(1) *limitations on voyages to and from United States ports or on the*
 19 *amount or type of cargo carried;*

20 “(2) *suspension, in whole or in part, of any or all tariffs and service*
 21 *contracts, including an ocean common carrier’s right to use any or all*
 22 *tariffs and service contracts of conferences in United States trades of*
 23 *which it is a member for any period the Commission specifies;*

24 “(3) *suspension, in whole or in part, of an ocean common carrier’s*
 25 *right to operate under any agreement filed with the Commission, includ-*
 26 *ing any agreement authorizing preferential treatment at terminals, pref-*
 27 *erential terminal leases, space chartering, or pooling of cargo or revenue*
 28 *with other ocean common carriers; and*

29 “(4) *a fee not to exceed \$1,000,000 per voyage.*

30 “(b) *CONSULTATION.—The Commission may consult with, seek the coopera-*
 31 *tion of, or make recommendations to other appropriate agencies of the United*
 32 *States Government prior to taking any action under subsection (a).*

33 **“§ 42305. Refusal of clearance and entry**

34 “*Subject to section 42306 of this title, whenever the Federal Maritime Com-*
 35 *mission determines that the conditions specified in section 42302(a) of this*
 36 *title exist, then at the request of the Commission—*

37 “(1) *the Secretary of Homeland Security shall refuse the clearance re-*
 38 *quired by section 60105 of this title to a vessel of a foreign carrier that*
 39 *is identified by the Commission under section 42304 of this title; and*

40 “(2) *the Secretary of the department in which the Coast Guard is op-*
 41 *erating shall—*

1 “(2) a copy of a bond or other security, in such form as the Commis-
2 sion by regulation may require.

3 “(c) *AUTHORIZED ISSUER OF BOND.*—If a bond is filed, it must be issued
4 by a bonding company authorized to do business in the United States.

5 **“§44103. Financial responsibility to pay liability for death**
6 **or injury**

7 “(a) *GENERAL REQUIREMENT.*—The owner or charterer of a vessel to which
8 this chapter applies shall establish, under regulations prescribed by the Fed-
9 eral Maritime Commission, financial responsibility to meet liability for death
10 or injury to passengers or other individuals on a voyage to or from a port
11 in the United States.

12 “(b) *AMOUNTS.*—

13 “(1) *IN GENERAL.*—The amount of financial responsibility required
14 under subsection (a) shall be based on the number of passenger accom-
15 modations as follows:

16 “(A) \$20,000 for each of the first 500 passenger accommodations.

17 “(B) \$15,000 for each additional passenger accommodation be-
18 tween 501 and 1,000.

19 “(C) \$10,000 for each additional passenger accommodation be-
20 tween 1,001 and 1,500.

21 “(D) \$5,000 for each additional passenger accommodation over
22 1,500.

23 “(2) *MULTIPLE VESSELS.*—If the owner or charterer is operating more
24 than one vessel subject to this chapter, the amount of financial responsi-
25 bility shall be based on the number of passenger accommodations on the
26 vessel with the largest number of passenger accommodations.

27 “(c) *AVAILABILITY TO PAY JUDGMENT.*—The amount determined under
28 subsection (b) shall be available to pay a judgment for damages (whether less
29 than or more than \$20,000) for death or injury to a passenger or other indi-
30 vidual on a voyage to or from a port in the United States.

31 “(d) *MEANS OF ESTABLISHING.*—Financial responsibility under this sec-
32 tion may be established by one or more of the following if acceptable to the
33 Commission:

34 “(1) *Insurance.*

35 “(2) *Surety bond issued by a bonding company authorized to do busi-*
36 *ness in the United States.*

37 “(3) *Qualification as a self-insurer.*

38 “(4) *Other evidence of financial responsibility.*

39 **“§44104. Civil penalty**

40 “A person that violates section 44102 or 44103 of this title is liable to the
41 United States Government for a civil penalty of not more than \$5,000, plus

1 §200 for each passage sold, to be assessed by the Federal Maritime Commis-
 2 sion. The Commission may remit or mitigate the penalty on terms the Com-
 3 mission considers proper.

4 **“§44105. Refusal of clearance**

5 “The Secretary of Homeland Security shall refuse the clearance required by
 6 section 60105 of this title, at the port or place of departure from the United
 7 States, of a vessel that is subject to this chapter and does not have evidence
 8 issued by the Federal Maritime Commission of compliance with sections
 9 44102 and 44103 of this title.

10 **“§44106. Conduct of proceedings**

11 “Part A of this subtitle applies to proceedings conducted by the Federal
 12 Maritime Commission under this chapter.”.

13 **SEC. 7. SUBTITLE V OF TITLE 46.**

14 (a) SUBTITLE ANALYSIS.—The analysis of subtitle V of title 46, United
 15 States Code, is amended to read as follows:

16 “PART A—GENERAL

<i>Chapter</i>	<i>Sec.</i>
“501. Policy, Studies, and Reports	50101
“503. Administrative	50301
“505. Other General Provisions	50501

17 “PART B—MERCHANT MARINE SERVICE

“511. General	51101
“513. United States Merchant Marine Academy	51301
“515. State Maritime Academy Support Program	51501
“517. Other Support for Merchant Marine Training	51701
“519. Merchant Marine Awards	51901
“521. Miscellaneous	52101

18 “PART C—FINANCIAL ASSISTANCE PROGRAMS

“531. Maritime Security Fleet	53101
“533. Construction Reserve Funds	53301
“535. Capital Construction Funds	53501
“537. Loans and Guarantees	53701
“539. War Risk Insurance	53901

19 “PART D—PROMOTIONAL PROGRAMS

“551. Coastwise Trade	55101
“553. Passenger and Cargo Preferences	55301
“555. Miscellaneous	55501

20 “PART E—CONTROL OF MERCHANT MARINE CAPABILITIES

“561. Restrictions on Transfers	56101
“563. Emergency Acquisition of Vessels	56301
“565. Essential Vessels Affected by Neutrality Act	56501

21 “PART F—GOVERNMENT-OWNED MERCHANT VESSELS

“571. General Authority	57101
“573. Vessel Trade-In Program	57301
“575. Construction, Charter, and Sale of Vessels	57501

22 “PART G—RESTRICTIONS AND PENALTIES

“581. Restrictions and Penalties	58101”.
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1 (b) CHAPTERS PRECEDING CHAPTER 531.—Subtitle V of title 46, United
2 States Code, is amended by inserting after the subtitle analysis the following:

3 “PART A—GENERAL

4 “CHAPTER 501—POLICY, STUDIES, AND REPORTS

“Sec.

“50101. Objectives and policy.

“50102. Survey of merchant marine.

“50103. Determinations of essential services.

“50104. Studies of general maritime problems.

“50105. Studies and cooperation relating to the construction of vessels.

“50106. Studies on the operation of vessels.

“50107. Studies on marine insurance.

“50108. Studies on cargo carriage and cargo containers.

“50109. Miscellaneous studies.

“50110. Securing preference to vessels of the United States.

“50111. Reports to Congress.

“50112. National Maritime Enhancement Institutes.

“50113. Use and performance reports by operators of vessels.

5 “§50101. Objectives and policy

6 “(a) OBJECTIVES.—It is necessary for the national defense and the develop-
7 ment of the domestic and foreign commerce of the United States that the
8 United States have a merchant marine—

9 “(1) sufficient to carry the waterborne domestic commerce and a sub-
10 stantial part of the waterborne export and import foreign commerce of
11 the United States and to provide shipping service essential for maintain-
12 ing the flow of the waterborne domestic and foreign commerce at all
13 times;

14 “(2) capable of serving as a naval and military auxiliary in time of
15 war or national emergency;

16 “(3) owned and operated under United States flag by citizens of the
17 United States insofar as practicable;

18 “(4) composed of the best-equipped, safest, and most suitable types of
19 vessels, built in the United States and manned with a trained and effi-
20 cient citizen personnel; and

21 “(5) supplemented by efficient facilities for building and repairing
22 vessels.

23 “(b) POLICY.—It is the policy of the United States Government to encour-
24 age and aid the development and maintenance of a merchant marine satis-
25 fying the objectives described in subsection (a).

26 “§50102. Survey of merchant marine

27 “(a) IN GENERAL.—The Secretary of Transportation shall survey the mer-
28 chant marine of the United States to determine whether replacements and ad-
29 ditions are required to carry out the objectives and policy of section 50101
30 of this title. The Secretary shall study, perfect, and adopt a long-range pro-
31 gram for replacements and additions that will result, as soon as practicable,
32 in—

1 “(1) an adequate and well-balanced merchant fleet, including vessels
2 of all types, that will provide shipping service essential for maintaining
3 the flow of foreign commerce by vessels designed to be readily and quickly
4 convertible into transport and supply vessels in a time of national emer-
5 gency;

6 “(2) ownership and operation of the fleet by citizens of the United
7 States insofar as practicable;

8 “(3) vessels designed to afford the best and most complete protection
9 for passengers and crew against fire and all marine perils; and

10 “(4) an efficient capacity for building and repairing vessels in the
11 United States with an adequate number of skilled personnel to provide
12 an adequate mobilization base.

13 “(b) COOPERATION WITH SECRETARY OF NAVY.—In carrying out sub-
14 section (a)(1), the Secretary of Transportation shall cooperate closely with the
15 Secretary of the Navy as to national defense requirements.

16 **“§50103. Determinations of essential services**

17 “(a) ESSENTIAL SERVICES, ROUTES, AND LINES.—

18 “(1) IN GENERAL.—The Secretary of Transportation shall investigate,
19 determine, and keep current records of the ocean services, routes, and
20 lines from ports in the United States, or in the territories and posses-
21 sions of the United States, to foreign markets, which the Secretary deter-
22 mines to be essential for the promotion, development, expansion, and
23 maintenance of the foreign commerce of the United States. In making
24 such a determination, the Secretary shall consider and give due weight
25 to—

26 “(A) the cost of maintaining each line;

27 “(B) the probability that a line cannot be maintained except at
28 a heavy loss disproportionate to the benefit to foreign trade;

29 “(C) the number of voyages and types of vessels that should be
30 employed in a line;

31 “(D) the intangible benefit of maintaining a line to the foreign
32 commerce of the United States, the national defense, and other na-
33 tional requirements; and

34 “(E) any other facts and conditions a prudent business person
35 would consider when dealing with the person’s own business.

36 “(2) SAINT LAWRENCE SEAWAY.—For purposes of paragraph (1), the
37 Secretary shall establish services, routes, and lines that reflect the sea-
38 sonal closing of the Saint Lawrence Seaway and provide for alternate
39 routing of vessels through a different range of ports during that closing
40 to maintain continuity of service on a year-round basis.

1 “(b) *BULK CARGO CARRYING SERVICES.*—*The Secretary shall investigate,*
 2 *determine, and keep current records of the bulk cargo carrying services that*
 3 *should be provided by United States-flag vessels (whether or not operating on*
 4 *particular services, routes, or lines) for the promotion, development, expansion,*
 5 *and maintenance of the foreign commerce of the United States and the*
 6 *national defense or other national requirements.*

7 “(c) *TYPES OF VESSELS.*—*The Secretary shall investigate, determine, and*
 8 *keep current records of the type, size, speed, method of propulsion, and other*
 9 *requirements of the vessels, including express-liner or super-liner vessels, that*
 10 *should be employed in—*

11 “(1) *the services, routes, or lines described in subsection (a), and the*
 12 *frequency and regularity of the voyages of the vessels, with a view to furnishing*
 13 *adequate, regular, certain, and permanent service; and*

14 “(2) *the bulk cargo carrying services described in subsection (b).*

15 **“§ 50104. Studies of general maritime problems**

16 *“The Secretary of Transportation shall study all maritime problems arising*
 17 *in carrying out the policy in section 50101 of this title.*

18 **“§ 50105. Studies and cooperation relating to the construction**
 19 ***of vessels***

20 “(a) *RELATIVE COSTS AND NEW DESIGNS.*—*The Secretary of Transportation*
 21 *shall investigate, determine, and keep current records of—*

22 “(1) *the relative cost of construction of comparable vessels in the*
 23 *United States and in foreign countries; and*

24 “(2) *new designs, new methods of construction, and new types of*
 25 *equipment for vessels.*

26 “(b) *RULES, CLASSIFICATIONS, AND RATINGS.*—*The Secretary shall examine*
 27 *the rules under which vessels are constructed abroad and in the United*
 28 *States and the methods of classifying and rating the vessels.*

29 “(c) *COLLABORATION WITH OWNERS AND BUILDERS.*—*The Secretary shall*
 30 *collaborate with vessel owners and shipbuilders in developing plans for the economic*
 31 *construction of vessels and their propelling machinery, of most modern economic*
 32 *types, giving thorough consideration to all well-recognized means of propulsion*
 33 *and taking into account the benefits from standardized production where practicable*
 34 *and desirable.*

35 “(d) *EXPRESS-LINER AND SUPER-LINER VESSELS.*—*The Secretary shall*
 36 *study and cooperate with vessel owners in devising means by which there may*
 37 *be constructed, by or with the aid of the United States Government, express-*
 38 *liner or super-liner vessels comparable to those of other nations, especially*
 39 *with a view to their use in a national emergency, and the use of transoceanic*
 40 *aircraft service in connection with or in lieu of those vessels.*

1 **“§50106. Studies on the operation of vessels**

2 “(a) *RELATIVE COSTS.*—The Secretary of Transportation shall investigate,
3 determine, and keep current records of the relative cost of marine insurance,
4 maintenance, repairs, wages and subsistence of officers and crews, and all
5 other items of expense, in the operation of comparable vessels under the laws
6 and regulations of the United States and those of the foreign countries whose
7 vessels are substantial competitors of American vessels.

8 “(b) *SHIPYARDS.*—The Secretary shall investigate, determine, and keep cur-
9 rent records of the number, location, and efficiency of shipyards in the United
10 States.

11 “(c) *NAVIGATION LAWS.*—The Secretary shall examine the navigation laws
12 and regulations of the United States and make such recommendations to Con-
13 gress as the Secretary considers proper for the amendment, improvement, and
14 revision of those laws and for the development of the merchant marine of the
15 United States.

16 **“§50107. Studies on marine insurance**

17 “The Secretary of Transportation shall—

18 “(1) examine into the subject of marine insurance, the number of com-
19 panies in the United States, domestic and foreign, engaging in marine
20 insurance, the extent of the insurance on hulls and cargoes placed or
21 written in the United States, and the extent of reinsurance of American
22 maritime risks in foreign companies; and

23 “(2) ascertain what steps may be necessary to develop an ample ma-
24 rine insurance system as an aid in the development of the merchant ma-
25 rine of the United States.

26 **“§50108. Studies on cargo carriage and cargo containers**

27 “(a) *STUDIES.*—The Secretary of Transportation shall study—

28 “(1) the methods of encouraging the development and implementation
29 of new concepts for the carriage of cargo in the domestic and foreign
30 commerce of the United States; and

31 “(2) the economic and technological aspects of the use of cargo con-
32 tainers as a method of carrying out the policy in section 50101 of this
33 title.

34 “(b) *RESTRICTION.*—In carrying out subsection (a) and the policy in sec-
35 tion 50101 of this title, the United States Government may not give preference
36 as between carriers based on the length, height, or width of cargo containers
37 or the length, height, or width of cargo container cells. This restriction applies
38 to all existing container vessels and any container vessel to be constructed or
39 rebuilt.

“§ 50109. Miscellaneous studies

1 “(a) *FOREIGN SUBSIDIES.*—*The Secretary of Transportation shall investigate, determine, and keep current records of the extent and character of the*
2 *governmental aid and subsidies granted by foreign governments to their mer-*
3 *chant marine.*

4 “(b) *LAWS APPLICABLE TO AIRCRAFT.*—*The Secretary shall investigate, de-*
5 *termine, and keep current records of the provisions of law relating to shipping*
6 *that should be made applicable to aircraft engaged in foreign commerce to*
7 *further the policy in section 50101 of this title, and any appropriate legisla-*
8 *tion in this regard.*

9 “(c) *AID FOR COTTON, COAL, LUMBER, AND CEMENT.*—*The Secretary shall*
10 *investigate, determine, and keep current records of the advisability of enact-*
11 *ment of suitable legislation authorizing the Secretary, in an economic or com-*
12 *mercial emergency, to aid farmers and producers of cotton, coal, lumber, and*
13 *cement in any section of the United States in the transportation and landing*
14 *of their products in any foreign port, which products can be carried in dry-*
15 *cargo vessels by reducing rates, by supplying additional tonnage to any*
16 *American operator, or by operation of vessels directly by the Secretary, until*
17 *the Secretary considers the special rate reduction and operation unnecessary*
18 *for the benefit of those farmers and producers.*

19 “(d) *INTERCOASTAL AND INLAND WATER TRANSPORTATION.*—*The Sec-*
20 *retary shall investigate, determine, and keep current records of intercoastal*
21 *and inland water transportation, including their relation to transportation*
22 *by land and air.*

23 “(e) *OBSOLETE TONNAGE AND TRAMP SERVICE.*—*The Secretary shall make*
24 *studies and reports to Congress on—*

25 “(1) *the scrapping or removal from service of old or obsolete merchant*
26 *tonnage owned by the United States Government or in use in the mer-*
27 *chant marine; and*

28 “(2) *tramp shipping service and the advisability of citizens of the*
29 *United States participating in that service with vessels under United*
30 *States registry.*

31 “(f) *MORTGAGE LOANS.*—*The Secretary shall investigate the legal status of*
32 *mortgage loans on vessel property, with a view to the means of improving*
33 *the security of those loans and of encouraging investment in American ship-*
34 *ping.*

“§ 50110. Securing preference to vessels of the United States

35 “(a) *POSSIBILITIES OF PROMOTING CARRIAGE.*—*The Secretary of Trans-*
36 *portation shall investigate, determine, and keep current records of the possi-*
37 *bilities of promoting the carriage of United States foreign trade in vessels of*
38 *the United States.*

1 “(b) *INDUCEMENTS TO IMPORTERS AND EXPORTERS.*—The Secretary shall
2 study and cooperate with vessel owners in devising means by which the im-
3 porters and exporters of the United States can be induced to give preference
4 to vessels of the United States.

5 “(c) *LIAISON WITH AGENCIES AND ORGANIZATIONS.*—The Secretary shall
6 establish and maintain liaison with such other agencies of the United States
7 Government, and with such representative trade organizations throughout the
8 United States, as may be concerned, directly or indirectly, with any move-
9 ment of commodities in the waterborne export and import foreign commerce
10 of the United States, for the purpose of securing preference to vessels of the
11 United States in the shipment of those commodities.

12 **“§50111. Reports to Congress**

13 “(a) *IN GENERAL.*—Not later than April 1 of each year, the Secretary of
14 Transportation shall submit a report to Congress. The report shall include,
15 with respect to activities of the Secretary under this subtitle, the results of
16 investigations, a summary of transactions, a statement of all expenditures
17 and receipts, the purposes for which all expenditures were made, and any rec-
18 ommendations for legislation.

19 “(b) *ADMINISTERED AND OVERSIGHT FUNDS.*—The Secretary, in the report
20 under subsection (a) and in the annual budget estimate for the Maritime Ad-
21 ministration submitted to Congress, shall state separately the amount, source,
22 intended use, and nature of any funds (other than funds appropriated to the
23 Administration or to the Secretary of Transportation for use by the Adminis-
24 tration) administered, or subject to oversight, by the Administration.

25 “(c) *ADDITIONAL RECOMMENDATIONS FOR LEGISLATION.*—The Secretary,
26 from time to time, shall make recommendations to Congress for legislation the
27 Secretary considers necessary to better achieve the objectives and policy of sec-
28 tion 50101 of this title.

29 **“§50112. National Maritime Enhancement Institutes**

30 “(a) *DESIGNATION.*—The Secretary of Transportation may designate Na-
31 tional Maritime Enhancement Institutes.

32 “(b) *ACTIVITIES.*—Activities undertaken by an institute may include—

33 “(1) conducting research about methods to improve the performance of
34 maritime industries;

35 “(2) enhancing the competitiveness of domestic maritime industries in
36 international trade;

37 “(3) forecasting trends in maritime trade;

38 “(4) assessing technological advancements;

39 “(5) developing management initiatives and training;

1 “(6) *analyzing economic and operational impacts of regulatory poli-*
2 *cies and international negotiations or agreements pending before inter-*
3 *national bodies;*

4 “(7) *assessing the compatibility of domestic maritime infrastructure*
5 *systems with overseas transport systems;*

6 “(8) *fostering innovations in maritime transportation pricing; and*

7 “(9) *improving maritime economics and finance.*

8 “(c) *APPLICATION FOR DESIGNATION.—An institution seeking designation*
9 *as a National Maritime Enhancement Institute shall submit an application*
10 *under regulations prescribed by the Secretary.*

11 “(d) *CRITERIA FOR DESIGNATION.—The Secretary shall designate an insti-*
12 *tute under this section on the basis of the following criteria:*

13 “(1) *The demonstrated research and extension resources available to*
14 *the applicant for carrying out the activities specified in subsection (b).*

15 “(2) *The ability of the applicant to provide leadership in making na-*
16 *tional and regional contributions to the solution of both long-range and*
17 *immediate problems of the domestic maritime industry.*

18 “(3) *The existence of an established program of the applicant encom-*
19 *passing research and training directed to enhancing maritime industries.*

20 “(4) *The demonstrated ability of the applicant to assemble and evalu-*
21 *ate pertinent information from national and international sources and*
22 *to disseminate results of maritime industry research and educational*
23 *programs through a continuing education program.*

24 “(5) *The qualification of the applicant as a nonprofit institution of*
25 *higher learning.*

26 “(e) *FINANCIAL AWARDS.—The Secretary may make awards on an equal*
27 *matching basis to an institute designated under subsection (a) from amounts*
28 *appropriated. The aggregate annual amount of the Federal share of the*
29 *awards by the Secretary may not exceed \$500,000.*

30 “(f) *UNIVERSITY TRANSPORTATION RESEARCH FUNDS.—The Secretary*
31 *may make a grant under section 5505 of title 49 to an institute designated*
32 *under subsection (a) for maritime and maritime intermodal research under*
33 *that section as if the institute were a university transportation center. In*
34 *making a grant, the Secretary, through the Research and Special Programs*
35 *Administration, shall advise the Maritime Administration on the availability*
36 *of funds for the grants and consult with the Administration on making the*
37 *grants.*

38 **“§50113. Use and performance reports by operators of vessels**

39 “(a) *FILING REQUIREMENT.—The Secretary of Transportation by regula-*
40 *tion may require the operator of a vessel in the waterborne foreign commerce*
41 *of the United States to file such report, account, record, or memorandum on*

1 *the use and performance of the vessel as the Secretary considers desirable to*
 2 *assist in carrying out this subtitle. The report, account, record, or memo-*
 3 *randum shall be signed and verified, and be filed at the times and in the*
 4 *manner, as provided by regulation.*

5 “(b) *CIVIL PENALTY.*—An operator not filing a report, account, record, or
 6 memorandum required by the Secretary under this section is liable to the
 7 United States Government for a civil penalty of \$50 for each day of the viola-
 8 tion. A penalty imposed under this section on the operator of a vessel con-
 9 stitutes a lien on the vessel involved in the violation. A civil action in rem
 10 to enforce the lien may be brought in the district court of the United States
 11 for any district in which the vessel is found. The Secretary may remit or
 12 mitigate any penalty imposed under this section.

13 **“CHAPTER 503—ADMINISTRATIVE**

“Sec.

“50301. *Vessel Operations Revolving Fund.*

“50302. *Port development.*

“50303. *Operating property and extending term of notes.*

“50304. *Sale and transfer of property.*

“50305. *Appointment of trustee or receiver and operation of vessels.*

“50306. *Requiring testimony and records in investigations.*

14 **“§ 50301. Vessel Operations Revolving Fund**

15 “(a) *IN GENERAL.*—There is a ‘Vessel Operations Revolving Fund’ for use
 16 by the Secretary of Transportation in carrying out duties and powers related
 17 to vessel operations, including charter, operation, maintenance, repair, recon-
 18 ditioning, and improvement of merchant vessels under the jurisdiction of the
 19 Secretary. The Fund has a working capital of \$20,000,000, to remain avail-
 20 able until expended.

21 “(b) *RELATIONSHIP TO OTHER LAWS.*—Notwithstanding any other law,
 22 rates for shipping services provided under the Fund shall be prescribed by the
 23 Secretary and the Fund shall be credited with receipts from vessel operations
 24 conducted under the Fund. Sections 1(a) and (c), 3(c), and 4 of the Act of
 25 March 24, 1943 (50 App. U.S.C. 1291(a), (c), 1293(c), 1294), apply to those
 26 operations and to seamen employed through general agents as employees of
 27 the United States Government. Notwithstanding any other law on the employ-
 28 ment of persons by the Government, the seamen may be employed in accord-
 29 ance with customary commercial practices in the maritime industry.

30 “(c) *ADVANCEMENTS.*—With the approval of the Director of the Office of
 31 Management and Budget, the Secretary may advance amounts the Secretary
 32 considers necessary, but not more than 2 percent of vessel operating expenses,
 33 from the Fund to the appropriation ‘Salaries and Expenses’ in carrying out
 34 duties and powers related to vessel operations, without regard to the limita-
 35 tions on amounts stated in that appropriation.

36 “(d) *TRANSFERS.*—The unexpended balances of working funds or of alloca-
 37 tion accounts established after January 1, 1951, for the activities provided

1 for in subsection (a), and receipts received from those activities, may be trans-
 2 ferred to the Fund, which shall be available for the purposes of those working
 3 funds or allocation accounts.

4 “(e) LIMITATION.—

5 “(1) IN GENERAL.—Amounts made available to the Secretary for mar-
 6 itime activities by this section or any other law may not be used to pay
 7 for a vessel described in paragraph (2) unless the compensation to be
 8 paid is computed under section 56303 of this title as that section is in-
 9 terpreted by the Comptroller General.

10 “(2) APPLICABLE VESSELS.—Paragraph (1) applies to a vessel—

11 “(A) the title to which is acquired by the Government by requisiti-
 12 tion or purchase;

13 “(B) the use of which is taken by requisition or agreement; or

14 “(C) lost while insured by the Government.

15 “(3) NONAPPLICABLE VESSELS.—Paragraph (1) does not apply to a
 16 vessel under a construction-differential subsidy contract.

17 “(f) AVAILABILITY FOR ADDITIONAL PURPOSES.—The Fund is available
 18 for—

19 “(1) necessary expenses incurred in the protection, preservation, main-
 20 tenance, acquisition, or use of vessels involved in mortgage foreclosure or
 21 forfeiture proceedings instituted by the Government, including payment
 22 of prior claims and liens, expenses of sale, or other related charges;

23 “(2) necessary expenses incident to the redelivery and lay-up, in the
 24 United States, of vessels chartered as of June 20, 1956, under agreements
 25 not calling for their return to the Government;

26 “(3) the activation, repair, and deactivation of merchant vessels char-
 27 tered for limited emergency purposes during fiscal year 1957 under the
 28 jurisdiction of the Secretary; and

29 “(4) payment of expenses of custody and maintenance of Government-
 30 owned vessels not in the National Defense Reserve Fleet.

31 “(g) EXPENSES AND RECEIPTS RELATED TO CHARTER OPERATIONS.—The
 32 Fund is available for expenses incurred in activating, repairing, and deacti-
 33 vating merchant vessels chartered under the jurisdiction of the Secretary. Re-
 34 cepts from charter operations of Government-owned vessels under the juris-
 35 diction of the Secretary shall be credited to the Fund.

36 **“§ 50302. Port development**

37 “(a) GENERAL REQUIREMENTS.—With the objective of promoting, encour-
 38 aging, and developing ports and transportation facilities in connection with
 39 water commerce over which the Secretary of Transportation has jurisdiction,
 40 the Secretary, in cooperation with the Secretary of the Army, shall—

1 “(1) investigate territorial regions and zones tributary to ports, taking
2 into consideration the economies of transportation by rail, water, and
3 highway and the natural direction of the flow of commerce;

4 “(2) investigate the causes of congestion of commerce at ports and ap-
5 plicable remedies;

6 “(3) investigate the subject of water terminals, including the necessary
7 docks, warehouses, and equipment, to devise and suggest the types most
8 appropriate for different locations and for the most expeditious and eco-
9 nomical transfer or interchange of passengers or property between water
10 carriers and rail carriers;

11 “(4) consult with communities on the appropriate location and plan
12 of construction of wharves, piers, and water terminals;

13 “(5) investigate the practicability and advantages of harbor, river,
14 and port improvements in connection with foreign and coastwise trade;
15 and

16 “(6) investigate any other matter that may tend to promote and en-
17 courage the use by vessels of ports adequate to care for the freight that
18 naturally would pass through those ports.

19 “(b) *SUBMISSION OF FINDINGS TO SURFACE TRANSPORTATION BOARD.*—
20 After an investigation under subsection (a), if the Secretary of Transportation
21 believes that the rates or practices of a rail carrier subject to the jurisdiction
22 of the Surface Transportation Board are detrimental to the objective specified
23 in subsection (a), or that new rates or practices, new or additional port ter-
24 minal facilities, or affirmative action by a rail carrier is necessary to pro-
25 mote that objective, the Secretary may submit findings to the Board for action
26 the Board considers appropriate under existing law.

27 **“§ 50303. Operating property and extending term of notes**

28 “(a) *GENERAL AUTHORITY.*—The Secretary of Transportation may—

29 “(1) operate or lease docks, wharves, piers, or real property under the
30 Secretary’s control; and

31 “(2) make extensions and accept renewals of—

32 “(A) promissory notes and other evidences of indebtedness on
33 property; and

34 “(B) mortgages and other contracts securing the property.

35 “(b) *TERMS OF TRANSACTIONS.*—A transaction under subsection (a) shall
36 be on terms the Secretary considers necessary to carry out the purposes of this
37 subtitle, but consistent with sound business practice.

38 “(c) *AVAILABILITY OF AMOUNTS.*—Amounts received by the Secretary from
39 a transaction under this section are available for expenditure by the Secretary
40 as provided in this subtitle.

1 **“§ 50304. Sale and transfer of property**

2 “(a) *AUTHORITY TO SELL.*—The Secretary of Transportation may sell
3 property (other than vessels transferred under section 4 of the Merchant Ma-
4 rine Act, 1920 (ch. 250, 41 Stat. 990)) on terms the Secretary considers ap-
5 propriate.

6 “(b) *TRANSFERS FROM MILITARY TO CIVILIAN CONTROL.*—When the Presi-
7 dent considers it in the interest of the United States, the President may trans-
8 fer to the Secretary of Transportation possession and control of property de-
9 scribed in the second paragraph of section 17 of the Merchant Marine Act,
10 1920 (ch. 250, 41 Stat. 994), as originally enacted, that is possessed and con-
11 trolled by the Secretary of a military department.

12 “(c) *TRANSFERS FROM CIVILIAN TO MILITARY CONTROL.*—When the Presi-
13 dent considers it necessary, the President by executive order may transfer to
14 the Secretary of a military department possession and control of property de-
15 scribed in section 17 of the Merchant Marine Act, 1920 (ch. 250, 41 Stat.
16 994), as originally enacted, that is possessed and controlled by the Secretary
17 of Transportation. The President’s order shall state the need for the transfer
18 and the period of the need. When the President decides that the need has
19 ended, the possession and control shall revert to the Secretary of Transpor-
20 tation. The property may not be sold except as provided by law.

21 **“§ 50305. Appointment of trustee or receiver and operation of**
22 **vessels**

23 “(a) *APPOINTMENT OF TRUSTEES AND RECEIVERS.*—

24 “(1) *APPOINTMENT OF SECRETARY.*—In a proceeding in a court of the
25 United States in which a trustee or receiver may be appointed for a cor-
26 poration operating a vessel of United States registry between the United
27 States and a foreign country, on which the United States Government
28 holds a mortgage, the court may appoint the Secretary of Transportation
29 as the sole trustee or receiver (subject to the direction of the court) if—

30 “(A) the court finds that the appointment will—

31 “(i) inure to the advantage of the estate and the parties in
32 interest; and

33 “(ii) tend to carry out the purposes of this subtitle; and

34 “(B) the Secretary expressly consents to the appointment.

35 “(2) *APPOINTMENT OF OTHER PERSON.*—The appointment of another
36 person as trustee or receiver without a hearing becomes effective when
37 ratified by the Secretary, but the Secretary may demand a hearing.

38 “(b) *OPERATION OF VESSELS.*—

39 “(1) *IN GENERAL.*—If the court is unwilling to allow the trustee or
40 receiver to operate the vessel in foreign commerce without financial aid
41 from the Government pending termination of the proceeding, and the

1 Secretary certifies to the court that the continued operation of the vessel
 2 is essential to the foreign commerce of the United States and is reason-
 3 ably calculated to carry out the purposes of this subtitle, the court may
 4 allow the Secretary to operate the vessel, either directly or through a
 5 managing agent or operator employed by the Secretary. The Secretary
 6 must agree to comply with terms imposed by the court sufficient to pro-
 7 tect the parties in interest. The Secretary also must agree to pay all op-
 8 erating losses resulting from the operation. The operation shall be for the
 9 account of the trustee or receiver.

10 “(2) PAYMENT OF OPERATING LOSSES AND OTHER AMOUNTS.—The
 11 Secretary has no claim against the corporation, its estate, or its assets
 12 for operating losses paid by the Secretary, but the Secretary may pay
 13 amounts for depreciation the Secretary considers reasonable and other
 14 amounts the court considers just. The payment of operating losses and
 15 the other amounts and compliance with terms imposed by the court shall
 16 be in satisfaction of any claim against the Secretary resulting from the
 17 operation of the vessel.

18 “(3) DEEMED OPERATION BY GOVERNMENT.—A vessel operated by the
 19 Secretary under this subsection is deemed to be a vessel operated by the
 20 Government under chapter 309 of this title.

21 **“§ 50306. Requiring testimony and records in investigations**

22 “(a) IN GENERAL.—In conducting an investigation that the Secretary of
 23 Transportation considers necessary and proper to carry out this subtitle, the
 24 Secretary may administer oaths, take evidence, and subpoena persons to tes-
 25 tify and produce documents relevant to the matter under investigation. Per-
 26 sons may be required to attend or produce documents from any place in the
 27 United States at any designated place of hearing.

28 “(b) FEES AND MILEAGE.—Persons subpoenaed by the Secretary under sub-
 29 section (a) shall be paid the same fees and mileage paid to witnesses in the
 30 courts of the United States.

31 “(c) ENFORCEMENT OF SUBPOENAS.—If a person disobeys a subpoena
 32 issued under subsection (a), the Secretary may seek an order enforcing the
 33 subpoena from the district court of the United States for the district in which
 34 the person resides or does business. Process may be served in the judicial dis-
 35 trict in which the person resides or is found. The court may issue an order
 36 to obey the subpoena and punish a refusal to obey as a contempt of court.

37 **“CHAPTER 505—OTHER GENERAL PROVISIONS**

“Sec.

“50501. Entities deemed citizens of the United States.

“50502. Applicability to receivers, trustees, successors, and assigns.

“50503. Oceanographic research vessels.

“50504. Sailing school vessels.

1 **“§ 50501. Entities deemed citizens of the United States**

2 “(a) *IN GENERAL.*—In this subtitle, a corporation, partnership, or associa-
3 tion is deemed to be a citizen of the United States only if the controlling in-
4 terest is owned by citizens of the United States. However, if the corporation,
5 partnership, or association is operating a vessel in the coastwise trade, at
6 least 75 percent of the interest must be owned by citizens of the United States.

7 “(b) *ADDITIONAL REQUIREMENTS FOR CORPORATIONS.*—In this subtitle, a
8 corporation is deemed to be a citizen of the United States only if, in addition
9 to satisfying the requirements in subsection (a)—

10 “(1) it is incorporated under the laws of the United States or a State;

11 “(2) its chief executive officer, by whatever title, and the chairman of
12 its board of directors are citizens of the United States; and

13 “(3) no more of its directors are noncitizens than a minority of the
14 number necessary to constitute a quorum.

15 “(c) *DETERMINATION OF CONTROLLING CORPORATE INTEREST.*—The con-
16 trolling interest in a corporation is owned by citizens of the United States
17 under subsection (a) only if—

18 “(1) title to the majority of the stock in the corporation is vested in
19 citizens of the United States free from any trust or fiduciary obligation
20 in favor of a person not a citizen of the United States;

21 “(2) the majority of the voting power in the corporation is vested in
22 citizens of the United States;

23 “(3) there is no contract or understanding by which the majority of
24 the voting power in the corporation may be exercised, directly or indi-
25 rectly, in behalf of a person not a citizen of the United States; and

26 “(4) there is no other means by which control of the corporation is
27 given to or permitted to be exercised by a person not a citizen of the
28 United States.

29 “(d) *DETERMINATION OF 75 PERCENT CORPORATE INTEREST.*—At least 75
30 percent of the interest in a corporation is owned by citizens of the United
31 States under subsection (a) only if—

32 “(1) title to at least 75 percent of the stock in the corporation is vested
33 in citizens of the United States free from any trust or fiduciary obliga-
34 tion in favor of a person not a citizen of the United States;

35 “(2) at least 75 percent of the voting power in the corporation is vest-
36 ed in citizens of the United States;

37 “(3) there is no contract or understanding by which more than 25 per-
38 cent of the voting power in the corporation may be exercised, directly
39 or indirectly, in behalf of a person not a citizen of the United States;
40 and

1 “(4) there is no other means by which control of more than 25 percent
2 of any interest in the corporation is given to or permitted to be exercised
3 by a person not a citizen of the United States.

4 **“§50502. Applicability to receivers, trustees, successors, and**
5 **assigns**

6 “*This subtitle applies to receivers, trustees, successors, and assigns of any*
7 *person to whom this subtitle applies.*

8 **“§50503. Oceanographic research vessels**

9 “*An oceanographic research vessel (as defined in section 2101 of this title)*
10 *is deemed not to be engaged in trade or commerce.*

11 **“§50504. Sailing school vessels**

12 “(a) *DEFINITIONS.—In this section, the terms ‘sailing school instructor’,*
13 *‘sailing school student’, and ‘sailing school vessel’ have the meaning given*
14 *those terms in section 2101 of this title.*

15 “(b) *NOT SEAMEN.—A sailing school student or sailing school instructor*
16 *is deemed not to be a seaman under—*

17 “(1) *parts B, F, and G of subtitle II of this title; or*

18 “(2) *the maritime law doctrines of maintenance and cure or warranty*
19 *of seaworthiness.*

20 “(c) *NOT MERCHANT VESSEL OR ENGAGED IN TRADE OR COMMERCE.—*
21 *A sailing school vessel is deemed not to be—*

22 “(1) *a merchant vessel under section 11101(a)–(c) of this title; or*

23 “(2) *a vessel engaged in trade or commerce.*

24 “(d) *EVIDENCE OF FINANCIAL RESPONSIBILITY.—The owner or charterer*
25 *of a sailing school vessel shall maintain evidence of financial responsibility*
26 *to meet liability for death or injury to sailing school students and sailing*
27 *school instructors on a voyage on the vessel. The amount of financial responsi-*
28 *bility shall be at least \$50,000 for each student and instructor. Financial re-*
29 *sponsibility under this subsection may be evidenced by insurance or other*
30 *adequate financial resources.*

31 **“PART B—MERCHANT MARINE SERVICE**

32 **“CHAPTER 511—GENERAL**

“*Sec.*

“51101. *Policy.*

“51102. *Definitions.*

“51103. *General authority of Secretary of Transportation.*

“51104. *General authority of Secretary of the Navy.*

33 **“§51101. Policy**

34 “*It is the policy of the United States Government that merchant marine*
35 *vessels of the United States should be operated by highly trained and efficient*
36 *citizens of the United States and that the United States Navy and the mer-*
37 *chant marine of the United States should work closely together to promote the*
38 *maximum integration of the total seapower forces of the United States.*

1 **“§51102. Definitions**

2 *“In this part:*

3 *“(1) ACADEMY.—The term ‘Academy’ means the United States Mer-*
 4 *chant Marine Academy located at Kings Point, New York, and main-*
 5 *tained under chapter 513 of this title.*

6 *“(2) COST OF EDUCATION PROVIDED.—The term ‘cost of education*
 7 *provided’ means the financial costs incurred by the United States Gov-*
 8 *ernment for providing training or financial assistance to students at the*
 9 *Academy and the State maritime academies, including direct financial*
 10 *assistance, room, board, classroom academics, and other training activi-*
 11 *ties.*

12 *“(3) MERCHANT MARINE OFFICER.—The term ‘merchant marine offi-*
 13 *cer’ means an individual issued a license by the Coast Guard author-*
 14 *izing service as—*

15 *“(A) a master, mate, or pilot on a documented vessel that—*

16 *“(i) is of at least 1,000 gross tons as measured under section*
 17 *14502 of this title or an alternate tonnage measured under sec-*
 18 *tion 14302 of this title as prescribed by the Secretary under*
 19 *section 14104 of this title; and*

20 *“(ii) operates on the oceans or the Great Lakes; or*

21 *“(B) an engineer officer on a documented vessel propelled by ma-*
 22 *chinery of at least 4,000 horsepower.*

23 *“(4) STATE MARITIME ACADEMY.—The term ‘State maritime academy’*
 24 *means—*

25 *“(A) a State maritime academy or college sponsored by a State*
 26 *and assisted under chapter 515 of this title; and*

27 *“(B) a regional maritime academy or college sponsored by a*
 28 *group of States and assisted under chapter 515 of this title.*

29 **“§51103. General authority of Secretary of Transportation**

30 *“(a) EDUCATION AND TRAINING.—The Secretary of Transportation may*
 31 *provide for the education and training of citizens of the United States for the*
 32 *safe and efficient operation of the merchant marine of the United States at*
 33 *all times, including operation as a naval and military auxiliary in time of*
 34 *war or national emergency.*

35 *“(b) SURPLUS PROPERTY FOR INSTRUCTIONAL PURPOSES.—*

36 *“(1) IN GENERAL.—The Secretary may cooperate with and assist the*
 37 *institutions named in paragraph (2) by making vessels, shipboard equip-*
 38 *ment, and other marine equipment, owned by the United States Govern-*
 39 *ment and determined to be excess or surplus, available to those institu-*
 40 *tions for instructional purposes, by gift, loan, sale, lease, or charter on*
 41 *terms the Secretary considers appropriate.*

“51311. *Midshipman status in the Naval Reserve.*

“51312. *Board of Visitors.*

“51313. *Advisory Board.*

1 **“§51301. Maintenance of the Academy**

2 *“The Secretary of Transportation shall maintain the United States Mer-*
3 *chant Marine Academy to provide instruction to individuals to prepare them*
4 *for service in the merchant marine of the United States.*

5 **“§51302. Nomination and competitive appointment of cadets**

6 *“(a) REQUIREMENTS.—An individual may be nominated for a competitive*
7 *appointment as a cadet at the United States Merchant Marine Academy only*
8 *if the individual—*

9 *“(1) is a citizen or national of the United States; and*

10 *“(2) meets the minimum requirements that the Secretary of Transpor-*
11 *tation shall establish.*

12 *“(b) NOMINATORS.—Nominations for competitive appointments for the po-*
13 *sitions allocated under subsection (c) may be made as follows:*

14 *“(1) A Senator may nominate residents of the State represented by*
15 *that Senator.*

16 *“(2) A Member of the House of Representatives may nominate resi-*
17 *dents of the State in which the congressional district represented by that*
18 *Member is located.*

19 *“(3) A Delegate to the House of Representatives from the District of*
20 *Columbia, the Virgin Islands, Guam, or American Samoa may nominate*
21 *residents of the jurisdiction represented by that Delegate.*

22 *“(4) The Resident Commissioner to the United States from Puerto*
23 *Rico may nominate residents of Puerto Rico.*

24 *“(5) The Governor of the Northern Mariana Islands may nominate*
25 *residents of the Northern Mariana Islands.*

26 *“(6) The Panama Canal Commission may nominate—*

27 *“(A) residents, or sons or daughters of residents, of an area or*
28 *installation in Panama and made available to the United States*
29 *under the Panama Canal Treaty of 1977, the agreements relating*
30 *to and implementing that Treaty, signed September 7, 1977, and*
31 *the Agreement Between the United States of America and the Re-*
32 *public of Panama Concerning Air Traffic Control and Related*
33 *Services, concluded January 8, 1979; and*

34 *“(B) sons or daughters of personnel of the United States Govern-*
35 *ment and the Panama Canal Commission residing in Panama.*

36 *“(c) ALLOCATION OF POSITIONS.—Positions for competitive appointments*
37 *shall be allocated each year as follows:*

1 “(1) Positions shall be allocated for residents of each State nominated
2 by the Members of Congress from that State in proportion to the rep-
3 resentation in Congress from that State.

4 “(2) Four positions shall be allocated for residents of the District of
5 Columbia nominated by the Delegate to the House of Representatives
6 from the District of Columbia.

7 “(3) One position each shall be allocated for residents of the Virgin
8 Islands, Guam, and American Samoa nominated by the Delegates to the
9 House of Representatives from the Virgin Islands, Guam, and American
10 Samoa, respectively.

11 “(4) One position shall be allocated for a resident of Puerto Rico nom-
12 inated by the Resident Commissioner to the United States from Puerto
13 Rico.

14 “(5) One position shall be allocated for a resident of the Northern
15 Mariana Islands nominated by the Governor of the Northern Mariana
16 Islands.

17 “(6) Two positions shall be allocated for individuals nominated by the
18 Panama Canal Commission.

19 “(d) *COMPETITIVE SYSTEM FOR APPOINTMENT.*—

20 “(1) *ESTABLISHMENT OF SYSTEM.*—The Secretary shall establish a
21 competitive system for selecting individuals nominated under subsection
22 (b) to fill the positions allocated under subsection (c). The system must
23 determine the relative merit of each individual based on competitive ex-
24 aminations, an assessment of the individual’s academic background, and
25 other effective indicators of motivation and probability of successful com-
26 pletion of training at the Academy.

27 “(2) *APPOINTMENTS BY JURISDICTION.*—The Secretary shall appoint
28 individuals to fill the positions allocated under subsection (c) for each
29 jurisdiction in the order of merit of the individuals nominated from that
30 jurisdiction.

31 “(3) *REMAINING UNFILLED POSITIONS.*—If positions remain unfilled
32 after the appointments are made under paragraph (2), the Secretary
33 shall appoint individuals to fill the positions in the order of merit of
34 the remaining individuals nominated from all jurisdictions.

35 **“§51303. Non-competitive appointments**

36 “The Secretary of Transportation may appoint each year without competi-
37 tion as cadets at the United States Merchant Marine Academy not more than
38 40 qualified individuals with qualities the Secretary considers to be of special
39 value to the Academy. In making these appointments, the Secretary shall try
40 to achieve a national demographic balance at the Academy.

1 **“§51304. Additional appointments from particular areas**

2 “(a) *OTHER COUNTRIES IN WESTERN HEMISPHERE.*—*The President may*
 3 *appoint individuals from countries in the Western Hemisphere other than the*
 4 *United States to receive instruction at the United States Merchant Marine*
 5 *Academy. Not more than 12 individuals may receive instruction under this*
 6 *subsection at the same time, and not more than 2 individuals from the same*
 7 *country may receive instruction under this subsection at the same time.*

8 “(b) *OTHER COUNTRIES GENERALLY.*—

9 “(1) *APPOINTMENT.*—*The Secretary of Transportation, with the ap-*
 10 *proval of the Secretary of State, may appoint individuals from countries*
 11 *other than the United States to receive instruction at the Academy. Not*
 12 *more than 30 individuals may receive instruction under this subsection*
 13 *at the same time.*

14 “(2) *REIMBURSEMENT.*—*The Secretary of Transportation shall ensure*
 15 *that the country from which an individual comes under this subsection*
 16 *will reimburse the Secretary for the cost (as determined by the Secretary)*
 17 *of the instruction and allowances received by the individual.*

18 “(c) *PANAMA.*—

19 “(1) *APPOINTMENT.*—*The Secretary of Transportation, with the ap-*
 20 *proval of the Secretary of State, may appoint individuals from Panama*
 21 *to receive instruction at the Academy. Individuals appointed under this*
 22 *subsection are in addition to those appointed under any other provision*
 23 *of this chapter.*

24 “(2) *REIMBURSEMENT.*—*The Secretary of Transportation shall be re-*
 25 *imbursed for the cost (as determined by the Secretary) of the instruction*
 26 *and allowances received by an individual appointed under this sub-*
 27 *section.*

28 “(d) *ALLOWANCES AND REGULATIONS.*—*Individuals receiving instruction*
 29 *under this section are entitled to the same allowances and are subject to the*
 30 *same regulations on admission, attendance, discipline, resignation, discharge,*
 31 *dismissal, and graduation, as cadets at the Academy appointed from the*
 32 *United States.*

33 **“§51305. Prohibited basis for appointment**

34 “*Preference may not be given to an individual for appointment as a cadet*
 35 *at the United States Merchant Marine Academy because one or more members*
 36 *of the individual’s immediate family are alumni of the Academy.*

37 **“§51306. Cadet commitment agreements**

38 “(a) *AGREEMENT REQUIREMENTS.*—*A citizen of the United States ap-*
 39 *pointed as a cadet at the United States Merchant Marine Academy must sign,*
 40 *as a condition of the appointment, an agreement to—*

41 “(1) *complete the course of instruction at the Academy;*

1 “(2) fulfill the requirements for a license as an officer in the merchant
2 marine of the United States before graduation from the Academy;

3 “(3) maintain a valid license as an officer in the merchant marine
4 of the United States for at least 6 years after graduation from the Acad-
5 emy, accompanied by the appropriate national and international en-
6 dorsements and certification required by the Coast Guard for service
7 aboard vessels on domestic and international voyages;

8 “(4) apply for, and accept if tendered, an appointment as a commis-
9 sioned officer in the Naval Reserve (including the Merchant Marine Re-
10 serve, Naval Reserve), the Coast Guard Reserve, or any other reserve unit
11 of an armed force of the United States, and, if tendered the appointment,
12 to serve for at least 6 years after graduation from the Academy;

13 “(5) serve the foreign and domestic commerce and the national defense
14 of the United States for at least 5 years after graduation from the Acad-
15 emy—

16 “(A) as a merchant marine officer on a documented vessel or a
17 vessel owned and operated by the United States Government or by
18 a State;

19 “(B) as an employee in a United States maritime-related indus-
20 try, profession, or marine science (as determined by the Secretary
21 of Transportation), if the Secretary determines that service under
22 subclause (A) is not available to the individual;

23 “(C) as a commissioned officer on active duty in an armed force
24 of the United States, as a commissioned officer in the National Oce-
25 anic and Atmospheric Administration, or in other maritime-related
26 Federal employment which serves the national security interests of
27 the United States, as determined by the Secretary; or

28 “(D) by a combination of the service alternatives referred to in
29 subclauses (A)–(C); and

30 “(6) report to the Secretary on compliance with this subsection.

31 “(b) FAILURE TO COMPLETE COURSE OF INSTRUCTION.—

32 “(1) ACTIVE DUTY.—If the Secretary of Transportation determines
33 that an individual who has attended the Academy for at least 2 years
34 has failed to fulfill the part of the agreement described in subsection
35 (a)(1), the individual may be ordered by the Secretary of Defense to serve
36 on active duty in one of the armed forces of the United States for a pe-
37 riod of not more than 2 years. In cases of hardship as determined by
38 the Secretary of Transportation, the Secretary of Transportation may
39 waive this paragraph in whole or in part.

40 “(2) RECOVERY OF COST.—If the Secretary of Defense is unable or un-
41 willing to order an individual to serve on active duty under paragraph

1 (1), or if the Secretary of Transportation determines that reimbursement
2 of the cost of education provided would better serve the interests of the
3 United States, the Secretary of Transportation may recover from the in-
4 dividual the cost of education provided by the Government.

5 “(c) *FAILURE TO CARRY OUT OTHER REQUIREMENTS.*—

6 “(1) *ACTIVE DUTY.*—If the Secretary of Transportation determines
7 that an individual has failed to fulfill any part of the agreement de-
8 scribed in subsection (a)(2)–(6), the individual may be ordered to serve
9 on active duty for a period of at least 3 years but not more than the
10 unexpired period (as determined by the Secretary) of the service required
11 by subsection (a)(5). The Secretary of Transportation, in consultation
12 with the Secretary of Defense, shall determine in which service the indi-
13 vidual shall serve. In cases of hardship as determined by the Secretary
14 of Transportation, the Secretary of Transportation may waive this para-
15 graph in whole or in part.

16 “(2) *RECOVERY OF COST.*—If the Secretary of Defense is unable or un-
17 willing to order an individual to serve on active duty under paragraph
18 (1), or if the Secretary of Transportation determines that reimbursement
19 of the cost of education provided would better serve the interests of the
20 United States, the Secretary of Transportation may recover from the in-
21 dividual the cost of education provided. The Secretary may reduce the
22 amount to be recovered to reflect partial performance of service obliga-
23 tions and other factors the Secretary determines merit a reduction.

24 “(d) *ACTIONS TO RECOVER COST.*—To aid in the recovery of the cost of
25 education provided by the Government under a commitment agreement under
26 this section, the Secretary of Transportation may—

27 “(1) request the Attorney General to bring a civil action against the
28 individual; and

29 “(2) make use of the Federal debt collection procedures in chapter 176
30 of title 28 or other applicable administrative remedies.

31 **“§51307. Places of training**

32 “The Secretary of Transportation may provide for the training of cadets
33 at the United States Merchant Marine Academy—

34 “(1) on vessels owned or subsidized by the United States Government;

35 “(2) on other documented vessels, with the permission of the owner;
36 and

37 “(3) in shipyards or plants and with industrial or educational organi-
38 zations.

1 **“§51308. Uniforms, textbooks, and transportation allow-**
 2 **ances**

3 *“The Secretary of Transportation shall provide cadets at the United States*
 4 *Merchant Marine Academy—*

5 *“(1) all required uniforms and textbooks; and*

6 *“(2) allowances for transportation (including reimbursement of trav-*
 7 *eling expenses) when traveling under orders as a cadet.*

8 **“§51309. Academic degree**

9 *“(a) BACHELOR’S DEGREE.—*

10 *“(1) IN GENERAL.—The Superintendent of the United States Merchant*
 11 *Marine Academy may confer the degree of bachelor of science on an indi-*
 12 *vidual who—*

13 *“(A) has met the conditions prescribed by the Secretary of Trans-*
 14 *portation; and*

15 *“(B) if a citizen of the United States, has passed the examination*
 16 *for a merchant marine officer’s license.*

17 *“(2) EFFECT OF PHYSICAL DISQUALIFICATION.—An individual not al-*
 18 *lowed to take the examination for a merchant marine officer’s license*
 19 *only because of physical disqualification may not be denied a degree for*
 20 *not taking the examination.*

21 *“(b) MASTER’S DEGREE.—The Superintendent of the Academy may confer*
 22 *a master’s degree on an individual who has met the conditions prescribed by*
 23 *the Secretary. A master’s degree program may be funded through non-appro-*
 24 *propriated funds. To maintain the appropriate academic standards, the program*
 25 *shall be accredited by the appropriate accreditation body. The Secretary may*
 26 *prescribe regulations necessary to administer such a program.*

27 *“(c) GRADUATION NOT ENTITLEMENT TO HOLD LICENSE.—Graduation*
 28 *from the Academy does not entitle an individual to hold a license authorizing*
 29 *service on a merchant vessel.*

30 **“§51310. Deferment of service obligation under cadet com-**
 31 **mitment agreements**

32 *“The Secretary of Transportation may defer the service commitment of an*
 33 *individual under section 51306(a)(5) of this title (as specified in the cadet*
 34 *commitment agreement) for not more than 2 years if the individual is en-*
 35 *gaged in a graduate course of study approved by the Secretary. However,*
 36 *deferment of service as a commissioned officer under section 51306(a)(5) must*
 37 *be approved by the Secretary of the military department that has jurisdiction*
 38 *over the service or by the Secretary of Commerce for service with the National*
 39 *Oceanic and Atmospheric Administration.*

1 **“§51311. Midshipman status in the Naval Reserve**

2 “(a) *APPLICATION REQUIREMENT.*—Before being appointed as a cadet at
3 the United States Merchant Marine Academy, a citizen of the United States
4 must agree to apply for midshipman status in the Naval Reserve (including
5 the Merchant Marine Reserve, Naval Reserve).

6 “(b) *APPOINTMENT.*—

7 “(1) *IN GENERAL.*—A citizen of the United States appointed as a
8 cadet at the Academy shall be appointed by the Secretary of the Navy
9 as a midshipman in the Naval Reserve (including the Merchant Marine
10 Reserve, Naval Reserve).

11 “(2) *RIGHTS AND PRIVILEGES.*—The Secretary of the Navy shall pro-
12 vide for cadets of the Academy who are midshipmen in the United States
13 Naval Reserve to be—

14 “(A) issued an identification card (referred to as a ‘military ID
15 card’); and

16 “(B) entitled to all rights and privileges in accordance with the
17 same eligibility criteria as apply to other members of the Ready Re-
18 serve of the reserve components of the armed forces.

19 “(3) *COORDINATION.*—The Secretary of the Navy shall carry out para-
20 graphs (1) and (2) in coordination with the Secretary of Transportation.

21 **“§51312. Board of Visitors**

22 “(a) *IN GENERAL.*—A Board of Visitors to the United States Merchant Ma-
23 rine Academy shall be established, for a term of 2 years commencing at the
24 beginning of each Congress, to visit the Academy annually on a date deter-
25 mined by the Secretary of Transportation and to make recommendations on
26 the operation of the Academy.

27 “(b) *APPOINTMENT.*—

28 “(1) *IN GENERAL.*—The Board shall be composed of—

29 “(A) 2 Senators appointed by the chairman of the Committee on
30 Commerce, Science, and Transportation of the Senate;

31 “(B) 3 Members of the House of Representatives appointed by the
32 chairman of the Committee on Armed Services of the House of Rep-
33 resentatives;

34 “(C) 1 Senator appointed by the Vice President;

35 “(D) 2 Members of the House of Representatives appointed by the
36 Speaker of the House of Representatives; and

37 “(E) the chairmen of the Committee on Commerce, Science, and
38 Transportation of the Senate and the Committee on Armed Services
39 of the House of Representatives, as *ex officio* members.

40 “(2) *SUBSTITUTE APPOINTMENT.*—If an appointed member of the
41 Board is unable to visit the Academy as provided in subsection (a), an-

1 *other individual may be appointed as a substitute in the manner pro-*
 2 *vided in paragraph (1).*

3 “(c) *STAFF.*—*The chairmen of the Committee on Commerce, Science, and*
 4 *Transportation of the Senate and the Committee on Armed Services of the*
 5 *House of Representatives may designate staff members of their committees to*
 6 *serve without reimbursement as staff for the Board.*

7 “(d) *TRAVEL EXPENSES.*—*When serving away from home or regular place*
 8 *of business, a member of the Board or a staff member designated under sub-*
 9 *section (c) shall be allowed travel expenses, including per diem in lieu of sub-*
 10 *sistence, as authorized by section 5703 of title 5.*

11 **“§51313. Advisory Board**

12 “(a) *IN GENERAL.*—*An Advisory Board to the United States Merchant Ma-*
 13 *rine Academy shall be established to visit the Academy at least once during*
 14 *each academic year, for the purpose of examining the course of instruction*
 15 *and management of the Academy and advising the Maritime Administrator*
 16 *and the Superintendent of the Academy.*

17 “(b) *APPOINTMENT AND TERMS.*—*The Board shall be composed of not more*
 18 *than 7 individuals appointed by the Secretary of Transportation. The indi-*
 19 *viduals must be distinguished in education and other fields related to the*
 20 *Academy. Members of the Board shall be appointed for terms of not more than*
 21 *3 years and may be reappointed. The Secretary shall designate one of the*
 22 *members as chairman.*

23 “(c) *TRAVEL EXPENSES.*—*When serving away from home or regular place*
 24 *of business, a member of the Board shall be allowed travel expenses, including*
 25 *per diem in lieu of subsistence, as authorized by section 5703 of title 5.*

26 “(d) *RELATIONSHIP TO OTHER LAW.*—*The Federal Advisory Committee*
 27 *Act (5 App. U.S.C.) does not apply to the Board.*

28 **“CHAPTER 515—STATE MARITIME ACADEMY SUPPORT**
 29 **PROGRAM**

“Sec.

“51501. *General support program.*

“51502. *Detailing of personnel.*

“51503. *Regional maritime academies.*

“51504. *Use of training vessels.*

“51505. *Annual payments for maintenance and support.*

“51506. *Conditions to receiving payments and use of vessels.*

“51507. *Places of training.*

“51508. *Allowances for students.*

“51509. *Student incentive payment agreements.*

“51510. *Deferment of service obligation under student incentive payment agreements.*

“51511. *Midshipman status in the Naval Reserve.*

30 **“§51501. General support program**

31 “(a) *ASSISTANCE TO STATE MARITIME ACADEMIES.*—*The Secretary of*
 32 *Transportation shall cooperate with and assist State maritime academies in*

1 *providing instruction to individuals to prepare them for service in the mer-*
 2 *chant marine of the United States.*

3 “(b) *COURSE DEVELOPMENT.*—*The Secretary shall provide to each State*
 4 *maritime academy guidance and assistance in developing courses on the oper-*
 5 *ation and maintenance of new vessels, on equipment, and on innovations*
 6 *being introduced to the merchant marine of the United States.*

7 **“§51502. Detailing of personnel**

8 “*At the request of the Governor of a State, the President may detail, with-*
 9 *out reimbursement, personnel of the Navy, the Coast Guard, and the Maritime*
 10 *Service to a State maritime academy to serve as a superintendent, professor,*
 11 *lecturer, or instructor at the academy.*

12 **“§51503. Regional maritime academies**

13 “*The Governors of the States cooperating to sponsor a regional maritime*
 14 *academy shall designate in writing one of those States to conduct the affairs*
 15 *of that academy. A regional maritime academy is eligible for assistance from*
 16 *the United States Government on the same basis as a State maritime acad-*
 17 *emy sponsored by a single State.*

18 **“§51504. Use of training vessels**

19 “(a) *APPLICATIONS TO USE VESSELS.*—*The Governor of a State spon-*
 20 *soring a State maritime academy (or the Governor of the State designated*
 21 *to conduct the affairs of a regional maritime academy) may apply in writing*
 22 *to the Secretary of Transportation to obtain the use of a training vessel for*
 23 *the academy. A vessel provided under this section remains the property of the*
 24 *United States Government.*

25 “(b) *GENERAL AUTHORITY.*—*Subject to subsection (c), the Secretary may*
 26 *provide to a State maritime academy, for use as a training vessel, a suitable*
 27 *vessel under the control of the Secretary or made available to the Secretary*
 28 *under subsection (e). If a suitable vessel is not available, the Secretary may*
 29 *build and provide a suitable vessel.*

30 “(c) *APPROVAL REQUIREMENTS.*—*The Secretary may provide a vessel*
 31 *under this section only if—*

32 “(1) *an application has been made under subsection (a);*

33 “(2) *the State maritime academy satisfies section 51506(a) of this*
 34 *title; and*

35 “(3) *a suitable port will be available for the safe mooring of the vessel*
 36 *while the academy is using the vessel.*

37 “(d) *PREPARATION AND MAINTENANCE.*—*A vessel provided under this sec-*
 38 *tion shall be—*

39 “(1) *repaired, reconditioned, and equipped (with all apparel, charts,*
 40 *books, and instruments of navigation) as necessary for use as a training*
 41 *vessel; and*

1 “(2) maintained in good repair by the Secretary.

2 “(e) *AGENCY VESSELS*.—An agency may provide to the Secretary, for use
3 by a State maritime academy, a vessel (including equipment) that—

4 “(1) is suitable for training purposes; and

5 “(2) can be provided without detriment to the service to which the ves-
6 sel is assigned.

7 “(f) *FUEL COSTS*.—The Secretary may pay to a State maritime academy
8 the costs of fuel used by a vessel provided under this section while used for
9 training.

10 “(g) *REMOVING VESSELS FROM SERVICE AND VESSEL SHARING*.—The Sec-
11 retary may not—

12 “(1) take a vessel, currently in use as a training vessel under this sec-
13 tion, out of service to implement an alternative program (including ves-
14 sel sharing) unless the vessel is incapable of being maintained in good
15 repair as required by subsection (d); or

16 “(2) implement a program requiring a State maritime academy to
17 share its training vessel with another State maritime academy, except
18 with the express consent of Congress.

19 **“§51505. Annual payments for maintenance and support**

20 “(a) *PAYMENT AGREEMENTS*.—The Secretary of Transportation may make
21 an agreement (effective for not more than 4 years) with the following acad-
22 emies to provide annual payments to those academies for their maintenance
23 and support:

24 “(1) One State maritime academy in each State that satisfies section
25 51506(a) of this title.

26 “(2) Each regional maritime academy that satisfies section 51506(a)
27 of this title.

28 “(b) *PAYMENTS*.—

29 “(1) *IN GENERAL*.—Subject to paragraph (2), an annual payment to
30 an academy under subsection (a) shall be at least equal to the amount
31 given to the academy for its maintenance and support by the State in
32 which it is located, or, for a regional maritime academy, by all States
33 cooperating to sponsor the academy.

34 “(2) *MAXIMUM*.—The amount under paragraph (1) may not be more
35 than \$25,000. However, if the academy satisfies section 51506(b) of this
36 title, the amount shall be—

37 “(A) \$100,000 for a State maritime academy; and

38 “(B) \$200,000 for a regional maritime academy.

1 **“§51506. Conditions to receiving payments and use of vessels**

2 “(a) *GENERAL CONDITIONS.*—As conditions of receiving an annual pay-
3 ment or the use of a vessel under this chapter, a State maritime academy
4 must—

5 “(1) provide courses of instruction on navigation, marine engineering
6 (including steam and diesel propulsion), the operation and maintenance
7 of new vessels and equipment, and innovations being introduced to the
8 merchant marine of the United States;

9 “(2) agree in writing to conform to the standards for courses, training
10 facilities, admissions, and instruction that the Secretary of Transporta-
11 tion may establish after consultation with the superintendents of State
12 maritime academies; and

13 “(3) agree in writing to require, as a condition for graduation, that
14 each individual who is a citizen of the United States and who is attend-
15 ing the academy in a merchant marine officer preparation program pass
16 the examination required for the issuance of a license under section 7101
17 of this title.

18 “(b) *ADDITIONAL CONDITION TO PAYMENTS OF MORE THAN \$25,000.*—As
19 a condition of receiving an annual payment of more than \$25,000 under sec-
20 tion 51505 of this title, a State maritime academy also must agree to admit
21 each year a number of citizens of the United States who meet its admission
22 requirements and reside in a State not supporting that academy. The Sec-
23 retary shall determine the number of individuals to be admitted by each acad-
24 emy under this subsection. The number may not be more than one-third of
25 the total number of individuals attending the academy at any time.

26 **“§51507. Places of training**

27 “The Secretary of Transportation may provide for the training of students
28 attending a State maritime academy—

29 “(1) on vessels owned or subsidized by the United States Government;

30 “(2) on other documented vessels, with the permission of the owner;
31 and

32 “(3) in shipyards or plants and with industrial or educational organi-
33 zations.

34 **“§51508. Allowances for students**

35 “Under regulations prescribed by the Secretary of Transportation, a stu-
36 dent at a State maritime academy shall receive from the Secretary allowances
37 for transportation (including reimbursement of traveling expenses) when trav-
38 eling under orders to receive training under section 51507 of this title.

39 **“§51509. Student incentive payment agreements**

40 “(a) *GENERAL AUTHORITY.*—If a State maritime academy has an agree-
41 ment with the Secretary of Transportation under section 51505 of this title,

1 *the Secretary may make an agreement with a student at the academy who*
2 *is a citizen of the United States to make student incentive payments to the*
3 *individual. An agreement with a student may not be effective for more than*
4 *4 academic years. The Secretary shall allocate payments under this section*
5 *among the various State maritime academies in an equitable manner.*

6 “(b) *PAYMENTS.*—*Payments under an agreement under this section shall*
7 *be equal to \$4,000 each academic year and be paid, as prescribed by the Sec-*
8 *retary, while the individual is attending the academy. The payments shall be*
9 *used for uniforms, books, and subsistence.*

10 “(c) *MIDSHIPMAN AND ENLISTED RESERVE STATUS.*—*An agreement under*
11 *this section shall require the student to accept midshipman and enlisted re-*
12 *serve status in the Naval Reserve (including the Merchant Marine Reserve,*
13 *Naval Reserve) before receiving any payments under the agreement.*

14 “(d) *AGREEMENT REQUIREMENTS.*—*An agreement under this section shall*
15 *require the student to—*

16 “(1) *complete the course of instruction at the academy the individual*
17 *is attending;*

18 “(2) *take the examination for a license as an officer in the merchant*
19 *marine of the United States before graduation from the academy and ful-*
20 *fill the requirements for such a license within 3 months after graduation*
21 *from the academy;*

22 “(3) *maintain a valid license as an officer in the merchant marine*
23 *of the United States for at least 6 years after graduation from the acad-*
24 *emy, accompanied by the appropriate national and international en-*
25 *endorsements and certification required by the Coast Guard for service*
26 *aboard vessels on domestic and international voyages;*

27 “(4) *accept, if tendered, an appointment as a commissioned officer in*
28 *the Naval Reserve (including the Merchant Marine Reserve, Naval Re-*
29 *serve), the Coast Guard Reserve, or any other reserve unit of an armed*
30 *force of the United States, and, if tendered the appointment, to serve for*
31 *at least 6 years after graduation from the academy;*

32 “(5) *serve the foreign and domestic commerce and the national defense*
33 *of the United States for at least 3 years after graduation from the acad-*
34 *emy—*

35 “(A) *as a merchant marine officer on a documented vessel or a*
36 *vessel owned and operated by the United States Government or by*
37 *a State;*

38 “(B) *as an employee in a United States maritime-related indus-*
39 *try, profession, or marine science (as determined by the Secretary),*
40 *if the Secretary determines that service under subclause (A) is not*
41 *available to the individual;*

1 “(C) as a commissioned officer on active duty in an armed force
2 of the United States, as a commissioned officer in the National Oce-
3 anic and Atmospheric Administration, or in other maritime-related
4 Federal employment which serves the national security interests of
5 the United States, as determined by the Secretary; or

6 “(D) by a combination of the service alternatives referred to in
7 subclauses (A)–(C); and

8 “(6) report to the Secretary on compliance with this subsection.

9 “(e) *FAILURE TO COMPLETE COURSE OF INSTRUCTION.*—

10 “(1) *ACTIVE DUTY.*—If the Secretary of Transportation determines
11 that an individual who has accepted the payments described in sub-
12 section (b) for a minimum of 2 academic years has failed to fulfill the
13 part of the agreement described in subsection (d)(1), the individual may
14 be ordered by the Secretary of Defense to serve on active duty in the
15 armed forces of the United States for a period of not more than 2 years.
16 In cases of hardship as determined by the Secretary of Transportation,
17 the Secretary of Transportation may waive this paragraph in whole or
18 in part.

19 “(2) *RECOVERY OF COST.*—If the Secretary of Defense is unable or un-
20 willing to order an individual to serve on active duty under paragraph
21 (1), or if the Secretary of Transportation determines that reimbursement
22 of the cost of education provided would better serve the interests of the
23 United States, the Secretary of Transportation may recover from the in-
24 dividual the amount of student incentive payments, plus interest and at-
25 torney fees. The Secretary may reduce the amount to be recovered to re-
26 flect partial performance of service obligations and other factors the Sec-
27 retary determines merit a reduction.

28 “(f) *FAILURE TO CARRY OUT OTHER REQUIREMENTS.*—

29 “(1) *ACTIVE DUTY.*—If the Secretary of Transportation determines
30 that an individual has failed to fulfill any part of the agreement de-
31 scribed in subsection (d)(2)–(6), the individual may be ordered to serve
32 on active duty for a period of at least 2 years but not more than the
33 unexpired period (as determined by the Secretary) of the service required
34 by subsection (d)(5). The Secretary of Transportation, in consultation
35 with the Secretary of Defense, shall determine in which service the indi-
36 vidual shall serve. In cases of hardship as determined by the Secretary
37 of Transportation, the Secretary of Transportation may waive this para-
38 graph in whole or in part.

39 “(2) *RECOVERY OF COST.*—If the Secretary of Defense is unable or un-
40 willing to order an individual to serve on active duty under paragraph
41 (1), or if the Secretary of Transportation determines that reimbursement

1 of the cost of education provided would better serve the interests of the
 2 United States, the Secretary of Transportation may recover from the in-
 3 dividual the amount of student incentive payments, plus interest and at-
 4 torney fees. The Secretary may reduce the amount to be recovered to re-
 5 flect partial performance of service obligations and other factors the Sec-
 6 retary determines merit a reduction.

7 “(g) *ACTIONS TO RECOVER COST.*—To aid in the recovery of the cost of
 8 education provided by the Government under a commitment agreement under
 9 this section, the Secretary of Transportation may—

10 “(1) request the Attorney General to bring a civil action against the
 11 individual; and

12 “(2) make use of the Federal debt collection procedures in chapter 176
 13 of title 28 or other applicable administrative remedies.

14 **“§51510. Deferment of service obligation under student in-**
 15 **centive payment agreements**

16 “The Secretary of Transportation may defer the service commitment of an
 17 individual under section 51509(d)(5) of this title (as specified in the agree-
 18 ment under section 51509) for not more than 2 years if the individual is en-
 19 gaged in a graduate course of study approved by the Secretary. However,
 20 deferment of service as a commissioned officer on active duty must be ap-
 21 proved by the Secretary of the affected military department (or the Secretary
 22 of Commerce, for service with the National Oceanic and Atmospheric Admin-
 23 istration).

24 **“§51511. Midshipman status in the Naval Reserve**

25 “A citizen of the United States attending a State maritime academy may
 26 be appointed by the Secretary of the Navy as a midshipman in the Naval
 27 Reserve (including the Merchant Marine Reserve, Naval Reserve).

28 **“CHAPTER 517—OTHER SUPPORT FOR MERCHANT**
 29 **MARINE TRAINING**

“Sec.

“51701. *United States Maritime Service.*

“51702. *Civilian nautical schools.*

“51703. *Additional training.*

“51704. *Training for maritime oil pollution prevention, response, and clean-up.*

30 **“§51701. United States Maritime Service**

31 “(a) *GENERAL AUTHORITY.*—The Secretary of Transportation may estab-
 32 lish and maintain a voluntary organization, to be known as the United
 33 States Maritime Service, for the training of citizens of the United States to
 34 serve on merchant vessels of the United States.

35 “(b) *SPECIFIC AUTHORITY.*—The Secretary may—

36 “(1) determine the number of individuals to be enrolled for training
 37 and reserve purposes in the Service;

1 “(2) fix the rates of pay and allowances of the individuals without re-
2 gard to chapter 51 or subchapter III of chapter 53 of title 5;

3 “(3) prescribe the course of study and the periods of training for the
4 Service; and

5 “(4) prescribe the uniform of the Service and the rules on providing
6 and wearing the uniform.

7 “(c) RANKS, GRADES, AND RATINGS.—The ranks, grades, and ratings for
8 personnel of the Service shall be the same as those prescribed for personnel
9 of the Coast Guard.

10 “(d) MEDALS AND AWARDS.—The Secretary may establish and maintain
11 a medals and awards program to recognize distinguished service, superior
12 achievement, professional performance, and other commendable achievement
13 by personnel of the Service.

14 **“§51702. Civilian nautical schools**

15 “(a) DEFINITION.—In this section, the term ‘civilian nautical school’
16 means a school operated in the United States (except the United States Mer-
17 chant Marine Academy, a State maritime academy, or another school oper-
18 ated by the United States Government) that offers instruction to individuals
19 quartered on a vessel primarily to train them for service in the merchant ma-
20 rine.

21 “(b) INSPECTION.—Each civilian nautical school is subject to inspection by
22 the Secretary of Transportation.

23 “(c) RATING AND CERTIFICATION.—The Secretary may, under regulations
24 the Secretary may prescribe, provide for the rating and certification of civil-
25 ian nautical schools as to the adequacy of their course of instruction, the com-
26 petence of their instructors, and the suitability of the equipment used in their
27 course of instruction.

28 **“§51703. Additional training**

29 “(a) GENERAL AUTHORITY.—The Secretary of Transportation may provide
30 additional training on maritime subjects to supplement other training oppor-
31 tunities and make the training available to the personnel of the merchant ma-
32 rine of the United States and individuals preparing for a career in the mer-
33 chant marine of the United States.

34 “(b) EQUIPMENT, SUPPLIES, AND CONTRACTS.—The Secretary may—

35 “(1) prepare or buy equipment or supplies required for the additional
36 training; and

37 “(2) without regard to section 3709 of the Revised Statutes (41 U.S.C.
38 5), make contracts for services the Secretary considers necessary to pre-
39 pare the equipment and supplies and to supervise and administer the
40 additional training.

1 **“§51704. Training for maritime oil pollution prevention, re-**
 2 **sponse, and clean-up**

3 “(a) ASSISTANCE IN ESTABLISHING PROGRAM.—The Secretary of Trans-
 4 portation shall assist maritime training institutions approved by the Sec-
 5 retary in establishing a training program for maritime oil pollution preven-
 6 tion, response, and clean-up.

7 “(b) PROVIDING TRAINING VESSELS.—Subject to subsection (c), the Sec-
 8 retary may provide, with title free of all liens, to maritime training institu-
 9 tions that have a program established under subsection (a), offshore supply
 10 vessels and tug/supply vessels that were built in the United States and are
 11 in the possession of the Maritime Administration because of a default on a
 12 loan guaranteed under chapter 537 of this title.

13 “(c) REQUIREMENTS.—In addition to any other requirements the Secretary
 14 considers appropriate, the following requirements apply to vessels provided
 15 under this section:

16 “(1) The vessel shall be offered to the institution at a location selected
 17 by the Secretary.

18 “(2) The institution shall use the vessel to train students and appro-
 19 priate maritime industry personnel in oil spill prevention, response,
 20 clean-up, and related skills.

21 “(3) The institution shall make the vessel and qualified students avail-
 22 able to appropriate Federal, State, and local oil spill response authorities
 23 when there is a maritime oil spill.

24 “(4) The institution may not sell, trade, charter, donate, scrap, or in
 25 any way alter or dispose of the vessel without prior approval of the Sec-
 26 retary.

27 “(5) The institution may not use the vessel in competition with a pri-
 28 vately-owned vessel documented under chapter 121 of this title or titled
 29 under the law of a State, unless necessary to carry out this section.

30 “(6) When the institution can no longer use the vessel for its training
 31 program, the institution shall return the vessel to the Secretary. The Sec-
 32 retary shall take possession at the institution and thereafter may provide
 33 the vessel to another institution under this section or dispose of the vessel.

34 **“CHAPTER 519—MERCHANT MARINE AWARDS**

“Sec.

“51901. Awards for individual acts or service.

“51902. Gallant Ship Award.

“51903. Multiple awards.

“51904. Presentation to representatives.

“51905. Flags and grave markers.

“51906. Special certificates for civilian service to armed forces.

“51907. Manufacture and sale of awards and replacements.

“51908. Prohibition against unauthorized manufacture, sale, possession, or display of awards.

1 **“§51901. Awards for individual acts or service**

2 “(a) *GENERAL AUTHORITY.*—*The Secretary of Transportation may award*
 3 *decorations and medals of appropriate design (including ribbons, ribbon bars,*
 4 *emblems, rosettes, miniature facsimiles, plaques, citations, or other suitable*
 5 *devices or insignia) for individual acts or service in the merchant marine of*
 6 *the United States. The design may be similar to the design of a decoration*
 7 *or medal authorized for members of the armed forces for similar acts or serv-*
 8 *ice.*

9 “(b) *SPECIFIC AUTHORITY.*—*The Secretary may award—*

10 “(1) *a Merchant Marine Distinguished Service Medal to an individual*
 11 *for outstanding acts, conduct, or valor beyond the line of duty;*

12 “(2) *a Merchant Marine Meritorious Service Medal to an individual*
 13 *for meritorious acts, conduct, or valor in the line of duty, but not of the*
 14 *outstanding character that would warrant the award of the Merchant*
 15 *Marine Distinguished Service Medal;*

16 “(3) *a decoration or medal to an individual for service during a war,*
 17 *national emergency proclaimed by the President or Congress, or oper-*
 18 *ations by the armed forces outside the continental United States under*
 19 *conditions of danger to life and property; and*

20 “(4) *a decoration or medal to an individual for other acts or service*
 21 *of conspicuous gallantry, intrepidity, and extraordinary heroism under*
 22 *conditions of danger to life and property that would warrant a similar*
 23 *decoration or medal for a member of the armed forces.*

24 **“§51902. Gallant Ship Award**

25 “(a) *AWARDS TO VESSELS.*—*The Secretary of Transportation may award*
 26 *a Gallant Ship Award and a citation to a vessel (including a foreign vessel)*
 27 *participating in outstanding or gallant action in a marine disaster or other*
 28 *emergency to save life or property at sea. The Secretary may award a plaque*
 29 *to the vessel, and a replica of the plaque may be preserved as a permanent*
 30 *historical record.*

31 “(b) *AWARDS TO CREWS.*—*The Secretary of Transportation may award an*
 32 *appropriate citation ribbon bar to the master and each individual serving,*
 33 *at the time of the action, on a vessel issued an award under subsection (a).*

34 “(c) *CONSULTATION.*—*The Secretary of Transportation shall consult with*
 35 *the Secretary of State before awarding an award or citation to a foreign ves-*
 36 *sel or its crew under this section.*

37 **“§51903. Multiple awards**

38 “*An individual may not be awarded more than one of any type of decora-*
 39 *tion or medal under this chapter. For each succeeding act or service justifying*
 40 *the same decoration or medal, a suitable device may be awarded to be worn*
 41 *with the decoration or medal.*

1 **“§51904. Presentation to representatives**

2 “If an individual to be issued an award under this chapter is unable to
3 accept the award personally, the Secretary of Transportation may present the
4 award to an appropriate representative.

5 **“§51905. Flags and grave markers**

6 “Except as authorized under another law, the Secretary of Transportation
7 may issue, at no cost, a flag of the United States and a grave marker to the
8 family or personal representative of a deceased individual who served in the
9 merchant marine of the United States in support of the armed forces of the
10 United States or its allies during a war or national emergency.

11 **“§51906. Special certificates for civilian service to armed
12 forces**

13 “(a) GENERAL AUTHORITY.—The Maritime Administrator may issue a
14 special certificate to an individual, or the personal representative of an indi-
15 vidual, in recognition of service of that individual in the merchant marine
16 of the United States, if the service has been determined to be active duty
17 under section 401 of the GI Bill Improvement Act of 1977 (Public Law 95–
18 202; 38 U.S.C. 106 note).

19 “(b) RELATIONSHIP TO OTHER LAWS.—Issuance of a certificate under sub-
20 section (a) does not entitle an individual to any rights, privileges, or benefits
21 under a law of the United States.

22 **“§51907. Manufacture and sale of awards and replacements**

23 “The Secretary of Transportation may—

24 “(1) authorize private persons to manufacture decorations and medals
25 authorized under this chapter or a prior law; and

26 “(2) provide at cost, or authorize private persons to sell at reasonable
27 prices, replacements for those decorations and medals.

28 **“§51908. Prohibition against unauthorized manufacture,
29 sale, possession, or display of awards**

30 “(a) PROHIBITION.—Except as authorized under this chapter, a person
31 may not manufacture, sell, possess, or display a decoration or medal provided
32 for in this chapter.

33 “(b) CIVIL PENALTY.—A person violating this section is liable to the
34 United States Government for a civil penalty of not more than \$2,000.

35 **“CHAPTER 521—MISCELLANEOUS**

“Sec.

“52101. Reemployment rights for certain merchant seamen.

36 **“§52101. Reemployment rights for certain merchant seamen**

37 “(a) IN GENERAL.—An individual who is certified by the Secretary of
38 Transportation under subsection (c) shall be entitled to reemployment rights
39 and other benefits substantially equivalent to the rights and benefits provided

1 for by chapter 43 of title 38 for any member of a reserve component of the
2 armed forces of the United States who is ordered to active duty.

3 “(b) *TIME FOR APPLICATION.*—An individual may submit an application
4 for certification under subsection (c) to the Secretary not later than 45 days
5 after the date the individual completes a period of employment described in
6 subsection (c)(1)(A) with respect to which the application is submitted.

7 “(c) *CERTIFICATION DETERMINATION.*—Not later than 20 days after the
8 date the Secretary receives from an individual an application for certification
9 under this subsection, the Secretary shall—

10 “(1) determine whether the individual—

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

12 “(i) in the National Defense Reserve Fleet maintained under
13 section 11 of the Merchant Ship Sales Act of 1946 (50 App.
14 U.S.C. 1744) in a period in which the vessel was in use or
15 being activated for use under subsection (b) of that section;

16 “(ii) requisitioned or purchased under chapter 563 of this
17 title; or

18 “(iii) owned, chartered, or controlled by the United States
19 Government and used by the Government for a war, armed
20 conflict, national emergency, or maritime mobilization need
21 (including for training purposes or testing for readiness and
22 suitability for mission performance); and

23 “(B) during the period of that employment, possessed a valid li-
24 cense, certificate of registry, or merchant mariner’s document issued
25 under chapter 71 or 73 of this title; and

26 “(2) if the Secretary makes affirmative determinations under para-
27 graph (1)(A) and (B), certify that individual under this subsection.

28 “(d) *EQUIVALENCE TO MILITARY SELECTIVE SERVICE ACT CERTIFI-*
29 *CATE.*—For purposes of reemployment rights and benefits provided by this
30 section, a certification under subsection (c) shall be considered to be the equiv-
31 alent of a certificate described in section 9(a) of the Military Selective Service
32 Act (50 App. U.S.C. 459(a)).

33 “*PART C—FINANCIAL ASSISTANCE PROGRAMS*”.

34 (c) *CHAPTERS FOLLOWING CHAPTER 531.*—Subtitle V of title 46, United
35 States Code, is amended by adding at the end the following:

36 “**CHAPTER 533—CONSTRUCTION RESERVE FUNDS**

“Sec.

“53301. Definitions.

“53302. Authority for construction reserve funds.

“53303. Persons eligible to establish funds.

“53304. Vessel ownership.

“53305. Eligible fund deposits.

“53306. Recognition of gain for tax purposes.

“53307. Basis for determining gain or loss and for depreciating new vessels.

“53308. Order and proportions of deposits and withdrawals.

“53309. Accumulation of deposits.

“53310. Obligation of deposits and period for construction of certain vessels.

“53311. Taxation of deposits on failure of conditions.

“53312. Assessment and collection of deficiency tax.

1 **“§53301. Definitions**

2 “(a) *IN GENERAL.*—*In this chapter:*

3 “(1) *CONSTRUCTION CONTRACT.*—*The term ‘construction contract’ in-*
4 *cludes, for a taxpayer constructing a new vessel in a shipyard owned by*
5 *that taxpayer, an agreement between the taxpayer and the Secretary of*
6 *Transportation for that construction containing provisions the Secretary*
7 *considers advisable to carry out this chapter.*

8 “(2) *NEW VESSEL.*—*The term ‘new vessel’ means—*

9 “(A) *a vessel—*

10 “(i) *constructed in the United States after December 31,*
11 *1939, constructed with a construction-differential subsidy*
12 *under title V of the Merchant Marine Act, 1936, or constructed*
13 *with financing or a financing guarantee under chapter 537 or*
14 *575 of this title;*

15 “(ii) *documented or agreed with the Secretary to be docu-*
16 *mented under the laws of the United States; and*

17 “(iii)(I) *of a type, size, and speed that the Secretary deter-*
18 *mines is suitable for use on the high seas or Great Lakes in*
19 *carrying out this subtitle, but not less than 2,000 gross tons or*
20 *less than 12 knots speed unless the Secretary certifies in each*
21 *case that a vessel of lesser tonnage or speed is desirable for use*
22 *by the United States Government in case of war or national*
23 *emergency; or*

24 “(II) *constructed to replace a vessel bought or requisitioned*
25 *by the Government; and*

26 “(B) *a vessel reconstructed or reconditioned for use only on the*
27 *Great Lakes, including the Saint Lawrence River and Gulf, if the*
28 *Secretary finds that the reconstruction or reconditioning will pro-*
29 *mote the objectives of this subtitle.*

30 “(b) *ADDITIONAL TAX-RELATED TERMS.*—*Other terms used in this chapter*
31 *have the same meaning as in chapter 1 of the Internal Revenue Code of 1986*
32 *(26 U.S.C. ch. 1).*

33 **“§53302. Authority for construction reserve funds**

34 “(a) *GENERAL AUTHORITY.*—*An eligible person under section 53303 of this*
35 *title may establish a construction reserve fund for the construction, recon-*
36 *struction, reconditioning, or acquisition of a new vessel or for other purposes*
37 *authorized by this chapter.*

1 “(b) *APPLICATION OF CERTAIN LAWS AND REGULATIONS.*—*The fund shall*
 2 *be established, maintained, expended, and used as provided by this chapter*
 3 *and regulations prescribed jointly by the Secretary of Transportation and the*
 4 *Secretary of the Treasury.*

5 **“§53303. Persons eligible to establish funds**

6 *“A construction reserve fund may be established by a citizen of the United*
 7 *States that—*

8 *“(1) is operating a vessel in the foreign or domestic commerce of the*
 9 *United States or in the fisheries;*

10 *“(2) owns, in whole or in part, a vessel being operated in the foreign*
 11 *or domestic commerce of the United States or in the fisheries;*

12 *“(3) was operating a vessel in the foreign or domestic commerce of the*
 13 *United States or in the fisheries when it was bought or requisitioned by*
 14 *the United States Government;*

15 *“(4) owned, in whole or in part, a vessel being operated in the foreign*
 16 *or domestic commerce of the United States or in the fisheries when it*
 17 *was bought or requisitioned by the Government; or*

18 *“(5) had acquired or was having constructed a vessel to operate in the*
 19 *foreign or domestic commerce of the United States or in the fisheries*
 20 *when it was bought or requisitioned by the Government.*

21 **“§53304. Vessel ownership**

22 *“In this chapter, a vessel is deemed to be constructed or acquired by a tax-*
 23 *payer if constructed or acquired by a corporation when the taxpayer owns*
 24 *at least 95 percent of each class of stock of the corporation.*

25 **“§53305. Eligible fund deposits**

26 *“A construction reserve fund may include deposits of—*

27 *“(1) the proceeds from the sale of a vessel;*

28 *“(2) indemnities for the loss of a vessel;*

29 *“(3) earnings from the operation of a documented vessel and from*
 30 *services incident to the operation; and*

31 *“(4) interest or other amounts accrued on deposits in the fund.*

32 **“§53306. Recognition of gain for tax purposes**

33 “(a) *DEFINITIONS.*—*In this section, the terms ‘net proceeds’ and ‘net in-*
 34 *demnity’ mean the sum of—*

35 *“(1) the adjusted basis of the vessel; and*

36 *“(2) the amount of gain the taxpayer would recognize without regard*
 37 *to this section.*

38 “(b) *RECOGNITION OF GAIN.*—*In computing net income under the income*
 39 *or excess profits tax laws of the United States, a taxpayer does not recognize*
 40 *a gain on the sale or the actual or constructive total loss of a vessel if the*
 41 *taxpayer—*

1 “(1) deposits an amount equal to the net proceeds of the sale or the
2 net indemnity for the loss in a construction reserve fund within 60 days
3 after receiving the payment of proceeds or indemnity; and

4 “(2) elects under this section not to recognize the gain.

5 “(c) *WHEN ELECTION MUST BE MADE.*—

6 “(1) *IN GENERAL.*—*Except as provided in paragraph (2), the taxpayer*
7 *must make the election referred to in subsection (b) in the taxpayer’s in-*
8 *come tax return for the taxable year in which the gain was realized.*

9 “(2) *RECEIPT AFTER TAXABLE YEAR.*—*If the vessel is bought or requi-*
10 *sitioned by the United States Government, or is lost, and the taxpayer*
11 *receives payment for the vessel or indemnity for the loss from the Govern-*
12 *ment after the end of the taxable year in which it was bought, requi-*
13 *sitioned, or lost, the taxpayer must make the election referred to in sub-*
14 *section (b) within 60 days after receiving the payment or indemnity, on*
15 *a form prescribed by the Secretary of the Treasury.*

16 “(d) *EFFECT OF STATUTE OF LIMITATION.*—*If the taxpayer makes an elec-*
17 *tion under subsection (c)(2), and computation or recomputation under this*
18 *section is otherwise allowable but is prevented by a statute of limitation on*
19 *the date the election is made or within 6 months thereafter, the computation*
20 *or recomputation nevertheless shall be made notwithstanding the statute if the*
21 *taxpayer files a claim for the computation or recomputation within 6 months*
22 *after the date of making the election.*

23 **“§53307. Basis for determining gain or loss and for depre-**
24 **ciating new vessels**

25 “*Under the income or excess profits tax laws of the United States, the basis*
26 *for determining a gain or loss and for depreciation of a new vessel con-*
27 *structed, reconstructed, reconditioned, or acquired by the taxpayer, or for*
28 *which purchase-money indebtedness is liquidated as provided in section 53310*
29 *of this title, with amounts from a construction reserve fund, shall be reduced*
30 *by that part of the deposits in the fund expended in the construction, recon-*
31 *struction, reconditioning, acquisition, or liquidation of purchase-money in-*
32 *debtedness of the new vessel that represents a gain not recognized for tax pur-*
33 *poses under section 53306 of this title.*

34 **“§53308. Order and proportions of deposits and withdrawals**

35 “*In this chapter—*

36 “(1) *if the net proceeds of a sale or the net indemnity for a loss is*
37 *deposited in more than one deposit, the amount consisting of the gain*
38 *shall be deemed to be deposited first;*

39 “(2) *amounts expended, obligated, or otherwise withdrawn shall be ap-*
40 *plied against the amounts deposited in the fund in the order of deposit;*
41 *and*

1 “(3) if a deposit consists in part of a gain not recognized under sec-
2 tion 53306 of this title, any expenditure, obligation, or withdrawal ap-
3 plied against that deposit shall be deemed to be a gain in the proportion
4 that the part of the deposit consisting of a gain bears to the total amount
5 of the deposit.

6 **“§53309. Accumulation of deposits**

7 “*For any taxable year, amounts on deposit in a construction reserve fund*
8 *on the last day of the taxable year, for which the requirements of section*
9 *53310 of this title have been satisfied (to the extent they apply on the last*
10 *day of the taxable year), are deemed to have been retained for the reasonable*
11 *needs of the business within the meaning of section 537(a) of the Internal*
12 *Revenue Code of 1986 (26 U.S.C. 537(a)).*

13 **“§53310. Obligation of deposits and period for construction**
14 **of certain vessels**

15 “(a) *APPLICATION OF SECTIONS 53306 AND 53309.—Sections 53306 and*
16 *53309 of this title apply to a deposit in a construction reserve fund only if,*
17 *within 3 years after the date of the deposit (and any extension under sub-*
18 *section (c))—*

19 “(1)(A) *a contract is made for the construction or acquisition of a new*
20 *vessel or, with the approval of the Secretary of Transportation, for a*
21 *part interest in a new vessel or for the reconstruction or reconditioning*
22 *of a new vessel;*

23 “(B) *the deposit is expended or obligated for expenditure under that*
24 *contract;*

25 “(C) *at least 12.5 percent of the construction or contract price of the*
26 *vessel is paid or irrevocably committed for payment; and*

27 “(D) *the plans and specifications for the vessel are approved by the*
28 *Secretary to the extent the Secretary considers necessary; or*

29 “(2) *the deposit is expended or obligated for expenditure for the liq-*
30 *uidation of existing or subsequently incurred purchase-money indebted-*
31 *ness to a person not a parent company of, or a company affiliated or*
32 *associated with, the mortgagor on a new vessel.*

33 “(b) *ADDITIONAL REQUIREMENTS FOR CERTAIN VESSELS.—In addition to*
34 *the requirements of subsection (a)(1), for a vessel not constructed under a con-*
35 *struction-differential subsidy contract or not bought from the Secretary of*
36 *Transportation—*

37 “(1) *at least 5 percent of the construction (or, if the contract covers*
38 *more than one vessel, at least 5 percent of the construction of the first*
39 *vessel) must be completed within 6 months after the date of the construc-*
40 *tion contract (or within the period of an extension under subsection (c)),*

1 *as estimated by the Secretary and certified by the Secretary to the Sec-*
 2 *retary of the Treasury; and*

3 “(2) *construction under the contract must be completed with reason-*
 4 *able dispatch thereafter.*

5 “(c) *EXTENSIONS.—The Secretary of Transportation may grant extensions*
 6 *of the period within which the deposits must be expended or obligated or with-*
 7 *in which the construction must have progressed to the extent of 5 percent com-*
 8 *pletion under this section. However, the extensions may not be for a total of*
 9 *more than 2 years for the expenditure or obligation of deposits or one year*
 10 *for the progress of construction.*

11 **“§53311. Taxation of deposits on failure of conditions**

12 *“A deposited gain, if otherwise taxable income under the law applicable to*
 13 *the taxable year in which the gain was realized, shall be included in gross*
 14 *income for that taxable year, except for purposes of the declared value excess*
 15 *profits tax and the capital stock tax, if—*

16 “(1) *the deposited gain is not expended or obligated within the appro-*
 17 *priate period under section 53310 of this title;*

18 “(2) *the deposited gain is withdrawn before the end of that period;*

19 “(3) *the construction related to that deposited gain has not progressed*
 20 *to the extent of 5 percent of completion within the appropriate period*
 21 *under section 53310 of this title; or*

22 “(4) *the Secretary of Transportation finds and certifies to the Sec-*
 23 *retary of the Treasury that, for causes within the control of the taxpayer,*
 24 *the entire construction related to that deposited gain is not completed*
 25 *with reasonable dispatch.*

26 **“§53312. Assessment and collection of deficiency tax**

27 *“Notwithstanding any other provision of law, a deficiency in tax for a tax-*
 28 *able year resulting from the inclusion of an amount in gross income as pro-*
 29 *vided by section 53311 of this title, and the amount to be treated as a defi-*
 30 *ciency under section 53311 instead of as an adjustment for the declared value*
 31 *excess profits tax, may be assessed or a civil action may be brought to collect*
 32 *the deficiency without assessment, at any time. Interest on a deficiency or*
 33 *amount to be treated as a deficiency does not begin until the date the depos-*
 34 *ited gain or part of the deposited gain in question is required to be included*
 35 *in gross income under section 51111.*

36 **“CHAPTER 535—CAPITAL CONSTRUCTION FUNDS**

“Sec.

“53501. *Definitions.*

“53502. *Regulations.*

“53503. *Establishing a capital construction fund.*

“53504. *Deposits and withdrawals.*

“53505. *Ceiling on deposits.*

“53506. *Investment and fiduciary requirements.*

“53507. *Nontaxation of deposits.*

- “53508. *Separate accounts within a fund.*
 “53509. *Qualified withdrawals.*
 “53510. *Tax treatment of qualified withdrawals and basis of property.*
 “53511. *Tax treatment of nonqualified withdrawals.*
 “53512. *FIFO and LIFO withdrawals.*
 “53513. *Corporate reorganizations and partnership changes.*
 “53514. *Relationship of old fund to new fund.*
 “53515. *Records and reports.*
 “53516. *Termination of agreement after change in regulations.*
 “53517. *Reports.*

1 **“§ 53501. Definitions**

2 *“In this chapter:*

3 *“(1) AGREEMENT VESSEL.—The term ‘agreement vessel’ means—*

4 *“(A) an eligible vessel or a qualified vessel that is subject to an*
 5 *agreement under this chapter; and*

6 *“(B) a barge or container that is part of the complement of a*
 7 *vessel described in subclause (A) if provided for in the agreement.*

8 *“(2) ELIGIBLE VESSEL.—The term ‘eligible vessel’ means—*

9 *“(A) a vessel—*

10 *“(i) constructed in the United States (and, if reconstructed,*
 11 *reconstructed in the United States), constructed outside the*
 12 *United States but documented under the laws of the United*
 13 *States on April 15, 1970, or constructed outside the United*
 14 *States for use in the United States foreign trade pursuant to*
 15 *a contract made before April 15, 1970;*

16 *“(ii) documented under the laws of the United States; and*

17 *“(iii) operated in the foreign or domestic trade of the United*
 18 *States or in the fisheries of the United States; and*

19 *“(B) a commercial fishing vessel—*

20 *“(i) constructed in the United States and, if reconstructed,*
 21 *reconstructed in the United States;*

22 *“(ii) of at least 2 net tons but less than 5 net tons;*

23 *“(iii) owned by a citizen of the United States;*

24 *“(iv) having its home port in the United States; and*

25 *“(v) operated in the commercial fisheries of the United*
 26 *States.*

27 *“(3) JOINT REGULATIONS.—The term ‘joint regulations’ means regula-*
 28 *tions prescribed jointly by the Secretary and the Secretary of the Treas-*
 29 *ury under section 53502(b) of this title.*

30 *“(4) NONCONTIGUOUS TRADE.—The term ‘noncontiguous trade’*
 31 *means—*

32 *“(A) trade between—*

33 *“(i) one of the contiguous 48 States; and*

34 *“(ii) Alaska, Hawaii, Puerto Rico, or an insular territory*
 35 *or possession of the United States; and*

1 “(B) trade between—

2 “(i) a place in Alaska, Hawaii, Puerto Rico, or an insular
3 territory or possession of the United States; and

4 “(ii) another place in Alaska, Hawaii, Puerto Rico, or an
5 insular territory or possession of the United States.

6 “(5) QUALIFIED VESSEL.—The term ‘qualified vessel’ means—

7 “(A) a vessel—

8 “(i) constructed in the United States (and, if reconstructed,
9 reconstructed in the United States), constructed outside the
10 United States but documented under the laws of the United
11 States on April 15, 1970, or constructed outside the United
12 States for use in the United States foreign trade pursuant to
13 a contract made before April 15, 1970;

14 “(ii) documented under the laws of the United States; and

15 “(iii) agreed, between the Secretary and the person main-
16 taining the capital construction fund established under section
17 53503 of this title, to be operated in the United States foreign,
18 Great Lakes, or noncontiguous domestic trade or in the fish-
19 eries of the United States; and

20 “(B) a commercial fishing vessel—

21 “(i) constructed in the United States and, if reconstructed,
22 reconstructed in the United States;

23 “(ii) of at least 2 net tons but less than 5 net tons;

24 “(iii) owned by a citizen of the United States;

25 “(iv) having its home port in the United States; and

26 “(v) operated in the commercial fisheries of the United
27 States.

28 “(6) SECRETARY.—The term ‘Secretary’ means—

29 “(A) the Secretary of Commerce with respect to an eligible vessel
30 or a qualified vessel operated or to be operated in the fisheries of
31 the United States; and

32 “(B) the Secretary of Transportation with respect to other vessels.

33 “(7) UNITED STATES FOREIGN TRADE.—The term ‘United States for-
34 eign trade’ includes those areas in domestic trade in which a vessel built
35 with a construction-differential subsidy is allowed to operate under the
36 first sentence of section 506 of the Merchant Marine Act, 1936.

37 “(8) VESSEL.—The term ‘vessel’ includes—

38 “(A) cargo handling equipment that the Secretary determines is
39 intended for use primarily on the vessel; and

40 “(B) an ocean-going towing vessel, an ocean-going barge, or a
41 comparable towing vessel or barge operated on the Great Lakes.

1 **“§53502. Regulations**

2 “(a) *IN GENERAL.*—Except as provided in subsection (b), the Secretary
3 shall prescribe regulations to carry out this chapter.

4 “(b) *TAX LIABILITY.*—The Secretary and the Secretary of the Treasury
5 shall prescribe joint regulations for the determination of tax liability under
6 this chapter.

7 **“§53503. Establishing a capital construction fund**

8 “(a) *IN GENERAL.*—A citizen of the United States owning or leasing an
9 eligible vessel may make an agreement with the Secretary under this chapter
10 to establish a capital construction fund for the vessel.

11 “(b) *ALLOWABLE PURPOSE.*—The purpose of the agreement shall be to pro-
12 vide replacement vessels, additional vessels, or reconstructed vessels, built in
13 the United States and documented under the laws of the United States, for
14 operation in the United States foreign, Great Lakes, or noncontiguous domes-
15 tic trade or in the fisheries of the United States.

16 **“§53504. Deposits and withdrawals**

17 “(a) *REQUIRED DEPOSITS.*—An agreement to establish a capital construc-
18 tion fund shall provide for the deposit in the fund of the amounts agreed to
19 be appropriate to provide for qualified withdrawals under section 53509 of
20 this title.

21 “(b) *APPLICABLE REQUIREMENTS.*—Deposits in and withdrawals from the
22 fund are subject to the requirements included in the agreement or prescribed
23 by the Secretary by regulation. However, the Secretary may not require a
24 person to deposit in the fund for a taxable year more than 50 percent of that
25 portion of the person’s taxable income for that year (as determined under sec-
26 tion 53505(a)(1) of this title) that is attributable to the operation of an agree-
27 ment vessel.

28 **“§53505. Ceiling on deposits**

29 “(a) *MAXIMUM DEPOSITS.*—The amount deposited in a capital construc-
30 tion fund for a taxable year may not exceed the sum of—

31 “(1) that portion of the taxable income of the owner or lessee for the
32 taxable year (computed under chapter 1 of the Internal Revenue Code
33 of 1986 (26 U.S.C. ch. 1) but without regard to the carryback of net op-
34 erating loss or net capital loss or this chapter) that is attributable to the
35 operation of agreement vessels in the foreign or domestic trade of the
36 United States or in the fisheries of the United States;

37 “(2) the amount allowable as a deduction under section 167 of such
38 Code (26 U.S.C. 167) for the taxable year for agreement vessels;

39 “(3) if the transaction is not taken into account for purposes of clause
40 (1), the net proceeds (as defined in joint regulations) from the disposition

1 of an agreement vessel or from insurance or indemnity attributable to
2 an agreement vessel; and

3 “(4) the receipts from the investment or reinvestment of amounts held
4 in the fund.

5 “(b) *REDUCTIONS FOR LESSEES.*—For a lessee, the maximum amount that
6 may be deposited for an agreement vessel under subsection (a)(2) for any pe-
7 riod shall be reduced by any amount the owner is required or permitted,
8 under the capital construction fund agreement, to deposit for that period for
9 the vessel under subsection (a)(2).

10 **“§ 53506. Investment and fiduciary requirements**

11 “(a) *IN GENERAL.*—Amounts in a capital construction fund shall be kept
12 in the depository specified in the agreement and shall be subject to trustee
13 and other fiduciary requirements prescribed by the Secretary. Except as pro-
14 vided in subsection (b), amounts in the fund may be invested only in interest-
15 bearing securities approved by the Secretary.

16 “(b) *STOCK INVESTMENTS.*—

17 “(1) *IN GENERAL.*—With the approval of the Secretary, an agreed per-
18 centage (but not more than 60 percent) of the assets of the fund may be
19 invested in the stock of domestic corporations that—

20 “(A) is fully listed and registered on an exchange registered with
21 the Securities and Exchange Commission as a national securities
22 exchange; and

23 “(B) would be acquired by a prudent investor seeking a reason-
24 able income and the preservation of capital.

25 “(2) *PREFERRED STOCK.*—The preferred stock of a corporation is
26 deemed to satisfy the requirements of this subsection, even though it may
27 not be registered and listed because it is nonvoting stock, if the common
28 stock of the corporation satisfies the requirements and the preferred stock
29 otherwise would satisfy the requirements.

30 “(c) *MAINTAINING AGREED PERCENTAGE.*—If at any time the fair market
31 value of the stock in the fund is more than the agreed percentage of the assets
32 in the fund, any subsequent investment of amounts deposited in the fund, and
33 any subsequent withdrawal from the fund, shall be made in a way that tends
34 to restore the fair market value of the stock to not more than the agreed per-
35 centage.

36 **“§ 53507. Nontaxation of deposits**

37 “(a) *TAX TREATMENT.*—Subject to subsection (b), under the Internal Rev-
38 enue Code of 1986 (26 U.S.C. 1 et seq.)—

39 “(1) taxable income (determined without regard to this chapter and
40 section 7518 of such Code (26 U.S.C. 7518)) for the taxable year shall

1 *be reduced by the amount deposited for the taxable year out of amounts*
 2 *referred to in section 53505(a)(1) of this title;*

3 *“(2) a gain from a transaction referred to in section 53505(a)(3) of*
 4 *this title shall not be taken into account if an amount equal to the net*
 5 *proceeds (as defined in joint regulations) from the transaction is depos-*
 6 *ited in the fund;*

7 *“(3) the earnings (including gains and losses) from the investment and*
 8 *reinvestment of amounts held in the fund shall not be taken into account;*

9 *“(4) the earnings and profits of a corporation (within the meaning*
 10 *of section 316 of such Code (26 U.S.C. 316)) shall be determined without*
 11 *regard to this chapter and section 7518 of such Code (26 U.S.C. 7518);*
 12 *and*

13 *“(5) in applying the tax imposed by section 531 of such Code (26*
 14 *U.S.C. 531), amounts held in the fund shall not be taken into account.*

15 *“(b) CONDITION.—This section applies to an amount only if the amount*
 16 *is deposited in the fund under the agreement within the time provided in*
 17 *joint regulations.*

18 **“§ 53508. Separate accounts within a fund**

19 *“(a) IN GENERAL.—A capital construction fund shall have three accounts:*

20 *“(1) The capital account.*

21 *“(2) The capital gain account.*

22 *“(3) The ordinary income account.*

23 *“(b) CAPITAL ACCOUNT.—The capital account shall consist of—*

24 *“(1) amounts referred to in section 53505(a)(2) of this title;*

25 *“(2) amounts referred to in section 53505(a)(3) of this title, except*
 26 *that portion representing a gain not taken into account because of sec-*
 27 *tion 53507(a)(2) of this title;*

28 *“(3) the percentage applicable under section 243(a)(1) of the Internal*
 29 *Revenue Code of 1986 (26 U.S.C. 243(a)(1)) of any dividend received by*
 30 *the fund for which the person maintaining the fund would be allowed*
 31 *(were it not for section 53507(a)(3) of this title) a deduction under sec-*
 32 *tion 243 of such Code (26 U.S.C. 243); and*

33 *“(4) interest income exempt from taxation under section 103 of such*
 34 *Code (26 U.S.C. 103).*

35 *“(c) CAPITAL GAIN ACCOUNT.—The capital gain account shall consist of—*

36 *“(1) amounts representing capital gains on assets held for more than*
 37 *6 months and referred to in section 53505(a)(3) or (4) of this title;*
 38 *minus*

39 *“(2) amounts representing capital losses on assets held in the fund for*
 40 *more than 6 months.*

1 “(d) *ORDINARY INCOME ACCOUNT.*—*The ordinary income account shall*
2 *consist of—*

3 “(1) *amounts referred to in section 53505(a)(1) of this title;*

4 “(2)(A) *amounts representing capital gains on assets held for not more*
5 *than 6 months and referred to in section 53505(a)(3) or (4) of this title;*
6 *minus*

7 “(B) *amounts representing capital losses on assets held in the fund for*
8 *not more than 6 months;*

9 “(3) *interest (except tax-exempt interest referred to in subsection*
10 *(b)(4)) and other ordinary income (except any dividend referred to in*
11 *clause (5)) received on assets held in the fund;*

12 “(4) *ordinary income from a transaction described in section*
13 *53505(a)(3) of this title; and*

14 “(5) *that portion of any dividend referred to in subsection (b)(3) not*
15 *taken into account under subsection (b)(3).*

16 “(e) *WHEN LOSSES ALLOWED.*—*Except on termination of a fund, capital*
17 *losses referred to in subsection (c) or (d)(2) shall be allowed only as an offset*
18 *to gains referred to in subsection (c) or (d)(2), respectively.*

19 **“§53509. *Qualified withdrawals***

20 “(a) *IN GENERAL.*—*Subject to subsection (b), a withdrawal from a capital*
21 *construction fund is a qualified withdrawal if it is made under the terms of*
22 *the agreement and is for—*

23 “(1) *the acquisition, construction, or reconstruction of a qualified ves-*
24 *sel or a barge or container that is part of the complement of a qualified*
25 *vessel; or*

26 “(2) *the payment of the principal on indebtedness incurred in the ac-*
27 *quisition, construction, or reconstruction of a qualified vessel or a barge*
28 *or container that is part of the complement of a qualified vessel.*

29 “(b) *BARGES AND CONTAINERS.*—*Except as provided in regulations pre-*
30 *scribed by the Secretary, subsection (a) applies to a barge or container only*
31 *if it is constructed in the United States.*

32 “(c) *TREATMENT AS NONQUALIFIED WITHDRAWAL.*—*Under joint regula-*
33 *tions, if the Secretary determines that a substantial obligation under an*
34 *agreement is not being fulfilled, the Secretary, after notice and opportunity*
35 *for a hearing to the person maintaining the fund, may treat any amount in*
36 *the fund as an amount withdrawn from the fund in a nonqualified with-*
37 *drawal.*

38 **“§53510. *Tax treatment of qualified withdrawals and basis***
39 ***of property***

40 “(a) *ORDER OF WITHDRAWALS.*—*A qualified withdrawal from a capital*
41 *construction fund shall be treated as made—*

1 “(1) first from the capital account;

2 “(2) second from the capital gain account; and

3 “(3) third from the ordinary income account.

4 “(b) *ORDINARY INCOME ACCOUNT WITHDRAWALS.*—If a portion of a quali-
5 fied withdrawal for a vessel, barge, or container is made from the ordinary
6 income account, the basis of the vessel, barge, or container shall be reduced
7 by an amount equal to that portion.

8 “(c) *CAPITAL GAIN ACCOUNT WITHDRAWALS.*—If a portion of a qualified
9 withdrawal for a vessel, barge, or container is made from the capital gain
10 account, the basis of the vessel, barge, or container shall be reduced by an
11 amount equal to that portion.

12 “(d) *WITHDRAWALS TO PAY PRINCIPAL.*—If a portion of a qualified with-
13 drawal to pay the principal on indebtedness is made from the ordinary in-
14 come account or the capital gain account, an amount equal to the total reduc-
15 tion that would be required by subsections (b) and (c) if the withdrawal were
16 a qualified withdrawal for a purpose described in those subsections shall be
17 applied, in the order provided in joint regulations, to reduce the basis of ves-
18 sels, barges, and containers owned by the person maintaining the fund. The
19 remaining amount of the withdrawal shall be treated as a nonqualified with-
20 drawal.

21 “(e) *GAIN ON PROPERTY WITH REDUCED BASIS.*—If property, the basis of
22 which was reduced under subsection (b), (c), or (d), is disposed of, any gain
23 realized on the disposition, to the extent it does not exceed the total reduction
24 in the basis of the property under those subsections, shall be treated as an
25 amount referred to in section 53511(c)(1) of this title withdrawn on the date
26 of disposition of the property. Subject to conditions prescribed in joint regula-
27 tions, this subsection does not apply to a disposition if there is a redeposit,
28 in an amount determined under joint regulations, that restores the fund as
29 far as practicable to the position it was in before the withdrawal.

30 **“§ 53511. Tax treatment of nonqualified withdrawals**

31 “(a) *IN GENERAL.*—Except as provided in section 53513 of this title, a
32 withdrawal from a fund that is not a qualified withdrawal shall be treated
33 as a nonqualified withdrawal.

34 “(b) *ORDER OF WITHDRAWALS.*—A nonqualified withdrawal shall be treat-
35 ed as made—

36 “(1) first from the ordinary income account;

37 “(2) second from the capital gain account; and

38 “(3) third from the capital account.

39 “(c) *TAX TREATMENT.*—For purposes of the Internal Revenue Code of 1986
40 (26 U.S.C. 1 et seq.)—

1 “(1) a nonqualified withdrawal from the ordinary income account
2 shall be included in income as an item of ordinary income for the tax-
3 able year in which the withdrawal is made;

4 “(2) a nonqualified withdrawal from the capital gain account shall
5 be included in income for the taxable year in which the withdrawal is
6 made as an item of gain realized during that year from the disposition
7 of an asset held for more than 6 months; and

8 “(3) for the period through the last date prescribed for payment of tax
9 for the taxable year in which the withdrawal is made—

10 “(A) no interest shall be payable under section 6601 of such Code
11 (26 U.S.C. 6601) and no addition to the tax shall be payable under
12 section 6651 of such Code (26 U.S.C. 6651);

13 “(B) interest on the amount of the additional tax attributable to
14 an amount treated as a nonqualified withdrawal from the ordinary
15 income account or the capital gain account shall be paid at the rate
16 determined under subsection (d) from the last date prescribed for
17 payment of the tax for the taxable year for which the amount was
18 deposited in the fund; and

19 “(C) no interest shall be payable on amounts treated as with-
20 drawn on a last-in-first-out basis under section 53512 of this title.

21 “(d) INTEREST RATE.—The rate of interest under subsection (c)(3)(B) for
22 a nonqualified withdrawal made in a taxable year beginning after 1971 shall
23 be determined and published jointly by the Secretary and the Secretary of the
24 Treasury. The rate shall be such that its relationship to 8 percent is com-
25 parable, as determined by the Secretaries under joint regulations, to the rela-
26 tionship between—

27 “(1) the money rates and investment yields for the calendar year im-
28 mediately before the beginning of the taxable year; and

29 “(2) the money rates and investment yields for the calendar year 1970.

30 “(e) NONQUALIFIED WITHDRAWALS.—

31 “(1) IN GENERAL.—The following applicable percentage of any
32 amount that remains in a capital construction fund at the close of the
33 following specified taxable year following the taxable year for which the
34 amount was deposited shall be treated as a nonqualified withdrawal:

“If the amount remains in the fund at the close of the—	The applicable percentage is—
“26th taxable year	20 percent
“27th taxable year	40 percent
“28th taxable year	60 percent
“29th taxable year	80 percent
“30th taxable year	100 percent.

1 “(2) *EARNINGS.*—*The earnings of a capital construction fund for any*
 2 *taxable year (except net gains) shall be treated under this subsection as*
 3 *an amount deposited for the taxable year.*

4 “(3) *CONTRACT FOR QUALIFIED WITHDRAWAL.*—*Under paragraph (1),*
 5 *an amount shall not be treated as remaining in a capital construction*
 6 *fund at the close of a taxable year to the extent there is a binding con-*
 7 *tract at the close of the taxable year for a qualified withdrawal of the*
 8 *amount for an identified item for which the withdrawal may be made.*

9 “(4) *EXCESS EARNINGS.*—*If the Secretary determines that the balance*
 10 *in a capital construction fund exceeds the amount appropriate to meet*
 11 *the vessel construction program objectives of the person that established*
 12 *the fund, the amount of the excess shall be treated as a nonqualified*
 13 *withdrawal under paragraph (1) unless the person develops appropriate*
 14 *program objectives within 3 years to dissipate the excess.*

15 “(5) *AMOUNTS IN FUND ON JANUARY 1, 1987.*—*Under this subsection,*
 16 *amounts in a capital construction fund on January 1, 1987, shall be*
 17 *treated as having been deposited in that fund on that date.*

18 “(f) *TAX DETERMINATIONS.*—

19 “(1) *IN GENERAL.*—*For a taxable year for which there is a non-*
 20 *qualified withdrawal (including an amount treated as a nonqualified*
 21 *withdrawal under subsection (e)), the tax imposed by chapter 1 of the*
 22 *Internal Revenue Code of 1986 (26 U.S.C. ch. 1) shall be determined*
 23 *by—*

24 “(A) *excluding the withdrawal from gross income; and*

25 “(B) *increasing the tax imposed by chapter 1 of such Code by the*
 26 *product of the amount of the withdrawal and the highest tax rate*
 27 *specified in section 1 (or section 11 for a corporation) of such Code*
 28 *(26 U.S.C. 1, 11).*

29 “(2) *MAXIMUM TAX RATE.*—*For that portion of a nonqualified with-*
 30 *drawal made from the capital gain account during a taxable year to*
 31 *which section 1(h) or 1201(a) of such Code (26 U.S.C. 1(h), 1201(a)) ap-*
 32 *plies, the tax rate used under subparagraph (A)(ii) may not exceed 15*
 33 *percent (or 34 percent for a corporation).*

34 “(3) *TAX BENEFIT RULE.*—*If any portion of a nonqualified with-*
 35 *drawal is properly attributable to deposits (except earnings on deposits)*
 36 *made by the taxpayer in a taxable year that did not reduce the tax-*
 37 *payer’s liability for tax under chapter 1 of such Code (26 U.S.C. ch. 1)*
 38 *for a taxable year before the taxable year in which the withdrawal oc-*
 39 *curs—*

40 “(A) *that portion shall not be taken into account under para-*
 41 *graph (1); and*

1 “(B) an amount equal to that portion shall be allowed as a de-
2 duction under section 172 of such Code (26 U.S.C. 172) for the tax-
3 able year in which the withdrawal occurs.

4 “(4) COORDINATION WITH DEDUCTION FOR NET OPERATING LOSSES.—
5 A nonqualified withdrawal excluded from gross income under paragraph
6 (1) shall be excluded in determining taxable income under section
7 172(b)(2) of such Code (26 U.S.C. 172(b)(2)).

8 **“§53512. FIFO and LIFO withdrawals**

9 “(a) FIFO.—Except as provided in subsection (b), an amount withdrawn
10 from an account under this chapter shall be treated as withdrawn on a first-
11 in-first-out basis.

12 “(b) LIFO.—An amount withdrawn from an account under this chapter
13 shall be treated as withdrawn on a last-in-first-out basis if it is—

14 “(1) a nonqualified withdrawal for research, development, and design
15 expenses incident to new and advanced vessel design, machinery, and
16 equipment; or

17 “(2) an amount treated as a nonqualified withdrawal under section
18 53510(d) of this title.

19 **“§53513. Corporate reorganizations and partnership**
20 **changes**

21 “Under joint regulations—

22 “(1) a transfer of a capital construction fund from one person to an-
23 other person in a transaction to which section 381 of the Internal Rev-
24 enue Code of 1986 (26 U.S.C. 381) applies may be treated as if the
25 transaction is not a nonqualified withdrawal; and

26 “(2) a similar rule shall be applied to a continuation of a partnership
27 (within the meaning of subchapter K of chapter 1 of such Code (26
28 U.S.C. 701 et seq.)).

29 **“§53514. Relationship of old fund to new fund**

30 “(a) DEFINITION.—In this section, the term ‘old fund’ means a capital con-
31 struction fund maintained before October 21, 1970.

32 “(b) ELECTION TO MAINTAIN OLD FUND.—A person maintaining an old
33 fund may elect to continue the old fund, but may not—

34 “(1) hold amounts in the old fund beyond the expiration date provided
35 in the agreement under which the old fund is maintained (determined
36 without regard to an extension or renewal made after April 14, 1970);
37 or

38 “(2) maintain simultaneously the old fund and a new fund established
39 under this chapter.

40 “(c) APPLICATION OF NEW FUND AGREEMENT TO OLD FUND AMOUNTS.—
41 If a person makes an agreement under this chapter to establish a new fund,

1 *the person may agree to extend the agreement to some or all of the amounts*
 2 *in an old fund. Each item in the old fund to be transferred shall be trans-*
 3 *ferred in a nontaxable transaction to the appropriate account in the new*
 4 *fund. For purposes of section 53511(c)(3) of this title, the date of the deposit*
 5 *of an item so transferred shall be July 1, 1971, or the date of the deposit*
 6 *in the old fund, whichever is later.*

7 **“§53515. Records and reports**

8 *“A person maintaining a fund under this chapter shall keep records and*
 9 *make reports as required by the Secretary or the Secretary of the Treasury.*

10 **“§53516. Termination of agreement after change in regula-**
 11 **tions**

12 *“If, after an agreement has been made under this chapter, a change is made*
 13 *either in the joint regulations or in the regulations prescribed by the Sec-*
 14 *retary under this chapter that could have a substantial effect on the rights*
 15 *or duties of a person maintaining a fund under this chapter, that person may*
 16 *terminate the agreement.*

17 **“§53517. Reports**

18 *“(a) IN GENERAL.—Within 120 days after the close of each calendar year,*
 19 *the Secretary of Transportation and the Secretary of Commerce each shall*
 20 *provide the Secretary of the Treasury a written report on the capital con-*
 21 *struction funds under the particular Secretary’s jurisdiction for the calendar*
 22 *year.*

23 *“(b) CONTENTS.—The report shall state the name and taxpayer identifica-*
 24 *tion number of each person—*

25 *“(1) establishing a capital construction fund during the calendar year;*

26 *“(2) maintaining a capital construction fund on the last day of the*
 27 *calendar year;*

28 *“(3) terminating a capital construction fund during the calendar*
 29 *year;*

30 *“(4) making a deposit to or withdrawal from a capital construction*
 31 *fund during the calendar year, and the amount of the deposit or with-*
 32 *drawal; or*

33 *“(5) having been determined during the calendar year to have failed*
 34 *to fulfill a substantial obligation under a capital construction fund*
 35 *agreement to which the person is a party.*

36 **“CHAPTER 537—LOANS AND GUARANTEES**

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“53702. General authority.

“53703. Application procedures.

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“SUBCHAPTER III—PARTICULAR PROJECTS

- “53731. Commercial demonstration ocean thermal energy conversion facilities and plantships.
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“SUBCHAPTER I—GENERAL

“§53701. Definitions

“In this chapter:

“(1) *ACTUAL COST*.—The term ‘actual cost’ means the sum of—

“(A) all amounts paid by or for the account of the obligor as of the date on which a determination is made under section 53715(d)(1) of this title; and

“(B) all amounts that the Secretary reasonably estimates the obligor will become obligated to pay from time to time thereafter, for the construction, reconstruction, or reconditioning of the vessel, including guarantee fees that will become payable under section 53714 of this title in connection with all obligations issued for construction, reconstruction, or reconditioning of the vessel or equipment to be delivered, and all obligations issued for the delivered vessel or equipment.

“(2) *CONSTRUCTION, RECONSTRUCTION, AND RECONDITIONING*.—The terms ‘construction’, ‘reconstruction’, and ‘reconditioning’ include designing, inspecting, outfitting, and equipping.

“(3) *DEPRECIATED ACTUAL COST*.—The term ‘depreciated actual cost’ of a vessel means—

“(A) if the vessel was not reconstructed or reconditioned, the actual cost of the vessel depreciated on a straight line basis over the useful life of the vessel as determined by the Secretary, not to exceed 25 years from the date of delivery by the builder; or

“(B) if the vessel was reconstructed or reconditioned, the sum of—

1 “(i) the actual cost of the vessel depreciated on a straight
2 line basis from the date of delivery by the builder to the date
3 of the reconstruction or reconditioning, using the original use-
4 ful life of the vessel, and from the date of the reconstruction or
5 reconditioning, using a useful life of the vessel determined by
6 the Secretary; and

7 “(ii) any amount paid or obligated to be paid for the recon-
8 struction or reconditioning, depreciated on a straight line basis
9 using a useful life of the vessel determined by the Secretary.

10 “(4) *ELIGIBLE EXPORT VESSEL*.—The term ‘eligible export vessel’
11 means a vessel that—

12 “(A) is constructed, reconstructed, or reconditioned in the United
13 States for use in world-wide trade; and

14 “(B) will, on delivery or redelivery, become or remain docu-
15 mented under the laws of a country other than the United States.

16 “(5) *FISHERY FACILITY*.—

17 “(A) *IN GENERAL*.—Subject to paragraph (B), the term ‘fishery
18 facility’ means—

19 “(i) for operations on land—

20 “(I) a structure or appurtenance thereto designed for
21 the unloading and receiving from vessels, the processing,
22 the holding pending processing, the distribution after
23 processing, or the holding pending distribution, of fish
24 from a fishery;

25 “(II) the land necessary for the structure or appur-
26 tenance; and

27 “(III) equipment that is for use with the structure or
28 appurtenance and that is necessary for performing a func-
29 tion referred to in clause (I);

30 “(ii) for operations not on land, a vessel built in the United
31 States and used for, equipped to be used for, or of a type nor-
32 mally used for, the processing of fish; or

33 “(iii) for aquaculture, including operations on land or else-
34 where—

35 “(I) a structure or appurtenance thereto designed for
36 aquaculture;

37 “(II) the land necessary for the structure or appur-
38 tenance;

39 “(III) equipment that is for use with the structure or
40 appurtenance and that is necessary for performing a func-
41 tion referred to in clause (I); and

1 “(IV) a vessel built in the United States and used for,
2 equipped to be used for, or of a type normally used for,
3 aquaculture.

4 “(B) *REQUIRED OWNERSHIP*.—Under paragraph (A), the struc-
5 ture, appurtenance, land, equipment, or vessel must be owned by—

6 “(i) an individual who is a citizen of the United States; or

7 “(ii) an entity that is a citizen of the United States under
8 section 50501 of this title and that is at least 75 percent owned
9 (as determined under that section) by citizens of the United
10 States.

11 “(6) *FISHING VESSEL*.—The term ‘fishing vessel’ has the meaning
12 given that term in section 3 of the Magnuson-Stevens Fishery Conserva-
13 tion and Management Act (16 U.S.C. 1802), and any reference in this
14 chapter to a vessel designed principally for commercial use in the fishing
15 trade or industry is deemed to be a reference to a fishing vessel.

16 “(7) *MORTGAGE*.—The term ‘mortgage’ includes—

17 “(A) a preferred mortgage as defined in section 31301 of this
18 title; and

19 “(B) a mortgage on a vessel that will become a preferred mort-
20 gage when filed or recorded under chapter 313 of this title.

21 “(8) *OBLIGATION*.—The term ‘obligation’ means an instrument of in-
22 debtedness issued for a purpose described in section 53706 of this title,
23 except—

24 “(A) an obligation issued by the Secretary under section 53723
25 of this title; and

26 “(B) an obligation eligible for investment of funds under section
27 53715(f) or 53717 of this title.

28 “(9) *OBLIGEE*.—The term ‘obligee’ means the holder of an obligation.

29 “(10) *OBLIGOR*.—The term ‘obligor’ means a party primarily liable
30 for payment of the principal of or interest on an obligation.

31 “(11) *OCEAN THERMAL ENERGY CONVERSION FACILITY OR*
32 *PLANTSHIP*.—The term ‘ocean thermal energy conversion facility or
33 plantship’ means an at-sea facility or vessel, whether mobile, floating
34 unmoored, moored, or standing on the seabed, that uses temperature dif-
35 ferences in ocean water to produce electricity or another form of energy
36 capable of being used directly to perform work, and includes—

37 “(A) equipment installed on the facility or vessel to use the elec-
38 tricity or other form of energy to produce, process, refine, or manu-
39 facture a product;

40 “(B) a cable or pipeline used to deliver the electricity, freshwater,
41 or product to shore; and

1 “(C) other associated equipment and appurtenances of the facility
2 or vessel to the extent they are located seaward of the high water
3 mark.

4 “(12) SECRETARY.—The term ‘Secretary’ means—

5 “(A) the Secretary of Commerce with respect to fishing vessels
6 and fishery facilities; and

7 “(B) the Secretary of Transportation with respect to other vessels
8 and general shipyard facilities (as defined in section 53733(a) of
9 this title).

10 “(13) VESSEL.—The term ‘vessel’ means any type of vessel, whether
11 in existence or under construction, including—

12 “(A) a cargo vessel;

13 “(B) a passenger vessel;

14 “(C) a combination cargo and passenger vessel;

15 “(D) a tanker;

16 “(E) a tug or towboat;

17 “(F) a barge;

18 “(G) a dredge;

19 “(H) a floating drydock with a capacity of at least 35,000 lifting
20 tons and a beam of at least 125 feet between the wing walls;

21 “(I) an oceanographic research vessel;

22 “(J) an instruction vessel;

23 “(K) a pollution treatment, abatement, or control vessel;

24 “(L) a fishing vessel whose ownership meets the citizenship re-
25 quirements under section 50501 of this title for documenting vessels
26 to operate in the coastwise trade; and

27 “(M) an ocean thermal energy conversion facility or plantship
28 that is or will be documented under the laws of the United States.

29 **“§53702. General authority**

30 “(a) IN GENERAL.—The Secretary, on terms the Secretary may prescribe,
31 may guarantee or make a commitment to guarantee the payment of the prin-
32 cipal of and interest on an obligation eligible to be guaranteed under this
33 chapter. A guarantee or commitment to guarantee shall cover 100 percent of
34 the principal and interest.

35 “(b) DIRECT LOANS FOR FISHERIES.—

36 “(1) IN GENERAL.—Notwithstanding any other provision of this chap-
37 ter, any obligation involving a fishing vessel, fishery facility, aquaculture
38 facility, individual fishing quota, or fishing capacity reduction program
39 issued under this chapter after October 11, 1996, shall be a direct loan
40 obligation for which the Secretary shall be the obligee, rather than an
41 obligation issued to an obligee other than the Secretary and guaranteed

1 *by the Secretary. A direct loan obligation under this subsection shall be*
 2 *treated in the same manner and to the same extent as an obligation*
 3 *guaranteed under this chapter except with respect to provisions of this*
 4 *chapter that by their nature can only be applied to obligations guaran-*
 5 *teed under this chapter.*

6 “(2) *INTEREST RATE.*—*Notwithstanding any other provision of this*
 7 *chapter, the annual rate of interest an obligor shall pay on a direct loan*
 8 *obligation under this subsection is 2 percent plus the additional percent*
 9 *the Secretary must pay as interest to borrow from the Treasury the funds*
 10 *to make the loan.*

11 **“§53703. Application procedures**

12 “(a) *TIME FOR DECISION.*—

13 “(1) *IN GENERAL.*—*The Secretary shall approve or deny an applica-*
 14 *tion for a loan guarantee under this chapter within 270 days after the*
 15 *date on which the signed application is received by the Secretary.*

16 “(2) *EXTENSION.*—*On request by an applicant, the Secretary may ex-*
 17 *tend the 270-day period in paragraph (1) to a date not later than 2*
 18 *years after the date on which the signed application was received by the*
 19 *Secretary.*

20 “(b) *CERTIFICATION OF REVIEW.*—*The Secretary may not guarantee or*
 21 *make a commitment to guarantee an obligation under this chapter unless the*
 22 *Secretary certifies that a full and fair consideration of all the regulatory re-*
 23 *quirements, including economic soundness and financial requirements appli-*
 24 *cable to the obligor and related parties, and a thorough assessment of the tech-*
 25 *anical, economic, and financial aspects of the loan application, has been made.*

26 **“§53704. Funding limits**

27 “(a) *GENERAL LIMITATIONS.*—*The total unpaid principal amount of obli-*
 28 *gations guaranteed under this chapter and outstanding at one time may not*
 29 *exceed \$12,000,000,000. Of that amount—*

30 “(1) *\$850,000,000 shall be limited to obligations related to fishing ves-*
 31 *sels and fishery facilities; and*

32 “(2) *\$3,000,000,000 shall be limited to obligations related to eligible*
 33 *export vessels.*

34 “(b) *ADDITIONAL LIMITATIONS.*—*Additional limitations may not be im-*
 35 *posed on new commitments to guarantee loans for any fiscal year, except in*
 36 *amounts established in advance by annual authorization laws. A vessel eligi-*
 37 *ble for a guarantee under this chapter may not be denied eligibility because*
 38 *of its type.*

39 “(c) *LIMITS BASED ON RISK FACTORS.*—

1 “(1) *DEFINITION.*—*In this subsection, the term ‘cost’ has the meaning*
 2 *given that term in section 502 of the Federal Credit Reform Act of 1990*
 3 *(2 U.S.C. 661a).*”

4 “(2) *SYSTEM OF RISK CATEGORIES.*—*The Secretary shall—*

5 “(A) *establish, and update annually, a system of risk categories*
 6 *for obligations guaranteed under this chapter that categorizes the*
 7 *relative risk of guarantees based on the risk factors set forth in*
 8 *paragraph (4);*

9 “(B) *determine annually for each risk category a subsidy rate*
 10 *equivalent to the cost of obligations in the category, expressed as a*
 11 *percentage of the amount guaranteed for obligations in the category;*
 12 *and*

13 “(C) *ensure that each risk category is comprised of loans that are*
 14 *relatively homogeneous in cost and share characteristics predictive*
 15 *of defaults and other costs, given the facts known at the time of obli-*
 16 *gation or commitment, using a risk category system that is based*
 17 *on historical analysis of program data and statistical evidence con-*
 18 *cerning the likely costs of defaults or other costs that are expected*
 19 *to be associated with the loans in the category.*”

20 “(3) *USE OF SYSTEM.*—

21 “(A) *PLACING OBLIGATION IN CATEGORY.*—*Before making a*
 22 *guarantee under this chapter for an obligation, and annually for*
 23 *projects subject to a guarantee, the Secretary shall apply the risk*
 24 *factors specified in paragraph (4) to place the obligation in a risk*
 25 *category established under paragraph (2).*”

26 “(B) *REDUCTION OF AVAILABLE AMOUNT.*—*The Secretary shall*
 27 *consider the total amount available to the Secretary for making*
 28 *guarantees under this chapter to be reduced by the amount deter-*
 29 *mined by multiplying—*

30 “(i) *the amount guaranteed under this chapter for an obli-*
 31 *gation; by*

32 “(ii) *the subsidy rate for the category in which the obligation*
 33 *is placed under subparagraph (A).*”

34 “(C) *ESTIMATED COST.*—*The estimated cost to the United States*
 35 *Government of a guarantee under this chapter for an obligation is*
 36 *deemed to be the amount determined under subparagraph (B) for*
 37 *the obligation.*”

38 “(D) *RESTRICTION ON FURTHER GUARANTEES.*—*The Secretary*
 39 *may not guarantee obligations under this chapter after the total*
 40 *amount available to the Secretary under appropriations laws for the*

1 *cost of loan guarantees is considered to be reduced to zero under sub-*
 2 *paragraph (B).*

3 “(4) *RISK FACTORS.—The risk factors referred to in this subsection*
 4 *are—*

5 “(A) *if applicable, the country risk for each eligible export vessel*
 6 *financed or to be financed by an obligation;*

7 “(B) *the period for which an obligation is guaranteed or to be*
 8 *guaranteed;*

9 “(C) *the amount of an obligation guaranteed or to be guaranteed*
 10 *in relation to the total cost of the project financed or to be financed*
 11 *by the obligation;*

12 “(D) *the financial condition of an obligor or applicant for a*
 13 *guarantee;*

14 “(E) *if applicable, other guarantees related to the project;*

15 “(F) *if applicable, the projected employment of each vessel or*
 16 *equipment to be financed with an obligation;*

17 “(G) *if applicable, the projected market that will be served by*
 18 *each vessel or equipment to be financed with an obligation;*

19 “(H) *the collateral provided for a guarantee for an obligation;*

20 “(I) *the management and operating experience of an obligor or*
 21 *applicant for a guarantee;*

22 “(J) *whether a guarantee under this chapter is or will be in effect*
 23 *during the construction period of the project; and*

24 “(K) *the concentration risk presented by an unduly large percent-*
 25 *age of loans outstanding by any one borrower or group of affiliated*
 26 *borrowers.*

27 **“§ 53705. Pledge of United States Government**

28 “(a) *FULL FAITH AND CREDIT.—The full faith and credit of the United*
 29 *States Government is pledged to the payment of a guarantee made under this*
 30 *chapter, for both principal and interest, including interest (as may be pro-*
 31 *vided for in the guarantee) accruing between the date of default under a guar-*
 32 *anteed obligation and the date of payment in full of the guarantee.*

33 “(b) *INCONTESTABILITY.—A guarantee or commitment to guarantee made*
 34 *under this chapter is conclusive evidence of the eligibility of the obligation for*
 35 *the guarantee. The validity of a guarantee or commitment to guarantee made*
 36 *under this chapter is incontestable.*

37 **“§ 53706. Eligible purposes of obligations**

38 “(a) *IN GENERAL.—To be eligible for a guarantee under this chapter, an*
 39 *obligation must aid in any of the following:*

40 “(1)(A) *Financing (including reimbursement of an obligor for expend-*
 41 *itures previously made for) the construction, reconstruction, or recondi-*

1 *tioning of a vessel (including an eligible export vessel) designed prin-*
 2 *cipally for research, or for commercial use—*

3 *“(i) in the coastwise or intercoastal trade;*

4 *“(ii) on the Great Lakes, or on bays, sounds, rivers, harbors, or*
 5 *inland lakes of the United States;*

6 *“(iii) in foreign trade as defined in section 109(b) of this title;*

7 *“(iv) as an ocean thermal energy conversion facility or plantship;*

8 *“(v) as a floating drydock in the construction, reconstruction, re-*
 9 *conditioning, or repair of vessels; or*

10 *“(vi) as an eligible export vessel in worldwide trade.*

11 *“(B) A guarantee under subparagraph (A) may not be made more*
 12 *than one year after delivery of the vessel (or redelivery if the vessel was*
 13 *reconstructed or reconditioned) unless the proceeds of the obligation are*
 14 *used to finance the construction, reconstruction, or reconditioning of a*
 15 *vessel or of facilities or equipment related to marine operations.*

16 *“(2) Financing (including reimbursement of an obligor for expendi-*
 17 *tures previously made for) the construction, reconstruction, recondi-*
 18 *tioning, or purchase of a vessel owned by citizens of the United States*
 19 *and designed principally for research, or for commercial use in the fish-*
 20 *ing industry.*

21 *“(3) Financing the purchase, reconstruction, or reconditioning of a*
 22 *vessel or fishery facility—*

23 *“(A) for which an obligation was guaranteed under this chapter;*

24 *and*

25 *“(B) that, under subchapter II of this chapter—*

26 *“(i) is a vessel or fishery facility for which an obligation*
 27 *was accelerated and paid;*

28 *“(ii) was acquired by the Federal Ship Financing Fund or*
 29 *successor account under section 53717 of this title; or*

30 *“(iii) was sold at foreclosure begun by the Secretary.*

31 *“(4) Financing any part of the repayment to the United States Gov-*
 32 *ernment of any amount of a construction-differential subsidy paid for*
 33 *a vessel.*

34 *“(5) Refinancing an existing obligation (regardless of whether guaran-*
 35 *teed under this chapter) issued for a purpose described in clauses (1)–*
 36 *(4), including a short-term obligation incurred to obtain temporary*
 37 *funds with the intention of refinancing.*

38 *“(6) Financing or refinancing (including reimbursement of an obligor*
 39 *for expenditures previously made for) the construction, reconstruction, re-*
 40 *conditioning, or purchase of a fishery facility.*

1 “(7) *Financing or refinancing (including reimbursement of an obligor*
 2 *for expenditures previously made for) the purchase of an individual fish-*
 3 *ing quota in accordance with section 303(d)(4) of the Magnuson-Stevens*
 4 *Fishery Conservation and Management Act (16 U.S.C. 1853(d)(4)).*

5 “(b) *NON-VESSELS TREATED AS VESSELS.—An obligation guaranteed*
 6 *under subsection (a)(6) or (7) shall be treated, for purposes of this chapter,*
 7 *in the same manner and to the same extent as an obligation that aids in*
 8 *financing the construction, reconstruction, reconditioning, or purchase of a*
 9 *vessel, except with respect to provisions that by their nature can only be ap-*
 10 *plied to vessels.*

11 “(c) *PRIORITIES FOR CERTAIN VESSELS.—In guaranteeing or making a*
 12 *commitment to guarantee an obligation under this chapter, the Secretary*
 13 *shall give priority to—*

14 “(1) *a vessel that is otherwise eligible for a guarantee and is con-*
 15 *structed with assistance under subtitle D of the Maritime Security Act*
 16 *of 2003 (46 U.S.C. 53101 note); and*

17 “(2) *after applying clause (1), a vessel that is otherwise eligible for*
 18 *a guarantee and that the Secretary of Defense determines—*

19 “(A) *is suitable for service as a naval auxiliary in time of war*
 20 *or national emergency; and*

21 “(B) *meets a shortfall in sealift capacity or capability.*

22 **“§53707. Findings related to obligors and operators**

23 “(a) *RESPONSIBLE OBLIGOR.—The Secretary may not guarantee or make*
 24 *a commitment to guarantee an obligation under this chapter unless the Sec-*
 25 *retary finds that the obligor is responsible and has the ability, experience, fi-*
 26 *nancial resources, and other qualifications necessary for the adequate oper-*
 27 *ation and maintenance of each vessel that will serve as security for the guar-*
 28 *antee.*

29 “(b) *OPERATORS OF LINER VESSELS.—The Secretary of Transportation*
 30 *may not guarantee or make a commitment to guarantee a loan for the con-*
 31 *struction, reconstruction, or reconditioning of a liner vessel under this chapter*
 32 *unless the Chairman of the Federal Maritime Commission certifies that the*
 33 *operator of the vessel has not been found by the Commission to have com-*
 34 *mitted, within the previous 5 years—*

35 “(1) *a violation of part A of subtitle IV of this title that involves un-*
 36 *just or unfair discriminatory treatment or undue or unreasonable preju-*
 37 *dice or disadvantage with respect to a United States shipper, ocean*
 38 *transportation intermediary, ocean common carrier, or port; or*

39 “(2) *a violation of part B of subtitle IV of this title.*

40 “(c) *OPERATORS OF FISHING VESSELS.—The Secretary of Commerce may*
 41 *not guarantee or make a commitment to guarantee a loan for the construc-*

1 *tion, reconstruction, or reconditioning of a fishing vessel under this chapter*
 2 *if the operator of the vessel has been—*

3 *“(1) held liable or liable in rem for a civil penalty under section 1858*
 4 *of title 16 and not paid the penalty;*

5 *“(2) found guilty of an offense under section 1859 of title 16 and not*
 6 *paid the assessed fine or served the assessed sentence;*

7 *“(3) held liable for a civil or criminal penalty under section 1375 of*
 8 *title 16 and not paid the assessed fine or served the assessed sentence;*
 9 *or*

10 *“(4) held liable for a civil penalty by the Coast Guard under this title*
 11 *or title 33 and not paid the assessed fine.*

12 *“(d) WAIVERS CONCERNING FINANCIAL CONDITION.—The Secretary shall*
 13 *prescribe regulations concerning circumstances under which waivers of, or ex-*
 14 *ceptions to, otherwise applicable regulatory requirements concerning financial*
 15 *condition can be made. The regulations shall require that—*

16 *“(1) the economic soundness requirements in section 53708(a) of this*
 17 *title are met after the waiver of the financial condition requirement; and*

18 *“(2) the waiver shall provide for the imposition of other requirements*
 19 *on the obligor designed to compensate for the increased risk associated*
 20 *with the obligor’s failure to meet regulatory requirements applicable to*
 21 *financial condition.*

22 **“§53708. Findings related to economic soundness**

23 *“(a) BY SECRETARY OF TRANSPORTATION.—The Secretary of Transporta-*
 24 *tion may not guarantee or make a commitment to guarantee an obligation*
 25 *under this chapter unless the Secretary finds that the property or project for*
 26 *which the obligation will be executed will be economically sound. In making*
 27 *that finding, the Secretary shall consider—*

28 *“(1) the need in the particular segment of the maritime industry for*
 29 *new or additional capacity, including any impact on existing equipment*
 30 *for which a guarantee under this chapter is in effect;*

31 *“(2) the market potential for employment of the vessel over the life of*
 32 *the guarantee;*

33 *“(3) projected revenues and expenses associated with employment of*
 34 *the vessel;*

35 *“(4) any charter, contract of affreightment, transportation agreement,*
 36 *or similar agreement or undertaking relevant to the employment of the*
 37 *vessel;*

38 *“(5) other relevant criteria; and*

39 *“(6) for inland waterways, the need for technical improvements, in-*
 40 *cluding increased fuel efficiency or improved safety.*

1 “(b) *BY SECRETARY OF COMMERCE.—The Secretary of Commerce may not*
 2 *guarantee or make a commitment to guarantee an obligation under this chap-*
 3 *ter unless the Secretary finds, at or prior to the time the commitment is made*
 4 *or the guarantee becomes effective, that—*

5 “(1) *the property or project for which the obligation will be executed*
 6 *will be economically sound; and*

7 “(2) *for a fishing vessel, the purpose of the financing or refinancing*
 8 *is consistent with—*

9 “(A) *the wise use of the fisheries resources and the development,*
 10 *advancement, management, conservation, and protection of the fish-*
 11 *eries resources; or*

12 “(B) *the need for technical improvements, including increased*
 13 *fuel efficiency or improved safety.*

14 “(c) *USED FISHING VESSELS AND FACILITIES.—The Secretary of Com-*
 15 *merce may not guarantee or make a commitment to guarantee an obligation*
 16 *under this chapter for the purchase of a used fishing vessel or used fishery*
 17 *facility unless the vessel or facility will be—*

18 “(1) *reconstructed or reconditioned in the United States and will con-*
 19 *tribute to the development of the United States fishing industry; or*

20 “(2) *used—*

21 “(A) *in the harvesting of fish from an underused fishery; or*

22 “(B) *for a purpose described in the definition of ‘fishery facility’*
 23 *in section 53701 of this title with respect to an underused fishery.*

24 “(d) *INDEPENDENT ANALYSIS.—The Secretary may make a determination*
 25 *that aspects of an application under this chapter require independent anal-*
 26 *ysis to be conducted by third party experts due to risk factors associated with*
 27 *markets, technology, financial structures, or other risk factors identified by the*
 28 *Secretary. Any independent analysis conducted under this subsection shall be*
 29 *performed by a party chosen by the Secretary.*

30 “(e) *ADDITIONAL EQUITY BECAUSE OF INCREASED RISKS.—Notwith-*
 31 *standing any other provision of this chapter, the Secretary may make a deter-*
 32 *mination that an application under this title requires additional equity be-*
 33 *cause of increased risk factors associated with markets, technology, financial*
 34 *structures, or other risk factors identified by the Secretary.*

35 **“§53709. Amount of obligations**

36 “(a) *IN GENERAL.—The principal of an obligation may not be guaranteed*
 37 *in an amount greater than the amount determined by multiplying the per-*
 38 *centage applicable under subsection (b) by—*

39 “(1) *the amount paid by or for the account of the obligor (as deter-*
 40 *mined by the Secretary, which determination shall be conclusive) for the*

1 *construction, reconstruction, or reconditioning of the vessel used as secu-*
 2 *rity for the guarantee; or*

3 “(2) *if the obligor creates an escrow fund under section 53715 of this*
 4 *title, the actual cost of the vessel.*

5 “(b) *LIMITATIONS ON AMOUNT BORROWED.—*

6 “(1) *IN GENERAL.—Except as otherwise provided, the principal*
 7 *amount of an obligation guaranteed under this chapter may not exceed*
 8 *75 percent of the actual cost or depreciated actual cost, as determined*
 9 *by the Secretary, of the vessel used as security for the guarantee.*

10 “(2) *CERTAIN APPROVED VESSELS.—The principal amount may not*
 11 *exceed 87.5 percent of the actual cost or depreciated actual cost if—*

12 “(A) *the size and speed of the vessel are approved by the Sec-*
 13 *retary;*

14 “(B) *the vessel is or would have been eligible for mortgage aid*
 15 *for construction under section 509 of the Merchant Marine Act,*
 16 *1936, or would have been eligible except that the vessel was built*
 17 *with a construction-differential subsidy and the subsidy has been re-*
 18 *paid; and*

19 “(C) *the vessel is of a type described in that section for which*
 20 *the minimum down payment required by that section is 12.5 per-*
 21 *cent of the cost of the vessel.*

22 “(3) *BARGES.—For a barge constructed without a construction-dif-*
 23 *ferential subsidy or for which the subsidy has been repaid, the principal*
 24 *amount may not exceed 87.5 percent of the actual cost or depreciated ac-*
 25 *tual cost.*

26 “(4) *FISHING VESSELS AND FISHERY FACILITIES.—For a fishing vessel*
 27 *or fishery facility, the principal amount may not exceed 80 percent of*
 28 *the actual cost or depreciated actual cost. However, debt for the vessel*
 29 *or facility may not be placed through the Federal Financing Bank.*

30 “(5) *OTEC.—For an ocean thermal energy conversion facility or*
 31 *plantship constructed without a construction-differential subsidy, the*
 32 *principal amount may not exceed 87.5 percent of the actual cost or de-*
 33 *preciated actual cost of the facility or plantship.*

34 “(6) *ELIGIBLE EXPORT VESSELS.—For an eligible export vessel, the*
 35 *principal amount may not exceed 87.5 percent of the actual cost or de-*
 36 *preciated actual cost.*

37 “(c) *SECURITY INVOLVING MULTIPLE VESSELS.—The principal amount of*
 38 *an obligation having more than one vessel as security for the guarantee may*
 39 *not exceed the sum of the principal amounts allowable for all the vessels.*

40 “(d) *PROHIBITION ON UNIFORM PERCENTAGE LIMITATIONS.—The Sec-*
 41 *retary may not establish a percentage under any provision of subsection (b)*

1 *that is to be applied uniformly to all guarantees or commitments to guarantee*
 2 *made under that provision.*

3 *“(e) PROHIBITION ON MINIMUM PRINCIPAL AMOUNT.—The Secretary may*
 4 *not establish, as a condition of eligibility for a guarantee under this chapter,*
 5 *a minimum principal amount for an obligation covering the reconstruction*
 6 *or reconditioning of a fishing vessel or fishery facility. For purposes of this*
 7 *chapter, the reconstruction or reconditioning of a fishing vessel or fishery fa-*
 8 *ility does not include the routine minor repair or maintenance of the vessel*
 9 *or facility.*

10 **“§53710. Contents of obligations**

11 *“(a) IN GENERAL.—An obligation guaranteed under this chapter must—*

12 *“(1) provide for payments by the obligor satisfactory to the Secretary;*

13 *“(2) provide for interest (exclusive of guarantee fees and other fees) at*
 14 *a rate not more than the annual rate on the unpaid principal that the*
 15 *Secretary determines is reasonable, considering the range of interest rates*
 16 *prevailing in the private market for similar loans and the risks assumed*
 17 *by the Secretary;*

18 *“(3) have a maturity date satisfactory to the Secretary, but—*

19 *“(A) not more than 25 years after the date of delivery of the ves-*
 20 *sel used as security for the guarantee; or*

21 *“(B) if the vessel has been reconstructed or reconditioned, not*
 22 *more than the later of—*

23 *“(i) 25 years after the date of delivery of the vessel; or*

24 *“(ii) the remaining years of useful life of the vessel as deter-*
 25 *mined by the Secretary; and*

26 *“(4) provide, or a related agreement must provide, that if the vessel*
 27 *used as security for the guarantee is a delivered vessel, the vessel shall*
 28 *be—*

29 *“(A) in class A-1, American Bureau of Shipping, or meet other*
 30 *standards acceptable to the Secretary, with all required certificates,*
 31 *including marine inspection certificates of the Coast Guard or, in*
 32 *the case of an eligible export vessel, of the appropriate national flag*
 33 *authorities under a treaty, convention, or other international agree-*
 34 *ment to which the United States Government is a party, and with*
 35 *all outstanding requirements and recommendations necessary for*
 36 *class retention accomplished, unless the Secretary permits a*
 37 *deferment of repairs necessary to meet these requirements; and*

38 *“(B) well equipped, in good repair, and in every respect sea-*
 39 *worthy and fit for service.*

40 *“(b) PROVISIONS FOR CERTAIN PASSENGER VESSELS.—*

1 “(1) *IN GENERAL.*—With the Secretary’s approval, if the vessel used
2 as security for the guarantee is a passenger vessel having the tonnage,
3 speed, passenger accommodations, and other characteristics described in
4 section 503 of the Merchant Marine Act, 1936, an obligation guaranteed
5 under this chapter or a related agreement may provide that—

6 “(A) the only recourse by the Government against the obligor for
7 payments under the guarantee will be repossession of the vessel and
8 assignment of insurance claims; and

9 “(B) the obligor’s liability for payments under the guarantee will
10 be satisfied and discharged by the surrender of the vessel and all
11 interest in the vessel to the Government in the condition described
12 in paragraph (2).

13 “(2) *SURRENDER OF VESSEL.*—

14 “(A) *IN GENERAL.*—On surrender, the vessel must be—

15 “(i) free and clear of all liens and encumbrances except the
16 security interest conveyed to the Secretary under this chapter;

17 “(ii) in class; and

18 “(iii) in as good order and condition (ordinary wear and
19 tear excepted) as when acquired by the obligor.

20 “(B) *COVERING DEFICIENCIES BY INSURANCE.*—To the extent cov-
21 ered by insurance, a deficiency related to a requirement in subpara-
22 graph (A) may be satisfied by assignment of the obligor’s insurance
23 claims to the Government.

24 “(c) *OTHER PROVISIONS TO PROTECT SECURITY INTERESTS.*—An obliga-
25 tion guaranteed under this chapter and any related agreement must contain
26 other provisions for the protection of the security interests of the Government
27 (including acceleration, assumption, and subrogation provisions and the
28 issuance of notes by the obligor to the Secretary), liens and releases of liens,
29 payment of taxes, and other matters that the Secretary may prescribe.

30 **“§ 53711. Security interest**

31 “(a) *IN GENERAL.*—The Secretary may guarantee an obligation under this
32 chapter only if the obligor conveys or agrees to convey to the Secretary a secu-
33 rity interest the Secretary considers necessary to protect the interest of the
34 United States Government.

35 “(b) *MULTIPLE VESSELS AND TYPES OF SECURITY.*—The security interest
36 may relate to more than one vessel and may consist of more than one type
37 of security. If the security interest relates to more than one vessel, the obliga-
38 tion may have the latest maturity date allowable under section 53710(a)(3)
39 of this title for any of the vessels used as security for the guarantee. However,
40 the Secretary may require such payments of principal prior to maturity, with

1 *respect to all related obligations, as the Secretary considers necessary to main-*
 2 *tain adequate security for the guarantee.*

3 **“§53712. Monitoring financial condition and operations of**
 4 **obligor**

5 *“(a) IN GENERAL.—The Secretary shall monitor the financial condition*
 6 *and operations of the obligor on a regular basis during the term of the guar-*
 7 *antee. The Secretary shall document the results of the monitoring on an an-*
 8 *nual or quarterly basis depending on the condition of the obligor. If the Sec-*
 9 *retary determines that the financial condition of the obligor warrants addi-*
 10 *tional protections to the Secretary, the Secretary shall take appropriate action*
 11 *under subsection (b). If the Secretary determines that the financial condition*
 12 *of the obligor jeopardizes its continued ability to perform its responsibilities*
 13 *in connection with the guarantee of an obligation by the Secretary, the Sec-*
 14 *retary shall make an immediate determination whether default should take*
 15 *place and whether further measures described in subsection (b) should be*
 16 *taken to protect the interests of the Secretary while ensuring that program*
 17 *objectives are met.*

18 *“(b) CONTRACT PROVISIONS TO PROTECT SECRETARY.—The Secretary*
 19 *shall include provisions in a loan agreement with an obligor that provides*
 20 *additional authority to the Secretary to take action to limit potential losses*
 21 *in connection with a defaulted loan or a loan that is in jeopardy due to the*
 22 *deteriorating financial condition of the obligor. These provisions include re-*
 23 *quirements for additional collateral or greater equity contributions that are*
 24 *effective upon the occurrence of verifiable conditions relating to the obligor’s*
 25 *financial condition or the status of the vessel or shipyard project.*

26 **“§53713. Administrative fees**

27 *“(a) IN GENERAL.—The Secretary shall charge and collect from the obligor*
 28 *fees the Secretary considers reasonable for—*

29 *“(1) investigating an application for a guarantee;*

30 *“(2) appraising property offered as security for a guarantee;*

31 *“(3) issuing a commitment;*

32 *“(4) providing services related to an escrow fund under section 53715*
 33 *of this title; and*

34 *“(5) inspecting property during construction, reconstruction, or recon-*
 35 *ditioning.*

36 *“(b) TOTAL FEE LIMITATION.—The total fees under subsection (a) may not*
 37 *exceed 0.5 percent of the original principal amount of the obligations to be*
 38 *guaranteed.*

39 *“(c) FEES FOR INDEPENDENT ANALYSIS.—The Secretary may charge and*
 40 *collect fees to cover the costs of independent analysis under section 53708(d)*

1 of this title. Notwithstanding section 3302 of title 31, any fee collected under
2 this subsection shall—

3 “(1) be credited as an offsetting collection to the account that finances
4 the administration of the loan guarantee program;

5 “(2) be available for expenditure only to pay the costs of activities and
6 services for which the fee is imposed; and

7 “(3) remain available until expended.

8 **“§53714. Guarantee fees**

9 “(a) *REGULATIONS.*—Subject to this section, the Secretary shall prescribe
10 regulations to assess a fee for guaranteeing an obligation under this chapter.

11 “(b) *COMPUTATION OF FEE.*—

12 “(1) *IN GENERAL.*—The amount of the fee for a guarantee under this
13 chapter shall be equal to the sum of the amounts determined under para-
14 graph (2) for the years in which the guarantee is in effect.

15 “(2) *PRESENT VALUE FOR EACH YEAR.*—The amount referred to in
16 paragraph (1) for a year in which the guarantee is in effect is the
17 present value of the amount calculated under paragraph (3). To deter-
18 mine the present value, the Secretary shall apply a discount rate deter-
19 mined by the Secretary of the Treasury, considering current market
20 yields on outstanding obligations of the United States Government hav-
21 ing periods to maturity comparable to the period to maturity for the
22 guaranteed obligation.

23 “(3) *CALCULATION OF AMOUNT.*—The amount referred to in para-
24 graph (2) shall be calculated by multiplying—

25 “(A) the estimated average unpaid principal amount of the obli-
26 gation that will be outstanding during the year (excluding the aver-
27 age amount, other than interest, on deposit during the year in an
28 escrow fund under section 53715 of this title); by

29 “(B) the fee rate set under paragraph (4).

30 “(4) *SETTING FEE RATES.*—To set the fee rate referred to in para-
31 graph (3)(B), the Secretary shall establish a formula that—

32 “(A) takes into account the security provided for the guaranteed
33 obligation; and

34 “(B) is a sliding scale based on the creditworthiness of the obli-
35 gor, using—

36 “(i) the lowest allowable rate under paragraph (5) for the
37 most creditworthy obligors; and

38 “(ii) the highest allowable rate under paragraph (5) for the
39 least creditworthy obligors.

40 “(5) *PERMISSIBLE RANGE OF RATES.*—The fee rate set under para-
41 graph (4) shall be—

1 “(A) for a delivered vessel or equipment, at least 0.5 percent and
2 not more than 1 percent; and

3 “(B) for a vessel to be constructed, reconstructed, or reconditioned
4 or equipment to be delivered, at least 0.25 percent and not more
5 than 0.5 percent.

6 “(c) *WHEN FEE COLLECTED.*—A fee for the guarantee of an obligation
7 under this chapter shall be collected not later than the date on which an
8 amount is first paid on the obligation.

9 “(d) *FINANCING THE FEE.*—A fee paid under this section is eligible to be
10 financed under this chapter and shall be included in the actual cost of the
11 obligation guaranteed.

12 “(e) *NOT REFUNDABLE.*—A fee paid under this section is not refundable.
13 However, an obligor shall receive credit for the amount paid for the remain-
14 ing term of the obligation if the obligation is refinanced and guaranteed
15 under this chapter after the refinancing.

16 **“§53715. Escrow fund**

17 “(a) *IN GENERAL.*—If the proceeds of an obligation guaranteed under this
18 chapter are to be used to finance the construction, reconstruction, or recondi-
19 tioning of a vessel that will serve as security for a guarantee under this chap-
20 ter, the Secretary may accept and hold in escrow, under an escrow agreement
21 with the obligor, a portion of the proceeds of all obligations guaranteed under
22 this chapter whose proceeds are to be so used which is equal to—

23 “(1) the excess of—

24 “(A) the principal amount of all obligations whose proceeds are
25 to be so used; over

26 “(B) 75 percent or 87.5 percent, whichever is applicable under
27 section 53709(b) of this title, of the amount paid by or for the ac-
28 count of the obligor for the construction, reconstruction, or recondi-
29 tioning of the vessel; plus

30 “(2) any interest the Secretary may require on the amount described
31 in clause (1).

32 “(b) *SECURITY INVOLVING BOTH UNCOMPLETED AND DELIVERED VES-*
33 *SELS.*—If the security for the guarantee of an obligation relates both to a ves-
34 sel to be constructed, reconstructed, or reconditioned and to a delivered vessel,
35 the principal amount of the obligation shall be prorated for purposes of sub-
36 section (a) under regulations prescribed by the Secretary.

37 “(c) *DISBURSEMENT BEFORE TERMINATION OF AGREEMENT.*—

38 “(1) *PURPOSES.*—The Secretary shall disburse amounts in the escrow
39 fund, as specified in the escrow agreement, to—

40 “(A) pay amounts the obligor is obligated to pay for—

1 “(i) the construction, reconstruction, or reconditioning of a
2 vessel used as security for the guarantee; and

3 “(ii) interest on the obligations;

4 “(B) redeem the obligations under a refinancing guaranteed
5 under this chapter; and

6 “(C) pay any excess interest deposits to the obligor at times pro-
7 vided for in the escrow agreement.

8 “(2) MANNER OF PAYMENT.—If a payment becomes due under the
9 guarantee before the termination of the escrow agreement, the amount in
10 the escrow fund at the time the payment becomes due, including realized
11 income not yet paid to the obligor, shall be paid into the appropriate
12 account under section 53717 of this title. The amount shall be credited
13 against amounts due or to become due from the obligor to the Secretary
14 on the guaranteed obligations or, to the extent not so required, be paid
15 to the obligor.

16 “(d) PAYMENTS REQUIRED BEFORE DISBURSEMENT.—

17 “(1) IN GENERAL.—No disbursement shall be made under subsection
18 (c) to any person until the total amount paid by or for the account of
19 the obligor from sources other than the proceeds of the obligation equals
20 at least 25 percent or 12.5 percent, whichever is applicable under section
21 53709(b) of this title, of the aggregate actual cost of the vessel, as pre-
22 viously approved by the Secretary. If the aggregate actual cost of the ves-
23 sel has increased since the Secretary’s initial approval or if it increases
24 after the first disbursement is permitted under this subsection, then no
25 further disbursements shall be made under subsection (c) until the total
26 amount paid by or for the account of the obligor from sources other than
27 the proceeds of the obligation equals at least 25 percent or 12.5 percent,
28 as applicable, of the increase, as determined by the Secretary, in the ag-
29 gregate actual cost of the vessel. This paragraph does not require the Sec-
30 retary to consent to finance any increase in actual cost unless the Sec-
31 retary determines that such an increase in the obligation meets all the
32 terms and conditions of this chapter or other applicable law.

33 “(2) DOCUMENTED PROOF OF PROGRESS REQUIREMENT.—The Sec-
34 retary shall, by regulation, establish a transparent, independent, and
35 risk-based process for verifying and documenting the progress of projects
36 under construction before disbursing guaranteed loan funds. At a min-
37 imum, the process shall require documented proof of progress in connec-
38 tion with the construction, reconstruction, or reconditioning of a vessel
39 or vessels before disbursements are made from the escrow fund. The Sec-
40 retary may require that the obligor provide a certificate from an inde-

1 *pendent party certifying that the requisite progress in construction, re-*
 2 *construction, or reconditioning has taken place.*

3 *“(e) DISBURSEMENT ON TERMINATION OF AGREEMENT.—*

4 *“(1) IN GENERAL.—If a payment has not become due under the guar-*
 5 *antee before the termination of the escrow agreement, the balance of the*
 6 *escrow fund at the time of termination shall be disbursed to—*

7 *“(A) prepay the excess of—*

8 *“(i) the principal amount of all obligations whose proceeds*
 9 *are to be used to finance the construction, reconstruction, or re-*
 10 *conditioning of the vessel used or to be used as security for the*
 11 *guarantee; over*

12 *“(ii) 75 percent or 87.5 percent, whichever is applicable*
 13 *under section 53709(b) of this title, of the actual cost of the ves-*
 14 *sel to the extent paid; and*

15 *“(B) pay interest on that prepaid amount of principal.*

16 *“(2) REMAINING BALANCE.—Any remaining balance of the escrow*
 17 *fund shall be paid to the obligor.*

18 *“(f) INVESTMENT.—The Secretary may invest and reinvest any part of an*
 19 *escrow fund in obligations of the United States Government with maturities*
 20 *such that the escrow fund will be available as required for purposes of the*
 21 *escrow agreement. Investment income shall be paid to the obligor when re-*
 22 *ceived.*

23 *“(g) TERMS TO PROTECT GOVERNMENT.—The escrow agreement shall con-*
 24 *tain other terms the Secretary considers necessary to protect fully the interests*
 25 *of the Government.*

26 **“§53716. Deposit fund**

27 *“(a) IN GENERAL.—There is a deposit fund in the Treasury for purposes*
 28 *of this section. The Secretary, in accordance with an agreement under sub-*
 29 *section (b), may deposit into and hold in the fund cash belonging to an obli-*
 30 *gor to serve as collateral for a guarantee made under this chapter with respect*
 31 *to the obligor.*

32 *“(b) AGREEMENT.—The Secretary and an obligor shall make a reserve fund*
 33 *or other collateral account agreement to govern the deposit, withdrawal, reten-*
 34 *tion, use, and reinvestment of cash of the obligor held in the fund. The agree-*
 35 *ment shall contain—*

36 *“(1) terms and conditions required by this section;*

37 *“(2) terms that grant to the United States Government a security in-*
 38 *terest in all amounts deposited into the fund; and*

39 *“(3) any additional terms considered by the Secretary to be necessary*
 40 *to protect fully the interests of the Government.*

1 “(c) *INVESTMENT.*—*The Secretary may invest and reinvest any part of the*
 2 *amounts in the fund in obligations of the Government with maturities such*
 3 *that amounts in the fund will be available as required for purposes of the*
 4 *agreement under subsection (b). Cash balances in the fund in excess of current*
 5 *requirements shall be maintained in a form of uninvested funds, and the Sec-*
 6 *retary of the Treasury shall pay interest on these funds.*

7 “(d) *WITHDRAWALS.*—

8 “(1) *IN GENERAL.*—*Cash deposited into the fund may not be with-*
 9 *drawn without the consent of the Secretary.*

10 “(2) *USE OF INCOME.*—*Subject to paragraph (3), the Secretary may*
 11 *pay any income earned on cash of an obligor deposited into the fund*
 12 *in accordance with the agreement with the obligor under subsection (b).*

13 “(3) *RETENTION AGAINST DEFAULT.*—*The Secretary may retain and*
 14 *offset any or all of the cash of an obligor in the fund, and any income*
 15 *realized thereon, as part of the Secretary’s recovery against the obligor*
 16 *in case of a default by the obligor on an obligation.*

17 **“§53717. Management of funds in the Treasury**

18 “(a) *DEFINITION.*—*In this section, the term ‘FCRA’ means the Federal*
 19 *Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).*

20 “(b) *LOAN GUARANTEES BY SECRETARY OF TRANSPORTATION.*—

21 “(1) *WHEN NOT SUBJECT TO FCRA.*—*The Secretary of Transportation*
 22 *shall account for payments and disbursements involving obligations*
 23 *guaranteed under this chapter and not subject to FCRA in an account*
 24 *in the Treasury entitled the Federal Ship Financing Fund Liquidating*
 25 *Account (a liquidating account as defined in FCRA).*

26 “(2) *WHEN SUBJECT TO FCRA.*—*The Secretary of Transportation shall*
 27 *account for payments and disbursements involving obligations guaran-*
 28 *teed under this chapter and subject to FCRA in a separate account in*
 29 *the Treasury entitled the Federal Ship Financing Guaranteed Loan Fi-*
 30 *nanancing Account (a financing account as defined in FCRA).*

31 “(c) *LOAN GUARANTEES BY SECRETARY OF COMMERCE.*—

32 “(1) *WHEN NOT SUBJECT TO FCRA.*—*The Secretary of Commerce shall*
 33 *account for payments and disbursements involving obligations guaran-*
 34 *teed under this chapter and not subject to FCRA in a separate account*
 35 *in the Treasury established for this purpose.*

36 “(2) *WHEN SUBJECT TO FCRA.*—*The Secretary of Commerce shall ac-*
 37 *count for payments and disbursements involving obligations guaranteed*
 38 *under this chapter and subject to FCRA in a separate account in the*
 39 *Treasury established for this purpose.*

40 “(d) *DIRECT LOANS BY SECRETARY OF COMMERCE.*—*The Secretary of*
 41 *Commerce shall account for payments and disbursements involving direct*

1 loans made under this chapter in a separate account in the Treasury estab-
2 lished for this purpose.

3 **“§53718. Annual report to Congress**

4 “The Secretary of Transportation shall report to Congress annually on the
5 loan guarantee program under this chapter. Each report shall include—

6 “(1) the size, in dollars, of the portfolio of loans guaranteed;

7 “(2) the size, in dollars, of projects in the portfolio facing financial
8 difficulties;

9 “(3) the number and type of projects covered;

10 “(4) a profile of pending loan applications;

11 “(5) the amount of appropriations available for new guarantees;

12 “(6) a profile of each project approved since the last report; and

13 “(7) a profile of any defaults since the last report.

14 “SUBCHAPTER II—DEFAULT PROVISIONS

15 **“§53721. Rights of obligee**

16 “(a) DEMANDS BY OBLIGEES.—Except as provided in subsection (c), if an
17 obligor has continued in default for 30 days in the payment of principal or
18 interest on an obligation guaranteed under this chapter, the obligee or the
19 obligee’s agent may demand that the Secretary pay the unpaid principal
20 amount of the obligation and the unpaid interest on the obligation to the date
21 of payment. The demand must be made within the earlier of—

22 “(1) a period that may be specified in the guarantee or a related
23 agreement; or

24 “(2) 90 days from the date of the default.

25 “(b) PAYMENTS BY SECRETARY.—

26 “(1) IN GENERAL.—If a demand is made under subsection (a), the
27 Secretary shall pay to the obligee or the obligee’s agent the unpaid prin-
28 cipal amount of the obligation and the unpaid interest on the obligation
29 to the date of payment. Payment shall be made within the earlier of—

30 “(A) a period that may be specified in the guarantee or a related
31 agreement; or

32 “(B) 30 days from the date of the demand.

33 “(2) IF NO EXISTING DEFAULT.—The Secretary is not required to
34 make payment under this subsection if, within the appropriate period
35 under paragraph (1), the Secretary finds that the obligor was not in de-
36 fault or that the default was remedied before the demand.

37 “(c) ASSUMPTION OF RIGHTS AND OBLIGATIONS BEFORE DEMAND.—An
38 obligee or the obligee’s agent may not demand payment under this section if
39 the Secretary, before the demand and on terms that may be provided in the
40 obligation or a related agreement, has assumed the obligor’s rights and duties
41 under the obligation and any related agreement and made any payment in

1 *default. However, the guarantee of the obligation remains in effect after the*
 2 *Secretary's assumption.*

3 **“§53722. Actions by Secretary**

4 *“(a) GENERAL AUTHORITY.—On default under an obligation or related*
 5 *agreement between the Secretary and the obligor, the Secretary, on terms that*
 6 *may be provided in the obligation or agreement, may—*

7 *“(1) assume the obligor's rights and duties under the obligation or*
 8 *agreement, make any payment in default, and notify the obligee or the*
 9 *obligee's agent of the default and the Secretary's assumption; or*

10 *“(2) notify the obligee or the obligee's agent of the default.*

11 *“(b) DEMANDS BY OBLIGEEES.—*

12 *“(1) DEMAND.—If the Secretary proceeds under subsection (a)(2), the*
 13 *obligee or the obligee's agent may demand that the Secretary pay the un-*
 14 *paid principal amount of the obligation and the unpaid interest on the*
 15 *obligation. The demand must be made within the earlier of—*

16 *“(A) a period that may be specified in the guarantee or a related*
 17 *agreement; or*

18 *“(B) 60 days from the date of the Secretary's notice.*

19 *“(2) PAYMENT.—If a demand is made under paragraph (1), the Sec-*
 20 *retary shall pay to the obligee or the obligee's agent the unpaid principal*
 21 *amount of the obligation and the unpaid interest on the obligation to*
 22 *the date of payment. Payment shall be made within the earlier of—*

23 *“(A) a period that may be specified in the guarantee or a related*
 24 *agreement; or*

25 *“(B) 30 days from the date of the demand.*

26 *“(c) CONTINUED EFFECT OF GUARANTEE.—A guarantee of an obligation*
 27 *remains in effect after an assumption of the obligation by the Secretary.*

28 *“(d) ADDITIONAL RESPONSES.—If there is a default on an obligation, the*
 29 *Secretary shall conduct operations under this chapter in a manner that—*

30 *“(1) maximizes the net present value return from the sale or disposi-*
 31 *tion of assets associated with the obligation, including prompt referral*
 32 *to the Attorney General for collection as appropriate;*

33 *“(2) minimizes the amount of any loss realized in the resolution of*
 34 *the guarantee;*

35 *“(3) ensures adequate competition and fair and consistent treatment*
 36 *of offerors; and*

37 *“(4) requires appraisal of assets by an independent appraiser.*

38 **“§53723. Payments by Secretary and issuance of obligations**

39 *“(a) CASH PAYMENT.—Amounts required to be paid by the Secretary under*
 40 *section 53721 or 53722 of this title shall be paid in cash.*

1 “(b) *ISSUANCE OF OBLIGATIONS.*—If amounts in the appropriate account
2 under section 53717 of this title are not sufficient to make a payment re-
3 quired under section 53721 or 53722 of this title, the Secretary may issue
4 obligations to the Secretary of the Treasury. The Secretary, with the approval
5 of the Secretary of the Treasury, shall prescribe the form, denomination, ma-
6 turity, and other terms (except the interest rate) of the obligations. The Sec-
7 retary of the Treasury shall set the interest rate for the obligations, consid-
8 ering the current average market yield on outstanding marketable obligations
9 of the United States Government of comparable maturities during the month
10 before the obligations are issued.

11 “(c) *PURCHASE OF OBLIGATIONS.*—The Secretary of the Treasury shall
12 purchase the obligations issued under this section. To purchase the obliga-
13 tions, the Secretary of the Treasury may use as a public debt transaction the
14 proceeds from the sale of securities issued under chapter 31 of title 31. The
15 purposes for which securities may be issued under that chapter are extended
16 to include the purchase of obligations under this subsection. The Secretary of
17 the Treasury may sell obligations purchased under this section. A redemption,
18 purchase, or sale of the obligations by the Secretary of the Treasury is a pub-
19 lic debt transaction of the Government.

20 “(d) *DEPOSITS AND REDEMPTIONS.*—The Secretary shall deposit amounts
21 borrowed under this section in the appropriate account under section 53717
22 of this title and make redemptions of the obligations from that account.

23 **“§ 53724. Rights to secured property**

24 “(a) *ACQUISITION OF SECURITY RIGHTS.*—When the Secretary makes a
25 payment on, or assumes, an obligation under section 53721 or 53722 of this
26 title, the Secretary acquires the rights under the security agreement with the
27 obligor in the security held by the Secretary to guarantee the obligation.

28 “(b) *USE AND DISPOSITION OF SECURED PROPERTY.*—Notwithstanding
29 any other law relating to the acquisition, handling, or disposal of property
30 by the United States Government, the Secretary has the right, in the Sec-
31 retary’s discretion, to complete, reconstruct, recondition, renovate, repair,
32 maintain, operate, charter, or sell any property acquired under a security
33 agreement with an obligor, or to place a vessel so acquired in the National
34 Defense Reserve Fleet. The terms of a sale under this subsection shall be as
35 approved by the Secretary.

36 **“§ 53725. Actions against obligor**

37 “(a) *IN GENERAL.*—For a default under a guaranteed obligation or related
38 agreement, the Secretary may take any action against the obligor or another
39 liable party that the Secretary considers necessary to protect the interests of
40 the United States Government. A civil action may be brought in the name

1 of the Government or the obligee. The obligee shall make available to the Gov-
2 ernment all records and evidence necessary to prosecute the action.

3 “(b) *TITLE, POSSESSION, AND PURCHASE.*—

4 “(1) *IN GENERAL.*—The Secretary may—

5 “(A) accept a conveyance of title to and possession of property
6 from the obligor or another party liable to the Secretary; and

7 “(B) purchase the property for an amount not greater than the
8 unpaid principal amount of the obligation and interest thereon.

9 “(2) *PAYMENT OF EXCESS.*—If, through the sale of property, the Sec-
10 retary receives an amount of cash greater than the unpaid principal
11 amount of the obligation, the unpaid interest on the obligation, and the
12 expenses of collecting those amounts, the Secretary shall pay the excess
13 to the obligor.

14 “SUBCHAPTER III—PARTICULAR PROJECTS

15 “§53731. **Commercial demonstration ocean thermal energy**
16 **conversion facilities and plantships**

17 “(a) *IN GENERAL.*—Under subchapter I of this chapter, the Secretary may
18 guarantee or make a commitment to guarantee the payment of the principal
19 of and interest on an obligation that aids in financing (including reimburse-
20 ment of an obligor for expenditures previously made for) the construction, re-
21 construction, or reconditioning of a commercial demonstration ocean thermal
22 energy conversion facility or plantship. This section may be used to guarantee
23 obligations for a total of not more than 5 separate facilities and plantships
24 or a demonstrated 400 megawatt capacity, whichever comes first.

25 “(b) *APPLICABILITY OF OTHER PROVISIONS.*—Except as otherwise provided
26 in this section, a guarantee or commitment to guarantee under this section
27 is subject to all the provisions applicable to a guarantee or commitment to
28 guarantee under subchapter I of this chapter.

29 “(c) *ECONOMIC SOUNDNESS.*—The required determination of economic
30 soundness under section 53708 of this title applies to a guarantee or commit-
31 ment to guarantee for that portion of a facility or plantship not to be sup-
32 ported with appropriated Federal funds.

33 “(d) *REASONABLENESS OF RISK.*—A guarantee or commitment to guar-
34 antee may not be made under this section unless the Secretary of Energy, in
35 consultation with the Secretary, certifies to the Secretary that, for the facility
36 or plantship for which the guarantee or commitment to guarantee is sought,
37 there is sufficient guarantee of performance and payment to lower the risk
38 to the United States Government to a reasonable level. In deciding whether
39 to issue such a certification, the Secretary of Energy shall consider—

1 “(1) *the successful demonstration of the technology to be used in the*
2 *facility at a scale sufficient to establish the likelihood of technical and*
3 *economic viability in the proposed market; and*

4 “(2) *the need of the United States to develop new and renewable*
5 *sources of energy and the benefits to be realized from the construction*
6 *and successful operation of the facility or plantship.*

7 “(e) *AMOUNT OF OBLIGATION.—The total principal amount of an obliga-*
8 *tion guaranteed under this section may not exceed 87.5 percent of—*

9 “(1) *the actual cost or depreciated actual cost of the facility or*
10 *plantship; or*

11 “(2) *if the facility or plantship is supported with appropriated Fed-*
12 *eral funds, the total principal amount of that portion of the actual cost*
13 *or depreciated actual cost for which the obligor is obligated to secure fi-*
14 *ncancing under the agreement between the obligor and the Department of*
15 *Energy or other Federal agency.*

16 “(f) *OTEC DEMONSTRATION FUND.—*

17 “(1) *IN GENERAL.—There is a special subaccount, known as the OTEC*
18 *Demonstration Fund, in the account established under section*
19 *53717(b)(1) of this title.*

20 “(2) *USE AND OPERATION.—The OTEC Demonstration Fund shall be*
21 *used for obligation guarantees authorized under this section that do not*
22 *qualify under subchapter I of this chapter. Except as otherwise provided*
23 *in this section, the OTEC Demonstration Fund shall be operated in the*
24 *same manner as the parent account. However—*

25 “(A) *amounts received by the Secretary under subchapter I of this*
26 *chapter related to guarantees or commitments to guarantee made*
27 *under this section shall be deposited only in the OTEC Demons-*
28 *tration Fund; and*

29 “(B) *when obligations issued by the Secretary under section*
30 *53723 of this title related to the OTEC Demonstration Fund are*
31 *outstanding, any amount received by the Secretary under sub-*
32 *chapter I of this chapter related to ocean thermal energy conversion*
33 *facilities or plantships shall be deposited in the OTEC Demons-*
34 *tration Fund.*

35 “(3) *TRANSFERS.—Assets in the OTEC Demonstration Fund may be*
36 *transferred to the parent account when and to the extent the balance in*
37 *the OTEC Demonstration Fund exceeds the total guarantees or commit-*
38 *ments to guarantee made under this section then outstanding, plus obli-*
39 *gations issued by the Secretary under section 53723 of this title related*
40 *to the OTEC Demonstration Fund.*

1 “(4) *LIABILITY.*—*The parent account is not liable for a guarantee or*
2 *commitment to guarantee made under this section.*

3 “(5) *MAXIMUM UNPAID PRINCIPAL AMOUNT.*—*The total unpaid prin-*
4 *cipal amount of the obligations guaranteed with the backing of the*
5 *OTEC Demonstration Fund and outstanding at any one time may not*
6 *exceed \$1,650,000,000.*

7 “(g) *ISSUANCE AND PAYMENT OF OBLIGATIONS.*—*Section 53723 of this title*
8 *applies to the OTEC Demonstration Fund. However, obligations issued by the*
9 *Secretary under that section related to the OTEC Demonstration Fund shall*
10 *be payable only from proceeds realized by the OTEC Demonstration Fund.*

11 “(h) *TAXATION OF INTEREST.*—*Interest on an obligation guaranteed under*
12 *this section shall be included in gross income under chapter 1 of the Internal*
13 *Revenue Code of 1986 (26 U.S.C. ch. 1).*

14 **“§53732. Eligible export vessels**

15 “(a) *APPLICABLE TERMS.*—*The Secretary may guarantee an obligation for*
16 *an eligible export vessel in accordance with—*

17 “(1) *the terms applicable under this chapter for vessels documented*
18 *under the laws of the United States; or*

19 “(2) *other terms the Secretary determines are more favorable than*
20 *those terms and compatible with export credit terms offered by foreign*
21 *governments for the sale of vessels built in foreign shipyards.*

22 “(b) *INTERAGENCY COUNCIL.*—

23 “(1) *ESTABLISHMENT.*—*There is an interagency council to carry out*
24 *this section.*

25 “(2) *COMPOSITION.*—*The council is composed of the following individ-*
26 *uals or their designees:*

27 “(A) *The Secretary of Transportation, who is the chairman of the*
28 *council.*

29 “(B) *The Secretary of the Treasury.*

30 “(C) *The Secretary of State.*

31 “(D) *The Assistant to the President for Economic Policy.*

32 “(E) *The United States Trade Representative.*

33 “(F) *The President and Chairman of the Export-Import Bank of*
34 *the United States.*

35 “(3) *FUNCTIONS.*—*The council shall—*

36 “(A) *obtain information on shipbuilding loan guarantees, direct*
37 *and indirect subsidies, and other favorable treatment of shipyards*
38 *provided by foreign governments to shipyards in competition with*
39 *United States shipyards;*

40 “(B) *consult regularly with United States shipbuilders to obtain*
41 *the essential information about international shipbuilding competi-*

1 tion on which to set terms for loan guarantees under subsection
2 (a)(2); and

3 “(C) provide guidance to the Secretary in establishing terms for
4 loan guarantees under subsection (a)(2).

5 “(4) ANNUAL REPORT.—Not later than January 31 of each year, the
6 Secretary shall submit to Congress a report on activities of the Secretary
7 under this section during the preceding year. The report shall include—

8 “(A) documentation of sources of information about assistance by
9 governments of other countries to shipyards in those countries; and

10 “(B) a summary of recommendations made to the Secretary dur-
11 ing the preceding year about applications submitted to the Sec-
12 retary during that year for loan guarantees to construct eligible ex-
13 port vessels.

14 “(c) REQUIRED FINDINGS.—

15 “(1) BENEFIT TO SHIPBUILDING INDUSTRY.—The Secretary may not
16 guarantee or make a commitment to guarantee an obligation for an eli-
17 gible export vessel unless the Secretary finds that the construction, recon-
18 struction, or reconditioning of the vessel will aid in the transition of
19 United States shipyards to commercial activities or will preserve ship-
20 building assets that would be essential in time of war or national emer-
21 gency.

22 “(2) PRIORITY OF DOCUMENTED VESSELS.—The Secretary may not
23 make a commitment to guarantee an obligation for an eligible export ves-
24 sel unless the Secretary determines that making the commitment will not
25 result in denial of an economically sound application for a commitment
26 to guarantee an obligation for a vessel documented under the laws of the
27 United States and operating in the domestic or foreign commerce of the
28 United States. The Secretary has sole discretion in making the deter-
29 mination. In making the determination, the Secretary shall consider—

30 “(A) the status and economic soundness of pending applications
31 for commitments to guarantee obligations for vessels documented
32 under the laws of the United States that are operating or will be
33 operating in the domestic or foreign commerce of the United States;
34 and

35 “(B) the amount of guarantee authority available.

36 “(d) RESTRICTION ON TRANSFER OF VESSEL.—The Secretary may not
37 guarantee or make a commitment to guarantee an obligation for an eligible
38 export vessel unless the owner of the vessel agrees with the Secretary that the
39 vessel will not be transferred to a country designated by the Secretary of De-
40 fense as a country whose interests are hostile to the interests of the United
41 States.

1 “(e) *REVIEW BY SECRETARY OF DEFENSE.*—

2 “(1) *NOTIFICATION.*—*The Secretary shall promptly notify the Sec-*
3 *retary of Defense of the receipt of an application for a loan guarantee*
4 *for an eligible export vessel.*

5 “(2) *DISAPPROVAL.*—*The Secretary of Defense, within 30 days after*
6 *receiving the notice, may disapprove the guarantee based on an assess-*
7 *ment of the potential use of the vessel in a manner that may harm the*
8 *national security interests of the United States. The Secretary may not*
9 *disapprove a guarantee solely because of the type of vessel to be con-*
10 *structed.*

11 “(3) *DELEGATION.*—*The authority of the Secretary of Defense to dis-*
12 *approve a guarantee under this subsection may be delegated only to a*
13 *civilian officer of the Department of Defense appointed by the President*
14 *by and with the advice and consent of the Senate.*

15 “(4) *PROHIBITION.*—*The Secretary may not make a loan guarantee*
16 *disapproved by the Secretary of Defense under this subsection.*

17 “(f) *EXPIRATION OF AUTHORITY.*—*The Secretary may not issue a commit-*
18 *ment to guarantee an obligation for an eligible export vessel under this chap-*
19 *ter after the last date on which such a commitment may be issued under any*
20 *treaty or convention entered into after November 30, 1993, that prohibits*
21 *guarantee of such an obligation.*

22 **“§ 53733. Shipyard modernization and improvement**

23 “(a) *DEFINITIONS.*—*In this section:*

24 “(1) *ADVANCED SHIPBUILDING TECHNOLOGY.*—*The term ‘advanced*
25 *shipbuilding technology’ includes—*

26 “(A) *numerically controlled machine tools, robots, automated*
27 *process control equipment, computerized flexible manufacturing sys-*
28 *tems, associated computer software, and other technology for im-*
29 *proving shipbuilding and related industrial production that ad-*
30 *vance the state-of-the-art; and*

31 “(B) *novel techniques and processes designed to improve ship-*
32 *building quality, productivity, and practice, and to promote sus-*
33 *tainable development, including engineering design, quality assur-*
34 *ance, concurrent engineering, continuous process production tech-*
35 *nology, energy efficiency, waste minimization, design for*
36 *recyclability or parts reuse, inventory management, upgraded work-*
37 *er skills, and communications with customers and suppliers.*

38 “(2) *GENERAL SHIPYARD FACILITY.*—*The term ‘general shipyard facil-*
39 *ity’ means—*

40 “(A) *for operations on land—*

1 “(i) a structure or appurtenance thereto designed for the
2 construction, reconstruction, repair, rehabilitation, or refur-
3 bishment of a vessel, including a graving dock, building way,
4 ship lift, wharf, or pier crane;

5 “(ii) the land necessary for the structure or appurtenance;
6 and

7 “(iii) equipment that is for use with the structure or appur-
8 tenance and that is necessary for performing a function re-
9 ferred to in subclause (i); and

10 “(B) for operations not on land, a vessel, floating drydock, or
11 barge built in the United States and used for, equipped to be used
12 for, or of a type normally used for, performing a function referred
13 to in subclause (A)(i).

14 “(3) MODERN SHIPBUILDING TECHNOLOGY.—The term ‘modern ship-
15 building technology’ means the best available proven technology, tech-
16 niques, and processes appropriate to enhancing the productivity of ship-
17 yards.

18 “(b) GENERAL AUTHORITY.—Under subchapter I of this chapter, the Sec-
19 retary may guarantee or make a commitment to guarantee the payment of
20 the principal of and interest on an obligation for advanced shipbuilding tech-
21 nology and modern shipbuilding technology of a general shipyard facility in
22 the United States. Only a private shipyard is eligible to receive a guarantee.

23 “(c) APPLICABILITY OF OTHER PROVISIONS.—Except as otherwise provided
24 in this section, a guarantee or commitment to guarantee under this section
25 is subject to all the provisions applicable to a guarantee or commitment to
26 guarantee under subchapter I of this chapter.

27 “(d) AMOUNT OF OBLIGATION.—The principal amount of an obligation
28 guaranteed under this chapter may not exceed 87.5 percent of the actual cost
29 of the advanced shipbuilding technology or modern shipbuilding technology.

30 “(e) TRANSFER OF AMOUNTS.—The Secretary may accept the transfer of
31 amounts from a department, agency, or instrumentality of the United States
32 Government and may use those amounts to cover the cost (as defined in sec-
33 tion 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of making
34 guarantees or commitments to guarantee under this section.

35 **“§53734. Replacement of vessels because of changes in oper-
36 ating standards**

37 “(a) GENERAL AUTHORITY.—Notwithstanding any other provision of this
38 chapter, the Secretary, on terms the Secretary may prescribe, may guarantee
39 or make a commitment to guarantee the payment of the principal of and in-
40 terest on an obligation that aids in financing or refinancing (including reim-

1 *bursement of an obligor for expenditures previously made for) a contract for*
 2 *the construction or reconstruction of a vessel if—*

3 *“(1) the vessel is designed and to be used for commercial use in coast-*
 4 *wise, intercoastal, or foreign trade;*

5 *“(2) the construction or reconstruction is necessary to replace a vessel*
 6 *that cannot continue to be operated because of a change required by law*
 7 *in the standards for the operation of vessels, and the applicant for the*
 8 *guarantee or commitment would not otherwise legally be able to continue*
 9 *operating vessels in the trades in which the applicant operated vessels*
 10 *before the change;*

11 *“(3) the applicant is presently engaged in transporting cargoes in ves-*
 12 *sels of the type and class that will be constructed or reconstructed under*
 13 *this section and agrees to employ vessels constructed or reconstructed*
 14 *under this section as replacements only for vessels made obsolete by the*
 15 *change in operating standards;*

16 *“(4) the capacity of the vessels to be constructed or reconstructed under*
 17 *this section will not increase the cargo carrying capacity of the vessels*
 18 *being replaced;*

19 *“(5) the Secretary has not determined that the market demand for the*
 20 *vessel over its useful life will diminish so as to make granting the guar-*
 21 *antee fiducially imprudent;*

22 *“(6) the vessel, if to be reconstructed, will have a useful life of at least*
 23 *15 years after the reconstruction; and*

24 *“(7) the Secretary has considered the criteria specified in section*
 25 *53708(a)(3)–(5) of this title.*

26 *“(b) TERM AND AMOUNT OF OBLIGATION.—*

27 *“(1) TERM.—The term of an obligation guaranteed under this section*
 28 *may not exceed 25 years.*

29 *“(2) AMOUNT.—The amount of an obligation guaranteed under this*
 30 *section may not exceed 87.5 percent of the actual cost or depreciated ac-*
 31 *tual cost to the applicant for the construction or reconstruction of the*
 32 *vessel. The Secretary may not establish a percentage under this para-*
 33 *graph that is to be applied uniformly to all guarantees or commitments*
 34 *to guarantee made under this section.*

35 *“(c) APPLICABILITY OF OTHER PROVISIONS.—A guarantee or commitment*
 36 *to guarantee under this section is also subject to sections 53701, 53702(a),*
 37 *53704, 53705, 53707(a), 53708(d) and (e), 53709(a), 53710(a)(1), (2), and*
 38 *(4) and (c), 53711(a), 53713, 53714, 53717, and 53721–53725 of this title.*

39 *“(d) SECURITY AGAINST DEFAULT.—The Secretary shall require by regula-*
 40 *tion that an applicant under this section provide adequate security against*
 41 *default.*

1 “(e) *GUARANTEE FEES.*—*The Secretary may establish a fee for the guar-*
 2 *antee of an obligation under this section that is in addition to the fee estab-*
 3 *lished under section 53714 of this title. The fee may be—*

4 “(1) *an annual fee of not more than an additional 1 percent added*
 5 *to the fee established under section 53714 of this title; or*

6 “(2) *a fee based on the amount of the obligation versus the percentage*
 7 *of the obligor’s fleet being replaced by vessels constructed or reconstructed*
 8 *under this section.*

9 **“§53735. Fisheries financing and capacity reduction**

10 “(a) *DEFINITION.*—*In this section, the term ‘program’ means a fishing ca-*
 11 *capacity reduction program established under section 312 of the Magnuson-Ste-*
 12 *vens Fishery Conservation and Management Act (16 U.S.C. 1861a).*

13 “(b) *GUARANTEE AUTHORITY.*—*The Secretary may guarantee the repay-*
 14 *ment of debt obligations issued by entities under this section. Debt obligations*
 15 *to be guaranteed may be issued by any entity that has been approved by the*
 16 *Secretary and has agreed with the Secretary to conditions the Secretary con-*
 17 *siders necessary for this section to achieve the objective of the program and*
 18 *to protect the interest of the United States.*

19 “(c) *REQUIREMENTS OF OBLIGATIONS.*—*A debt obligation guaranteed*
 20 *under this section shall—*

21 “(1) *be treated in the same manner and to the same extent as other*
 22 *obligations guaranteed under this chapter, except with respect to provi-*
 23 *sions of this chapter that by their nature cannot be applied to obligations*
 24 *guaranteed under this section;*

25 “(2) *have the fishing fees established under the program paid into a*
 26 *separate subaccount of the fishing capacity reduction fund established*
 27 *under this section;*

28 “(3) *not exceed \$100,000,000 in an unpaid principal amount out-*
 29 *standing at any one time for a program;*

30 “(4) *have such maturity (not to exceed 20 years), take such form, and*
 31 *contain such conditions as the Secretary determines necessary for the*
 32 *program to which they relate;*

33 “(5) *have as the exclusive source of repayment (subject to the second*
 34 *sentence of subsection (d)(2)) and as the exclusive payment security, the*
 35 *fishing fees established under the program; and*

36 “(6) *at the discretion of the Secretary be issued in the public market*
 37 *or sold to the Federal Financing Bank.*

38 “(d) *FISHING CAPACITY REDUCTION FUND.*—

39 “(1) *IN GENERAL.*—*There is a separate account in the Treasury,*
 40 *known as the Fishing Capacity Reduction Fund. Within the Fund, at*
 41 *least one subaccount shall be established for each program into which*

1 shall be paid all fishing fees established under the program and other
2 amounts authorized for the program.

3 “(2) AVAILABILITY OF AMOUNTS.—Amounts in the Fund shall be
4 available, without appropriation or fiscal year limitation, to the Sec-
5 retary to pay the cost of the program, including payments to financial
6 institutions to pay debt obligations incurred by entities under this sec-
7 tion. Funds available for this purpose from other amounts available for
8 the program may also be used to pay those debt obligations.

9 “(3) INVESTMENT.—Amounts in the Fund that are not currently need-
10 ed for the purpose of this section shall be kept on deposit or invested in
11 obligations of the United States Government.

12 “(e) REGULATIONS.—The Secretary shall prescribe regulations the Sec-
13 retary considers necessary to carry out this section.

14 **“CHAPTER 539—WAR RISK INSURANCE**

“Sec.

“53901. Definitions.

“53902. Authority to provide insurance.

“53903. Insurable interests.

“53904. Liability insurance for persons involved in war or defense efforts.

“53905. Agency insurance.

“53906. Hull insurance valuation.

“53907. Reinsurance.

“53908. Additional insurance privately obtained.

“53909. War risk insurance revolving fund.

“53910. Administrative.

“53911. Civil actions for losses.

“53912. Expiration date.

15 **“§53901. Definitions**

16 “In this chapter:

17 “(1) AMERICAN VESSEL.—The term ‘American vessel’ includes—

18 “(A) a documented vessel with a registry or coastwise endorse-
19 ment under chapter 121 of this title;

20 “(B) an undocumented vessel owned or chartered by or made
21 available to the United States Government; and

22 “(C) a tug, barge, or other watercraft (whether or not docu-
23 mented) owned by a citizen of the United States and used in essen-
24 tial water transportation or in the fisheries, except only for sport
25 fishing.

26 “(2) CARGO.—The term ‘cargo’ includes a loaded or empty container
27 on a vessel.

28 “(3) TRANSPORTATION IN THE WATERBORNE COMMERCE OF THE
29 UNITED STATES.—The term ‘transportation in the waterborne commerce
30 of the United States’ includes the operation of a vessel in the fisheries,
31 except only for sport fishing.

32 “(4) WAR RISKS.—The term ‘war risks’ includes, to the extent the Sec-
33 retary of Transportation determines—

1 “(A) any part of a loss excluded from marine insurance coverage
2 under a ‘free of capture or seizure’ clause or analogous clause; and

3 “(B) any other loss from a hostile act, including confiscation, ex-
4 propriation, nationalization, or deprivation.

5 **“§53902. Authority to provide insurance**

6 “(a) *IN GENERAL.*—With the approval of the President, and after such con-
7 sultation with interested agencies of United States Government as the Presi-
8 dent may require, the Secretary of Transportation may provide insurance
9 and reinsurance against loss or damage from war risks as provided by this
10 chapter whenever it appears to the Secretary that insurance adequate for the
11 needs of the waterborne commerce of the United States cannot be obtained on
12 reasonable terms and conditions from companies authorized to do insurance
13 business in a State of the United States.

14 “(b) *CONSIDERATION OF RISK.*—Insurance or reinsurance under this chap-
15 ter shall be based, insofar as practicable, on consideration of the risk involved.

16 “(c) *AVAILABILITY OF VESSEL DURING WAR OR NATIONAL EMERGENCY.*—
17 Insurance or reinsurance for a vessel may be provided under this chapter only
18 on the condition that the vessel will be available to the Government in time
19 of war or national emergency.

20 **“§53903. Insurable interests**

21 “(a) *IN GENERAL.*—The Secretary of Transportation may provide insur-
22 ance and reinsurance under this chapter for—

23 “(1) an American vessel, including a vessel under construction;

24 “(2) a foreign vessel—

25 “(A) owned by a citizen of the United States; or

26 “(B) engaged in transportation in the waterborne commerce of
27 the United States or in such other transportation by water or such
28 other services as the Secretary considers to be in the interest of the
29 national defense or national economy of the United States, when so
30 engaged;

31 “(3) cargo—

32 “(A) shipped or to be shipped on a vessel insurable under this
33 section, including by express or registered mail;

34 “(B) owned by a citizen or resident of the United States;

35 “(C) imported to or exported from the United States, or sold or
36 purchased by a citizen or resident of the United States, under a con-
37 tract of sale or purchase the terms of which provide that the risk
38 of loss by war risks or the obligation to provide insurance against
39 war risks is on a citizen or resident of the United States; or

40 “(D) shipped between ports in the United States;

1 “(4) disbursements, including advances to masters and general average
2 disbursements, and freight and passage money of a vessel insurable under
3 this section;

4 “(5) personal effects of an individual on a vessel insurable under this
5 section;

6 “(6) loss of life, injury, or detention by an enemy of the United States
7 after capture, with respect to an individual on a vessel insurable under
8 this section; and

9 “(7) statutory or contractual obligations or other liabilities of a vessel
10 insurable under this section or of the owner or charterer of such a vessel,
11 of a nature customarily covered by insurance.

12 “(b) *CONSIDERATIONS FOR FOREIGN VESSELS.*—In determining whether to
13 provide insurance or reinsurance for a foreign vessel, the Secretary shall con-
14 sider the characteristics, employment, and general management of the vessel
15 by the owner or charterer.

16 “(c) *NON-WAR RISKS.*—Insurance of a risk under subsection (a)(5)–(7), in-
17 sofar as it involves a liability related to an individual on the vessel, may in-
18 clude risks other than war risks to the extent the Secretary considers advis-
19 able.

20 **“§53904. Liability insurance for persons involved in war or**
21 **defense efforts**

22 “(a) *IN GENERAL.*—The Secretary of Transportation may provide insur-
23 ance under this chapter against legal liability that a person may incur in
24 providing services or facilities for a vessel if, in the opinion of the Secretary,
25 the insurance—

26 “(1) is required in prosecuting a war or for national defense; and

27 “(2) cannot be obtained at reasonable rates or on reasonable terms and
28 conditions from approved companies authorized to do insurance business
29 in a State of the United States.

30 “(b) *LIMITATIONS.*—Employer liability insurance and worker compensa-
31 tion insurance against legal liability to employees may not be provided under
32 this section.

33 **“§53905. Agency insurance**

34 “(a) *IN GENERAL.*—With the approval of the President, an agency of the
35 United States Government may obtain insurance provided for by this chapter
36 from the Secretary of Transportation, except as provided in sections 17302
37 and 17303 of title 40.

38 “(b) *PREMIUM WAIVERS.*—With the approval of the President, the Sec-
39 retary of Transportation may provide insurance under this chapter at the re-
40 quest of the Secretary of Defense and other agencies the President may pre-
41 scribe, without payment of an insurance premium if the Secretary of Defense

1 or agency agrees to indemnify the Secretary of Transportation against loss
 2 covered by the insurance. The Secretary of Defense and agencies may make
 3 such an indemnity agreement.

4 “(c) *PRESIDENTIAL APPROVAL.*—The signature of the President (or an offi-
 5 cial designated by the President) on the agreement shall be treated as the ap-
 6 proval required by section 53902(a) of this title.

7 **“§ 53906. Hull insurance valuation**

8 “(a) *STATED VALUATION.*—The valuation in a hull insurance policy for ac-
 9 tual or constructive total loss of the insured vessel shall be a stated valuation
 10 determined by the Secretary of Transportation. The stated valuation—

11 “(1) shall exclude national defense features paid for by the United
 12 States Government; and

13 “(2) may not exceed the amount that would be payable if the owner-
 14 ship of the vessel had been requisitioned under chapter 563 of this title
 15 at the time the insurance attached under the policy.

16 “(b) *REJECTING STATED VALUATION.*—Within 60 days after the insurance
 17 attaches under a policy referred to in subsection (a) or within 60 days after
 18 the Secretary determines the valuation, whichever is later, the insured may
 19 reject the valuation and pay, at the rate provided in the policy, premiums
 20 based on the asserted valuation the insured specifies at the time of rejection.
 21 However, the asserted valuation is not binding on the Government in any
 22 subsequent action on the policy.

23 “(c) *AMOUNT OF CLAIM.*—If a vessel is actually or constructively totally
 24 lost and the insured under a policy referred to in subsection (a) has not re-
 25 jected the stated valuation determined by the Secretary, the amount of a claim
 26 adjusted, compromised, settled, adjudged, or paid may not exceed the stated
 27 valuation. However, if the insured has rejected the valuation, the insured—

28 “(1) shall be paid, as a tentative advance only, 75 percent of the stated
 29 valuation; and

30 “(2) may bring a civil action against the Government in a court hav-
 31 ing jurisdiction of the claim to recover a valuation equal to the just com-
 32 pensation the court determines would have been payable if the ownership
 33 of the vessel had been requisitioned under chapter 563 of this title at the
 34 time the insurance attached under the policy.

35 “(d) *ADJUSTING PREMIUMS.*—If a court makes a determination as pro-
 36 vided under subsection (c)(2), premiums paid under the policy shall be ad-
 37 justed based on the court’s determination and the rates provided for in the
 38 policy.

39 **“§ 53907. Reinsurance**

40 “(a) *IN GENERAL.*—To the extent the Secretary of Transportation is au-
 41 thorized to provide insurance under this chapter, the Secretary may provide

1 *reinsurance to a company authorized to do insurance business in a State of*
 2 *the United States. The Secretary may obtain reinsurance from such a com-*
 3 *pany for any insurance provided by the Secretary under this chapter.*

4 “(b) *RATES.*—*The Secretary may not provide reinsurance at rates less*
 5 *than, nor obtain reinsurance at rates more than, the rates established by the*
 6 *Secretary on the same or similar risks or the rates charged by the insurance*
 7 *company for the insurance reinsured, whichever is more advantageous to the*
 8 *Secretary. However, the Secretary may provide an allowance to the insurance*
 9 *company for the costs of services and facilities the company provides, in an*
 10 *amount the Secretary considers reasonable according to good business prac-*
 11 *tice. The allowance to the company may not include any amount for solici-*
 12 *ting or stimulating insurance business.*

13 **“§ 53908. Additional insurance privately obtained**

14 *“With the approval of the Secretary of Transportation, a person having an*
 15 *insurable interest in a vessel may obtain insurance on the vessel with other*
 16 *underwriting agents in addition to the insurance with the Secretary. The Sec-*
 17 *retary is not entitled to the benefit of the additional insurance.*

18 **“§ 53909. War risk insurance revolving fund**

19 “(a) *IN GENERAL.*—*There is a war risk insurance revolving fund in the*
 20 *Treasury.*

21 “(b) *DEPOSITS.*—*There shall be deposited in the fund amounts appro-*
 22 *priated to carry out this chapter and amounts received in carrying out this*
 23 *chapter.*

24 “(c) *PAYMENTS.*—*There shall be paid from the fund amounts for return*
 25 *premiums, losses, settlements, judgments, and all liabilities incurred by the*
 26 *United States Government under this chapter.*

27 “(d) *INVESTMENT.*—*On request of the Secretary of Transportation, the Sec-*
 28 *retary of the Treasury may invest or reinvest any part of the fund in securi-*
 29 *ties of the Government or securities whose principal and interest are guaran-*
 30 *teed by the Government. Interest and benefits from the securities shall be de-*
 31 *posited in the fund.*

32 **“§ 53910. Administrative**

33 “(a) *ACCORDANCE WITH COMMERCIAL PRACTICE.*—*In carrying out this*
 34 *chapter, the Secretary of Transportation may act in accordance with commer-*
 35 *cial practice in the marine insurance business.*

36 “(b) *REGULATIONS.*—*The Secretary may prescribe regulations the Sec-*
 37 *retary considers appropriate to carry out this chapter.*

38 “(c) *POLICIES, RATES, AND ANNUAL FEES.*—*The Secretary may prescribe*
 39 *and change forms and policies, and fix and change the amounts insured and*
 40 *rates of premium, under this chapter.*

1 “(d) *ANNUAL FEES.*—*The Secretary may charge and collect an annual fee*
2 *in an amount calculated to cover the expenses of processing applications for*
3 *insurance, employing underwriting agents, and appointing experts under this*
4 *chapter.*

5 “(e) *PAYMENT OF CLAIMS AND JUDGMENTS.*—*The Secretary may settle and*
6 *pay claims, and pay judgments against the United States Government, re-*
7 *lated to insurance under this chapter.*

8 “(f) *UNDERWRITING AGENTS.*—

9 “(1) *IN GENERAL.*—*The Secretary may, and when the Secretary finds*
10 *it practical to do so shall, employ a domestic company or group of do-*
11 *mestic companies, authorized to do marine insurance business in a State*
12 *of the United States, to act as underwriting agent for the Secretary. The*
13 *services of an underwriting agent may be used in adjusting claims, but*
14 *a claim may not be paid until approved by the Secretary.*

15 “(2) *COMPENSATION.*—*The Secretary may allow the company or*
16 *group of companies reasonable compensation for services as the under-*
17 *writing agent. The compensation may include an allowance for expenses*
18 *reasonably incurred by the agent, but may not include any amount for*
19 *soliciting or stimulating business.*

20 “(g) *FEES FOR ARRANGING INSURANCE.*—*Except as provided in subsection*
21 *(f)(2), the Secretary may not pay an insurance broker or other person acting*
22 *in a similar intermediary capacity a fee or other consideration for partici-*
23 *parting in arranging insurance when the Secretary directly insures any of the*
24 *risk.*

25 “(h) *EMPLOYMENT OF MARINE INSURANCE EXPERTS.*—*The Secretary,*
26 *without regard to the laws and regulations on the employment of Federal em-*
27 *ployees, may appoint and prescribe the duties of experts in marine insurance*
28 *as the Secretary considers necessary to carry out this chapter.*

29 “(i) *SERVICES OF OTHER GOVERNMENT AGENCIES.*—*With the consent of*
30 *another Government agency, the Secretary may use information, services, fa-*
31 *cilities, officers, and employees of the agency in carrying out this chapter.*

32 “(j) *VESSEL LOCATION REPORTING.*—*The Secretary may prescribe by regu-*
33 *lation vessel location reporting requirements for a vessel insured under this*
34 *chapter.*

35 **“§53911. Civil actions for losses**

36 “(a) *IN GENERAL.*—*If there is a disagreement about a loss insured under*
37 *this chapter, a civil action in admiralty may be brought against the United*
38 *States Government in the district court of the United States for the district*
39 *in which the plaintiff or the plaintiff’s agent resides. If the plaintiff has no*
40 *residence in the United States, the action may be brought in the United*
41 *States District Court for the District of Columbia or in the district court for*

1 any district in which the Attorney General agrees to accept service. Any per-
 2 son who may have an interest in the insurance may be made a party, either
 3 initially or on the motion of either party.

4 “(b) *EXCLUSIVE REMEDY.*—A civil action against the Government under
 5 this section is exclusive of any other action by reason of the same subject mat-
 6 ter against an officer, employee, or agent employed or retained by the Govern-
 7 ment under this chapter.

8 “(c) *PROCEDURE.*—A civil action under this section shall be heard and de-
 9 termined under chapter 309 of this title.

10 “(d) *TOLLING OF LIMITATIONS PERIOD.*—If a claim is filed with the Sec-
 11 retary of Transportation, the running of the limitations period for bringing
 12 a civil action is suspended until the Secretary denies the claim, and for 60
 13 days thereafter. The Secretary is deemed to have denied the claim if the Sec-
 14 retary does not act on the claim within 6 months after the claim is filed, un-
 15 less the Secretary for good cause shown agrees with the claimant on a dif-
 16 ferent period for the Secretary to act on the claim.

17 “(e) *INTERPLEADER.*—If the Secretary acknowledges the indebtedness of the
 18 Government under the insurance and there is a dispute about the persons en-
 19 titled to receive payment, the Government may bring a civil action inter-
 20 pleading those persons. The action shall be brought in the United States Dis-
 21 trict Court for the District of Columbia or in the district court for the district
 22 in which any of those persons resides. A person not residing or found in the
 23 district may be made a party by service in any reasonable manner the court
 24 directs. If the court is satisfied that unknown persons might make a claim
 25 under the insurance, the court may direct service on those unknown persons
 26 by publication in the Federal Register. Judgment after service by publication
 27 in the Federal Register discharges the Government from further liability to
 28 all persons.

29 **“§53912. Expiration date**

30 “The authority of the Secretary of Transportation to provide insurance and
 31 reinsurance under this chapter expires on June 30, 2005.

32 **“PART D—PROMOTIONAL PROGRAMS**

33 **“CHAPTER 551—COASTWISE TRADE**

“Sec.

“55101. Application of coastwise laws.

“55102. Transportation of merchandise.

“55103. Transportation of passengers.

“55104. Transportation of passengers between Puerto Rico and other ports in the United States.

“55105. Transportation of hazardous waste.

“55106. Merchandise transferred between barges.

“55107. Empty cargo containers and barges.

“55108. Platform jackets.

“55109. Dredging.

“55110. Transportation of dredged material.

“55111. Towing.

“55112. Vessel escort operations and towing assistance.

“55113. *Use of foreign documented oil spill response vessels.*

“55114. *Unloading fish from foreign vessels.*

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“55116. *Canadian rail lines.*

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“55118. *Foreign railroads whose road enters by ferry, tugboat, or towboat.*

“55119. *Yukon River.*

“55120. *Transshipment of imported merchandise intended for immediate exportation.*

1 **“§55101. Application of coastwise laws**

2 “(a) *IN GENERAL.—Except as provided in subsection (b), the coastwise*
3 *laws apply to the United States, including the island territories and posses-*
4 *sions of the United States.*

5 “(b) *EXCEPTIONS.—The coastwise laws do not apply to—*

6 “(1) *the Virgin Islands until the President declares by proclamation*
7 *that the coastwise laws apply to the Virgin Islands; or*

8 “(2) *American Samoa.*

9 **“§55102. Transportation of merchandise**

10 “(a) *DEFINITION.—In this section, the term ‘merchandise’ includes—*

11 “(1) *merchandise owned by the United States Government, a State, or*
12 *a subdivision of a State; and*

13 “(2) *valueless material.*

14 “(b) *REQUIREMENTS.—Except as otherwise provided in this chapter or*
15 *chapter 121 of this title, a vessel may not provide any part of the transpor-*
16 *tation of merchandise by water, or by land and water, between points in the*
17 *United States to which the coastwise laws apply, either directly or via a for-*
18 *ign port, unless the vessel—*

19 “(1) *is wholly owned by citizens of the United States for purposes of*
20 *engaging in the coastwise trade; and*

21 “(2) *has been issued a certificate of documentation with a coastwise*
22 *endorsement under chapter 121 or is exempt from documentation but*
23 *would otherwise be eligible for such a certificate and endorsement.*

24 “(c) *PENALTY.—Merchandise transported in violation of subsection (b) is*
25 *liable to seizure by and forfeiture to the Government. Alternatively, an*
26 *amount equal to the value of the merchandise (as determined by the Secretary*
27 *of Homeland Security) or the actual cost of the transportation, whichever is*
28 *greater, may be recovered from any person transporting the merchandise or*
29 *causing the merchandise to be transported.*

30 **“§55103. Transportation of passengers**

31 “(a) *IN GENERAL.—Except as otherwise provided in this chapter or chap-*
32 *ter 121 of this title, a vessel may not transport passengers between ports or*
33 *places in the United States, either directly or via a foreign port, unless the*
34 *vessel—*

35 “(1) *is wholly owned by citizens of the United States for purposes of*
36 *engaging in the coastwise trade; and*

1 “(2) *has been issued a certificate of documentation with a coastwise*
 2 *endorsement under chapter 121 or is exempt from documentation but*
 3 *would otherwise be eligible for such a certificate and endorsement.*

4 “(b) *PENALTY.—The penalty for violating subsection (a) is \$300 for each*
 5 *passenger transported and landed.*

6 **“§55104. *Transportation of passengers between Puerto Rico***
 7 ***and other ports in the United States***

8 “(a) *DEFINITIONS.—In this section:*

9 “(1) *CERTIFICATE.—The term ‘certificate’ means a certificate of finan-*
 10 *cial responsibility for indemnification of passengers for nonperformance*
 11 *of transportation issued by the Federal Maritime Commission under sec-*
 12 *tion 44102 of this title.*

13 “(2) *PASSENGER VESSEL.—The term ‘passenger vessel’ means a vessel*
 14 *of similar size, or offering similar service, as any other vessel trans-*
 15 *porting passengers under subsection (b).*

16 “(b) *EXEMPTION.—Except as otherwise provided in this section, a vessel*
 17 *not qualified to engage in the coastwise trade may transport passengers be-*
 18 *tween a port in Puerto Rico and another port in the United States.*

19 “(c) *EXPIRATION OF EXEMPTION.—*

20 “(1) *WHEN COASTWISE-QUALIFIED VESSEL OFFERING SERVICE.—On a*
 21 *showing to the Secretary of the department in which the Coast Guard*
 22 *is operating, by the vessel owner or charterer, that a United States pas-*
 23 *senger vessel qualified to engage in the coastwise trade is offering or ad-*
 24 *vertising passenger service between a port in Puerto Rico and another*
 25 *port in the United States pursuant to a certificate, the Secretary shall*
 26 *notify the owner or operator of each vessel transporting passengers under*
 27 *subsection (b) to terminate that transportation within 270 days after the*
 28 *Secretary’s notification. Except as provided in subsection (d), the author-*
 29 *ity to transport passengers under subsection (b) expires at the end of that*
 30 *270-day period.*

31 “(2) *WHEN NON-COASTWISE-QUALIFIED VESSEL OFFERING SERVICE.—*
 32 *On a showing to the Secretary, by the vessel owner or charterer, that a*
 33 *United States passenger vessel not qualified to engage in the coastwise*
 34 *trade is offering or advertising passenger service between a port in Puer-*
 35 *to Rico and another port in the United States pursuant to a certificate,*
 36 *the Secretary shall notify the owner or operator of each foreign vessel*
 37 *transporting passengers under subsection (b) to terminate that transpor-*
 38 *tation within 270 days after the Secretary’s notification. Except as pro-*
 39 *vided in subsection (d), the authority of a foreign vessel to transport pas-*
 40 *sengers under subsection (b) expires at the end of that 270-day period.*

1 “(d) *DELAYING EXPIRATION.*—If the vessel offering or advertising the serv-
 2 ice described in subsection (c) has not begun that service within 270 days
 3 after the Secretary’s notification, the expiration provided by subsection (c) is
 4 delayed until 90 days after the vessel offering or advertising the service begins
 5 that service.

6 “(e) *REINSTATEMENT OF EXEMPTION.*—If the Secretary finds that the serv-
 7 ice on which an expiration was based is no longer available, the expired au-
 8 thority to transport passengers is reinstated.

9 **“§55105. Transportation of hazardous waste**

10 “(a) *IN GENERAL.*—The transportation of hazardous waste, as defined in
 11 section 1004(5) of the Resource Conservation and Recovery Act of 1976 (42
 12 U.S.C. 6903(5)), from a point in the United States to sea for incineration
 13 is deemed to be transportation of merchandise under section 55102 of this
 14 title.

15 “(b) *NONAPPLICATION TO CERTAIN FOREIGN VESSELS.*—

16 “(1) *IN GENERAL.*—Subsection (a) does not apply to transportation
 17 performed by a foreign-flag ocean incineration vessel owned by or under
 18 construction on May 1, 1982, for a corporation wholly owned by citizens
 19 of the United States under section 50501(a)–(c) of this title.

20 “(2) *STANDARDS FOR INCINERATION EQUIPMENT.*—Incineration equip-
 21 ment on a vessel described in paragraph (1) must meet standards of the
 22 Coast Guard and the Environmental Protection Agency.

23 “(3) *INSPECTION.*—A vessel described in paragraph (1) shall be in-
 24 spected by the Coast Guard, regardless of whether inspected by the flag
 25 nation. The inspection shall be the same as would be required of a vessel
 26 of the United States, including drydock inspection and internal exam-
 27 ination of tanks and void spaces. The inspection may be made concu-
 28 rently with an inspection by the flag nation or within one year after
 29 the initial issuance or next scheduled issuance of the Safety of Life at
 30 Sea Safety Construction Certificate. In making the inspection, the Coast
 31 Guard shall refer to the condition of the hull and superstructure estab-
 32 lished by the initial foreign certification as the basis for evaluating the
 33 current condition of the hull and superstructure. The Coast Guard shall
 34 allow the substitution of fittings, material, apparatus, equipment, and
 35 appliances different from those required for vessels of the United States
 36 if satisfied they are equivalent and at least as effective as those required
 37 for vessels of the United States. A satisfactory inspection under this
 38 paragraph shall be certified in writing by the Secretary of the depart-
 39 ment in which the Coast Guard is operating.

40 “(c) *EFFECTIVE DATE.*—Subsection (a) is not effective until an appro-
 41 priate vessel has been built and documented under chapter 121 of this title.

1 **“§55106. Merchandise transferred between barges**

2 “(a) *IN GENERAL.*—On terms and conditions the Secretary of Homeland
3 Security may prescribe by regulation, the Secretary may suspend the applica-
4 tion of section 55102 of this title to the transportation of merchandise that
5 is transferred, when moving in the foreign trade of the United States, from
6 a barge certified by the owner or operator as designed specifically for carriage
7 on a vessel and carried regularly on a vessel in foreign trade, to another such
8 barge owned or leased by the same owner or operator. However, this sub-
9 section does not apply to transportation between the continental United States
10 and noncontiguous States, territories, or possessions to which the coastwise
11 laws apply.

12 “(b) *RECIPROCITY REQUIREMENT FOR FOREIGN VESSELS.*—This section
13 applies to a vessel of foreign registry only if the Secretary of Homeland Secu-
14 rity finds, based on information from the Secretary of State, that the govern-
15 ment of the nation of registry extends reciprocal privileges to vessels of the
16 United States.

17 **“§55107. Empty cargo containers and barges**

18 “(a) *IN GENERAL.*—Subject to subsections (b) and (c), and on terms and
19 conditions the Secretary of Homeland Security may prescribe by regulation,
20 section 55102 of this title does not apply to the transportation of—

21 “(1) empty cargo vans, empty lift vans, or empty shipping tanks;

22 “(2) equipment for use with cargo vans, lift vans, or shipping tanks;

23 “(3) empty barges specifically designed for carriage aboard a vessel
24 and equipment (except propulsion equipment) for use with those barges;

25 “(4) empty instruments for international traffic exempted from the
26 customs laws under section 322(a) of the Tariff Act of 1930 (19 U.S.C.
27 1322(a)); or

28 “(5) stevedoring equipment and material.

29 “(b) *CONDITIONS.*—

30 “(1) *CLAUSES (1)–(4).*—Clauses (1)–(4) of subsection (a) apply only if
31 the items named are owned or leased by the owner or operator of the
32 vessel and transported for its use in handling its cargo in foreign trade.

33 “(2) *CLAUSE (5).*—Clause (5) of subsection (a) applies only if the
34 items named are—

35 “(A) owned or leased by the owner or operator of the vessel or
36 by the stevedoring company having the contract for the loading or
37 unloading of the vessel; and

38 “(B) transported without charge for use in the handling of cargo
39 in foreign trade.

40 “(c) *RECIPROCITY REQUIREMENT FOR FOREIGN VESSELS.*—This section
41 applies to a vessel of foreign registry only if the Secretary of Homeland Secu-

1 *rity finds, based on information from the Secretary of State, that the govern-*
 2 *ment of the nation of registry extends reciprocal privileges to vessels of the*
 3 *United States.*

4 **“§55108. Platform jackets**

5 “(a) *DEFINITIONS.—In this section:*

6 “(1) *COASTWISE QUALIFIED VESSEL.—The term ‘coastwise qualified*
 7 *vessel’ means a vessel that has been issued a certificate of documentation*
 8 *with a coastwise endorsement under chapter 121 of this title.*

9 “(2) *PLATFORM JACKET.—The term ‘platform jacket’ refers to a single*
 10 *physical component and includes any type of offshore exploration, devel-*
 11 *opment, or production structure or component thereof, including—*

12 “(A) *platform jackets;*

13 “(B) *tension leg or SPAR platform superstructures (including the*
 14 *deck, drilling rig and support utilities, and supporting structure);*

15 “(C) *hull (including vertical legs and connecting pontoons or*
 16 *vertical cylinder);*

17 “(D) *tower and base sections of a platform jacket;*

18 “(E) *jacket structures; and*

19 “(F) *deck modules (known as ‘topsides’).*

20 “(b) *AUTHORIZED TRANSPORTATION.—Section 55102 of this title does not*
 21 *apply to the transportation of a platform jacket in or on a non-coastwise*
 22 *qualified launch barge between two points in the United States, at one of*
 23 *which there is an installation or other device within the meaning of section*
 24 *4(a) of the Outer Continental Shelf Lands Act (43 U.S.C. 1333(a)), if—*

25 “(1) *the launch barge was built before December 31, 2000, and has a*
 26 *launch capacity of at least 12,000 long tons; and*

27 “(2) *the Secretary of Transportation makes a determination, in ac-*
 28 *cordance with procedures established under subsection (c), that a suitable*
 29 *coastwise qualified vessel is not available for use in the transportation*
 30 *and, if needed, launch or installation of a platform jacket.*

31 “(c) *PROCEDURES TO MAXIMIZE USE OF COASTWISE QUALIFIED VES-*
 32 *SELS.—The Secretary of Transportation shall adopt procedures implementing*
 33 *this section that are reasonably designed to provide timely information so as*
 34 *to maximize the use of coastwise qualified vessels. The procedures shall, among*
 35 *other things, establish that for purposes of this section, a coastwise qualified*
 36 *vessel shall be deemed to be not available only if—*

37 “(1) *on application by an owner or operator for the use of a non-*
 38 *coastwise qualified launch barge for transportation of a platform jacket*
 39 *under this section (which application shall include all relevant informa-*
 40 *tion, including engineering details and timing requirements), the Sec-*
 41 *retary promptly publishes a notice in the Federal Register—*

1 “(A) describing the project and the platform jacket involved;

2 “(B) advising that all relevant information reasonably needed to
3 assess the transportation requirements for the platform jacket will
4 be made available to interested parties on request; and

5 “(C) requesting that information on the availability of coastwise
6 qualified vessels be submitted within 30 days after publication of
7 that notice; and

8 “(2)(A) no information is submitted to the Secretary within that 30
9 day period; or

10 “(B) the owner or operator of a coastwise qualified vessel submits in-
11 formation to the Secretary asserting that the owner or operator has a
12 suitable coastwise qualified vessel available for the transportation, but
13 the Secretary determines, within 90 days after the notice is first pub-
14 lished, that the coastwise qualified vessel is not suitable or reasonably
15 available for the transportation.

16 **“§55109. Dredging**

17 “(a) *IN GENERAL.*—Except as provided in subsection (b), a vessel may en-
18 gage in dredging in the navigable waters of the United States only if—

19 “(1) the vessel is wholly owned by citizens of the United States for
20 purposes of engaging in the coastwise trade;

21 “(2) the charterer, if any, is a citizen of the United States for purposes
22 of engaging in the coastwise trade; and

23 “(3) the vessel has been issued a certificate of documentation with a
24 coastwise endorsement under chapter 121 of this title or is exempt from
25 documentation but would otherwise be eligible for such a certificate and
26 endorsement.

27 “(b) *DREDGING OF GOLD IN ALASKA.*—A documented vessel with a registry
28 endorsement may engage in the dredging of gold in Alaska.

29 “(c) *PENALTY.*—If a vessel is operated in knowing violation of this section,
30 the vessel and its equipment are liable to seizure by and forfeiture to the
31 United States Government.

32 **“§55110. Transportation of dredged material**

33 “Section 55102 of this title applies to the transportation of valueless mate-
34 rial or dredged material, regardless of whether it has commercial value, from
35 a point in the United States or on the high seas within the exclusive economic
36 zone, to another point in the United States or on the high seas within the
37 exclusive economic zone.

38 **“§55111. Towing**

39 “(a) *IN GENERAL.*—Except when towing a vessel in distress, a vessel may
40 not do any part of any towing described in subsection (b) unless the towing
41 vessel—

1 “(1) *is wholly owned by citizens of the United States for purposes of*
2 *engaging in the coastwise trade; and*

3 “(2) *has been issued a certificate of documentation with a coastwise*
4 *endorsement under chapter 121 of this title or is exempt from docu-*
5 *mentation but would otherwise be eligible for such a certificate and en-*
6 *endorsement.*

7 “(b) *APPLICABLE TOWING.*—*Subsection (a) applies to the towing of—*

8 “(1) *a vessel between ports or places in the United States to which*
9 *the coastwise laws apply, either directly or via a foreign port or place;*

10 “(2) *a vessel from point to point within the harbors of ports or places*
11 *to which the coastwise laws apply; or*

12 “(3) *a vessel transporting valueless material or dredged material, re-*
13 *gardless of whether it has commercial value, from a point in the United*
14 *States or on the high seas within the exclusive economic zone, to another*
15 *point in the United States or on the high seas within the exclusive eco-*
16 *nomi c zone.*

17 “(c) *PENALTIES.*—

18 “(1) *OWNER AND MASTER.*—*The owner and master of a vessel towing*
19 *another vessel in violation of this section are each liable for a penalty*
20 *of at least \$350 but not more than \$1,100. A penalty under this para-*
21 *graph constitutes a lien on the vessel. The lien is enforceable in a district*
22 *court of the United States for any district in which the vessel is found.*
23 *Clearance may not be granted to the vessel until the penalties have been*
24 *paid.*

25 “(2) *VESSEL.*—*In addition to the penalties under paragraph (1), the*
26 *towing vessel is liable for a penalty of \$60 per ton based on the tonnage*
27 *of each towed vessel.*

28 **“§55112. Vessel escort operations and towing assistance**

29 “(a) *IN GENERAL.*—*Except in the case of a vessel in distress, only a vessel*
30 *of the United States may perform the following escort vessel operations within*
31 *the navigable waters of the United States:*

32 “(1) *Operations that commence or terminate at a port or place in the*
33 *United States.*

34 “(2) *Operations required by United States law or regulation.*

35 “(3) *Operations provided in whole or in part within or through navi-*
36 *gation facilities owned, maintained, or operated by the United States*
37 *Government or the approaches to those facilities, other than facilities op-*
38 *erated by the St. Lawrence Seaway Development Corporation on the St.*
39 *Lawrence River portion of the Seaway.*

40 “(b) *ESCORT VESSELS.*—*For purposes of this section, an escort vessel is—*

1 “(1) any vessel that is assigned and dedicated to assist another vessel,
2 whether or not tethered to that vessel, solely as a safety precaution to
3 assist in controlling the speed or course of the assisted vessel in the event
4 of a steering or propulsion equipment failure, or any other similar emer-
5 gency circumstance, or in restricted waters where additional assistance
6 in maneuvering the vessel is required to ensure its safe operation; and

7 “(2) in the case of a vessel being towed under section 55111 of this
8 title, any vessel that is assigned and dedicated to the vessel being towed
9 in addition to any towing vessel required under that section.

10 “(c) *RELATIONSHIP TO OTHER LAW.*—This section does not affect section
11 55111 of this title.

12 “(d) *PENALTY.*—A person violating this section is liable to the Government
13 for a civil penalty of not more than \$10,000 for each day during which the
14 violation occurs.

15 **“§55113. Use of foreign documented oil spill response vessels**

16 “Notwithstanding any other provision of law, an oil spill response vessel
17 documented under the laws of a foreign country may operate in waters of the
18 United States on an emergency and temporary basis, for the purpose of recover-
19 ing, transporting, and unloading in a United States port oil discharged as
20 a result of an oil spill in or near those waters, if—

21 “(1) an adequate number and type of oil spill response vessels docu-
22 mented under the laws of the United States cannot be engaged to recover
23 oil from an oil spill in or near those waters in a timely manner, as de-
24 termined by the Federal On-Scene Coordinator for a discharge or threat
25 of a discharge of oil; and

26 “(2) the foreign country has by its laws accorded to vessels of the
27 United States the same privileges accorded to vessels of the foreign coun-
28 try under this section.

29 **“§55114. Unloading fish from foreign vessels**

30 “(a) *PROHIBITIONS.*—Except as otherwise provided by this section or a
31 treaty or convention to which the United States Government is a party, a
32 foreign vessel may not unload, in a port of the United States—

33 “(1) its catch of fish taken on board on the high seas or fish products
34 processed from that catch of fish; or

35 “(2) fish or fish products taken on board that vessel on the high seas
36 from a vessel engaged in fishing operations or the processing of fish or
37 fish products.

38 “(b) *REGULATIONS ON OBTAINING INFORMATION.*—The Secretary of Com-
39 merce may prescribe regulations the Secretary considers necessary to obtain
40 information on the transportation of fish products by vessels of the United
41 States for foreign fish processing vessels to points in the United States.

1 “(c) *VIRGIN ISLANDS EXEMPTION.*—A foreign vessel of not more than 50
2 feet overall in length may unload its catch of fresh fish (whole or with the
3 heads, viscera, or fins removed, but not frozen, otherwise processed, or further
4 advanced) in a port of the Virgin Islands for immediate consumption in those
5 islands. Fish unloaded under this subsection may be sold or transferred only
6 for immediate consumption. In the absence of satisfactory evidence that a sale
7 or transfer to an agent, representative, or employee of a freezer or cannery
8 is for immediate consumption, the sale or transfer is deemed not to be for
9 immediate consumption. This subsection does not prohibit the freezing, smok-
10 ing, or other processing of fresh fish by the ultimate consumer of the fish.

11 “(d) *SEIZURE, FORFEITURE, AND PENALTY.*—Fish unloaded in the Virgin
12 Islands that are retained, sold, or transferred, except as allowed by subsection
13 (c), are liable to seizure by and forfeiture to the Government. A person retain-
14 ing, selling, transferring, buying, or receiving the fish is liable to the Govern-
15 ment for a civil penalty of not more than \$1,000 for each violation. A penalty
16 or forfeiture under this section may be compromised, modified, or remitted
17 under section 2107(b) of this title.

18 **“§55115. Supplies on fish processing vessels**

19 “Section 55102 of this title does not apply to supplies aboard a United
20 States documented fish processing vessel that are necessary and used for proc-
21 essing or assembling fishery products aboard such a vessel.

22 **“§55116. Canadian rail lines**

23 “Section 55102 of this title does not apply to the transportation of mer-
24 chandise between points in the continental United States, including Alaska,
25 over through routes in part over Canadian rail lines and connecting water
26 facilities if the routes have been recognized by the Surface Transportation
27 Board and rate tariffs for the routes have been filed with the Board.

28 **“§55117. Great Lakes rail route**

29 “Section 55102 of this title does not apply to the transportation of mer-
30 chandise loaded on a railroad car or to a motor vehicle with or without a
31 trailer, and with its passengers or contents when accompanied by the oper-
32 ator, when the railroad car or motor vehicle is transported in a railroad car
33 ferry operated between fixed terminals on the Great Lakes as part of a rail
34 route, if—

35 “(1) the car ferry is owned by a common carrier by water and oper-
36 ated as part of a rail route with the approval of the Surface Transpor-
37 tation Board;

38 “(2) the stock of the common carrier by water, or its predecessor, was
39 owned or controlled by a common carrier by rail prior to June 5, 1920;

1 “(3) the stock of the common carrier owning the car ferry is, with the
2 approval of the Board, now owned or controlled by a common carrier
3 by rail; and

4 “(4) the car ferry is built in and documented under the laws of the
5 United States.

6 **“§55118. Foreign railroads whose road enters by ferry, tug-**
7 **boat, or towboat**

8 “A foreign railroad, whose road enters the United States by ferry, tugboat,
9 or towboat, may own and operate a vessel not having a coastwise endorsement
10 in connection with the water transportation of the passenger, freight, express,
11 baggage, and mail cars used by that road, together with the passengers,
12 freight, express matter, baggage, and mails transported in those cars. How-
13 ever, the foreign railroad is subject to the same restrictions imposed by law
14 on a vessel of the United States entering a port of the United States from
15 the same foreign country. Except as otherwise authorized by this chapter, the
16 ferry, tugboat, or towboat may not, under penalty of forfeiture, be used in
17 the transportation of merchandise between ports or places in the United
18 States to which the coastwise laws apply.

19 **“§55119. Yukon River**

20 “Section 55102 of this title does not apply to the transportation of mer-
21 chandise on the Yukon River until the Alaska Railroad is completed and the
22 Secretary of Transportation finds that proper facilities will be available for
23 transportation by citizens of the United States to properly handle the traffic.

24 **“§55120. Transshipment of imported merchandise intended**
25 **for immediate exportation**

26 “The Secretary of Homeland Security may prescribe regulations for the
27 transshipment and transportation of merchandise that is imported into the
28 United States by sea for immediate exportation to a foreign port by sea, or
29 by a river, the right to ascend or descend which for the purposes of commerce
30 is secured by treaty to the citizens of the United States and the subjects of
31 a foreign power.

32 **“CHAPTER 553—PASSENGER AND CARGO PREFERENCES**

 “SUBCHAPTER I—GENERAL

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“55302. Transportation of United States Government personnel.

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“SUBCHAPTER I—GENERAL

“§ 55301. Priority loading for coal

“A vessel engaged in the coastwise transportation of coal produced in the United States, from a port in the United States to another port in the United States, shall be given priority in loading at any of those ports ahead of a waiting vessel engaged in the export transportation of coal produced in the United States. However, if the Secretary of Transportation finds that it is in the national interest, the Secretary may eliminate this priority loading at any port. The Secretary shall report to Congress within 30 days an action eliminating priority loading under this section.

“§ 55302. Transportation of United States Government personnel

“(a) *IN GENERAL.*—An officer or employee of the United States Government traveling by sea on official business overseas or to or from a territory or possession of the United States shall travel and transport personal effects on a vessel documented under the laws of the United States if such a vessel is available, unless the necessity of the mission requires the use of a foreign vessel.

“(b) *REGULATIONS.*—The Administrator of General Services shall prescribe regulations under which agencies may not pay for or reimburse an officer or employee for travel or transportation expenses incurred on a foreign vessel in the absence of satisfactory proof of the necessity of using the vessel.

“§ 55303. Motor vehicles owned by United States Government personnel

“Notwithstanding any other law, privately-owned American shipping services may be used to transport motor vehicles owned by personnel of the United States Government whenever transportation of those vehicles at Government expense is otherwise authorized by law.

“§ 55304. Exports financed by the United States Government

“It is the sense of Congress that any loans made by an instrumentality of the United States Government to foster the exporting of agricultural or other products shall provide that the products may be transported only on vessels of the United States unless, as to any or all of those products, the Secretary of Transportation, after investigation, certifies to the instrumentality that

1 *vessels of the United States are not available in sufficient number, in suffi-*
 2 *cient tonnage capacity, on necessary schedules, or at reasonable rates.*

3 **“§55305. *Cargoes procured, furnished, or financed by the***
 4 ***United States Government***

5 *“(a) DEFINITION.—In this section, the term ‘privately-owned United*
 6 *States-flag commercial vessel’ does not include a vessel that, after September*
 7 *21, 1961, was built or rebuilt outside the United States or documented under*
 8 *the laws of a foreign country, until the vessel has been documented under the*
 9 *laws of the United States for at least 3 years.*

10 *“(b) MINIMUM TONNAGE.—When the United States Government procures,*
 11 *contracts for, or otherwise obtains for its own account, or furnishes to or for*
 12 *the account of a foreign country without provision for reimbursement, any*
 13 *equipment, materials, or commodities, within or without the United States,*
 14 *or advances funds or credits, or guarantees the convertibility of foreign cur-*
 15 *rencies in connection with the furnishing of the equipment, materials, or com-*
 16 *modities, the appropriate agencies shall take steps necessary and practicable*
 17 *to ensure that at least 50 percent of the gross tonnage of the equipment, mate-*
 18 *rials, or commodities (computed separately for dry bulk carriers, dry cargo*
 19 *liners, and tankers) which may be transported on ocean vessels is transported*
 20 *on privately-owned United States-flag commercial vessels, to the extent those*
 21 *vessels are available at fair and reasonable rates for United States-flag com-*
 22 *mercial vessels, in a manner that will ensure a fair and reasonable participa-*
 23 *tion of United States-flag commercial vessels in those cargoes by geographic*
 24 *areas.*

25 *“(c) WAIVERS.—The President, the Secretary of Defense, or Congress (by*
 26 *concurrent resolution or otherwise) may waive this section temporarily by—*

27 *“(1) declaring the existence of an emergency justifying a waiver; and*

28 *“(2) notifying the appropriate agencies of the waiver.*

29 *“(d) PROGRAMS OF OTHER AGENCIES.—An agency having responsibility*
 30 *under this section shall administer its programs with respect to this section*
 31 *under regulations prescribed by the Secretary of Transportation. The Sec-*
 32 *retary shall review the administration of those programs and report annually*
 33 *to Congress on their administration.*

34 **“SUBCHAPTER II—EXPORT TRANSPORTATION OF AGRICULTURAL**
 35 **COMMODITIES**

36 **“§55311. *Findings and purposes***

37 *“(a) FINDINGS.—Congress finds that—*

38 *“(1) a productive and healthy agricultural industry and a strong and*
 39 *active United States maritime industry are vitally important to the eco-*
 40 *nomical well-being and security of the United States;*

1 “(2) both industries must compete in international markets increas-
2 ingly dominated by foreign trade barriers and the subsidization practices
3 of foreign governments; and

4 “(3) increased agricultural exports and the use of merchant vessels of
5 the United States contribute positively to the United States balance of
6 trade and generate employment opportunities in the United States.

7 “(b) PURPOSES.—The purposes of this subchapter are to—

8 “(1) enable the Secretary of Agriculture to plan export programs effec-
9 tively, by clarifying the ocean transportation requirements applicable to
10 those programs;

11 “(2) take immediate and positive steps to promote the growth of the
12 cargo-carrying capacity of the United States merchant marine;

13 “(3) expand international trade in United States agricultural com-
14 modities and products and develop, maintain, and expand markets for
15 United States agricultural exports;

16 “(4) improve the efficiency of administration of both the commodity
17 purchasing and selling activities and the ocean transportation activities
18 associated with export programs sponsored by the Secretary;

19 “(5) stimulate and promote the agricultural and maritime industries
20 of the United States and encourage cooperative efforts by both industries
21 to address their common problems; and

22 “(6) provide for the appropriate disposition of these findings and pur-
23 poses.

24 **“§ 55312. Determining prevailing world market price**

25 “(a) AGRICULTURAL COMMODITIES AND PRODUCTS.—The prevailing world
26 market price for agricultural commodities or their products shall be deter-
27 mined under this subchapter under procedures prescribed by the Secretary of
28 Agriculture. The Secretary shall prescribe the procedures by regulation, with
29 notice and opportunity for public comment under section 553 of title 5.

30 “(b) SERVICES AND NON-AGRICULTURAL COMMODITIES AND PRODUCTS.—
31 If a determination of the prevailing world market price of any other type of
32 materials, goods, equipment, or service is required to determine whether a
33 barter or exchange transaction is subject to section 55314(b)(6) or (7) of this
34 title, the determination shall be made by the Secretary of Agriculture in con-
35 sultation with the heads of other appropriate agencies.

36 **“§ 55313. Exemption of certain agricultural exports from**
37 **cargo preference provisions**

38 “Sections 55304 and 55305 of this title do not apply to export activities
39 of the Secretary of Agriculture or the Commodity Credit Corporation under
40 which—

1 “(1) agricultural commodities or their products acquired by the Cor-
2 poration are made available to United States exporters, users, processors,
3 or foreign purchasers for the purpose of developing, maintaining, or ex-
4 panding export markets for United States agricultural commodities or
5 their products at prevailing world market prices;

6 “(2) payments are made available to United States exporters, users,
7 or processors or, except as provided in section 55314 of this title, cash
8 grants are made available to foreign purchasers, for the purpose de-
9 scribed in clause (1);

10 “(3) commercial credit guarantees are blended with direct credits from
11 the Corporation to reduce the effective rate of interest on export sales of
12 United States agricultural commodities or their products;

13 “(4) credit or credit guarantees for not more than 3 years are extended
14 by the Corporation to finance or guarantee export sales of United States
15 agricultural commodities or their products; or

16 “(5) agricultural commodities or their products owned or controlled by
17 or under loan from the Corporation are exchanged or bartered for mate-
18 rials, goods, equipment, or services at least equal in value to the agricul-
19 tural commodities or their products for which they are exchanged or
20 bartered (determined on the basis of prevailing world market prices at
21 the time of the exchange or barter), but this clause does not exempt from
22 the cargo preference provisions referred to in section 55314(b) of this title
23 any requirement otherwise applicable to the materials, goods, equipment,
24 or services imported under the transaction.

25 **“§55314. Transportation requirements for certain exports**
26 **sponsored by the Secretary of Agriculture**

27 “(a) *MINIMUM TONNAGE.*—

28 “(1) *IN GENERAL.*—In addition to the requirement under section
29 55305 of this title for the transportation of a percentage of gross tonnage
30 on United States-flag vessels, 25 percent of the gross tonnage of agricul-
31 tural commodities or their products specified in subsection (b) shall be
32 transported each calendar year on United States-flag commercial vessels
33 that—

34 “(A) are necessary for national security; and

35 “(B) if more than 25 years old, were rebuilt within the last 5
36 years and certified by the Secretary of Transportation as having a
37 useful life of at least 5 years after that rebuilding.

38 “(2) *CALENDAR YEAR.*—To provide for effective and equitable admin-
39 istration of the cargo preference laws, the calendar year for the purpose
40 of compliance with minimum percentage requirements is the 12-month
41 period beginning October 1 of each year.

1 “(b) *APPLICABLE EXPORT ACTIVITY.*—*This section applies to export activ-*
 2 *ity (except inspection or weighing activities, other activities carried out for*
 3 *health or safety, or technical assistance provided in the handling of commer-*
 4 *cial transactions) of the Secretary of Agriculture or the Commodity Credit*
 5 *Corporation—*

6 “(1) *carried out under the Agricultural Trade Development and As-*
 7 *istance Act of 1954 (7 U.S.C. 1691 et seq.);*

8 “(2) *carried out under section 416 of the Agricultural Act of 1949 (7*
 9 *U.S.C. 1431);*

10 “(3) *carried out under the Bill Emerson Humanitarian Trust Act (7*
 11 *U.S.C. 1736f–1);*

12 “(4) *under which agricultural commodities or their products are—*

13 “(A) *donated through foreign governments or private or public*
 14 *agencies, including intergovernmental organizations; or*

15 “(B) *sold for foreign currencies or for dollars on credit terms of*
 16 *more than 10 years;*

17 “(5) *under which agricultural commodities or their products are made*
 18 *available for emergency food relief at less than prevailing world market*
 19 *prices;*

20 “(6) *under which a cash grant is made directly or through an inter-*
 21 *mediary to a foreign purchaser to enable the purchaser to obtain United*
 22 *States agricultural commodities or their products in an amount greater*
 23 *than the difference between the prevailing world market price and the*
 24 *United States market price, free along side vessel at a United States*
 25 *port; or*

26 “(7) *under which agricultural commodities owned or controlled by or*
 27 *under loan from the Corporation are exchanged or bartered for materials,*
 28 *goods, equipment, or services produced in foreign countries, except export*
 29 *activities described in section 55313(5) of this title.*

30 “(c) *ADDITIONAL REQUIREMENTS.*—

31 “(1) *APPLICATION OF SECTION 55305.*—*The requirement for United*
 32 *States-flag transportation under subsection (a) is subject to the same*
 33 *terms and conditions as provided in section 55305 of this title.*

34 “(2) *ALLOCATION OF COMMODITIES.*—*Subject to paragraph (3), in*
 35 *carrying out this section and section 55305 of this title, the Corporation*
 36 *shall take steps necessary and practicable, and consistent with this sec-*
 37 *tion and section 55305, without detriment to any port range to allocate,*
 38 *on the principle of lowest landed cost without regard to the country of*
 39 *documentation of the vessel, 25 percent of the bagged, processed, or for-*
 40 *tified commodities provided under title II of the Agricultural Trade De-*
 41 *velopment and Assistance Act of 1954 (7 U.S.C. 1721 et seq.).*

1 “(3) *CALCULATIONS.*—*In carrying out paragraph (2), first there shall*
 2 *be calculated the allocation of 100 percent of the quantity to be procured*
 3 *on an overall lowest landed cost basis without regard to the country of*
 4 *documentation of the vessel, and then there shall be allocated to the Great*
 5 *Lakes port range any cargoes for which it has the lowest landed cost*
 6 *under that calculation. The requirements for United States-flag transpor-*
 7 *tation under this section and section 55305 of this title do not apply to*
 8 *commodities allocated to the Great Lakes port range under paragraph*
 9 *(2). To the extent that the Great Lakes port range is used to furnish and*
 10 *transport less than 25 percent of the total annual tonnage of commodities*
 11 *to which paragraph (2) applies, the commodities allocated to the Great*
 12 *Lakes port range under paragraph (2) may not be reallocated or diverted*
 13 *to another port range to meet the requirements for United States-flag*
 14 *transportation under this section and section 55305 of this title.*

15 “(4) *AWARDING CONTRACTS.*—*In awarding a contract for the trans-*
 16 *portation by vessel of commodities from the Great Lakes port range pur-*
 17 *suant to an export activity referred to in subsection (b), an agency—*

18 “(A) *shall consider expressions of freight interest for any vessel*
 19 *from a vessel operator who meets reasonable requirements for finan-*
 20 *cial and operational integrity; and*

21 “(B) *may not deny award of the contract to a person based on*
 22 *the type of vessel on which the transportation would be provided*
 23 *(including on the basis that the transportation would not be pro-*
 24 *vided on a liner vessel, as that term is used in the Shipping Act*
 25 *of 1984, as in effect on November 14, 1995), if the person otherwise*
 26 *satisfies reasonable requirements for financial and operational in-*
 27 *tegrity.*

28 “(5) *NONAVAILABILITY OF VESSELS.*—*A determination of nonavail-*
 29 *ability of United States-flag vessels resulting from the application of this*
 30 *subsection may not reduce the gross tonnage of commodities required by*
 31 *this section and section 55305 of this title to be transported on United*
 32 *States-flag vessels.*

33 **“§ 55315. Minimum tonnage**

34 “(a) *DEFINITION.*—*In this section, the term ‘base period’ means the 5-year*
 35 *period running from the sixth through the second prior fiscal years.*

36 “(b) *REQUIREMENT.*—*For each fiscal year, the minimum quantity of agri-*
 37 *cultural commodities to be exported under programs subject to section 55314*
 38 *of this title is the average of the tonnage exported under those programs dur-*
 39 *ing the base period, discarding the high and low years.*

40 “(c) *WAIVERS.*—*The President may waive the minimum quantity for a fis-*
 41 *cal year under this section if the President determines and reports to Con-*

1 *gress, together with reasons, that the quantity cannot be used effectively for*
 2 *the purposes of those programs or, based on a certification by the Secretary*
 3 *of Agriculture, that the commodities are not available for reasons that include*
 4 *the unavailability of funds.*

5 **“§55316. Financing the transportation of agricultural com-**
 6 **modities**

7 *“(a) FINANCING OF INCREASED CHARGES.—The Secretary of Transpor-*
 8 *tation shall finance any increased ocean freight charges incurred in any fiscal*
 9 *year that result from the application of section 55314 of this title.*

10 *“(b) REIMBURSEMENT OF INCREASED CHARGES.—*

11 *“(1) IN GENERAL.—The Secretary of Transportation shall reimburse*
 12 *the Secretary of Agriculture and the Commodity Credit Corporation for*
 13 *the amount by which, in any fiscal year—*

14 *“(A) the total cost of ocean freight and ocean freight differential*
 15 *for which obligations are incurred by the Secretary of Agriculture*
 16 *and the Corporation on exports of agricultural commodities and*
 17 *their products under the agricultural export programs specified in*
 18 *section 55314(b) of this title; exceeds*

19 *“(B) 20 percent of the value of the commodities and their prod-*
 20 *ucts and the cost of the ocean freight and ocean freight differential*
 21 *on which obligations are incurred by the Secretary of Agriculture*
 22 *and the Corporation during that fiscal year.*

23 *“(2) COMMODITIES SHIPPED FROM INVENTORY.—For purposes of this*
 24 *subsection, commodities shipped from the inventory of the Corporation*
 25 *shall be valued as provided in section 412(d) of the Agricultural Trade*
 26 *Development and Assistance Act of 1954 (7 U.S.C. 1736f(d)).*

27 *“(c) ISSUANCE AND PURCHASE OF OBLIGATIONS.—*

28 *“(1) ISSUANCE.—To meet the expenses required to be assumed under*
 29 *subsections (a) and (b), the Secretary of Transportation shall issue obli-*
 30 *gations to the Secretary of the Treasury. The Secretary of Transpor-*
 31 *tation, with the approval of the Secretary of the Treasury, shall prescribe*
 32 *the form, denomination, maturity, and other terms (except the interest*
 33 *rate) of the obligations. The Secretary of the Treasury shall set the inter-*
 34 *est rate for the obligations, considering the average market yield on out-*
 35 *standing marketable obligations of the United States Government of com-*
 36 *parable maturities during the month before the obligations are issued.*

37 *“(2) PURCHASE.—The Secretary of the Treasury shall purchase the ob-*
 38 *ligations issued under this subsection. To purchase the obligations, the*
 39 *Secretary of the Treasury may use as a public debt transaction the pro-*
 40 *ceeds from the sale of securities issued under chapter 31 of title 31. The*
 41 *purposes for which securities may be issued under that chapter are ex-*

1 *tended to include the purchase of obligations under this subsection. A re-*
 2 *demption or purchase of the obligations by the Secretary of the Treasury*
 3 *is a public debt transaction of the Government.*

4 *“(d) SOURCE OF FUNDS FOR REIMBURSEMENT.—Reimbursement of the*
 5 *Secretary of Transportation for costs incurred under this section shall be*
 6 *made with appropriated funds rather than through cancellation of notes.*

7 *“(e) APPROPRIATIONS.—*

8 *“(1) AUTHORIZATION.—Each fiscal year, there is authorized to be ap-*
 9 *propriated an amount sufficient to reimburse the Secretary of Transpor-*
 10 *tation for the costs incurred under this section, including administrative*
 11 *expenses and the principal and interest due on obligations issued to the*
 12 *Secretary of the Treasury.*

13 *“(2) APPROPRIATION FOR ADMINISTRATIVE EXPENSES.—Each fiscal*
 14 *year, such amounts as may be necessary are hereby appropriated to pay*
 15 *interest and to liquidate debt on obligations issued to the Secretary of*
 16 *the Treasury under this section.*

17 *“(f) NOTIFICATION TO CONGRESS OF INSUFFICIENCY.—If the Secretary of*
 18 *Transportation is unable to obtain the funds necessary to finance the in-*
 19 *creased ocean freight charges resulting from the requirements of subsections*
 20 *(a) and (b) and section 55314(a) of this title, the Secretary shall notify Con-*
 21 *gress within 10 working days of the discovery of the insufficiency.*

22 **“§55317. Termination of subchapter**

23 *“This subchapter terminates 90 days after the date on which a notification*
 24 *is made under section 55316(f) of this title, except for shipments of agricul-*
 25 *tural commodities and their products subject to contracts made before the end*
 26 *of that 90-day period, unless within that 90-day period the Secretary of*
 27 *Transportation proclaims that funds are available to finance increased freight*
 28 *charges resulting from the requirements of sections 55314(a) and 55316(a)*
 29 *and (b) of this title. On the termination of this subchapter under this sec-*
 30 *tion—*

31 *“(1) this subchapter does not exempt export activities from, or subject*
 32 *export activities to, the cargo preference laws; and*

33 *“(2) the 50-percent requirement in section 55305 of this title remains*
 34 *in effect.*

35 **“§55318. Effect on other law**

36 *“This subchapter does not affect chapter 5 of title 5.*

37 **SUBCHAPTER III—AMERICAN GREAT LAKES VESSELS**

38 **“§55331. Definitions**

39 *“In this subchapter:*

1 “(1) *AMERICAN GREAT LAKES VESSEL.*—*The term ‘American Great*
2 *Lakes vessel’ means a vessel so designated under section 55332 of this*
3 *title, but only during the period the designation is in effect.*

4 “(2) *GREAT LAKES.*—*The term ‘Great Lakes’ means Lake Superior,*
5 *Lake Michigan, Lake Huron, Lake Erie, Lake Ontario, the Saint Law-*
6 *rence River west of Saint Regis, New York, and their connecting and*
7 *tributary waters.*

8 “(3) *GREAT LAKES SHIPPING SEASON.*—*The term ‘Great Lakes ship-*
9 *ping season’ means the period each year during which the Saint Law-*
10 *rence Seaway is open for navigation by vessels, as declared by the Saint*
11 *Lawrence Seaway Development Corporation.*

12 **“§ 55332. Designating American Great Lakes vessels**

13 “(a) *DESIGNATIONS.*—*The Secretary of Transportation shall designate a*
14 *vessel as an American Great Lakes vessel if—*

15 “(1) *an application for designation is submitted to the Secretary*
16 *under regulations prescribed by the Secretary;*

17 “(2) *the vessel is documented under the laws of the United States;*

18 “(3) *the vessel, on the effective date of the designation, is—*

19 “(A) *at least 1, but not more than 6, years old; or*

20 “(B) *at least 1, but not more than 11, years old if the Secretary*
21 *finds that suitable vessels are not available to provide the type of*
22 *service for which the vessel will be used after the designation;*

23 “(4) *the vessel has not previously been designated as an American*
24 *Great Lakes vessel; and*

25 “(5) *the owner makes an agreement as provided under subsection (b).*

26 “(b) *AGREEMENTS.*—*A vessel may be designated as an American Great*
27 *Lakes vessel only if the person that will be the owner of the vessel at the time*
28 *of the designation makes an agreement with the Secretary providing that if*
29 *the Secretary determines that the vessel is necessary to the defense of the*
30 *United States, the United States Government will have an exclusive right,*
31 *during the 120-day period following the date of a revocation of the designa-*
32 *tion under section 55335 of this title, to purchase the vessel for a price equal*
33 *to the greater of—*

34 “(1) *the approximate world market value of the vessel; or*

35 “(2) *the cost of the vessel to the owner less a reasonable amount for*
36 *depreciation.*

37 “(c) *CERTAIN FOREIGN DOCUMENTATION AND SALE NOT PROHIBITED.*—
38 *Notwithstanding any other law, if the Government does not exercise its right*
39 *of purchase under an agreement under subsection (b), the owner of the vessel*
40 *is not prohibited from—*

41 “(1) *documenting the vessel under the laws of a foreign country; or*

1 “(2) *selling the vessel to a person not a citizen of the United States.*

2 “(d) *REGULATIONS.—The Secretary shall prescribe regulations establishing*
3 *requirements for submitting applications under this section.*

4 **“§55333. Exemption from restriction on transporting certain**
5 ***cargo***

6 “*The 3-year documentation requirement of section 55305(a) of this title*
7 *does not apply to a vessel designated as an American Great Lakes vessel dur-*
8 *ing the period of its designation.*

9 **“§55334. Restrictions on operations**

10 “(a) *PROHIBITIONS.—Except as provided in subsection (b), an American*
11 *Great Lakes vessel may not be used to—*

12 “(1) *engage in trade—*

13 “*(A) from a port in the United States that is not located on the*
14 *Great Lakes; or*

15 “*(B) between ports in the United States;*

16 “(2) *transport bulk cargo (as defined in section 40102 of this title)*
17 *that is subject to section 55305 or 55314 of this title or section 2631 of*
18 *title 10; or*

19 “(3) *provide a service (except ocean freight service) as—*

20 “*(A) a contract carrier; or*

21 “*(B) a common carrier on a fixed advertised schedule offering fre-*
22 *quent sailings at regular intervals in the foreign trade of the United*
23 *States.*

24 “(b) *OFF-SEASON EXCEPTION.—An American Great Lakes vessel may be*
25 *used for not more than 90 days during any 12-month period to engage in*
26 *trade prohibited by subsection (a)(1)(A), except during the Great Lakes ship-*
27 *ping season.*

28 **“§55335. Revocations and terminations of designations**

29 “(a) *REVOCATIONS.—After notice and an opportunity for a hearing, the*
30 *Secretary of Transportation may revoke a designation of a vessel as an Amer-*
31 *ican Great Lakes vessel if the Secretary finds that—*

32 “(1) *the vessel does not meet a requirement for the designation;*

33 “(2) *the vessel has been operated in violation of this subchapter; or*

34 “(3) *the owner or operator of the vessel has violated an agreement*
35 *made under section 55332(b) of this title.*

36 “(b) *TERMINATIONS.—On petition and a showing of good cause by the*
37 *owner of a vessel, the Secretary may terminate the designation of a vessel as*
38 *an American Great Lakes vessel. The Secretary may impose conditions in a*
39 *termination order to prevent significant adverse effects on other operators of*
40 *United States-flag vessels.*

1 **“§55336. Civil penalty**

2 “After notice and an opportunity for a hearing, the Secretary of Transportation may impose a civil penalty of not more than \$1,000,000 on the owner
3 of an American Great Lakes vessel for any act for which the designation may
4 be revoked under section 55335 of this title.
5

6 **“CHAPTER 555—MISCELLANEOUS**

“Sec.

“55501. *Mobile trade fairs.*

7 **“§55501. Mobile trade fairs**

8 “(a) *IN GENERAL.*—The Secretary of Commerce shall encourage and pro-
9 mote the development and use of mobile trade fairs designed to show and sell
10 the products of United States business and agriculture at foreign ports and
11 at other commercial centers throughout the world where the operators of the
12 fairs use, insofar as practicable, vessels and aircraft of the United States in
13 transporting their exhibits.

14 “(b) *TECHNICAL AND FINANCIAL ASSISTANCE.*—When the Secretary deter-
15 mines that a mobile trade fair provides an economical and effective means
16 of promoting export sales, the Secretary may provide to the operator of the
17 fair—

18 “(1) *technical assistance and support; and*

19 “(2) *financial assistance to defray certain expenses incurred outside*
20 *the United States, except the cost of transportation on foreign vessels and*
21 *aircraft.*

22 “(c) *USE OF FOREIGN CURRENCIES.*—To carry out this section, the Presi-
23 dent may use, in addition to amounts appropriated to carry out trade pro-
24 motion activities, foreign currencies owned by or owed to the United States
25 Government.

26 **“PART E—CONTROL OF MERCHANT MARINE CAPABILITIES**

27 **“CHAPTER 561—RESTRICTIONS ON TRANSFERS**

“Sec.

“56101. *Approval required to transfer vessel to noncitizen.*

“56102. *Additional controls during war or national emergency.*

“56103. *Conditional approvals.*

“56104. *Penalty for false statements.*

“56105. *Forfeiture procedure.*

28 **“§56101. Approval required to transfer vessel to noncitizen**

29 “(a) *RESTRICTIONS.*—

30 “(1) *IN GENERAL.*—Except as otherwise provided in this section, sec-
31 tion 12119 of this title, or section 611 of the Merchant Marine Act, 1936,
32 a person may not, without the approval of the Secretary of Transpor-
33 tation—

34 “(A) *sell, lease, charter, deliver, or in any other manner transfer,*
35 *or agree to sell, lease, charter, deliver, or in any other manner*

1 *transfer, to a person not a citizen of the United States, an interest*
 2 *in or control of—*

3 “(i) *a documented vessel owned by a citizen of the United*
 4 *States; or*

5 “(ii) *a vessel last documented under the laws of the United*
 6 *States; or*

7 “(B) *place under foreign registry, or operate under the authority*
 8 *of a foreign country, a documented vessel or a vessel last docu-*
 9 *mented under the laws of the United States.*

10 “(2) *EXCEPTIONS.—Paragraph (1)(A) does not apply to a vessel that*
 11 *has been operated only for pleasure or only as a fishing vessel, fish proc-*
 12 *essing vessel, or fish tender vessel (as defined in section 2101 of this*
 13 *title).*

14 “(b) *APPROVAL BEFORE DOCUMENTATION.—To promote financing with re-*
 15 *spect to a vessel to be documented under chapter 121 of this title, the Sec-*
 16 *retary may grant approval under subsection (a) before the vessel is docu-*
 17 *mented.*

18 “(c) *EXCEPTIONS.—Notwithstanding any other provision of this subtitle,*
 19 *the Merchant Marine Act, 1936, or any contract with the Secretary made*
 20 *under this subtitle or that Act, a person may place a vessel under foreign reg-*
 21 *istry without the approval of the Secretary if—*

22 “(1)(A) *the Secretary, in conjunction with the Secretary of Defense,*
 23 *determines that at least one replacement vessel of equal or greater mili-*
 24 *tary capability and of a capacity that is equivalent or greater, as meas-*
 25 *ured by deadweight tons, gross tons, or container equivalent units, as ap-*
 26 *propriate, is documented under chapter 121 of this title by the owner*
 27 *of the vessel placed under foreign registry; and*

28 “(B) *the replacement vessel is not more than 10 years old on the date*
 29 *of that documentation; or*

30 “(2) *an operating agreement covering the vessel under chapter 531 of*
 31 *this title has expired.*

32 “(d) *STATUS OF PROHIBITED TRANSACTION.—A charter, sale, or transfer*
 33 *of a vessel, or of an interest in or control of a vessel, in violation of this sec-*
 34 *tion is void.*

35 “(e) *PENALTIES.—*

36 “(1) *CRIMINAL PENALTY.—A person that knowingly sells, charters, or*
 37 *transfers a vessel, or an interest in or control of a vessel, in violation*
 38 *of this section shall be fined under title 18, imprisoned for not more than*
 39 *5 years, or both.*

40 “(2) *CIVIL PENALTY.—A person that sells, charters, or transfers a ves-*
 41 *sel, or an interest in or control of a vessel, in violation of this section*

1 *is liable to the United States Government for a civil penalty of not more*
 2 *than \$10,000 for each violation.*

3 “(3) *FORFEITURE.—A documented vessel may be seized by and for-*
 4 *feited to the Government if, in violation of this section, a person—*

5 *“(A) knowingly sells, charters, or transfers the vessel or an inter-*
 6 *est in or control of the vessel; or*

7 *“(B) places the vessel under foreign registry or operates the vessel*
 8 *under the authority of a foreign country.*

9 **“§56102. Additional controls during war or national emer-**
 10 **gency**

11 *“(a) IN GENERAL.—During war, or a national emergency declared by*
 12 *Presidential proclamation, a person may not, without the approval of the Sec-*
 13 *retary of Transportation—*

14 *“(1) place under foreign registry or flag a vessel owned in whole or*
 15 *in part by a citizen of the United States or a corporation incorporated*
 16 *under the laws of the United States or of a State;*

17 *“(2) sell, mortgage, lease, charter, deliver, or in any other manner*
 18 *transfer, or agree to sell, mortgage, lease, charter, deliver, or in any other*
 19 *manner transfer, to a person not a citizen of the United States—*

20 *“(A) a vessel owned as described in clause (1), or an interest*
 21 *therein;*

22 *“(B) a vessel documented under the laws of the United States, or*
 23 *an interest therein; or*

24 *“(C) a facility for building or repairing vessels, or an interest*
 25 *therein;*

26 *“(3) issue, assign, or transfer to a person not a citizen of the United*
 27 *States an instrument of indebtedness secured by a mortgage of a vessel*
 28 *to a trustee, by an assignment of an owner’s interest in a vessel under*
 29 *construction to a trustee, or by a mortgage of a facility for building or*
 30 *repairing vessels to a trustee, unless the trustee or a substitute trustee*
 31 *is approved by the Secretary under subsection (b);*

32 *“(4) enter into an agreement or understanding to construct a vessel*
 33 *in the United States for, or to be delivered to, a person not a citizen*
 34 *of the United States without expressly stipulating that construction will*
 35 *not begin until after the war or national emergency has ended;*

36 *“(5) enter into an agreement or understanding whereby there is vested*
 37 *in, or for the benefit of, a person not a citizen of the United States the*
 38 *controlling interest in a corporation that is incorporated under the laws*
 39 *of the United States or a State and that owns a vessel or facility for*
 40 *building or repairing vessels; or*

1 “(6) *cause or procure a vessel, constructed in whole or in part in the*
2 *United States and never cleared for a foreign port, to depart from a port*
3 *of the United States before it has been documented under the laws of the*
4 *United States.*

5 “(b) *TRUSTEES.—*

6 “(1) *APPROVAL.—The Secretary shall approve a trustee or substitute*
7 *trustee under subsection (a)(3) if and only if the trustee is a bank or*
8 *trust company that—*

9 “(A) *is organized as a corporation, and is doing business, under*
10 *the laws of the United States or a State;*

11 “(B) *is authorized under those laws to exercise corporate trust*
12 *powers;*

13 “(C) *is a citizen of the United States;*

14 “(D) *is subject to supervision or examination by Federal or State*
15 *authority; and*

16 “(E) *has a combined capital and surplus (as set forth in its most*
17 *recent published report of condition) of at least \$3,000,000.*

18 “(2) *DISAPPROVAL.—If a trustee or substitute trustee ceases to meet*
19 *the conditions in paragraph (1), the Secretary shall disapprove the trust-*
20 *ee or substitute trustee. After the disapproval, the restrictions on transfer*
21 *or assignment without the Secretary’s approval in subsection (a)(3)*
22 *apply.*

23 “(3) *OPERATION OF VESSEL.—During a period when subsection (a)*
24 *applies, a trustee referred to in subsection (a)(3), even though approved*
25 *as a trustee by the Secretary, may not operate the vessel under the mort-*
26 *gage or assignment without the Secretary’s approval.*

27 “(c) *STATUS OF PROHIBITED TRANSACTION.—A transaction in violation of*
28 *this section is void.*

29 “(d) *RECOVERY OF CONSIDERATION.—*

30 “(1) *IN GENERAL.—A person that deposited or paid consideration in*
31 *connection with a transaction prohibited by this section may recover the*
32 *consideration after tender of the vessel, facility, stock, or other security,*
33 *or interest therein, to the person entitled to it, or the forfeiture thereof*
34 *to the United States Government.*

35 “(2) *EXCEPTION.—Paragraph (1) does not apply if the person in*
36 *whose interest the consideration was deposited, or to whom it was paid,*
37 *entered into the transaction in the belief that the person depositing or*
38 *paying the consideration was a citizen of the United States.*

39 “(e) *PENALTIES.—*

1 “(1) *CRIMINAL PENALTY.*—A person that violates, or attempts or con-
2 spires to violate, this section shall be fined under title 18, imprisoned
3 for not more than 5 years, or both.

4 “(2) *FORFEITURE.*—The following shall be forfeited to the Government:

5 “(A) A vessel, a facility for building or repairing vessels, or an
6 interest in a vessel or such a facility, that is sold, mortgaged, leased,
7 chartered, delivered, transferred, or documented, or agreed to be sold,
8 mortgaged, leased, chartered, delivered, transferred, or documented,
9 in violation of this section.

10 “(B) Stock and other securities sold or transferred, or agreed to
11 be sold or transferred, in violation of this section.

12 “(C) A vessel departing in violation of subsection (a)(6).

13 **“§56103. Conditional approvals**

14 “(a) *IN GENERAL.*—In approving an act or transaction under section
15 56101 or 56102 of this title, the Secretary of Transportation may do so abso-
16 lutely or upon conditions the Secretary considers advisable. The Secretary
17 shall state the conditions in the notice of approval.

18 “(b) *VIOLATIONS.*—A violation of a condition of approval is subject to the
19 same penalties as a violation resulting from an act done without the required
20 approval. The violation occurs at the time the condition is violated.

21 **“§56104. Penalty for false statements**

22 “A person that knowingly makes a false statement of a material fact to the
23 Secretary of Transportation or another officer, employee, or agent of the De-
24 partment of Transportation, to obtain the Secretary’s approval under section
25 56101 or 56102 of this title, shall be fined under title 18, imprisoned for not
26 more than 5 years, or both.

27 **“§56105. Forfeiture procedure**

28 “(a) *IN GENERAL.*—A forfeiture under this chapter may be enforced in the
29 same way as a forfeiture under the laws on the collection of duties. However,
30 such a forfeiture may be remitted without seizure of the vessel.

31 “(b) *PRIOR CONVICTIONS.*—In a proceeding under this chapter to enforce
32 a forfeiture, a prior criminal conviction of a person for a violation of this
33 chapter with respect to the subject matter of the forfeiture is *prima facie* evi-
34 dence of the violation against the person convicted.

35 **“CHAPTER 563—EMERGENCY ACQUISITION OF VESSELS**

“Sec.

“56301. General authority.

“56302. Charter terms.

“56303. Compensation.

“56304. Disputed compensation.

“56305. Vessel encumbrances.

“56306. Use and transfer of vessels.

“56307. Return of vessels.

1 **“§56301. General authority**

2 “During a national emergency declared by Presidential proclamation, or
3 a period for which the President has proclaimed that the security of the na-
4 tional defense makes it advisable, the Secretary of Transportation may req-
5 uisition or purchase, or requisition or charter the use of, a vessel owned by
6 citizens of the United States, a documented vessel, or a vessel under construc-
7 tion in the United States.

8 **“§56302. Charter terms**

9 “(a) *IN GENERAL.*—If a vessel is requisitioned for use but not ownership
10 under this chapter, the Secretary of Transportation, at the time of requisition
11 or as soon thereafter as the situation allows, shall offer the person entitled
12 to possession of the vessel a charter containing—

13 “(1) the terms the Secretary believes should govern the relationship be-
14 tween the United States Government and the person; and

15 “(2) the rate of hire the Secretary considers just compensation for the
16 use of the vessel and the services required under the charter.

17 “(b) *REFUSAL TO ACCEPT.*—If the person does not accept the charter and
18 rate of hire, the parties shall proceed as provided in section 56304 of this title.

19 **“§56303. Compensation**

20 “(a) *IN GENERAL.*—As soon as practicable, the Secretary of Transportation
21 shall determine and pay just compensation for a vessel requisitioned under
22 this chapter.

23 “(b) *FACTORS NOT AFFECTING VALUE.*—The value of a vessel may not be
24 considered enhanced by the circumstances requiring its requisition. Con-
25 sequential damages arising from the requisition may not be paid.

26 “(c) *EFFECT OF CONSTRUCTION-DIFFERENTIAL SUBSIDY.*—

27 “(1) *IF PAID.*—If a construction-differential subsidy has been paid for
28 the vessel, the value of the vessel at the time of requisition shall be deter-
29 mined under section 802 of the Merchant Marine Act, 1936.

30 “(2) *IF NOT PAID.*—If a construction-differential subsidy has not been
31 paid for the vessel, the value of any national defense features previously
32 paid for by the United States Government shall be excluded.

33 “(d) *LOSS OR DAMAGE DURING CHARTER.*—If a vessel is lost or damaged
34 by a risk assumed by the Government under the charter, but a valuation for
35 the vessel or a means of compensation has not been agreed to, the Secretary
36 shall pay just compensation for the loss or damage, to the extent the person
37 is not reimbursed through insurance.

38 **“§56304. Disputed compensation**

39 “If the person entitled to compensation disputes the amount of just com-
40 pensation determined by the Secretary of Transportation under this chapter,
41 the Secretary shall pay the person, as a tentative advance, 75 percent of the

1 amount determined. The person may bring a civil action against the United
 2 States Government to recover just compensation. If the tentative advance paid
 3 under this section is greater than the amount of the court's judgment, the per-
 4 son shall refund the difference.

5 **“§56305. Vessel encumbrances**

6 “(a) *IN GENERAL.*—The existence of an encumbrance on a vessel does not
 7 prevent the requisition of the vessel under this chapter.

8 “(b) *DEPOSIT IN TREASURY.*—

9 “(1) *IN GENERAL.*—If an encumbrance exists, the Secretary of Trans-
 10 portation may deposit part of the compensation or advance of compensa-
 11 tion to be paid under this chapter (but not more than the total amount
 12 of all encumbrances) in a fund in the Treasury. The Secretary shall pub-
 13 lish notice of the creation of the fund in the Federal Register.

14 “(2) *AVAILABILITY OF AMOUNTS DEPOSITED.*—Amounts deposited in
 15 the fund shall be available to pay the compensation or any of the encum-
 16 brances (including encumbrances stipulated to in a court of the United
 17 States or a State) existing at the time the vessel was requisitioned.

18 “(c) *CIVIL ACTION.*—

19 “(1) *IN GENERAL.*—Within 6 months after publication of notice under
 20 subsection (b), the holder of an encumbrance may bring a civil action
 21 in admiralty, according to the principles of libels in rem, against the
 22 fund.

23 “(2) *VENUE.*—The action must be brought in the district court of the
 24 United States—

25 “(A) from whose custody the vessel was or may be requisitioned;
 26 or

27 “(B) in whose district the vessel was located when it was requi-
 28 sitioned.

29 “(3) *SERVICE OF PROCESS.*—Service of process shall be made on the
 30 appropriate United States Attorney, the Attorney General, and the Sec-
 31 retary, in the manner provided by the Federal Rules of Civil Procedure
 32 (28 App. U.S.C.). Notice of the action shall be given to all interested per-
 33 sons as ordered by the court.

34 “(4) *AS BETWEEN PRIVATE PARTIES.*—The action shall proceed and
 35 be determined according to the principles of law and the rules of practice
 36 applicable in like cases between private parties.

37 **“§56306. Use and transfer of vessels**

38 “(a) *IN GENERAL.*—The Secretary of Transportation may repair, recondi-
 39 tion, reconstruct, operate, or charter for operation, a vessel acquired under
 40 this chapter.

1 “(b) *TRANSFER TO OTHER AGENCIES.*—*The Secretary may transfer the*
 2 *possession or control of a vessel acquired under this chapter to another depart-*
 3 *ment or agency of the United States Government on terms and conditions ap-*
 4 *proved by the President. The department or agency shall promptly reimburse*
 5 *the Secretary for expenditures for just compensation, purchase price, charter*
 6 *hire, repairs, reconditioning, or reconstruction.*

7 **“§56307. Return of vessels**

8 “*When a vessel requisitioned for use but not ownership is returned to the*
 9 *owner, the Secretary of Transportation shall—*

10 “(1) *return the vessel in a condition at least as good as when taken,*
 11 *less ordinary wear and tear; or*

12 “(2) *pay the owner an amount sufficient to recondition the vessel to*
 13 *that condition, less ordinary wear and tear.*

14 **“CHAPTER 565—ESSENTIAL VESSELS AFFECTED BY**
 15 **NEUTRALITY ACT**

“*Sec.*

“56501. *Definition.*

“56502. *Adjusting obligations and arranging maintenance.*

“56503. *Types of adjustments and arrangements.*

“56504. *Changes in adjustments and arrangements.*

16 **“§56501. Definition**

17 “*In this chapter, the term ‘essential vessel’ means a vessel that is—*

18 “(1)(A) *security for a mortgage indebtedness to the United States Gov-*
 19 *ernment; or*

20 “(B) *constructed under this subtitle or required by a contract under*
 21 *this subtitle to be operated on a certain essential foreign trade route; and*

22 “(2) *necessary in the interests of commerce and national defense to be*
 23 *maintained in condition for prompt use.*

24 **“§56502. Adjusting obligations and arranging maintenance**

25 “(a) *GENERAL AUTHORITY.*—*On written application, the Secretary of*
 26 *Transportation may adjust obligations and arrange for maintenance of an es-*
 27 *sential vessel as provided in this chapter if the Secretary determines, after*
 28 *any investigation or proceeding the Secretary considers desirable, that—*

29 “(1) *the operation of the vessel in the service, route, or line to which*
 30 *it is assigned under this subtitle, or in which it otherwise would be oper-*
 31 *ated, is not—*

32 “(A) *lawful under the Neutrality Act of 1939 (22 U.S.C. 441 et*
 33 *seq.) or a proclamation issued under that Act; or*

34 “(B) *compatible with maintaining the availability of the vessel*
 35 *for national defense and commerce;*

36 “(2) *it is not feasible under existing law to employ the vessel in any*
 37 *other service or operation in foreign or domestic trade (except temporary*
 38 *or emergency operation under section 56503(b)(5) of this title); and*

1 “(3) *the applicant, because of the restrictions of the Neutrality Act of*
2 *1939 (22 U.S.C. 441 et seq.) or the withdrawal of vessels for national*
3 *defense under clause (1), is not earning or will not earn a reasonable*
4 *return on the capital necessarily employed in its business.*

5 “(b) *EFFECTIVE PERIOD.—Adjustments and arrangements under subsection*
6 *(a) shall continue in effect only as long as the circumstances described in sub-*
7 *section (a) continue to exist.*

8 **“§56503. Types of adjustments and arrangements**

9 “(a) *SUSPENSION REQUIREMENTS.—An adjustment or arrangement under*
10 *this chapter shall include suspension of—*

11 “(1) *the requirement to operate the vessel in foreign trade under the*
12 *applicable operating-differential or construction-differential subsidy con-*
13 *tract or mortgage or other agreement; and*

14 “(2) *the right to operating-differential subsidy for the vessel.*

15 “(b) *DISCRETIONARY ADJUSTMENTS AND ARRANGEMENTS.—To the extent*
16 *the Secretary of Transportation considers appropriate to carry out the pur-*
17 *poses of this subtitle, an adjustment or arrangement under this chapter may*
18 *include any of the following:*

19 “(1) *Lay-up of the vessel by the owner or in the custody of the Sec-*
20 *retary, with payment or reimbursement by the Secretary of necessary*
21 *and proper expenses (including reasonable overhead and insurance) or*
22 *a fixed periodic allowance instead of payment or reimbursement.*

23 “(2) *Postponement, for not more than the total period of the lay-up,*
24 *of the maturity date of each installment of the principal of obligations*
25 *to the United States Government for the vessel (regardless of whether the*
26 *maturity date is during a lay-up period), or rearrangement of those ma-*
27 *turities.*

28 “(3) *Postponement or cancellation of interest accruing on the obliga-*
29 *tions during a lay-up period.*

30 “(4) *Extension, for not more than the total period of the lay-up, of*
31 *the 20-year life limitation for the vessel and other limitations and provi-*
32 *sions of this subtitle based on a 20-year life.*

33 “(5) *Provision for temporary or emergency employment of the vessel*
34 *(instead of lay-up) as may be practicable, with such arrangements for*
35 *management of the vessel, payment of expenses, and application of the*
36 *proceeds of the employment, as the Secretary may approve, with any pe-*
37 *riod of operation being included as part of the lay-up period.*

38 “(6) *Payment to the Secretary, on termination of the arrangements*
39 *with the applicant, of the applicant’s net profits (earned while the ar-*
40 *rangements were in effect) in excess of 10 percent a year on the capital*
41 *necessarily employed in the applicant’s business, as reimbursement for*

1 *obligations postponed or canceled and expenses incurred or paid by the*
 2 *Secretary under this section.*

3 “(c) *LAIID-UP VESSELS.*—Under subsection (b)(6), capital of the applicant
 4 represented by a vessel of the applicant laid-up or operated under this section
 5 shall be included in capital necessarily employed in the applicant’s business.
 6 The Secretary may require a vessel laid-up or operated under this section to
 7 be security for reimbursement.

8 **“§56504. Changes in adjustments and arrangements**

9 *“The Secretary of Transportation may change an adjustment or arrange-*
 10 *ment made under this chapter as the Secretary considers necessary to carry*
 11 *out this chapter.*

12 **“PART F—GOVERNMENT-OWNED MERCHANT VESSELS**

13 **“CHAPTER 571—GENERAL AUTHORITY**

“Sec.

“57101. *Placement of vessels in National Defense Reserve Fleet.*

“57102. *Disposition of vessels not worth preserving.*

“57103. *Sale of obsolete vessels in National Defense Reserve Fleet.*

“57104. *Acquisition of vessels from sale of obsolete vessels.*

“57105. *Acquisition of vessels for essential services, routes, or lines.*

“57106. *Maintenance, improvement, and operation of vessels.*

“57107. *Vessels for other agencies.*

“57108. *Consideration of ballast and equipment in determining selling price.*

“57109. *Operation of vessels purchased, chartered, or leased from Secretary of Transportation.*

14 **“§57101. Placement of vessels in National Defense Reserve**
 15 **Fleet**

16 “(a) *IN GENERAL.*—Any vessel acquired by the Maritime Administration
 17 shall be placed in the National Defense Reserve Fleet maintained under sec-
 18 tion 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744).

19 “(b) *REMOVAL FROM FLEET.*—A vessel placed in the Fleet under subsection
 20 (a) may not be traded out or sold from the Fleet, except as provided in section
 21 57102, 57103, or 57104 or chapter 533, 537, 573, or 575 of this title.

22 **“§57102. Disposition of vessels not worth preserving**

23 “(a) *IN GENERAL.*—If the Secretary of Transportation determines that a
 24 vessel owned by the Maritime Administration is of insufficient value for com-
 25 mercial or military operation to warrant its further preservation, the Sec-
 26 retary may scrap the vessel or sell the vessel for cash.

27 “(b) *SELLING PROCEDURE.*—The sale of a vessel under subsection (a) shall
 28 be made on the basis of competitive sealed bids, after an appraisal and due
 29 advertisement. The purchaser does not have to be a citizen of the United
 30 States. The purchaser shall provide a surety bond, with a surety approved
 31 by the Secretary, to ensure that the vessel will not be operated in the foreign
 32 trade of the United States at any time within 10 years after the sale, in com-
 33 petition with a vessel owned by a citizen of the United States and documented
 34 under the laws of the United States.

1 **“§57103. Sale of obsolete vessels in National Defense Reserve**
 2 **Fleet**

3 “(a) *IN GENERAL.*—The Secretary of Transportation may convey the right,
 4 title, and interest of the United States Government in any vessel of the Na-
 5 tional Defense Reserve Fleet that has been identified by the Secretary as an
 6 obsolete vessel of insufficient value to warrant its further preservation, if the
 7 recipient—

8 “(1) is a non-profit organization, a State, or a municipal corporation
 9 or political subdivision of a State;

10 “(2) agrees not to use, or allow others to use, the vessel for commercial
 11 transportation purposes;

12 “(3) agrees to make the vessel available to the Government whenever
 13 the Secretary indicates that it is needed by the Government;

14 “(4) agrees to hold the Government harmless for any claims arising
 15 from exposure to asbestos, polychlorinated biphenyls, lead paint, or other
 16 hazardous substances after conveyance of the vessel, except for claims
 17 arising from use of the vessel by the Government;

18 “(5) has a conveyance plan and a business plan that describes the in-
 19 tended use of the vessel, each of which has been submitted to and ap-
 20 proved by the Secretary;

21 “(6) has provided proof, as determined by the Secretary, of resources
 22 sufficient to accomplish the transfer, necessary repairs and modifica-
 23 tions, and initiation of the intended use of the vessel; and

24 “(7) agrees that when the recipient no longer requires the vessel for
 25 use as described in the business plan required under clause (5)—

26 “(A) the recipient will, at the discretion of the Secretary, re-
 27 convey the vessel to the Government in good condition except for or-
 28 dinary wear and tear; or

29 “(B) if the Board of Trustees of the recipient has decided to dis-
 30 solve the recipient according to the laws of the State in which the
 31 recipient is incorporated, then—

32 “(i) the recipient shall distribute the vessel, as an asset of
 33 the recipient, to a person that has been determined exempt
 34 from taxation under section 501(c)(3) of the Internal Revenue
 35 Code of 1986 (26 U.S.C. 501(c)(3)), or to the Federal Govern-
 36 ment or a State or local government for a public purpose; and

37 “(ii) the vessel shall be disposed of by a court of competent
 38 jurisdiction of the county in which the principal office of the
 39 recipient is located, for such purposes as the court shall deter-
 40 mine, or to such organizations as the court shall determine are
 41 organized exclusively for public purposes.

1 “(b) *OTHER EQUIPMENT.*—At the Secretary’s discretion, additional equip-
2 ment from other obsolete vessels of the Fleet may be conveyed to assist the re-
3 cipient with maintenance, repairs, or modifications.

4 “(c) *ADDITIONAL TERMS.*—The Secretary may require any additional
5 terms the Secretary considers appropriate.

6 “(d) *DELIVERY OF VESSEL.*—If conveyance is made under this section, the
7 vessel shall be delivered to the recipient at a time and place to be determined
8 by the Secretary. The vessel shall be conveyed in an ‘as is’ condition.

9 “(e) *LIMITATIONS.*—If at any time prior to delivery of the vessel to the re-
10 cipient, the Secretary determines that a different disposition of the vessel
11 would better serve the interests of the Government, the Secretary shall pursue
12 the more favorable disposition of the obsolete vessel and shall not be liable for
13 any damages that may result from an intended recipient’s reliance upon a
14 proposed transfer.

15 “(f) *REVERSION.*—The Secretary shall include in any conveyance under
16 this section terms under which all right, title, and interest conveyed by the
17 Secretary shall revert to the Government if the Secretary determines the vessel
18 has been used other than as described in the business plan required under sub-
19 section (a)(5).

20 **“§57104. Acquisition of vessels from sale of obsolete vessels**

21 “(a) *IN GENERAL.*—The Secretary of Transportation may acquire suitable
22 documented vessels with amounts in the Vessel Operations Revolving Fund de-
23 rived from the sale of obsolete vessels in the National Defense Reserve Fleet.

24 “(b) *VALUATION.*—The acquired and obsolete vessels shall be valued at their
25 scrap value in domestic or foreign markets as of the date of the acquisition
26 for or sale from the Fleet. However, the value assigned to those vessels shall
27 be determined on the same basis, with consideration given to the fair value
28 of the cost of moving the vessel sold from the Fleet to the place of scrapping.

29 “(c) *COSTS INCIDENT TO LAY-UP.*—Costs incident to the lay-up of the ves-
30 sel acquired under this section may be paid from amounts in the Fund.

31 “(d) *TRANSFERS TO NON-CITIZENS.*—A vessel sold from the Fleet under
32 this section may be scrapped in an approved foreign market without obtain-
33 ing additional separate approval from the Secretary to transfer the vessel to
34 a person not a citizen of the United States.

35 **“§57105. Acquisition of vessels for essential services, routes,**
36 **or lines**

37 “(a) *IN GENERAL.*—The Secretary of Transportation may acquire a vessel,
38 by purchase or otherwise, if—

39 “(1) the Secretary considers the vessel necessary to establish, maintain,
40 improve, or serve as a replacement on an essential service, route, or line

1 *in the foreign commerce of the United States, as determined under sec-*
2 *tion 50103 of this title;*

3 *“(2) the vessel was constructed in the United States; and*

4 *“(3) the Secretary of the Navy has certified to the Secretary of Trans-*
5 *portation that the vessel is suitable for economical and speedy conversion*
6 *into a naval or military auxiliary or otherwise suitable for use by the*
7 *United States Government in time of war or national emergency.*

8 *“(b) PRICE.—The price paid for the vessel shall be based on a fair and rea-*
9 *sonable valuation. However, the price may not exceed by more than 5 percent*
10 *the cost of the vessel to the owner (excluding any construction-differential sub-*
11 *sidy and the cost of national defense features paid by the Secretary of Trans-*
12 *portation) plus the actual cost previously expended for reconditioning, less de-*
13 *preciation based on a 25-year life for a dry-cargo or passenger vessel and a*
14 *20-year life for a tanker or other liquid bulk carrier vessel.*

15 *“(c) DOCUMENTATION.—A vessel acquired under this section that is not*
16 *documented under the laws of the United States at the time of acquisition*
17 *shall be so documented as soon as practicable.*

18 **“§57106. Maintenance, improvement, and operation of ves-**
19 **sels**

20 *“(a) IN GENERAL.—The Secretary of Transportation may maintain, re-*
21 *pair, recondition, remodel, and improve vessels owned by the United States*
22 *Government and in the possession or under the control of the Secretary, to*
23 *equip them adequately for competition in the foreign trade of the United*
24 *States. The Secretary may operate such a vessel or charter the vessel on terms*
25 *and conditions the Secretary considers appropriate to carry out the purposes*
26 *of this subtitle.*

27 *“(b) DOCUMENTATION AND RESTRICTIONS ON OPERATION.—A vessel recon-*
28 *ditioned, remodeled, or improved under subsection (a) shall be documented*
29 *under the laws of the United States and remain so documented for at least*
30 *5 years after completion of the reconditioning, remodeling, or improvement.*
31 *During that period, it shall be operated on voyages that are not exclusively*
32 *coastwise.*

33 **“§57107. Vessels for other agencies**

34 *“(a) IN GENERAL.—The Secretary of Transportation may construct, recon-*
35 *struct, repair, equip, and outfit, by contract or otherwise, vessels or parts*
36 *thereof, for any other department or agency of the United States Government*
37 *to the extent the other department or agency is authorized by law to do so*
38 *for its own account.*

39 *“(b) EFFECT ON CONTRACT AUTHORIZATION.—An obligation incurred or*
40 *expenditure made by the Secretary under this section does not affect any con-*

1 *tract authorization of the Secretary, but instead shall be charged against the*
 2 *existing appropriation or contract authorization of the department or agency.*

3 **“§57108. Consideration of ballast and equipment in deter-**
 4 **mining selling price**

5 *“The Maritime Administration may not sell a vessel until its ballast and*
 6 *equipment have been inventoried and their value considered in determining*
 7 *the selling price of the vessel.*

8 **“§57109. Operation of vessels purchased, chartered, or**
 9 **leased from Secretary of Transportation**

10 *“Unless otherwise authorized by the Secretary of Transportation, a vessel*
 11 *purchased, chartered, or leased from the Secretary may be operated only*
 12 *under a certificate of documentation with a registry or coastwise endorsement.*
 13 *Such a vessel, while employed solely as a merchant vessel, is subject to the*
 14 *laws, regulations, and liabilities governing merchant vessels, whether the*
 15 *United States Government has an interest in the vessel as an owner or holds*
 16 *a mortgage, lien, or other interest.*

17 **“CHAPTER 573—VESSEL TRADE-IN PROGRAM**

“Sec.

“57301. Definitions.

“57302. Authority to acquire vessels.

“57303. Utility value and tonnage requirements.

“57304. Eligible acquisition dates.

“57305. Determination of trade-in allowance.

“57306. Payment of trade-in allowance.

“57307. Recognition of gain for tax purposes.

“57308. Use of vessels at least 25 years old.

18 **“§57301. Definitions**

19 *“In this chapter:*

20 *“(1) NEW VESSEL.—The term ‘new vessel’ means a vessel—*

21 *“(A) constructed under this subtitle and acquired within 2 years*
 22 *after the date of completion; or*

23 *“(B) constructed in a domestic shipyard on private account and*
 24 *not under this subtitle, and documented under the laws of the*
 25 *United States.*

26 *“(2) OBSOLETE VESSEL.—The term ‘obsolete vessel’ means a vessel*
 27 *that—*

28 *“(A) is of at least 1,350 gross tons;*

29 *“(B) the Secretary of Transportation believes should, because of*
 30 *its age, obsolescence, or other reasons, be replaced in the public in-*
 31 *terest; and*

32 *“(C) has been owned by a citizen of the United States for at least*
 33 *3 years immediately before its acquisition under this chapter.*

1 **“§57302. Authority to acquire vessels**

2 *“To promote the construction of new, safe, and efficient vessels to carry the*
 3 *domestic and foreign waterborne commerce of the United States, the Secretary*
 4 *of Transportation may acquire an obsolete vessel in exchange for an allowance*
 5 *of credit toward the cost of construction or purchase of a new vessel as pro-*
 6 *vided in this chapter.*

7 **“§57303. Utility value and tonnage requirements**

8 *“(a) UTILITY VALUE.—The utility value of a new vessel to be acquired*
 9 *under this chapter for operation in the domestic or foreign commerce of the*
 10 *United States may not be substantially less than that of the obsolete vessel*
 11 *acquired in exchange under this chapter.*

12 *“(b) TONNAGE.—If the Secretary of Transportation finds that the new ves-*
 13 *sel will have a utility value at least equal to that of the obsolete vessel, the*
 14 *new vessel may be of lesser gross tonnage than the obsolete vessel. However,*
 15 *the gross tonnage of the new vessel must be at least one-third the gross tonnage*
 16 *of the obsolete vessel.*

17 **“§57304. Eligible acquisition dates**

18 *“At the option of the owner, the acquisition of an obsolete vessel under this*
 19 *chapter shall occur—*

20 *“(1) when the owner contracts for the construction or purchase of a*
 21 *new vessel; or*

22 *“(2) within 5 days of the actual date of delivery of the new vessel to*
 23 *the owner.*

24 **“§57305. Determination of trade-in allowance**

25 *“(a) IN GENERAL.—The Secretary of Transportation shall determine the*
 26 *trade-in allowance for an obsolete vessel at the time of acquisition of the ves-*
 27 *sel. The allowance shall be the fair value of the vessel. In determining the*
 28 *value, the Secretary shall consider—*

29 *“(1) the scrap value of the obsolete vessel in American and foreign*
 30 *markets;*

31 *“(2) the depreciated value based on a 20-year or 25-year life, which-*
 32 *ever applies to the obsolete vessel; and*

33 *“(3) the market value of the obsolete vessel for operation in world com-*
 34 *merce or in the domestic or foreign commerce of the United States.*

35 *“(b) USE OF OBSOLETE VESSELS.—If acquisition of the obsolete vessel oc-*
 36 *curs when the owner contracts for the construction of the new vessel, and the*
 37 *owner uses the obsolete vessel during the period of construction of the new ves-*
 38 *sel, the Secretary shall reduce the trade-in allowance by an amount rep-*
 39 *resenting the fair value of that use. The Secretary shall establish the rate for*
 40 *use of the obsolete vessel when the contract for construction of the new vessel*
 41 *is made.*

“§ 57306. Payment of trade-in allowance

“(a) *ACQUISITION AT TIME OF CONTRACT.*—If acquisition of an obsolete vessel under this chapter occurs when the owner contracts for the construction or purchase of the new vessel, the Secretary of Transportation shall apply the trade-in allowance to the purchase price of the new vessel rather than paying it to the owner. If the new vessel is constructed under this subtitle, the Secretary may apply the trade-in allowance to the required cash payments on terms and conditions the Secretary may prescribe. If the new vessel is not constructed under this subtitle, the Secretary shall pay the trade-in allowance to the builder of the vessel for the account of the owner when the Secretary acquires the obsolete vessel.

“(b) *ACQUISITION AT TIME OF DELIVERY.*—If acquisition of the obsolete vessel occurs when the new vessel is delivered to the owner, the Secretary shall deposit the trade-in allowance in the owner’s capital construction fund.

“§ 57307. Recognition of gain for tax purposes

“*The owner of an obsolete vessel does not recognize a gain under the Federal income tax laws when the vessel is transferred to the Secretary of Transportation in exchange for a trade-in allowance under this chapter. The basis of the new vessel acquired with the allowance is the same as the basis of the obsolete vessel—*

“(1) *increased by the difference between the cost of the new vessel and the trade-in allowance of the obsolete vessel; and*

“(2) *decreased by the amount of loss recognized on the transfer.*

“§ 57308. Use of vessels at least 25 years old

“*An obsolete vessel acquired under this chapter that is or becomes at least 25 years old may not be used for commercial operation. However, the vessel may be used—*

“(1) *during a period in which vessels may be requisitioned under chapter 563 of this title; or*

“(2) *except as otherwise provided in this subtitle, on trade routes serving only the foreign trade of the United States.*

**“CHAPTER 575—CONSTRUCTION, CHARTER, AND SALE
OF VESSELS**

“SUBCHAPTER I—GENERAL

“Sec.

“57501. *Completion of long-range program.*

“57502. *Construction, reconditioning, and remodeling of vessels.*

“57503. *Competitive bidding.*

“57504. *Charter or sale of vessels acquired by Department of Transportation.*

“57505. *Employment of vessels on foreign trade routes.*

“57506. *Minimum selling price of vessels.*

“SUBCHAPTER II—CHARTERS

“57511. *Demise charters.*

“57512. *Competitive bidding.*

“57513. *Minimum bid.*

- “57514. *Qualifications of bidders.*
 “57515. *Awarding of charters.*
 “57516. *Operating-differential subsidies.*
 “57517. *Recovery of excess profits.*
 “57518. *Performance bond.*
 “57519. *Insurance.*
 “57520. *Vessel maintenance.*
 “57521. *Termination of charter during national emergency.*

“SUBCHAPTER III—MISCELLANEOUS

- “57531. *Construction and charter of vessels for unsuccessful routes.*
 “57532. *Operation of experimental vessels.*

“SUBCHAPTER I—GENERAL

1
2 **“§57501. Completion of long-range program**

3 “Whenever the Secretary of Transportation determines that the objectives
4 and policies declared in sections 50101 and 50102 of this title cannot be fully
5 realized within a reasonable time under titles V and VI of the Merchant Ma-
6 rine Act, 1936, and the President approves the determination, the Secretary,
7 in accordance with this chapter, shall complete the long-range program de-
8 scribed in section 50102 of this title.

9 **“§57502. Construction, reconditioning, and remodeling of**
10 **vessels**

11 “(a) *IN GENERAL.*—The Secretary of Transportation may have new vessels
12 constructed, and have old vessels reconditioned or remodeled, as the Secretary
13 determines necessary to carry out the objectives of this subtitle.

14 “(b) *PLACE OF WORK.*—Construction, reconditioning, and remodeling of
15 vessels under subsection (a) shall take place in shipyards in the continental
16 United States (including Alaska and Hawaii). However, if satisfactory con-
17 tracts cannot be obtained from private shipbuilders, the Secretary may have
18 the work done in navy yards.

19 “(c) *APPLICABILITY OF CONSTRUCTION-DIFFERENTIAL SUBSIDY PROVI-*
20 *SIONS.*—Contracts for the construction, reconstruction, or reconditioning of a
21 vessel by a private shipbuilder under this chapter are subject to the provisions
22 of title V of the Merchant Marine Act, 1936, applicable to a contract with
23 a private shipbuilder for the construction of a vessel under title V of that Act.

24 **“§57503. Competitive bidding**

25 “(a) *ADVERTISEMENT AND BIDDING.*—The Secretary of Transportation
26 may make a contract with a private shipbuilder for the construction of a new
27 vessel, or for the reconstruction or reconditioning of an existing vessel, only
28 after due advertisement and upon sealed competitive bids.

29 “(b) *OPENING OF BIDS.*—Bids required under this section shall be opened
30 at the time and place stated in the advertisement for bids. All interested per-
31 sons, including representatives of the press, shall be permitted to attend. The
32 results of the bidding shall be publicly announced.

1 **“§57504. Charter or sale of vessels acquired by Department**
2 **of Transportation**

3 “Vessels transferred to or otherwise acquired by the Department of Trans-
4 portation in any manner may be chartered or sold by the Secretary of Trans-
5 portation as provided in this chapter.

6 **“§57505. Employment of vessels on foreign trade routes**

7 “(a) *IN GENERAL.*—The Secretary of Transportation shall arrange for the
8 employment of the Department of Transportation’s vessels in steamship lines
9 on such trade routes, exclusively serving the foreign trade of the United States,
10 as the Secretary determines are essential for the development and mainte-
11 nance of the commerce of the United States and the national defense. How-
12 ever, the Secretary shall first determine that those routes are not being ade-
13 quately served by existing steamship lines privately owned and operated by
14 citizens of the United States and documented under the laws of the United
15 States.

16 “(b) *POLICY TO ENCOURAGE PRIVATE OPERATION.*—The Secretary shall
17 have a policy of encouraging private operation of each essential steamship
18 line now owned by the United States Government by—

19 “(1) selling the line to a citizen of the United States; or

20 “(2) demising the Secretary’s vessels on bareboat charter to citizens of
21 the United States who agree to maintain the line in the manner provided
22 in this chapter.

23 **“§57506. Minimum selling price of vessels**

24 “(a) *IN GENERAL.*—A vessel constructed under this subtitle or the Merchant
25 Marine Act, 1936, may not be sold by the Secretary of Transportation for
26 less than the price specified in this section.

27 “(b) *OPERATION IN FOREIGN TRADE.*—If the vessel is to be operated in for-
28 eign trade, the minimum price is the estimated foreign construction cost (ex-
29 clusive of national defense features) determined as of the date the construction
30 contract is executed, less depreciation under subsection (d).

31 “(c) *OPERATION IN DOMESTIC TRADE.*—If the vessel is to be operated in
32 domestic trade, the minimum price is the cost of construction in the United
33 States (exclusive of national defense features), less depreciation under sub-
34 section (d).

35 “(d) *DEPRECIATION.*—Depreciation under subsections (b) and (c) shall be
36 based on—

37 “(1) a 25-year life for dry-cargo and passenger vessels; and

38 “(2) a 20-year life for tankers and other bulk liquid carrier vessels.

“SUBCHAPTER II—CHARTERS

“§57511. Demise charters

“A charter by the Secretary of Transportation under this chapter shall demise the vessel to the charterer subject to all usual conditions contained in a bareboat charter. The charter shall be for a term the Secretary considers to be in the best interest of the United States Government and the merchant marine.

“§57512. Competitive bidding

“(a) *IN GENERAL.*—The Secretary of Transportation may charter a vessel of the Department of Transportation to a private operator only on the basis of competitive sealed bidding. The bids must be submitted in strict compliance with the terms and conditions of a public advertisement soliciting the bids.

“(b) *ADVERTISEMENT FOR BIDS.*—An advertisement for bids shall state—

“(1) the number, type, and tonnage of the vessels being offered for bareboat charter for operation as a steamship line on a designated trade route;

“(2) the minimum number of sailings required;

“(3) the length of time of the charter;

“(4) the right of the Secretary to reject all bids; and

“(5) other information the Secretary considers necessary for the information of prospective bidders.

“(c) *OPENING OF BIDS.*—Bids required under this section shall be opened at the time and place stated in the advertisement for bids. All interested persons, including representatives of the press, shall be permitted to attend. The results of the bidding shall be publicly announced.

“§57513. Minimum bid

“The Secretary of Transportation shall reject any bid for the charter under this subchapter of a vessel constructed under this subtitle or the Merchant Marine Act, 1936, if the charter hire offered is lower than the minimum charter hire would be if the vessel were chartered under section 57531 of this title.

“§57514. Qualifications of bidders

“(a) *CONSIDERATIONS.*—In deciding whether to award a charter to a bidder, the Secretary of Transportation shall consider—

“(1) the bidder’s financial resources, credit standing, and practical experience in operating vessels; and

“(2) other factors a prudent business person would consider in entering into a transaction involving a large capital investment.

“(b) *DISQUALIFICATIONS.*—The Secretary may not charter a vessel to a person appearing to lack sufficient capital, credit, and experience to operate the vessel successfully over the period covered by the charter.

“§57515. Awarding of charters

“(a) *IN GENERAL.*—The Secretary of Transportation shall award the charter to the bidder proposing to pay the highest monthly charter hire. However, the Secretary may reject the highest or most advantageous or any other bid if the Secretary considers the charter hire offered too low or determines that the bidder lacks the qualifications required by section 57514 of this title.

“(b) *HIGHEST BID REJECTED.*—If the Secretary rejects the highest bid, the Secretary may—

“(1) award the charter to the next highest bidder; or

“(2) reject all bids and either readvertise the line or operate the line until conditions appear more favorable to reoffer the line for private charter.

“(c) *REASON FOR REJECTION.*—On request of a bidder, the reason for rejection shall be stated in writing to the bidder.

“§57516. Operating-differential subsidies

“If the Secretary of Transportation considers it necessary, the Secretary may make a contract with a charterer of a vessel owned by the Secretary for payment of an operating-differential subsidy, on the same terms and conditions, and subject to the same limitations and restrictions, as otherwise provided with respect to payment of operating-differential subsidies to operators of privately-owned vessels.

“§57517. Recovery of excess profits

“(a) *IN GENERAL.*—A charter under this chapter shall provide that if, at the end of a calendar year subsequent to the execution of the charter, the cumulative net voyage profit (after payment of the charter hire reserved in the charter and payment of the charterer’s fair and reasonable overhead expenses applicable to operation of the chartered vessel) exceeds 10 percent a year of the charterer’s capital necessarily employed in the business of the chartered vessel, the charterer shall pay to the Secretary of Transportation, as additional charter hire, half the cumulative net voyage profit in excess of 10 percent a year. However, any cumulative net voyage profit accounted for under this subsection is not to be included in the calculation of cumulative net voyage profit in any subsequent year.

“(b) *TERMS TO BE DEFINED AND USED.*—The Secretary shall define the terms ‘net voyage profit’, ‘fair and reasonable overhead expenses’, and ‘capital necessarily employed’ for this section. Each advertisement for bids and each charter shall contain these definitions, stating the formula for determining each of these three amounts.

“§57518. Performance bond

“The Secretary of Transportation shall require a charterer of a vessel of the Secretary to deposit with the Secretary an undertaking, with approved

1 *sureties, in such amount as the Secretary may require as security for the*
 2 *faithful performance of the terms of the charter, including indemnity against*
 3 *liens on the chartered vessel.*

4 **“§57519. Insurance**

5 *“A charter under this chapter shall require the charterer to carry, at the*
 6 *charterer’s expense, insurance on the chartered vessel covering all marine and*
 7 *port risks, protection and indemnity risks, and all other hazards and liabil-*
 8 *ities, adequate to cover damages claimed against and losses sustained by the*
 9 *chartered vessel arising during the term of the charter. The insurance shall*
 10 *be in such form, in such amount, and with such companies as the Secretary*
 11 *of Transportation may require. In accordance with law, any of the insurance*
 12 *risks may be underwritten by the Secretary.*

13 **“§57520. Vessel maintenance**

14 *“(a) IN GENERAL.—A charter under this chapter shall require the*
 15 *charterer, at the charterer’s expense, to—*

16 *“(1) keep the chartered vessel in good repair and efficient operating*
 17 *condition; and*

18 *“(2) make any repairs required by the Secretary of Transportation.*

19 *“(b) INSPECTION.—The charter shall provide that the Secretary has the*
 20 *right to inspect the vessel at any time to ascertain its condition.*

21 **“§57521. Termination of charter during national emergency**

22 *“A charter under this chapter shall provide that during a national emer-*
 23 *gency proclaimed by the President or a period for which the President has*
 24 *proclaimed that the security of the national defense makes it advisable, the*
 25 *Secretary of Transportation may terminate the charter without cost to the*
 26 *United States Government on such notice to the charterer as the President*
 27 *determines.*

28 **“SUBCHAPTER III—MISCELLANEOUS**

29 **“§57531. Construction and charter of vessels for unsuccess-**
 30 ***ful routes***

31 *“(a) IN GENERAL.—If the Secretary of Transportation finds that a trade*
 32 *route determined to be essential under section 50103 of this title cannot be*
 33 *successfully developed and maintained and the Secretary’s replacement pro-*
 34 *gram cannot be achieved under private operation of the trade route by a cit-*
 35 *izen of the United States with vessels documented under the laws of the*
 36 *United States, without further aid by the United States Government in addi-*
 37 *tion to the financial aid authorized under titles V and VI of the Merchant*
 38 *Marine Act, 1936, the Secretary, without advertisement or competition,*
 39 *may—*

40 *“(1) have constructed, in private shipyards or in navy yards, vessels*
 41 *of the types necessary for the trade route; and*

1 “(2) demise those new vessels or bareboat charter them to the Amer-
2 ican-flag operator established on the trade route.

3 “(b) AMOUNT OF CHARTER HIRE.—

4 “(1) IN GENERAL.—The annual charter hire under subsection (a) shall
5 be at least 4 percent of the price (referred to in this section as the ‘for-
6 eign cost’) at which the vessel would be sold if constructed under title
7 V of the Merchant Marine Act, 1936, plus—

8 “(A) a percentage of the depreciated foreign cost computed annu-
9 ally determined by the Secretary of the Treasury, taking into con-
10 sideration the current average market yield on outstanding market-
11 able obligations of the Government with remaining periods to matu-
12 rity comparable to the term of the charter, adjusted to the nearest
13 one-eighth percent; and

14 “(B) an allowance adequate in the judgment of the Secretary of
15 Transportation to cover administrative costs.

16 “(2) DEPRECIATION.—Depreciation under paragraph (1)(A) shall be
17 based on—

18 “(A) a 25-year life for dry-cargo and passenger vessels; and

19 “(B) a 20-year life for tankers and other bulk liquid carrier ves-
20 sels.

21 “(c) OPTION TO PURCHASE.—The charter may contain an option to the
22 charterer to purchase the vessels from the Secretary of Transportation within
23 5 years after delivery under the charter, on the same terms and conditions
24 as provided in title V of the Merchant Marine Act, 1936, for the purchase
25 of new vessels from the Secretary. However—

26 “(1) the purchase price shall be the foreign cost less depreciation to
27 the date of purchase based on the useful life specified in subsection (b)(2);

28 “(2) the required cash payment payable at the time of the purchase
29 shall be 25 percent of the purchase price;

30 “(3) the charter may provide that any part of the charter hire paid
31 in excess of the minimum charter hire provided for in this section may
32 be credited against the cash payment payable at the time of the purchase;

33 “(4) the balance of the purchase price shall be paid within the remain-
34 ing years of useful life (as specified in subsection (b)(2)) after the date
35 of delivery of the vessel under the charter and in approximately equal
36 annual installments, except that the first installment, which shall be
37 payable on the next ensuing anniversary date of the delivery under the
38 charter, shall be a proportionate part of the annual installment; and

39 “(5) interest shall be payable on the unpaid balances from the date
40 of purchase, at a rate not less than—

1 “(A) a rate determined by the Secretary of the Treasury, taking
2 into consideration the current average market yield on outstanding
3 marketable obligations of the Government with remaining periods to
4 maturity comparable to the average maturities of the loans, adjusted
5 to the nearest one-eighth percent; plus

6 “(B) an allowance adequate in the judgment of the Secretary of
7 Transportation to cover administrative costs.

8 “(d) OPERATION OF VESSEL.—

9 “(1) PERMISSIBLE VOYAGES.—The charter shall provide for operation
10 of the vessel exclusively—

11 “(A) in foreign trade;

12 “(B) on a round-the-world voyage;

13 “(C) on a round voyage from the west coast of the United States
14 to a European port that includes an intercoastal port of the United
15 States;

16 “(D) on a round voyage from the Atlantic coast of the United
17 States to the Orient that includes an intercoastal port of the United
18 States; or

19 “(E) on a voyage in foreign trade on which the vessel may stop
20 at Hawaii or an island territory or possession of the United States.

21 “(2) DOMESTIC TRADE.—The charter shall provide if the vessel is op-
22 erated in domestic trade on any of the services specified in paragraph
23 (1), the charterer will pay annually to the Secretary of Transportation
24 that proportion of $\frac{1}{25}$ of the difference between the domestic and foreign
25 cost of the vessel as the gross revenue derived from the domestic trade
26 bears to the gross revenue derived from the entire voyages completed dur-
27 ing the preceding year.

28 **“§57532. Operation of experimental vessels**

29 “(a) DEFINITION.—In this section, the term ‘experimental vessel’ means a
30 vessel owned by the United States Government (including a vessel in the Na-
31 tional Defense Reserve Fleet) that has been constructed, reconditioned, or re-
32 modeled for experimental or testing purposes.

33 “(b) AUTHORITY TO OPERATE.—The Secretary of Transportation, for the
34 purpose of practical development, trial, and testing, may operate an experi-
35 mental vessel under a bareboat charter or general agency agreement in the
36 foreign or domestic trade of the United States or for use for the account of
37 a department or agency of the Government, without regard to other provisions
38 of this subtitle and other laws related to chartering and general agency oper-
39 ations. Not more than 10 vessels may be operated and tested under this sec-
40 tion in any one year.

1 “(c) *TERMS OF OPERATION.*—Operation of a vessel under this section shall
 2 be on terms the Secretary considers appropriate to carry out the purposes of
 3 this subtitle. A bareboat charter under this section shall be at reasonable rates
 4 and include restrictions the Secretary considers appropriate to protect the
 5 public interest, including provisions for recapture of profits under section
 6 57517 of this title. A charter or general agency agreement under this section
 7 shall be reviewed annually to determine whether conditions exist to justify
 8 continuance of the charter or agreement.

9 “(d) *RIGHTS OF SEAMEN.*—A seaman engaged in vessel operations of the
 10 Secretary under this section and employed through a general agent in connec-
 11 tion with a charter or agreement under this section is entitled to all the rights
 12 and remedies provided in sections 1(a) and (c), 3(c), and 4 of the Act of
 13 March 24, 1943 (50 App. U.S.C. 1291(a), (c), 1293(c), 1294).

14 “PART G—RESTRICTIONS AND PENALTIES

15 “CHAPTER 581—RESTRICTIONS AND PENALTIES

“Sec.

“58101. *Operating in domestic intercoastal or coastwise service.*

“58102. *Default on payment or maintenance of reserves.*

“58103. *Employing another person as managing or operating agent.*

“58104. *Willful violation constitutes breach of contract or charter.*

“58105. *Preferences for cargo in which charterer has interest.*

“58106. *Concerted discriminatory activities.*

“58107. *Discrimination at ports by water common carriers.*

“58108. *Charges for transportation subject to subtitle IV of title 49.*

“58109. *Penalties.*

16 “§58101. ***Operating in domestic intercoastal or coastwise***
 17 ***service***

18 “(a) *PROHIBITION.*—A subsidy may not be awarded or paid to a contractor
 19 under the operating-differential subsidy program, and a vessel may not be
 20 chartered to a person under chapter 575 of this title, if the contractor or
 21 charterer, or a holding company, subsidiary, affiliate, or associate of the con-
 22 tractor or charterer, or an officer, director, agent, or executive thereof, directly
 23 or indirectly—

24 “(1) owns, charters, or operates a vessel engaged in the domestic inter-
 25 coastal or coastwise service; or

26 “(2) owns a pecuniary interest in a person that owns, charters, or op-
 27 erates a vessel in the domestic intercoastal or coastwise service.

28 “(b) *WAIVER.*—A person may apply to the Secretary of Transportation for
 29 a waiver of subsection (a). Before deciding on the waiver, the Secretary shall
 30 give the applicant and other interested persons an opportunity for a hearing.
 31 The Secretary may not grant the waiver if the Secretary finds it would—

32 “(1) result in unfair competition to a person operating exclusively in
 33 the domestic intercoastal or coastwise service; or

34 “(2) be prejudicial to the objectives and policy of this subtitle.

1 “(c) *CONTINUOUS OPERATION SINCE 1935.*—The Secretary shall grant an
 2 application under subsection (b) without requiring further proof that the pub-
 3 lic interest and convenience will be served and without further proceedings
 4 as to the competition in the route or trade, if the contractor or other person,
 5 or a predecessor in interest, was in bona-fide operation as a common carrier
 6 by water in the domestic intercoastal or coastwise trade in 1935 over the route
 7 or in the trade for which the application is made and has so operated since
 8 that time or, if engaged in furnishing seasonal service only, was in bona-fide
 9 operation in 1935 during the season ordinarily covered by its operation, ex-
 10 cept in either event as to interruptions of service over which the applicant
 11 or its predecessor in interest had no control.

12 “(d) *DIVERSION INTO INTERCOASTAL OR COASTWISE OPERATIONS.*—If an
 13 application under subsection (b) is approved, a person referred to in this sec-
 14 tion may not divert, directly or indirectly, money, property, or any other
 15 thing of value, used in a foreign-trade operation for which a subsidy is paid
 16 by the United States Government, into intercoastal or coastwise operations.

17 **“§58102. Default on payment or maintenance of reserves**

18 “The Secretary of Transportation may supervise the number and com-
 19 pensation of all officers and employees of a contractor under the operating-
 20 differential subsidy program or a charterer under chapter 575 of this title,
 21 receiving an operating-differential subsidy, if the contractor or charterer—

22 “(1) is in default on a mortgage, note, purchase contract, or other obli-
 23 gation to the Secretary; or

24 “(2) has not maintained, in a manner satisfactory to the Secretary,
 25 all of the reserves provided for in this subtitle.

26 **“§58103. Employing another person as managing or oper-
 27 ating agent**

28 “(a) *PROHIBITION.*—Except with the written consent of the Secretary of
 29 Transportation, a contractor holding a contract under the operating-differen-
 30 tial subsidy program or under chapter 575 of this title may not—

31 “(1) employ another person as the managing or operating agent of the
 32 operator; or

33 “(2) charter a vessel, on which an operating-differential subsidy is to
 34 be paid, for operation by another person.

35 “(b) *APPLICABILITY OF PROVISIONS TO CHARTERER.*—If a charter prohib-
 36 ited by this section is made, the person operating the chartered vessel is sub-
 37 ject to all the provisions of this subtitle and the operating-differential subsidy
 38 program, including limitations of profits and salaries.

1 **“§58104. Willful violation constitutes breach of contract or**
 2 **charter**

3 “A willful violation of any provision of sections 58101–58103 of this title
 4 constitutes a breach of the contract or charter. On determining that a viola-
 5 tion has occurred, the Secretary of Transportation may declare the contract
 6 or charter rescinded.

7 **“§58105. Preferences for cargo in which charterer has inter-**
 8 **est**

9 “A contractor receiving an operating-differential subsidy, or a charterer
 10 under chapter 575 of this title, may not unjustly discriminate in any manner
 11 so as to give preference, directly or indirectly, to cargo in which the con-
 12 tractor or charterer has a direct or indirect ownership, purchase, or vending
 13 interest.

14 **“§58106. Concerted discriminatory activities**

15 “(a) *PROHIBITION.*—A contractor receiving an operating-differential sub-
 16 sidy, or a charterer under chapter 575 of this title, may not continue as a
 17 party to or conform to an agreement with another carrier by water, or engage
 18 in a practice in concert with another carrier by water, that is unjustly dis-
 19 criminatory or unfair to any other citizen of the United States operating a
 20 common carrier by water employing only vessels documented under the laws
 21 of the United States on an established trade route from and to a United
 22 States port.

23 “(b) *GOVERNMENT PAYMENT PROHIBITED.*—No payment or subsidy of any
 24 kind may be paid, directly or indirectly, out of funds of the United States
 25 Government to a contractor or charterer that has violated subsection (a).

26 “(c) *CIVIL ACTION.*—A person whose business or property is injured by a
 27 violation of subsection (a) may bring a civil action in the district court of
 28 the United States for the district in which the defendant resides, is found, or
 29 has an agent. If the person prevails, the person shall be awarded—

30 “(1) 3 times the damages; and

31 “(2) costs, including reasonable attorney fees.

32 **“§58107. Discrimination at ports by water common carriers**

33 “(a) *PROHIBITION.*—A common carrier by water may not, directly or indi-
 34 rectly, through an agreement, conference, association, understanding, or other-
 35 wise, prevent or attempt to prevent any other common carrier by water from
 36 serving any port described in subsection (b) at the same rates the first carrier
 37 charges at the nearest port already regularly served by it.

38 “(b) *PORTS.*—A port referred to in subsection (a) is one that is—

39 “(1) designed for the accommodation of ocean-going vessels;

40 “(2) located on an improvement project authorized by law or by a
 41 Federal agency; and

1 “(3) located within the continental limits of the United States.

2 “(c) *OTHER AUTHORITY NOT LIMITED.*—This section does not limit the au-
3 thority otherwise vested in the Secretary of Transportation and the Federal
4 Maritime Commission.

5 **“§58108. Charges for transportation subject to subtitle IV of**
6 **title 49**

7 “(a) *PROHIBITION.*—A carrier may not charge, collect, or receive for trans-
8 portation subject to subtitle IV of title 49 of persons or property, under any
9 joint rate, fare, or charge, or under any export, import, or other proportional
10 rate, fare, or charge, that is based in whole or in part on the fact that the
11 persons or property affected are to be transported to, or have been transported
12 from, a port in a territory or possession of the United States or in a foreign
13 country, by a carrier by water in foreign commerce, any lower rate, fare, or
14 charge than the carrier charges, collects, or receives for the transportation of
15 persons or similar property for the same distance, in the same direction, and
16 over the same route, in commerce wholly within the United States, unless the
17 vessel used for the transportation is or was at the time of the transportation
18 documented under the laws of the United States.

19 “(b) *SUSPENSION OF PROHIBITION.*—Whenever the Secretary of Transpor-
20 tation believes that adequate shipping facilities to or from any port in a terri-
21 tory or possession of the United States or a foreign country are not being pro-
22 vided by vessels documented under the laws of the United States, the Secretary
23 shall certify this fact to the Surface Transportation Board. On receiving the
24 certification, the Board may by order suspend the operation of subsection (a)
25 with respect to the rates, fares, and charges for the transportation by rail of
26 persons and property transported from or to be transported to those ports, for
27 such time and under such terms and conditions as the Secretary may specify
28 in the order or in any supplemental order.

29 “(c) *TERMINATION OF SUSPENSION.*—Whenever the Secretary believes that
30 adequate shipping facilities are being provided to those ports by vessels docu-
31 mented under the laws of the United States, and certifies that fact to the
32 Board, the Board may order the termination of the suspension.

33 **“§58109. Penalties**

34 “(a) *INDIVIDUALS.*—An individual convicted of violating section 58101(d),
35 58103, or 58105 of this title shall be fined under title 18, imprisoned for at
36 least one year but not more than 5 years, or both.

37 “(b) *ORGANIZATIONS.*—An organization convicted of committing an act
38 prohibited by this subtitle shall be fined under title 18.

39 “(c) *INELIGIBILITY TO RECEIVE BENEFITS.*—An individual or organiza-
40 tion convicted of violating a section referred to in subsection (a) is ineligible,
41 at the discretion of the Secretary of Transportation, to receive any benefit

1 under the construction-differential subsidy or operating-differential subsidy
 2 programs, or a charter under chapter 575 of this title, for 5 years after the
 3 conviction.”.

4 **SEC. 8. SUBTITLE VI OF TITLE 46.**

5 (a) *REDESIGNATION.*—Title 46, United States Code, is amended by redesignig-
 6 nating subtitle VI as subtitle VII.

7 (b) *NEW SUBTITLE.*—Title 46, United States Code, is amended by inserting
 8 after subtitle V the following:

9 **“Subtitle VI—Clearance, Tonnage Taxes, and**
 10 **Duties**

<i>“Chapter</i>	<i>Sec.</i>
“601. Arrival and Departure Requirements	60101
“603. Tonnage Taxes and Light Money	60301
“605. Discriminating Duties and Reciprocal Privileges	60501

11 **“CHAPTER 601—ARRIVAL AND DEPARTURE**
 12 **REQUIREMENTS**

- “Sec.*
- “60101. Boarding arriving vessels before inspection.*
- “60102. Production of certificate on entry.*
- “60103. Oath of ownership on entry.*
- “60104. Depositing certificates of documentation with consular officers.*
- “60105. Clearance of vessels.*
- “60106. State inspection laws.*
- “60107. Payment of fees on departing vessel.*
- “60108. Duty to transport tendered cargo.*
- “60109. Duty to transport money and securities of the United States Government.*

13 **“§ 60101. Boarding arriving vessels before inspection**

14 *“(a) REGULATIONS.*—The Secretary of Homeland Security shall prescribe
 15 and enforce regulations on the boarding of a vessel arriving at a port of the
 16 United States before the vessel has been inspected and secured.

17 *“(b) CRIMINAL PENALTY.*—A person violating a regulation prescribed
 18 under this section shall be fined under title 18, imprisoned for not more than
 19 6 months, or both.

20 *“(c) RELATIONSHIP TO OTHER LAW.*—This section shall be construed as
 21 supplementary to section 2279 of title 18.

22 **“§ 60102. Production of certificate on entry**

23 *“On entry of a vessel documented under chapter 121 of this title, the master*
 24 *or other individual in charge of the vessel shall produce the certificate of docu-*
 25 *mentation to the customs officer at the place where the vessel is entered. If*
 26 *the certificate is not produced, the vessel is not entitled to the privileges of*
 27 *a documented vessel.*

28 **“§ 60103. Oath of ownership on entry**

29 *“(a) REQUIRED STATEMENT.*—On entry of a vessel of the United States
 30 from a foreign port, the individual designated under subsection (b) shall state
 31 under oath that—

1 “(1) the vessel’s certificate of documentation contains the names of all
2 the owners of the vessel; or

3 “(2) part of the ownership has been transferred since the certificate
4 was issued and, to the best of the individual’s knowledge and belief, the
5 vessel is still owned only by citizens of the United States.

6 “(b) *PERSON TO MAKE STATEMENT.*—The statement under subsection (a)
7 shall be made by—

8 “(1) an owner if one resides at the port of entry; or

9 “(2) the master if an owner does not reside at the port of entry.

10 “(c) *CONSEQUENCE OF NOT MAKING STATEMENT.*—If the appropriate indi-
11 vidual does not make the statement required by this section, the vessel is not
12 entitled to the privileges of a vessel of the United States.

13 **“§ 60104. Depositing certificates of documentation with con-
14 sular officers**

15 “(a) *REQUIREMENT OF MASTER.*—When a vessel owned by citizens of the
16 United States, on a voyage from a port in the United States, arrives at a
17 foreign port, the master of the vessel shall deposit the vessel’s certificate of doc-
18 umentation with a consular officer at the foreign port if there is a consular
19 officer at that port.

20 “(b) *RETURN OF CERTIFICATE.*—When the master produces a clearance
21 from the appropriate officer of the foreign port, the consular officer shall re-
22 turn the certificate of documentation to the master if the master has complied
23 with the provisions of law related to the discharge of seamen in a foreign
24 country and the payment of fees of consular officers.

25 “(c) *CIVIL PENALTY AND COLLECTION.*—The master of a vessel failing to
26 deposit the certificate of documentation as required by subsection (a) is liable
27 to the United States Government for a civil penalty of \$500. The consular
28 officer shall bring an action to recover the penalty in any court of competent
29 jurisdiction. The action shall be brought in the name of the consular officer
30 for the benefit of the Government.

31 **“§ 60105. Clearance of vessels**

32 “(a) *VESSELS OF THE UNITED STATES.*—Except as otherwise provided by
33 law, a vessel of the United States shall obtain clearance from the Secretary
34 of Homeland Security before proceeding from a port or place in the United
35 States—

36 “(1) for a foreign port or place;

37 “(2) for another port or place in the United States if the vessel has
38 on board foreign merchandise for which entry has not been made; or

39 “(3) outside the territorial sea to visit a hovering vessel or to receive
40 merchandise while outside the territorial sea.

1 “(b) *OTHER VESSELS.*—*Except as otherwise provided by law, a vessel that*
 2 *is not a vessel of the United States shall obtain clearance from the Secretary*
 3 *before proceeding from a port or place in the United States—*

4 “(1) *for a foreign port or place;*

5 “(2) *for another port or place in the United States; or*

6 “(3) *outside the territorial sea to visit a hovering vessel or to receive*
 7 *or deliver merchandise while outside the territorial sea.*

8 “(c) *REGULATIONS.*—*The Secretary may by regulation—*

9 “(1) *prescribe the manner in which clearance under this section is to*
 10 *be obtained, including the documents, data, or information which shall*
 11 *be submitted or transmitted, pursuant to an authorized data interchange*
 12 *system, to obtain the clearance;*

13 “(2) *permit clearance to be obtained before all requirements for clear-*
 14 *ance are complied with, but only if the owner or operator of the vessel*
 15 *files a bond in an amount set by the Secretary conditioned on the compli-*
 16 *ance by the owner or operator with all specified requirements for*
 17 *clearance within a time period (not exceeding 4 business days) estab-*
 18 *lished by the Secretary; and*

19 “(3) *permit clearance to be obtained at a place other than a des-*
 20 *ignated port of entry, under conditions the Secretary may prescribe.*

21 **“§ 60106. State inspection laws**

22 *“When State law requires a certificate of inspection for goods carried on*
 23 *a vessel, a vessel transporting the goods may not be cleared until the certifi-*
 24 *cate is produced.*

25 **“§ 60107. Payment of fees on departing vessel**

26 *“A departing vessel may be cleared only when all legal fees that have ac-*
 27 *crued on the vessel are paid and proof of payment is presented to the indi-*
 28 *vidual granting the clearance.*

29 **“§ 60108. Duty to transport tendered cargo**

30 *“Clearance may be refused to a vessel or vehicle transporting cargo destined*
 31 *for a domestic or foreign port when the owner, master, or other individual*
 32 *in charge refuses to accept cargo tendered in good condition, with proper*
 33 *charges, for the same or an intermediate port by a citizen of the United*
 34 *States. This section does not apply if the vessel or vehicle is already fully*
 35 *loaded (giving appropriate consideration to its proper loading) or is not*
 36 *adaptable to transport the tendered cargo.*

37 **“§ 60109. Duty to transport money and securities of the**
 38 *United States Government*

39 *“Before being given clearance, a vessel owned by a citizen of the United*
 40 *States and bound on a voyage from a port in the United States to another*
 41 *port in the United States or in a foreign country, or on a voyage from a*

1 port in a foreign country to a port in the United States, shall receive on
 2 board any bullion, coin, notes, bonds, or other securities of the United States
 3 Government that an agency, consular officer, or other agent of the Govern-
 4 ment offers. The vessel shall transport the items securely and deliver them
 5 promptly to the proper authorities or consignees on arriving at the port of
 6 destination. Compensation shall be paid for services provided under this sec-
 7 tion that is equal to compensation paid to other carriers in the ordinary
 8 transaction of business.

9 **“CHAPTER 603—TONNAGE TAXES AND LIGHT MONEY**

“Sec.

“60301. Regular tonnage taxes.

“60302. Special tonnage taxes.

“60303. Light money.

“60304. Presidential suspension of tonnage taxes and light money.

“60305. Vessels in distress.

“60306. Vessels not engaged in trade.

“60307. Vessels engaged in coastwise trade or the fisheries.

“60308. Vessels engaged in Great Lakes trade.

“60309. Passenger vessels making trips between ports of the United States and foreign ports.

“60310. Vessels making daily trips on interior waters.

“60311. Hospital vessels in time of war.

“60312. Rights under treaties preserved.

10 **“§ 60301. Regular tonnage taxes**

11 “(a) LOWER RATE.—A tax is imposed at the rate of 2 cents per ton (but
 12 not more than a total of 10 cents per ton per year) at each entry in a port
 13 of the United States of—

14 “(1) a vessel entering from a foreign port or place in North America,
 15 Central America, the West Indies Islands, the Bahama Islands, the Ber-
 16 muda Islands, or the coast of South America bordering the Caribbean
 17 Sea; or

18 “(2) a vessel returning to the same port or place in the United States
 19 from which it departed, and not entering the United States from another
 20 port or place, except—

21 “(A) a vessel of the United States;

22 “(B) a recreational vessel (as defined in section 2101 of this title);

23 or

24 “(C) a barge.

25 “(b) HIGHER RATE.—A tax is imposed at the rate of 6 cents per ton (but
 26 not more than a total of 30 cents per ton per year) on a vessel at each entry
 27 in a port of the United States from a foreign port or place not named in
 28 subsection (a)(1).

29 “(c) EXCEPTION FOR VESSELS ENTERING OTHER THAN BY SEA.—Sub-
 30 section (a) does not apply to a vessel entering other than by sea from a for-
 31 eign port or place at which tonnage, lighthouse, or other equivalent taxes are
 32 not imposed on vessels of the United States.

“§ 60302. Special tonnage taxes

“(a) *ENTRY FROM FOREIGN PORT OR PLACE.*—Regardless of whether a tax is imposed under section 60301 of this title, a tax is imposed on a vessel at each entry in a port of the United States from a foreign port or place at the following rates:

“(1) 30 cents per ton on a vessel built in the United States but owned in any part by a subject of a foreign country.

“(2) 50 cents per ton on other vessels not of the United States.

“(3) 50 cents per ton on a vessel of the United States having an officer who is not a citizen of the United States.

“(4) \$2 per ton on a foreign vessel entering from a foreign port or place at which vessels of the United States are not ordinarily allowed to enter and trade.

“(b) *VESSELS NOT OF THE UNITED STATES TRANSPORTING PROPERTY BETWEEN DISTRICTS.*—Regardless of whether a tax is imposed under section 60301 of this title, a tax of 50 cents per ton is imposed on a vessel not of the United States at each entry in one customs district from another district when transporting goods loaded in one district to be delivered in another district.

“(c) *EXCEPTION FOR VESSELS BECOMING DOCUMENTED.*—The tax of 50 cents per ton under this section does not apply to a vessel that—

“(1) is owned only by citizens of the United States; and

“(2) after entering a port of the United States, becomes documented as a vessel of the United States before leaving that port.

“§ 60303. Light money

“(a) *IMPOSITION OF TAX.*—A tax of 50 cents per ton, to be called ‘light money’, is imposed on a vessel not of the United States at each entry in a port of the United States. This tax shall be imposed and collected under the same regulations that apply to tonnage taxes.

“(b) *EXCEPTION FOR VESSELS OWNED BY CITIZENS.*—

“(1) *IN GENERAL.*—Subsection (a) does not apply to a vessel owned only by citizens of the United States if—

“(A) the vessel is carrying a regular document issued by a customhouse of the United States proving the vessel to be owned only by citizens of the United States; and

“(B) on entry of the vessel from a foreign port, the individual designated under paragraph (2) states under oath that—

“(i) the document contains the names of all the owners of the vessel; or

“(ii) part of the ownership has been transferred since the document was issued and, to the best of that individual’s

1 *knowledge and belief, the vessel is still owned only by citizens*
 2 *of the United States.*

3 “(2) *PERSON TO MAKE STATEMENT.*—*The statement under paragraph*
 4 *(1)(B) shall be made by—*

5 “*(A) an owner if one resides at the port of entry; or*

6 “*(B) the master if an owner does not reside at the port of entry.*

7 “(c) *EXCEPTION FOR VESSELS BECOMING DOCUMENTED.*—*Subsection (a)*
 8 *section does not apply to a vessel that—*

9 “*(1) is owned only by citizens of the United States; and*

10 “*(2) after entering a port of the United States, becomes documented*
 11 *as a vessel of the United States before leaving that port.*

12 **“§ 60304. Presidential suspension of tonnage taxes and light**
 13 **money**

14 “*If the President is satisfied that the government of a foreign country does*
 15 *not impose discriminating or countervailing duties to the disadvantage of the*
 16 *United States, the President shall suspend the imposition of special tonnage*
 17 *taxes and light money under sections 60302 and 60303 of this title on vessels*
 18 *of that country.*

19 **“§ 60305. Vessels in distress**

20 “*A vessel is exempt from tonnage taxes and light money when it enters be-*
 21 *cause it is in distress.*

22 **“§ 60306. Vessels not engaged in trade**

23 “*A vessel is exempt from tonnage taxes and light money when not engaged*
 24 *in trade.*

25 **“§ 60307. Vessels engaged in coastwise trade or the fisheries**

26 “*A vessel with a registry endorsement or a coastwise endorsement, trading*
 27 *from one port in the United States to another port in the United States or*
 28 *employed in the bank, whale, or other fisheries, is exempt from tonnage taxes*
 29 *and light money.*

30 **“§ 60308. Vessels engaged in Great Lakes trade**

31 “*A documented vessel with a registry endorsement, engaged in foreign trade*
 32 *on the Great Lakes or their tributary or connecting waters in trade with Can-*
 33 *ada, does not become subject to tonnage taxes or light money because of that*
 34 *trade.*

35 **“§ 60309. Passenger vessels making trips between ports of the**
 36 **United States and foreign ports**

37 “*A passenger vessel making at least 3 trips per week between a port of the*
 38 *United States and a foreign port is exempt from tonnage taxes and light*
 39 *money.*

1 **“§ 60310. Vessels making daily trips on interior waters**

2 “A vessel making regular daily trips between a port of the United States
3 and a port of Canada only on interior waters not navigable to the ocean is
4 exempt from tonnage taxes and light money, except on its first clearing each
5 year.

6 **“§ 60311. Hospital vessels in time of war**

7 “In time of war, a hospital vessel is exempt from tonnage taxes, light
8 money, and pilotage charges in the ports of the United States if the vessel
9 is one for which the conditions of the international convention for the exemp-
10 tion of hospital ships from taxation in time of war, concluded at The Hague
11 on December 21, 1904, are satisfied. The President by proclamation shall
12 name the vessels for which the conditions are satisfied and state when the ex-
13 emption begins and ends.

14 **“§ 60312. Rights under treaties preserved**

15 “This chapter and chapter 605 of this title do not affect a right or privilege
16 of a foreign country relating to tonnage taxes or other duties on vessels under
17 a law or treaty of the United States.

18 **“CHAPTER 605—DISCRIMINATING DUTIES AND**
19 **RECIPROCAL PRIVILEGES**

“Sec.

“60501. Vessels allowed to import.

“60502. Discriminating duty on goods imported in foreign vessels or from contiguous countries.

“60503. Reciprocal suspension of discriminating duties.

“60504. Reciprocal privileges for recreational vessels.

“60505. Retaliatory suspension of commercial privileges.

“60506. Retaliation against British dominions of North America.

“60507. Suspension of free passage through Saint Marys Falls Canal.

20 **“§ 60501. Vessels allowed to import**

21 “(a) *IN GENERAL.*—Except as otherwise provided by treaty, goods may be
22 imported into the United States from a foreign port or place only in—

23 “(1) a vessel of the United States; or

24 “(2) a foreign vessel owned only by citizens or subjects of the coun-
25 try—

26 “(A) in which the goods are grown, produced, or manufactured;

27 or

28 “(B) from which the goods can only be, or most usually are, first
29 shipped for transportation.

30 “(b) *EXCEPTION FOR VESSELS OF COUNTRIES NOT MAINTAINING SIMILAR*
31 *RESTRICTIONS.*—Subsection (a) does not apply to a vessel of a foreign coun-
32 try that does not maintain a similar restriction against United States docu-
33 mented vessels.

34 “(c) *EXCEPTION FOR VESSELS BECOMING DOCUMENTED.*—Subsection (a)
35 does not apply to a vessel that—

36 “(1) is owned only by citizens of the United States; and

1 “(2) after entering a port of the United States, becomes documented
2 as a vessel of the United States before leaving that port.

3 “(d) SEIZURE AND FORFEITURE.—If goods are imported in violation of
4 this section, the goods and the vessel in which they are imported, along with
5 its equipment and other cargo, may be seized by and forfeited to the United
6 States Government.

7 **“§ 60502. Discriminating duty on goods imported in foreign
8 vessels or from contiguous countries**

9 “(a) IMPOSITION OF DUTY.—A discriminating duty of 10 percent ad valo-
10 rem (in addition to other duties imposed by law) is imposed on goods—

11 “(1) imported in a vessel not of the United States unless the vessel—

12 “(A) is entitled by law or treaty to enter the ports of the United
13 States on payment of the same duties as are payable on goods im-
14 ported in a vessel of the United States; or

15 “(B)(i) is owned only by citizens of the United States; and

16 “(ii) after entering a port of the United States, becomes docu-
17 mented as a vessel of the United States before leaving that port; or

18 “(2) produced or manufactured in a foreign country not contiguous
19 to the United States and imported from a country contiguous to the
20 United States, unless imported in the usual course of strictly retail trade.

21 “(b) SEIZURE AND FORFEITURE.—If goods are imported without payment
22 of the duty required by this section, the goods and the vessel in which they
23 are imported may be seized by, and forfeited to, the United States Govern-
24 ment.

25 **“§ 60503. Reciprocal suspension of discriminating duties**

26 “(a) GENERAL AUTHORITY.—On receiving satisfactory proof from the gov-
27 ernment of a foreign country that it has suspended, in any part, the imposi-
28 tion of discriminating duties for any class of vessels owned by citizens of the
29 United States or goods imported in those vessels, the President may proclaim
30 a reciprocal suspension of discriminating duties for the same class of vessels
31 owned by citizens of that country or goods imported in those vessels.

32 “(b) EFFECTIVE AND EXPIRATION DATES.—A suspension under this section
33 takes effect retroactively from the date the President received the proof from
34 the foreign government, and expires when that government stops granting the
35 reciprocal suspension.

36 **“§ 60504. Reciprocal privileges for recreational vessels**

37 “When the President is satisfied that yachts owned by residents of the
38 United States and used only for pleasure are allowed to arrive at, depart
39 from, and cruise in the waters of a foreign port without entering, clearing,
40 or paying any duties or fees (including cruising license fees), the Secretary
41 of Homeland Security may allow yachts from that foreign port used only for

1 *pleasure to arrive at and depart from the ports of the United States and to*
 2 *cruise in the waters of the United States without paying any duties or fees.*
 3 *However, the Secretary may require foreign yachts to obtain a license to*
 4 *cruise in the waters of the United States. The license shall be in the form*
 5 *prescribed by the Secretary and contain limitations about length of time, di-*
 6 *rection, place of cruising and action, and other matters the Secretary con-*
 7 *siders appropriate. The license shall be issued without cost to the yacht.*

8 **“§ 60505. Retaliatory suspension of commercial privileges**

9 *“(a) GENERAL AUTHORITY.—The President may proclaim a suspension of*
 10 *commercial privileges to vessels of a foreign country when—*

11 *“(1) vessels of that country have been given the same commercial*
 12 *privileges in the ports and waters of the United States given to vessels*
 13 *of the United States (except the privilege of engaging in coastwise com-*
 14 *merce); and*

15 *“(2) vessels of the United States are denied commercial privileges in*
 16 *the ports or waters of that country given to vessels of that country.*

17 *“(b) APPLICATION.—A suspension under this section shall apply to the*
 18 *same commercial privileges denied to vessels of the United States in the ports*
 19 *or waters of the foreign country, and to the same class of vessels of that coun-*
 20 *try as the class of vessels of the United States denied the privileges.*

21 *“(c) EFFECTIVE DATE.—The President shall designate the effective date of*
 22 *the suspension in the proclamation.*

23 *“(d) PENALTIES.—*

24 *“(1) SEIZURE AND FORFEITURE.—If the master, officer, or agent of*
 25 *a vessel of a foreign country does an act for the vessel in the ports or*
 26 *waters of the United States in violation of a proclamation issued under*
 27 *this section, the vessel and the goods on the vessel may be seized by, and*
 28 *forfeited to, the United States Government.*

29 *“(2) FINE OR IMPRISONMENT.—A person opposing an official of the*
 30 *Government enforcing this section shall be fined under title 18, impris-*
 31 *oned for not more than 2 years, or both.*

32 **“§ 60506. Retaliation against British dominions of North**
 33 **America**

34 *“(a) GENERAL AUTHORITY.—The President by proclamation may prohibit*
 35 *vessels of the British dominions of North America, their masters and crews,*
 36 *and products of or coming from those dominions, from entering waters, ports,*
 37 *or places of the United States when the President is satisfied that—*

38 *“(1) fishermen or fishing vessels of the United States in waters, ports,*
 39 *or places of the British dominions of North America are being or recently*
 40 *have been—*

41 *“(A) denied rights provided by law or treaty;*

1 “(B) subjected to unreasonable restrictions in the exercise of those
2 rights; or

3 “(C) otherwise harassed;

4 “(2) fishermen or fishing vessels of the United States, having a permit
5 under the laws of the United States to dock or trade at a port or place
6 in the British dominions of North America, are being or recently have
7 been—

8 “(A) denied the privilege of entering the port or place in the same
9 manner and under the same regulations applicable to trading ves-
10 sels of the most-favored-nation;

11 “(B) prevented from buying supplies allowed to be sold to trading
12 vessels of the most-favored-nation; or

13 “(C) otherwise harassed; or

14 “(3) other vessels of the United States or their masters or crews in wa-
15 ters, ports, or places of the British dominions of North America are being
16 or recently have been—

17 “(A) denied privileges given to vessels of the most-favored-nation
18 or their masters or crews; or

19 “(B) otherwise harassed.

20 “(b) *COVERAGE AND EXCEPTIONS.*—The President may apply a proclama-
21 tion under this section to any of the subjects named, and may include excep-
22 tions for vessels in distress or need of supplies. The President may change,
23 revoke, and renew the proclamation.

24 “(c) *PENALTIES.*—A person violating a proclamation issued under this sec-
25 tion shall be fined under title 18, imprisoned for not more than 2 years, or
26 both. A vessel or goods found in waters, ports, or places of the United States
27 in violation of the proclamation may be seized by, and forfeited to, the United
28 States Government.

29 “**§60507. Suspension of free passage through Saint Marys**
30 **Falls Canal**

31 “(a) *PURPOSE.*—The purpose of this section is to secure reciprocal advan-
32 tages for the citizens, ports, and vessels of the United States.

33 “(b) *GENERAL AUTHORITY.*—When the President is satisfied that vessels of
34 the United States, or passengers or cargo being transported to a port of the
35 United States, are prohibited from passing through a canal or lock connected
36 with the navigation of the Saint Lawrence River, the Great Lakes, or their
37 connecting waterways, or burdened in that passage by tolls or other means
38 that are unreasonable in view of the free passage through the Saint Marys
39 Falls Canal allowed to vessels of all countries, the President by proclamation
40 may suspend the right of free passage through the Saint Marys Falls Canal
41 for vessels owned by subjects of the country imposing the prohibition, tolls,

1 or other burdens and for passengers and cargo being transported to the ports
2 of that country, even when carried in vessels of the United States. The suspen-
3 sion shall apply to the extent and for the time the President considers appro-
4 priate.

5 “(c) IMPOSITION OF TOLL.—

6 “(1) IN GENERAL.—During a suspension under this section, the Presi-
7 dent shall impose a toll of not more than \$2 per ton on cargo and not
8 more than \$5 on each passenger.

9 “(2) EXCEPTIONS.—Notwithstanding paragraph (1), a toll may not be
10 imposed on passengers or cargo landed at Ogdensburg, New York, or any
11 port west of Ogdensburg and south of a line drawn from the northern
12 boundary of New York through the Saint Lawrence River, the Great
13 Lakes, and their connecting channels to the northern boundary of Min-
14 nesota.

15 “(d) COLLECTION OF TOLL.—

16 “(1) IN GENERAL.—A toll imposed under this section shall be collected
17 under regulations prescribed by the Secretary of Homeland Security. The
18 Secretary may require the master of a vessel to provide a sworn state-
19 ment of the amount and kind of cargo, the number of passengers, and
20 the destination of the passengers and cargo.

21 “(2) PROOF OF LANDING.—When applicable, the Secretary also may
22 require satisfactory proof that the passengers and cargo were landed at
23 a port described in subsection (c)(2). Until that proof is provided, the
24 Secretary may assume the passengers and cargo were not landed at such
25 a port, and the amount of a toll that otherwise would be imposed is a
26 lien enforceable against the vessel when found in the waters of the United
27 States.”.

28 **SEC. 9. SUBTITLE VII OF TITLE 46.**

29 Subtitle VII of title 46, United States Code, as redesignated by section 8(a)
30 of this Act, is amended as follows:

31 (1) The subtitle heading and analysis are amended to read as follows:

32 **“Subtitle VII—Security and Drug Enforcement**

<i>“Chapter</i>	<i>Sec.</i>
“701. Port Security	70101
“703. Maritime Security	70301
“705. Maritime Drug Law Enforcement	70501”.

33 (2) Add after chapter 701 the following:

34 **“CHAPTER 703—MARITIME SECURITY**

“Sec.

“70301. Definitions.

“70302. International measures for seaport and vessel security.

“70303. Security standards at foreign ports.

“70304. Travel advisories on security at foreign ports.

“70305. Suspension of passenger services.

“70306. Report on terrorist threats.

1 **“§ 70301. Definitions**

2 *“In this chapter:*

3 *“(1) COMMON CARRIER.—The term ‘common carrier’ has the meaning*
4 *given that term in section 40102 of this title.*

5 *“(2) PASSENGER VESSEL.—The term ‘passenger vessel’ has the mean-*
6 *ing given that term in section 2101 of this title.*

7 *“(3) SECRETARY.—The term ‘Secretary’ means the Secretary of the de-*
8 *partment in which the Coast Guard is operating.*

9 **“§ 70302. International measures for seaport and vessel secu-**
10 ***urity***

11 *“Congress encourages the President to continue to seek agreement on inter-*
12 *national seaport and vessel security through the International Maritime Or-*
13 *ganization. In developing an agreement, each member country of the Inter-*
14 *national Maritime Organization should consult with appropriate private sec-*
15 *tor interests in that country. The agreement would establish seaport and vessel*
16 *security measures and could include—*

17 *“(1) seaport screening of cargo and baggage similar to that done at*
18 *airports;*

19 *“(2) security measures to restrict access to cargo, vessels, and dockside*
20 *property to authorized personnel only;*

21 *“(3) additional security on board vessels;*

22 *“(4) licensing or certification of compliance with appropriate security*
23 *standards; and*

24 *“(5) other appropriate measures to prevent unlawful acts against pas-*
25 *sengers and crews on vessels.*

26 **“§ 70303. Security standards at foreign ports**

27 *“(a) GENERAL REQUIREMENTS.—The Secretary shall develop and imple-*
28 *ment a plan to assess the effectiveness of the security measures maintained*
29 *at foreign ports that the Secretary, in consultation with the Secretary of*
30 *State, determines pose a high risk of acts of terrorism against passenger ves-*
31 *sels. In carrying out this subsection, the Secretary shall consult with the Sec-*
32 *retary of State about the terrorist threat that exists in each country and poses*
33 *a high risk of acts of terrorism against passenger vessels.*

34 *“(b) NOTICE AND RECOMMENDATIONS TO OTHER COUNTRIES.—If the Sec-*
35 *retary, after implementing the plan under subsection (a), determines that a*
36 *port does not maintain and administer effective security measures, the Sec-*
37 *retary of State (after being informed by the Secretary) shall—*

38 *“(1) notify the appropriate government authorities of the country in*
39 *which the port is located of the determination; and*

1 “(2) recommend steps necessary to bring the security measures at that
2 port up to the standard used by the Secretary in making the assessment
3 under subsection (a).

4 “(c) *ANTITERRORISM ASSISTANCE.*—The President is encouraged to provide
5 antiterrorism assistance related to maritime security under chapter 8 of part
6 II of the Foreign Assistance Act of 1961 (22 U.S.C. 2349aa et seq.) to foreign
7 countries, especially for a port that the Secretary determines under subsection
8 (b) does not maintain and administer effective security measures.

9 **“§ 70304. Travel advisories on security at foreign ports**

10 “(a) *GENERAL REQUIREMENTS.*—On being notified by the Secretary that
11 the Secretary has determined that a condition exists that threatens the safety
12 or security of passengers, passenger vessels, or crew traveling to or from a fore-
13 ign port that the Secretary has determined under section 70303(b) of this
14 title does not maintain and administer effective security measures, the Sec-
15 retary of State immediately shall issue a travel advisory for that port. The
16 Secretary of State shall take the necessary steps to widely publicize the travel
17 advisory.

18 “(b) *LIFTING ADVISORIES.*—A travel advisory issued under subsection (a)
19 may be lifted only if the Secretary, in consultation with the Secretary of
20 State, has determined that effective security measures are maintained and ad-
21 ministered at the port.

22 “(c) *NOTICE TO CONGRESS.*—The Secretary of State shall notify Congress
23 immediately of any change in the status of a travel advisory issued under
24 this section.

25 **“§ 70305. Suspension of passenger services**

26 “(a) *GENERAL AUTHORITY.*—Whenever the President determines that a fore-
27 ign nation permits the use of territory under its jurisdiction as a base of
28 operations or training for, or as a sanctuary for, or in any way arms, aids,
29 or abets, a terrorist or terrorist group that knowingly uses the illegal seizure
30 of passenger vessels or the threat thereof as an instrument of policy, the Presi-
31 dent may suspend the right of any passenger vessel common carrier to operate
32 to or from, and the right of any passenger vessel of the United States to use,
33 a port in that foreign nation for passenger service. The suspension may be
34 without notice or hearing and for as long as the President determines is nec-
35 essary to ensure the security of passenger vessels against unlawful seizure.

36 “(b) *PROHIBITION.*—A passenger vessel common carrier, or a passenger ves-
37 sel of the United States, may not operate in violation of a suspension under
38 this section.

39 “(c) *PENALTIES.*—

1 “(1) DENIAL OF ENTRY.—If a person operates a vessel in violation of
2 this section, the Secretary may deny the vessels of that person entry to
3 ports of the United States.

4 “(2) CIVIL PENALTY.—A person violating this section is liable to the
5 United States Government for a civil penalty of not more than \$50,000.
6 Each day a vessel uses a prohibited port is a separate violation.

7 **“§ 70306. Report on terrorist threats**

8 “(a) CONTENT.—Not later than February 28 of each year, the Secretary
9 shall submit a report to Congress on the threat from acts of terrorism to
10 United States ports and vessels operating from those ports. The Secretary
11 shall include a description of activities undertaken under title I of the Mari-
12 time Transportation Security Act of 2002 (Public Law 107–295, 116 Stat.
13 2066) and an analysis of the effect of those activities on port security against
14 acts of terrorism.

15 “(b) SUBMISSION.—The report shall be submitted to the Committee on
16 International Relations and the Committee on Transportation and Infra-
17 structure of the House of Representatives and the Committee on Foreign Rela-
18 tions and the Committee on Commerce, Science, and Transportation of the
19 Senate. Any classified information in the report shall be submitted separately
20 as an addendum.

21 **“CHAPTER 705—MARITIME DRUG LAW ENFORCEMENT**

“Sec.

“70501. Findings and declarations.

“70502. Definitions.

“70503. Manufacture, distribution, or possession of controlled substances on vessels.

“70504. Jurisdiction and venue.

“70505. Failure to comply with international law as a defense.

“70506. Penalties.

“70507. Forfeitures.

22 **“§ 70501. Findings and declarations**

23 “Congress finds and declares that trafficking in controlled substances
24 aboard vessels is a serious international problem, is universally condemned,
25 and presents a specific threat to the security and societal well-being of the
26 United States.

27 **“§ 70502. Definitions**

28 “(a) APPLICATION OF OTHER DEFINITIONS.—The definitions in section 102
29 of the Comprehensive Drug Abuse Prevention and Control Act of 1970 (21
30 U.S.C. 802) apply to this chapter.

31 “(b) VESSEL OF THE UNITED STATES.—In this chapter, the term ‘vessel
32 of the United States’ means—

33 “(1) a vessel documented under chapter 121 of this title or numbered
34 as provided in chapter 123 of this title;

35 “(2) a vessel owned in any part by an individual who is a citizen
36 of the United States, the United States Government, the government of

1 *a State or political subdivision of a State, or a corporation incorporated*
 2 *under the laws of the United States or of a State, unless—*

3 *“(A) the vessel has been granted the nationality of a foreign na-*
 4 *tion under article 5 of the 1958 Convention on the High Seas; and*

5 *“(B) a claim of nationality or registry for the vessel is made by*
 6 *the master or individual in charge at the time of the enforcement*
 7 *action by an officer or employee of the United States who is author-*
 8 *ized to enforce applicable provisions of United States law; and*

9 *“(3) a vessel that was once documented under the laws of the United*
 10 *States and, in violation of the laws of the United States, was sold to*
 11 *a person not a citizen of the United States or placed under foreign reg-*
 12 *istry or a foreign flag, whether or not the vessel has been granted the*
 13 *nationality of a foreign nation.*

14 *“(c) VESSEL SUBJECT TO THE JURISDICTION OF THE UNITED STATES.—*

15 *“(1) IN GENERAL.—In this chapter, the term ‘vessel subject to the ju-*
 16 *risdiction of the United States’ includes—*

17 *“(A) a vessel without nationality;*

18 *“(B) a vessel assimilated to a vessel without nationality under*
 19 *paragraph (2) of article 6 of the 1958 Convention on the High Seas;*

20 *“(C) a vessel registered in a foreign nation if the flag nation has*
 21 *consented or waived objection to the enforcement of United States*
 22 *law by the United States;*

23 *“(D) a vessel in the customs waters of the United States;*

24 *“(E) a vessel in the territorial waters of a foreign nation if the*
 25 *nation consents to the enforcement of United States law by the*
 26 *United States; and*

27 *“(F) a vessel in the contiguous zone of the United States, as de-*
 28 *finied in Presidential Proclamation 7219 of September 2, 1999 (43*
 29 *U.S.C. 1331 note), that—*

30 *“(i) is entering the United States;*

31 *“(ii) has departed the United States; or*

32 *“(iii) is a hovering vessel as defined in section 401 of the*
 33 *Tariff Act of 1930 (19 U.S.C. 1401).*

34 *“(2) CONSENT OR WAIVER OF OBJECTION.—Consent or waiver of objec-*
 35 *tion by a foreign nation to the enforcement of United States law by the*
 36 *United States under paragraph (1)(C) or (E)—*

37 *“(A) may be obtained by radio, telephone, or similar oral or elec-*
 38 *tronic means; and*

39 *“(B) is proved conclusively by certification of the Secretary of*
 40 *State or the Secretary’s designee.*

41 *“(d) VESSEL WITHOUT NATIONALITY.—*

1 “(1) *IN GENERAL.*—*In this chapter, the term ‘vessel without nation-*
2 *ality’ includes—*

3 “(A) *a vessel aboard which the master or individual in charge*
4 *makes a claim of registry that is denied by the flag nation whose*
5 *registry is claimed;*

6 “(B) *a vessel aboard which the master or individual in charge*
7 *fails, on request of an officer of the United States authorized to en-*
8 *force applicable provisions of United States law, to make a claim*
9 *of nationality or registry for that vessel; and*

10 “(C) *a vessel aboard which the master or individual in charge*
11 *makes a claim of registry and for which the claimed nation of reg-*
12 *istry does not affirmatively and unequivocally assert that the vessel*
13 *is of its nationality.*

14 “(2) *CLAIM OF REGISTRY.*—*A claim of registry under paragraph*
15 *(1)(A) or (C) may be verified or denied by radio, telephone, or similar*
16 *oral or electronic means. The denial of such a claim by the claimed flag*
17 *nation is proved conclusively by certification of the Secretary of State*
18 *or the Secretary’s designee.*

19 “(e) *CLAIM OF NATIONALITY OR REGISTRY.*—*A claim of nationality or reg-*
20 *istry under this section includes only—*

21 “(1) *possession on board the vessel and production of documents evi-*
22 *dencing the vessel’s nationality as provided in article 5 of the 1958 Con-*
23 *vention on the High Seas;*

24 “(2) *flying its flag nation’s ensign or flag; or*

25 “(3) *a verbal claim of nationality or registry by the master or indi-*
26 *vidual in charge of the vessel.*

27 **“§ 70503. *Manufacture, distribution, or possession of con-***
28 ***trolled substances on vessels***

29 “(a) *PROHIBITIONS.*—*An individual may not knowingly or intentionally*
30 *manufacture or distribute, or possess with intent to manufacture or distribute,*
31 *a controlled substance on board—*

32 “(1) *a vessel of the United States or a vessel subject to the jurisdiction*
33 *of the United States; or*

34 “(2) *any vessel if the individual is a citizen of the United States or*
35 *a resident alien of the United States.*

36 “(b) *EXTENSION BEYOND TERRITORIAL JURISDICTION.*—*Subsection (a) ap-*
37 *plies even though the act is committed outside the territorial jurisdiction of*
38 *the United States.*

39 “(c) *NONAPPLICATION.*—

40 “(1) *IN GENERAL.*—*Subject to paragraph (2), subsection (a) does not*
41 *apply to—*

1 “(A) a common or contract carrier or an employee of the carrier
2 who possesses or distributes a controlled substance in the lawful and
3 usual course of the carrier’s business; or

4 “(B) a public vessel of the United States or an individual on
5 board the vessel who possesses or distributes a controlled substance
6 in the lawful course of the individual’s duties.

7 “(2) ENTERED IN MANIFEST.—Paragraph (1) applies only if the con-
8 trolled substance is part of the cargo entered in the vessel’s manifest and
9 is intended to be imported lawfully into the country of destination for
10 scientific, medical, or other lawful purposes.

11 “(d) BURDEN OF PROOF.—The United States Government is not required
12 to negative a defense provided by subsection (c) in a complaint, information,
13 indictment, or other pleading or in a trial or other proceeding. The burden
14 of going forward with the evidence supporting the defense is on the person
15 claiming its benefit.

16 “§ 70504. *Jurisdiction and venue*

17 “(a) JURISDICTION.—Jurisdiction of the United States with respect to a
18 vessel subject to this chapter is not an element of an offense. Jurisdictional
19 issues arising under this chapter are preliminary questions of law to be deter-
20 mined solely by the trial judge.

21 “(b) VENUE.—A person violating section 70503 of this title shall be tried
22 in the district court of the United States for—

23 “(1) the district at which the person enters the United States; or

24 “(2) the District of Columbia.

25 “§ 70505. *Failure to comply with international law as a de-* 26 *fense*

27 “A person charged with violating section 70503 of this title does not have
28 standing to raise a claim of failure to comply with international law as a
29 basis for a defense. A claim of failure to comply with international law in
30 the enforcement of this chapter may be made only by a foreign nation. A fail-
31 ure to comply with international law does not divest a court of jurisdiction
32 and is not a defense to a proceeding under this chapter.

33 “§ 70506. *Penalties*

34 “(a) VIOLATIONS.—A person violating section 70503 of this title shall be
35 punished as provided in section 1010 of the Comprehensive Drug Abuse Pre-
36 vention and Control Act of 1970 (21 U.S.C. 960). However, if the offense is
37 a second or subsequent offense as provided in section 1012(b) of that Act (21
38 U.S.C. 962(b)), the person shall be punished as provided in section 1012 of
39 that Act (21 U.S.C. 962).

1 “(b) *ATTEMPTS AND CONSPIRACIES.*—A person attempting or conspiring to
2 violate section 70503 of this title is subject to the same penalties as provided
3 for violating section 70503.

4 **“§ 70507. Forfeitures**

5 “(a) *IN GENERAL.*—Property described in section 511(a) of the *Comprehen-*
6 *sive Drug Abuse Prevention and Control Act of 1970 (21 U.S.C. 881(a))* that
7 *is used or intended for use to commit, or to facilitate the commission of, an*
8 *offense under section 70503 of this title may be seized and forfeited in the*
9 *same manner that similar property may be seized and forfeited under section*
10 *511 of that Act (21 U.S.C. 881).*

11 “(b) *PRIMA FACIE EVIDENCE OF VIOLATION.*—Practices commonly recog-
12 nized as smuggling tactics may provide prima facie evidence of intent to use
13 a vessel to commit, or to facilitate the commission of, an offense under section
14 70503 of this title, and may support seizure and forfeiture of the vessel, even
15 in the absence of controlled substances aboard the vessel. The following indi-
16 cia, among others, may be considered, in the totality of the circumstances, to
17 be prima facie evidence that a vessel is intended to be used to commit, or
18 to facilitate the commission of, such an offense:

19 “(1) *The construction or adaptation of the vessel in a manner that*
20 *facilitates smuggling, including—*

21 “(A) *the configuration of the vessel to ride low in the water or*
22 *present a low hull profile to avoid being detected visually or by*
23 *radar;*

24 “(B) *the presence of any compartment or equipment that is built*
25 *or fitted out for smuggling, not including items such as a safe or*
26 *lock-box reasonably used for the storage of personal valuables;*

27 “(C) *the presence of an auxiliary tank not installed in accordance*
28 *with applicable law or installed in such a manner as to enhance*
29 *the vessel’s smuggling capability;*

30 “(D) *the presence of engines that are excessively over-powered in*
31 *relation to the design and size of the vessel;*

32 “(E) *the presence of materials used to reduce or alter the heat or*
33 *radar signature of the vessel and avoid detection;*

34 “(F) *the presence of a camouflaging paint scheme, or of materials*
35 *used to camouflage the vessel, to avoid detection; or*

36 “(G) *the display of false vessel registration numbers, false indicia*
37 *of vessel nationality, false vessel name, or false vessel homeport.*

38 “(2) *The presence or absence of equipment, personnel, or cargo incon-*
39 *sistent with the type or declared purpose of the vessel.*

40 “(3) *The presence of excessive fuel, lube oil, food, water, or spare parts,*
41 *inconsistent with legitimate vessel operation, inconsistent with the con-*

1 *struction or equipment of the vessel, or inconsistent with the character*
 2 *of the vessel’s stated purpose.*

3 “(4) *The operation of the vessel without lights during times lights are*
 4 *required to be displayed under applicable law or regulation and in a*
 5 *manner of navigation consistent with smuggling tactics used to avoid de-*
 6 *tection by law enforcement authorities.*

7 “(5) *The failure of the vessel to stop or respond or heave to when*
 8 *hailed by government authority, especially where the vessel conducts eva-*
 9 *sive maneuvering when hailed.*

10 “(6) *The declaration to government authority of apparently false in-*
 11 *formation about the vessel, crew, or voyage or the failure to identify the*
 12 *vessel by name or country of registration when requested to do so by gov-*
 13 *ernment authority.*

14 “(7) *The presence of controlled substance residue on the vessel, on an*
 15 *item aboard the vessel, or on an individual aboard the vessel, of a quan-*
 16 *tity or other nature that reasonably indicates manufacturing or distribu-*
 17 *tion activity.*

18 “(8) *The use of petroleum products or other substances on the vessel*
 19 *to foil the detection of controlled substance residue.*

20 “(9) *The presence of a controlled substance in the water in the vicinity*
 21 *of the vessel, where given the currents, weather conditions, and course*
 22 *and speed of the vessel, the quantity or other nature is such that it rea-*
 23 *sonably indicates manufacturing or distribution activity.”.*

24 **SEC. 10. SUBTITLE VIII OF TITLE 46.**

25 *Title 46, United States Code, is amended by adding after subtitle VII the*
 26 *following:*

27 **“Subtitle VIII—Miscellaneous**

<i>“Chapter</i>	<i>Sec.</i>
“801. Wrecks and Salvage	80101
“803. Ice and Derelicts	80301
“805. Safe Containers for International Cargo	80501

28 **“CHAPTER 801—WRECKS AND SALVAGE**

- “Sec.*
- “80101. Vessel stranded on foreign coast.*
 - “80102. License to salvage on Florida coast.*
 - “80103. Property on Florida coast to be taken to port of entry.*
 - “80104. Salvaging operations by foreign vessels.*
 - “80105. Canadian vessels aiding vessels in United States waters.*
 - “80106. International agreement on derelicts.*
 - “80107. Salvors of life to share in remuneration.*

29 **“§80101. Vessel stranded on foreign coast**

30 *“(a) DUTIES OF CONSULAR OFFICER.—When a vessel of the United States*
 31 *is stranded on a coast of a foreign country, the consular officer in that coun-*
 32 *try shall take proper measures, to the extent the laws of that country allow,*
 33 *to—*

1 “(1) *save and secure the vessel and property on the vessel; and*

2 “(2) *prepare an inventory of the property that is saved.*

3 “(b) *DELIVERY TO OWNER.—After deducting the expenses, the consular offi-*
4 *cer shall deliver the property, with an inventory, to the owner of the property.*

5 “(c) *LIMITATION ON TAKING POSSESSION.—A consular officer may not take*
6 *possession of property under this section when the owner, master, or consignee*
7 *is present or able to take possession of the property.*

8 **“§80102. License to salvage on Florida coast**

9 “(a) *LICENSING REQUIREMENTS.—To be regularly employed in the busi-*
10 *ness of salvaging on the coast of Florida, a vessel and its master each must*
11 *have a license issued by a judge of the district court of the United States for*
12 *a judicial district of Florida.*

13 “(b) *JUDICIAL FINDINGS.—Before issuing a license under this section, the*
14 *judge must be satisfied, when the license is for—*

15 “(1) *a vessel, that the vessel is seaworthy and properly equipped for*
16 *the business of saving property shipwrecked and in distress; or*

17 “(2) *a master, that the master is trustworthy and innocent of any*
18 *fraud or misconduct related to property shipwrecked or saved on the*
19 *coast.*

20 **“§80103. Property on Florida coast to be taken to port of**
21 ***entry***

22 “(a) *IN GENERAL.—Property taken from a wreck, the sea, or a key or*
23 *shoal, on the coast of Florida and within the jurisdiction of the United States,*
24 *shall be brought to a port of entry of the United States.*

25 “(b) *SEIZURE AND FORFEITURE.—A vessel transporting property described*
26 *in subsection (a) to a foreign port may be seized by, and forfeited to, the*
27 *United States Government. A forfeiture under this subsection accrues half to*
28 *the informer and half to the Government.*

29 **“§80104. Salvaging operations by foreign vessels**

30 “(a) *PROHIBITION.—Except as provided in this section or section 80105 of*
31 *this title, a foreign vessel may not, under penalty of forfeiture, engage in sal-*
32 *vaging operations on the Atlantic or Pacific coast of the United States, in*
33 *any portion of the Great Lakes or their connecting or tributary waters, in-*
34 *cluding any portion of the Saint Lawrence River through which the inter-*
35 *national boundary line extends, or in territorial waters of the United States*
36 *on the Gulf of Mexico.*

37 “(b) *WHEN SUITABLE VESSEL NOT AVAILABLE.—The Secretary of Home-*
38 *land Security may authorize a foreign vessel to engage in salvaging oper-*
39 *ations in a particular locality if, on investigation, the Secretary is satisfied*
40 *that there is not available in that locality a suitable vessel that is—*

1 “(1) owned only by citizens of the United States (including a
2 *Bowaters corporation under section 12118 of this title*); and

3 “(2) documented under chapter 121 of this title or numbered under
4 chapter 123 of this title.

5 “(c) *OPERATIONS AUTHORIZED BY TREATY.*—This section does not prohibit
6 or restrict assistance to vessels or salvaging operations authorized by treaty,
7 including—

8 “(1) *article II of the Treaty between the United States and Great Brit-*
9 *ain concerning reciprocal rights for United States and Canada in the*
10 *conveyance of prisoners and wrecking and salvage, signed at Washington,*
11 *May 18, 1908 (35 Stat. 2036); or*

12 “(2) *the Treaty between the United States of America and Mexico to*
13 *facilitate assistance to and salvage of vessels in territorial waters, signed*
14 *at Mexico City, June 13, 1935 (49 Stat. 3359).*

15 **“§80105. Canadian vessels aiding vessels in United States**
16 ***waters***

17 “(a) *IN GENERAL.*—Canadian vessels and wrecking equipment may give
18 aid to Canadian or other vessels and property wrecked, disabled, or in distress
19 in the waters of the United States contiguous to Canada, including—

20 “(1) *the canal and improvement of the waters between Lake Erie and*
21 *Lake Huron; and*

22 “(2) *the Saint Marys River and canal.*

23 “(b) *RECIPROCITY.*—This section does not apply after the President pro-
24 claims that privileges reciprocal to those under subsection (a) have been with-
25 drawn or rendered inoperative by the Government of Canada.

26 **“§80106. International agreement on derelicts**

27 “The President may make an international agreement with other govern-
28 ments interested in the navigation of the North Atlantic Ocean, providing for
29 the reporting, marking, and removal of dangerous wrecks, derelicts, and other
30 menaces to navigation outside the coast waters of the countries bordering the
31 North Atlantic Ocean.

32 **“§80107. Salvors of life to share in remuneration**

33 “(a) *ENTITLEMENT OF SALVORS.*—A salvor of human life, who gave aid
34 following an accident giving rise to salvage, is entitled to a fair share of the
35 payment awarded to the salvor for salvaging the vessel or other property or
36 preventing or minimizing damage to the environment.

37 “(b) *COMMON OWNERSHIP OF VESSELS.*—The right to remuneration for
38 aid or salvage services is not affected by common ownership of the vessels giv-
39 ing and receiving the aid or salvage services.

40 “(c) *TIME LIMIT ON BRINGING ACTIONS.*—A civil action to recover remu-
41 neration for giving aid or salvage services must be brought within 2 years

1 after the date the aid or salvage services were given, unless the court in which
 2 the action is brought is satisfied that during that 2-year period there had not
 3 been a reasonable opportunity to seize the aided or salvaged vessel within the
 4 jurisdiction of the court or within the territorial waters of the country of the
 5 plaintiff's residence or principal place of business.

6 “(d) *NONAPPLICATION.*—This section does not apply to a vessel of war or
 7 a vessel owned by the United States Government appropriated only to a pub-
 8 lic service.

9 **“CHAPTER 803—ICE AND DERELICTS**

“Sec.

“80301. *International agreements.*

“80302. *Patrol services.*

“80303. *Speed of vessel in ice region.*

10 **“§ 80301. *International agreements***

11 “(a) *GENERAL AUTHORITY.*—The President may make agreements with in-
 12 terested maritime countries to—

13 “(1) *maintain in the North Atlantic Ocean a service of ice patrol, of*
 14 *study and observation of ice and current conditions, and of assistance*
 15 *to vessels and their crews requiring assistance within the limits of the*
 16 *patrol;*

17 “(2) *maintain a service of study and observation of ice and current*
 18 *conditions in the waters affecting the set and drift of ice in the North*
 19 *Atlantic Ocean; and*

20 “(3) *take all practicable steps to ensure the destruction or removal of*
 21 *derelicts in the northern part of the Atlantic Ocean, east of the line*
 22 *drawn from Cape Sable to a point in latitude 34 degrees north, longitude*
 23 *70 degrees west, if the destruction or removal is necessary.*

24 “(b) *PAYMENT BETWEEN COUNTRIES.*—The President may include in an
 25 agreement under subsection (a) a provision for—

26 “(1) *payment to the United States Government by other countries for*
 27 *their proportionate share of the expense of maintaining the services; or*

28 “(2) *contribution by the Government for its proportionate share if the*
 29 *agreement provides for another country to maintain the services.*

30 **“§ 80302. *Patrol services***

31 “(a) *GENERAL REQUIREMENTS.*—Unless the agreements made under sec-
 32 tion 80301 of this title provide otherwise, an ice patrol shall be maintained
 33 during the entire ice season in guarding the southeastern, southern, and
 34 southwestern limits of the region of icebergs in the vicinity of the Grand
 35 Banks of Newfoundland. The patrol shall inform trans-Atlantic and other
 36 passing vessels by radio and other available means of the ice conditions and
 37 the extent of the dangerous region. During the ice season, there shall be main-
 38 tained a service of study of ice and current conditions, a service of providing

1 assistance to vessels and crews requiring assistance, and a service of removing
2 and destroying derelicts. Any of these services may be maintained during the
3 remainder of the year as may be advisable.

4 “(b) WARNINGS TO VESSELS.—An ice patrol vessel shall warn any vessel
5 known to be approaching a dangerous area and recommend safe routes.

6 “(c) RECORDING AND REPORTING INCIDENTS.—

7 “(1) RECORDING.—An ice patrol vessel shall record the name of a ves-
8 sel and the facts of the case when the patrol observes or knows that the
9 vessel—

10 “(A) is on other than a regular recognized or advertised route
11 crossing the North Atlantic Ocean;

12 “(B) has crossed the fishing banks of Newfoundland north of lati-
13 tude 43 degrees north during the fishing season; or

14 “(C) has passed through regions known or believed to be endan-
15 gered by ice when proceeding to and from ports of North America.

16 “(2) REPORTING.—The name of the vessel and all pertinent informa-
17 tion about the incident shall be reported to the government of the country
18 to which the vessel belongs if that government requests.

19 “(d) ADMINISTRATION.—The Commandant of the Coast Guard, under the
20 direction of the Secretary of the department in which the Coast Guard is op-
21 erating, shall carry out the services provided for in this section and shall as-
22 sign necessary vessels, material, and personnel of the Coast Guard. On request
23 of such Secretary, the head of an agency may detail personnel, lend or con-
24 tribute material or equipment, or otherwise assist in carrying out the services
25 provided for in this section.

26 “(e) ANNUAL REPORT.—The Commandant shall publish an annual report
27 of the activities of the services provided for in this section. A copy of the re-
28 port shall be provided to each interested foreign government and to each agen-
29 cy assisting in the work.

30 **“§ 80303. Speed of vessel in ice region**

31 “(a) REQUIREMENT.—The master of a vessel of the United States, when ice
32 is reported on or near the vessel’s course, shall proceed at a moderate speed
33 or change the course of the vessel to go well clear of the danger zone.

34 “(b) CIVIL PENALTY.—A master violating this section is liable to the
35 United States Government for a civil penalty of not more than \$500.

36 **“CHAPTER 805—SAFE CONTAINERS FOR**
37 **INTERNATIONAL CARGO**

“Sec.

“80501. Definitions.

“80502. Application of Convention.

“80503. General authority of the Secretary.

“80504. Approval and examination.

“80505. Enforcement.

“80506. Delegation of authority.

“80507. *Employee protection.*

“80508. *Amendments to Convention.*

“80509. *Civil penalty.*

1 **“§ 80501. Definitions**

2 *“In this chapter:*

3 *“(1) CONTAINER.—The term ‘container’ has the meaning given that*
4 *term in the Convention.*

5 *“(2) CONVENTION.—The term ‘Convention’ means the International*
6 *Convention for Safe Containers, and its annexes, done at Geneva, Swit-*
7 *zerland, December 2, 1972.*

8 *“(3) INTERNATIONAL TRANSPORT.—The term ‘international transport’*
9 *means the transportation of a container between—*

10 *“(A) a place in a foreign country and a place in the jurisdiction*
11 *of the United States; or*

12 *“(B) two places outside the United States by United States car-*
13 *riers.*

14 *“(4) OWNER.—The term ‘owner’ includes the lessee or bailee of a con-*
15 *tainer if a written lease or bailment provides for the lessee or bailee to*
16 *exercise the owner’s responsibility for maintaining and examining the*
17 *container.*

18 *“(5) SAFETY APPROVAL PLATE.—The term ‘safety approval plate’ has*
19 *the meaning given that term in annex I of the Convention.*

20 **“§ 80502. Application of Convention**

21 *“The Convention applies to an owner of a container used in international*
22 *transport if the owner is domiciled or has its principal office in the United*
23 *States.*

24 **“§ 80503. General authority of the Secretary**

25 *“(a) IN GENERAL.—The Secretary of the department in which the Coast*
26 *Guard is operating shall carry out the Convention and this chapter in the*
27 *United States.*

28 *“(b) REGULATIONS.—The Secretary shall prescribe regulations to carry out*
29 *this chapter. The regulations shall—*

30 *“(1) establish procedures for testing, inspecting, and initially approv-*
31 *ing containers and designs for containers, including procedures for at-*
32 *taching, invalidating, and removing safety approval plates for con-*
33 *tainers;*

34 *“(2) establish procedures to be followed by the owners of containers for*
35 *the periodic examination of containers as provided in the Convention;*
36 *and*

37 *“(3) provide a method for developing, collecting, and disseminating in-*
38 *formation about container safety and the international transport of con-*
39 *tainers.*

1 “(c) *SAFETY APPROVAL PLATES.*—If the owner of a container without a
2 safety approval plate establishes that the container satisfies the standards of
3 the Convention, the Secretary may authorize a safety approval plate to be at-
4 tached to the container.

5 “(d) *SCHEDULE OF FEES.*—The Secretary may prescribe a schedule of fees
6 for services performed by the Secretary, or by a person delegated authority
7 under section 80506 of this title, for the testing, inspection, and initial ap-
8 proval of containers and container designs.

9 “(e) *ENCOURAGING INTERMODAL TRANSPORT.*—To the maximum extent
10 possible, the Secretary shall encourage the development and use of intermodal
11 transport, using containers built to facilitate economical, safe, and expedi-
12 tious handling of containerized cargo without intermediate reloading when it
13 is being transported over land, air, and sea areas.

14 **“§ 80504. Approval and examination**

15 “(a) *DOMICILE AND PRINCIPAL OFFICE IN UNITED STATES.*—A container
16 owner domiciled and having its principal office in the United States shall
17 have the container—

18 “(1) approved initially under procedures prescribed by the Secretary
19 of the department in which the Coast Guard is operating or by the gov-
20 ernment of another country that is a party to the Convention; and

21 “(2) examined periodically as provided in the Convention under pro-
22 cedures prescribed by the Secretary.

23 “(b) *DOMICILE OR PRINCIPAL OFFICE IN UNITED STATES.*—A container
24 owner domiciled or having its principal office in the United States shall have
25 the container—

26 “(1) approved initially under procedures prescribed by the Secretary
27 or by the government of another country that is a party to the Conven-
28 tion; and

29 “(2) examined periodically as provided in the Convention, under pro-
30 cedures prescribed by the government of the country in which the owner
31 is domiciled or has its principal office, as long as that country is a
32 party to the Convention.

33 “(c) *NEITHER DOMICILE NOR PRINCIPAL OFFICE IN UNITED STATES.*—A
34 container owner neither domiciled nor having its principal office in the
35 United States or another country that is a party to the Convention may sub-
36 mit a container for initial approval and periodic examination under proce-
37 dures prescribed by the Secretary.

38 **“§ 80505. Enforcement**

39 “(a) *IN GENERAL.*—To enforce the Convention, this chapter, and regula-
40 tions prescribed under this chapter, the Secretary of the department in which
41 the Coast Guard is operating may—

1 “(1) *examine, or require to be examined, containers in international*
2 *transport;*

3 “(2) *approve designs for containers;*

4 “(3) *inspect and test containers being manufactured;*

5 “(4) *issue a detention order removing or excluding a container from*
6 *service until the container owner satisfies the Secretary that the con-*
7 *tainer meets the standards of the Convention, if the container—*

8 “(A) *does not have a safety approval plate attached to it; or*

9 “(B) *has a safety approval plate attached but there is significant*
10 *evidence that the container is in a condition that creates an obvious*
11 *risk to safety;*

12 “(5) *take other appropriate action, including issuing necessary orders,*
13 *to remove a container from service or restrict its use if the container is*
14 *not in compliance with the Convention, this chapter, or regulations pre-*
15 *scribed under this chapter, but does not present an obvious risk to safety;*
16 *and*

17 “(6) *allow a container found to be unsafe or without a safety approval*
18 *plate to be moved to another location for repair or other disposition,*
19 *under restrictions consistent with the intent of the Convention.*

20 “(b) *PAYMENT OF EXPENSES.—*

21 “(1) *EXAMINATION.—The owner of a container involved in an action*
22 *by the Secretary under this section related to an examination of the con-*
23 *tainer shall pay or reimburse the Secretary for the expenses arising from*
24 *that action, except for the costs of routine examinations of the container*
25 *or a safety approval plate.*

26 “(2) *TESTING, INSPECTION, AND INITIAL APPROVAL.—The owner of a*
27 *container submitted to the procedure established by the Secretary for test-*
28 *ing, inspection, and initial approval, and the manufacturer of a con-*
29 *tainer that submits a design to the procedure established by the Secretary*
30 *for testing, inspection, and initial approval, shall pay or reimburse the*
31 *Secretary for the expenses arising from the testing, inspection, or ap-*
32 *proval.*

33 “(3) *CREDIT TO APPROPRIATION.—Amounts received by the Secretary*
34 *as reimbursement shall be credited to the appropriation for operating ex-*
35 *penses of the Coast Guard.*

36 “(c) *PRESUMPTION BASED ON SAFETY APPROVAL PLATE.—A container*
37 *bearing a safety approval plate authorized by a country that is a party to*
38 *the Convention is presumed to be in a safe condition unless there is signifi-*
39 *cant evidence that the container is in a condition that creates an obvious risk*
40 *to safety.*

41 “(d) *NOTICE OF ORDERS.—*

1 “(1) *IN GENERAL.*—When the Secretary issues a detention or other
2 order under this section, the Secretary promptly shall notify in writ-
3 ing—

4 “(A) *the owner of the container;*

5 “(B) *the owner’s agent; or*

6 “(C) *if the identity of the owner is not apparent from the con-*
7 *tainer or shipping documents, the custodian.*

8 “(2) *INFORMATION TO INCLUDE.*—The notification shall identify the
9 container involved, give the location of the container, and describe the
10 condition or situation giving rise to the order.

11 “(e) *DURATION OF ORDERS.*—An order issued by the Secretary under this
12 section remains in effect until—

13 “(1) *the Secretary declares the container to be in compliance with the*
14 *standards of the Convention; or*

15 “(2) *the container is removed permanently from service.*

16 “(f) *NOTICE OF DEFECTIVE CONTAINER TO COUNTRY ISSUING SAFETY AP-*
17 *PROVAL PLATE.*—If the Secretary has reason to believe that a container bear-
18 ing a safety approval plate issued by another country was defective at the
19 time of approval, the Secretary shall notify that country.

20 **“§ 80506. Delegation of authority**

21 “(a) *IN GENERAL.*—The Secretary of the department in which the Coast
22 Guard is operating may delegate to any person, including a public or private
23 agency or nonprofit organization, authority to grant initial approval for con-
24 tainers and designs and to attach safety approval plates.

25 “(b) *REGULATIONS.*—Before making a delegation under this section, the
26 Secretary shall prescribe regulations establishing—

27 “(1) *criteria to be followed in selecting a person to whom authority*
28 *is to be delegated;*

29 “(2) *a detailed description of the duties and powers to be carried out*
30 *by the person to whom authority is delegated, including the records the*
31 *person shall keep; and*

32 “(3) *the review the Secretary will conduct to decide whether the person*
33 *is carrying out the delegated duties and powers properly.*

34 “(c) *INSPECTION OF RECORDS.*—A person delegated authority under this
35 section shall make available to the Secretary for inspection, on request,
36 records the person is required to keep.

37 “(d) *PENALTIES AND ORDERS.*—A person delegated authority under this
38 section may not—

39 “(1) *assess or collect, or attempt to assess or collect, a penalty for vio-*
40 *lation of the Convention, this chapter, or an order issued by the Sec-*
41 *retary under this chapter; or*

1 “(2) *issue or attempt to issue a detention or other order.*

2 “(e) *PUBLICATION.—The Secretary shall publish in the Federal Register or*
3 *other appropriate publication—*

4 “(1) *the name and address of each person to whom authority is dele-*
5 *gated;*

6 “(2) *the duties and powers delegated; and*

7 “(3) *the period of the delegation.*

8 “(f) *REVOCATION.—The Secretary may revoke a delegation of authority*
9 *under this section at any time.*

10 **“§ 80507. Employee protection**

11 “(a) *PROHIBITION.—A person may not discharge or discriminate against*
12 *an employee because the employee has reported the existence of an unsafe con-*
13 *tainer or a violation of this chapter or a regulation prescribed under this*
14 *chapter.*

15 “(b) *COMPLAINTS.—An employee alleging to have been discharged or dis-*
16 *criminated against in violation of subsection (a) may file a complaint with*
17 *the Secretary of Labor. The complaint must be filed within 60 days after the*
18 *violation.*

19 “(c) *ENFORCEMENT.—The Secretary of Labor may investigate the com-*
20 *plaint. If the Secretary of Labor finds there has been a violation, the Sec-*
21 *retary of Labor may bring a civil action in an appropriate district court of*
22 *the United States. The court has jurisdiction to restrain violations of sub-*
23 *section (a) and order appropriate relief, including reinstatement of the em-*
24 *ployee to the employee’s former position with back pay.*

25 “(d) *NOTICE TO COMPLAINANT.—Within 30 days after receiving a com-*
26 *plaint under this section, the Secretary of Labor shall notify the complainant*
27 *of the intended action on the complaint.*

28 **“§ 80508. Amendments to Convention**

29 “(a) *PROPOSALS BY UNITED STATES GOVERNMENT.—The Secretary of*
30 *State, with the concurrence of the Secretary of the department in which the*
31 *Coast Guard is operating, may propose amendments to the Convention or re-*
32 *quest a conference for amending the Convention as provided in article IX of*
33 *the Convention.*

34 “(b) *PROPOSALS BY OTHER COUNTRIES.—An amendment communicated to*
35 *the United States Government under article IX(2) of the Convention may be*
36 *accepted for the Government by the President, with the advice and consent*
37 *of the Senate. The President may declare that the Government does not accept*
38 *an amendment.*

39 “(c) *AMENDMENTS TO ANNEXES.—*

40 “(1) *IN GENERAL.—The Secretary of State, with the concurrence of the*
41 *Secretary of the department in which the Coast Guard is operating—*

1 “(A) may propose amendments to the annexes to the Convention;

2 “(B) may propose a conference for amending annexes to the Con-
3 vention; and

4 “(C) shall consider and act on amendments to the annexes to the
5 Convention adopted by the Maritime Safety Committee of the Inter-
6 national Maritime Organization and communicated to the Govern-
7 ment under article X(2) of the Convention.

8 “(2) ACTION FOLLOWING APPROVAL OR OBJECTION.—If a proposed
9 amendment to an annex is approved by the Government, the amendment
10 shall enter into force as provided in article X of the Convention. If a
11 proposed amendment is objected to, the Secretary of State promptly shall
12 communicate the objection as provided in article X(3) of the Convention.

13 “(d) APPOINTMENT OF ARBITRATOR.—The Secretary of State, with the con-
14 currence of the Secretary of the department in which the Coast Guard is oper-
15 ating, shall appoint an arbitrator when one is required to resolve a dispute
16 within the meaning of article XIII of the Convention.

17 **“§ 80509. Civil penalty**

18 “(a) IN GENERAL.—An owner, agent, or custodian who has been notified
19 of an order issued under section 80505 of this title and fails to take reasonable
20 and prompt action to prevent or stop a container subject to the order from
21 being moved in violation of the order is liable to the United States Govern-
22 ment for a civil penalty of not more than \$5,000 for each container moved.
23 Each day the container remains in service while the order is in effect is a
24 separate violation.

25 “(b) ASSESSMENT AND COLLECTION.—

26 “(1) IN GENERAL.—After notice and an opportunity for a hearing, the
27 Secretary of the department in which the Coast Guard is operating shall
28 assess and collect any penalty under this section.

29 “(2) FACTORS TO CONSIDER.—In determining the amount of the pen-
30 alty, the Secretary shall consider the gravity of the violation, the hazards
31 involved, and the record of the person charged with respect to violations
32 of the Convention, this chapter, or regulations prescribed under this
33 chapter.

34 “(3) REMISSION, MITIGATION, OR COMPROMISE.—The Secretary may
35 remit, mitigate, or compromise a penalty under this section.

36 “(4) ENFORCEMENT.—If a person fails to pay a penalty under this
37 section, the Secretary shall refer the matter to the Attorney General for
38 collection in an appropriate district court of the United States.”.

39 **SEC. 11. MARITIME ADMINISTRATION.**

40 Section 109 of title 49, United States Code, is amended to read as follows:

1 **“§ 109. Maritime Administration**

2 “(a) ORGANIZATION.—*The Maritime Administration is an administration*
3 *in the Department of Transportation.*

4 “(b) MARITIME ADMINISTRATOR.—*The head of the Maritime Administra-*
5 *tion is the Maritime Administrator, who is appointed by the President by*
6 *and with the advice and consent of the Senate. The Administrator shall report*
7 *directly to the Secretary of Transportation and carry out the duties pre-*
8 *scribed by the Secretary.*

9 “(c) DEPUTY MARITIME ADMINISTRATOR.—*The Maritime Administration*
10 *shall have a Deputy Maritime Administrator, who is appointed in the com-*
11 *petitive service by the Secretary, after consultation with the Administrator.*
12 *The Deputy Administrator shall carry out the duties prescribed by the Ad-*
13 *ministrator. The Deputy Administrator shall be Acting Administrator during*
14 *the absence or disability of the Administrator and, unless the Secretary des-*
15 *ignates another individual, during a vacancy in the office of Administrator.*

16 “(d) DUTIES AND POWERS VESTED IN SECRETARY.—*All duties and powers*
17 *of the Maritime Administration are vested in the Secretary.*

18 “(e) REGIONAL OFFICES.—*The Maritime Administration shall have re-*
19 *gional offices for the Atlantic, Gulf, Great Lakes, and Pacific port ranges, and*
20 *may have other regional offices as necessary. The Secretary shall appoint a*
21 *qualified individual as Director of each regional office. The Secretary shall*
22 *carry out appropriate activities and programs of the Maritime Administra-*
23 *tion through the regional offices.*

24 “(f) INTERAGENCY AND INDUSTRY RELATIONS.—*The Secretary shall estab-*
25 *lish and maintain liaison with other agencies, and with representative trade*
26 *organizations throughout the United States, concerned with the transportation*
27 *of commodities by water in the export and import foreign commerce of the*
28 *United States, for the purpose of securing preference to vessels of the United*
29 *States for the transportation of those commodities.*

30 “(g) DETAILING OFFICERS FROM ARMED FORCES.—*To assist the Secretary*
31 *in carrying out duties and powers relating to the Maritime Administration,*
32 *not more than five officers of the armed forces may be detailed to the Sec-*
33 *retary at any one time, in addition to details authorized by any other law.*
34 *During the period of a detail, the Secretary shall pay the officer an amount*
35 *that, when added to the officer’s pay and allowances as an officer in the*
36 *armed forces, makes the officer’s total pay and allowances equal to the amount*
37 *that would be paid to an individual performing work the Secretary considers*
38 *to be of similar importance, difficulty, and responsibility as that performed*
39 *by the officer during the detail.*

40 “(h) CONTRACTS AND AUDITS.—

1 “(1) *CONTRACTS.*—*In the same manner that a private corporation*
 2 *may make a contract within the scope of its authority under its charter,*
 3 *the Secretary may make contracts for the United States Government and*
 4 *disburse amounts to—*

5 “(A) *carry out the Secretary’s duties and powers under this sec-*
 6 *tion and subtitle V of title 46; and*

7 “(B) *protect, preserve, and improve collateral held by the Sec-*
 8 *retary to secure indebtedness.*

9 “(2) *AUDITS.*—*The financial transactions of the Secretary under*
 10 *paragraph (1) shall be audited by the Comptroller General. The Comp-*
 11 *troller General shall allow credit for an expenditure shown to be nec-*
 12 *essary because of the nature of the business activities authorized by this*
 13 *section or subtitle V of title 46. At least once a year, the Comptroller*
 14 *General shall report to Congress any departure by the Secretary from*
 15 *this section or subtitle V of title 46.*

16 “(i) *AUTHORIZATION OF APPROPRIATIONS.*—

17 “(1) *IN GENERAL.*—*Except as otherwise provided in this subsection,*
 18 *there are authorized to be appropriated such amounts as may be nec-*
 19 *essary to carry out the duties and powers of the Secretary relating to*
 20 *the Maritime Administration.*

21 “(2) *LIMITATIONS.*—*Only those amounts specifically authorized by*
 22 *law may be appropriated for the use of the Maritime Administration*
 23 *for—*

24 “(A) *acquisition, construction, or reconstruction of vessels;*

25 “(B) *construction-differential subsidies incident to the construc-*
 26 *tion, reconstruction, or reconditioning of vessels;*

27 “(C) *costs of national defense features;*

28 “(D) *payments of obligations incurred for operating-differential*
 29 *subsidies;*

30 “(E) *expenses necessary for research and development activities,*
 31 *including reimbursement of the Vessel Operations Revolving Fund*
 32 *for losses resulting from expenses of experimental vessel operations;*

33 “(F) *the Vessel Operations Revolving Fund;*

34 “(G) *National Defense Reserve Fleet expenses;*

35 “(H) *expenses necessary to carry out part B of subtitle V of title*
 36 *46; and*

37 “(I) *other operations and training expenses related to the develop-*
 38 *ment of waterborne transportation systems, the use of waterborne*
 39 *transportation systems, and general administration.*

40 “(3) *TRAINING VESSELS.*—*Amounts may not be appropriated for the*
 41 *purchase or construction of training vessels for State maritime academies*

1 Act” and substitute “chapter 563 of this title” and “chapter 563”,
2 respectively.

3 (4) In section 53105—

4 (A) in subsection (a)(1)(A), strike “section 12105” and substitute
5 “section 12111”; and

6 (B) in subsection (f), strike “approve” and substitute “approves”.

7 (5) In section 53106—

8 (A) in subsection (d)(1), strike “section 2631 of title 10, United
9 States Code, the Act of March 26, 1934 (46 U.S.C. App. 1241–1),
10 section 901(a), 901(b), or 901b of the Merchant Marine Act, 1936
11 (46 U.S.C. App. 1241(a), 1241(b), or 1241f)” and substitute “sec-
12 tion 55302(a), 55304, 55305, or 55314 of this title, section 2631 of
13 title 10”;

14 (B) in subsection (d)(2), strike “section 901(a), 901(b), or 901b
15 of the Merchant Marine Act, 1936 (46 U.S.C. App. 1241(a),
16 1241(b), or 1241f),” and substitute “section 55302(a), 55305, or
17 55314 of this title”; and

18 (C) in subsection (e)(2), strike “section 2(c) of the Shipping Act,
19 1916 (46 U.S.C. App. 802(c))” and substitute “section 50501 of this
20 title, applying the 75 percent ownership requirement of that sec-
21 tion”.

22 (6) In section 53107(f)—

23 (A) strike “section 2631 of title 10, United States Code, the Act
24 of March 26, 1934 (46 U.S.C. App. 1241–1), section 901(a), 901(b),
25 or 901b of the Merchant Marine Act, 1936 (46 U.S.C. App. 1241(a),
26 1241(b), or 1241f)” and substitute “section 55302(a), 55304, 55305,
27 or 55314 of this title, section 2631 of title 10”; and

28 (B) strike “section 2631 of title 10, United States Code, the Act
29 of March 26, 1934 (46 U.S.C. App. 1241–1), and sections 901(a),
30 901(b), and 901b of the Merchant Marine Act, 1936 (46 U.S.C. App.
31 1241(a), 1241(b), and 1241b)” and substitute “sections 55302(a),
32 55304, 55305, and 55314 of this title and section 2631 of title 10”;
33 and

34 (7) In section 53108(b), strike “section 901(b)(1) of the Merchant Ma-
35 rine Act, 1936 (46 U.S.C. App. 1241(b)(1))” and substitute “section
36 55305(a) of this title”.

37 (b) OTHER CONFORMING AMENDMENTS.—

38 (1) SECTION 12111.—

39 (A) AMENDMENT.—Section 12111(c)(3) of title 46, United States
40 Code, as enacted by this Act, is amended by striking “subtitle B of

1 *title VI of the Merchant Marine Act, 1936” and substituting “chap-*
 2 *ter 531 of this title”.*

3 *(B) EFFECTIVE DATE.—The amendment made by subparagraph*
 4 *(A) is effective the date of enactment of this Act, or the effective date*
 5 *of section 3534(b)(1) of the Maritime Security Act of 2003 (117*
 6 *Stat. 1818), whichever is later.*

7 *(2) REPEAL.—If this Act takes effect before the amendment made by*
 8 *section 3534(b)(1) of the Maritime Security Act of 2003 (Public Law*
 9 *108–136, 117 Stat. 1818), such section 3534(b)(1) is repealed.*

10 **SEC. 13. AMENDMENTS TO PARTIALLY RESTATED PROVISIONS.**

11 *(a) Section 2793 of the Revised Statutes (19 U.S.C. 288, 46 App. U.S.C.*
 12 *111, 123) is amended by striking “or tonnage tax”.*

13 *(b) Section 809(a) of the Merchant Marine Act, 1936 (46 App. U.S.C.*
 14 *1213(a)), is amended by striking “and section 211(a)”.*

15 **SEC. 14. ADDITIONAL AMENDMENTS TO TITLE 46.**

16 *Title 46, United States Code, is amended as follows:*

17 *(1) The analysis of subtitle II is amended as follows:*

18 *(A) In each chapter item, capitalize the first letter of each word*
 19 *containing 4 or more letters.*

20 *(B) Strike the item for chapter 39.*

21 *(C) The item for chapter 45 is amended to read as follows:*

22 **“45. Uninspected Commercial Fishing Industry Vessels 4501”.**

23 *(2) Section 2101 is amended as follows:*

24 *(A) Clauses (2), (3), (3a), (6), (10), (10a), (12), (17b), (36), (41),*
 25 *(44), (45), and (46) are repealed.*

26 *(B) In clause (8a), insert “Prevention” after “Abuse”.*

27 *(C) In clause (18), strike “those”.*

28 *(D) In clause (34)—*

29 *(i) strike “, except in part H.”; and*

30 *(ii) strike “head” and substitute “Secretary”.*

31 *(3) In section 2102—*

32 *(A) in subsection (a)(2), strike “section 2101(36) and (44)” and*
 33 *substitute “chapter 1”; and*

34 *(B) in subsection (b), strike “West” and “East” and substitute*
 35 *“west” and “east”, respectively.*

36 *(4) In section 2106, strike “a district court of the United States” and*
 37 *substitute “the district court of the United States for any district”.*

38 *(5) Section 2108 is repealed.*

39 *(6) In section 2110—*

40 *(A) in subsection (a)(2), strike “part B of this title” and sub-*
stitute “part B of this subtitle”;

1 (B) in subsection (b)(2)(A)(iii), strike the period at the end and
2 substitute “; and”;

3 (C) in subsection (b)(5), strike “fees” and substitute “fee”;

4 (D) In subsection (f), strike “Secretary of the Treasury shall deny
5 the clearance required by section 4197 of the Revised Statutes of the
6 United States (46 App. U.S.C. 91)” and substitute “Secretary of
7 Homeland Security shall deny the clearance required by section
8 60105 of this title”; and

9 (E) In subsection (j), strike “state” and substitute “State”.

10 (7) In section 2301, strike “section” and substitute “sections 2304
11 and”.

12 (8) In section 2304—

13 (A) insert the paragraph designation “(1)” after “(a)”; and

14 (B) insert at the end of subsection (a) the following new para-
15 graph:

16 “(2) Paragraph (1) does not apply to a vessel of war or a vessel owned
17 by the United States Government appropriated only to a public service.”.

18 (9) In section 2306(a)(2), strike “section 212(A) of the Merchant Ma-
19 rine Act, 1936 (46 App. U.S.C. 1122a),” and substitute “section 50113
20 of this title”.

21 (10) In section 3205(d), strike “Secretary of the Treasury shall with-
22 hold or revoke the clearance required by section 4197 of the Revised Stat-
23 utes (46 App. U.S.C. 91)” and substitute “Secretary of Homeland Secu-
24 rity shall withhold or revoke the clearance required by section 60105 of
25 this title”.

26 (11) In section 3302—

27 (A) in subsection (b), insert a comma after “fishing vessel”;

28 (B) in subsection (j)(2)(B), strike “section 1304 of the Merchant
29 Marine Act, 1936 (46 App. U.S.C. 1295c)” and substitute “chapter
30 515 of this title”; and

31 (C) in subsection (l)(1)(C), strike “Inc.” and substitute “Inc.”.

32 (12) In section 3306(d), strike “section 1302(3) of the Merchant Ma-
33 rine Act, 1936 (46 App. U.S.C. 1295a(3))” and substitute “section 51102
34 of this title”.

35 (13) In section 3318(f), strike the period after “felony”.

36 (14) In section 3505, strike “section 3303(a)” and substitute “section
37 3303”.

38 (15) In the analysis of chapter 37, the item for section 3719 is amend-
39 ed to read as follows:

“3719. Reduction of oil spills from single hull non-self-propelled tank vessels.”.

1 (16) In paragraphs (1)(C), (2), and (3) of section 3703a(c), strike
2 “documentation under section 4136 of the Revised Statutes of the United
3 States (46 App. U.S.C. 14)” and substitute “documentation as a wrecked
4 vessel under section 12112 of this title”.

5 (17) In section 3704, strike “section 27 of the Merchant Marine Act,
6 1920 (46 App. U.S.C. 883),” and substitute “chapter 551 of this title”.

7 (18) In section 3718(e)(1), strike “Secretary of the Treasury” and
8 “section 4197 of the Revised Statutes of the United States (46 App.
9 U.S.C. 91)” and substitute “Secretary of Homeland Security” and “sec-
10 tion 60105 of this title”, respectively.

11 (19) In section 4702, strike the subsection “(a)” designation.

12 (20) In section 4705—

13 (A) strike “subcontractor not” and substitute “subcontractor are
14 not”;

15 (B) strike “(a)(1)” and substitute “(a)”;

16 (C) strike “(2) Paragraph (1)” and substitute “(b) Subsection
17 (a)”;

18 (D) strike “(A)” and substitute “(1)”;

19 (E) strike “(B)” and substitute “(2)”.

20 (21) In section 5113(b), strike “section 4197 of the Revised Statutes
21 (46 App. U.S.C. 91)” and substitute “section 60105 of this title”.

22 (22) In section 6101, redesignate the second subsection (g) and sub-
23 section (h) as subsections (h) and (i), respectively.

24 (23) In section 8103(a), strike “Only” and substitute “Except as oth-
25 erwise provided in this title, only”.

26 (24) In section 9307(b)(2)(A), strike “The” and substitute “the”.

27 (25) In section 12503(a), in the matter before clause (1), strike
28 “delegee” and substitute “delegate”.

29 (26) In section 13102(a), insert “(26 U.S.C. 9504)” after “Internal
30 Revenue Code of 1986”.

31 (27) In section 14305(a)—

32 (A) in clause (1), strike “and sections 12106(c) and 12108(c)”
33 and substitute “of this subtitle and section 12116”;

34 (B) in clause (5), strike “section 4283 of the Revised Statutes of
35 the United States (46 App. U.S.C. 183)” and substitute “section
36 30506 of this title”;

37 (C) in clause (6), strike “sections 27 and 27A of the Act of June
38 5, 1920 (46 App. U.S.C. 883 and 883–1)” and substitute “sections
39 12118 and 12132 of this title”; and

40 (D) in clause (7), strike “Act of July 14, 1956 (46 App. U.S.C.
41 883a)” and substitute “section 12139(b) of this title”.

1 (28) *In section 31306(a), strike “section 9 or 37 of the Shipping Act,*
2 *1916 (46 App. U.S.C. 808, 835)” and substitute “section 56102 or 56103*
3 *of this title”.*

4 (29) *In section 31308, strike “title XI of the Merchant Marine Act,*
5 *1936 (46 App. U.S.C. 1271 et seq.)” and substitute “chapter 537 of this*
6 *title”.*

7 (30) *In section 31322—*

8 (A) *in subsection (a)(4)(A), strike “section 12102(c)” and sub-*
9 *stitute “section 12113(c)”;*

10 (B) *in subsection (a)(4)(E), strike “under section 12102(a)” and*
11 *substitute “for purposes of documentation under section 12103”;*

12 (C) *in subsection (f)(2), strike “section 12102(c)” and substitute*
13 *“section 12113(c)”.*

14 (31) *In section 31325(b)(3)(B), strike “section 9 or 37 of the Shipping*
15 *Act, 1936 (46 App. U.S.C. 808, 835)” and substitute “section 56101 or*
16 *56102 of this title”.*

17 (32) *In section 31326(b)—*

18 (A) *in clause (1), strike “title XI of the Merchant Marine Act,*
19 *1936 (46 App. U.S.C. 1101 et seq.)” and substitute “chapter 537*
20 *of this title,”; and*

21 (B) *in clause (2), strike “title XI of that Act” and substitute*
22 *“chapter 537 of this title”.*

23 (33) *In section 31329—*

24 (A) *in subsection (a)(1), strike “section 12102” and substitute*
25 *“section 12103”; and*

26 (B) *in subsection (b)—*

27 (i) *in clause (2), strike “section 902 of the Merchant Marine*
28 *Act, 1936 (46 App. U.S.C. 1242)” and substitute “chapter 563*
29 *of this title”; and*

30 (ii) *in clause (3), strike “sale foreign within the terms of the*
31 *first proviso of section 27 of the Merchant Marine Act, 1920*
32 *(46 App. U.S.C. 883)” and substitute “sale to a person not a*
33 *citizen of the United States under section 12132 of this title”.*

34 (34)(A) *Sections 70118 and 70119, as added by section 801 of the*
35 *Coast Guard and Maritime Transportation Act of 2004 (Public Law*
36 *108–293, 118 Stat. 1078), are redesignated as sections 70117 and 70118,*
37 *respectively, and moved to appear immediately after section 70116 of*
38 *title 46, United States Code.*

39 (B) *Sections 70117 and 70118, as added by section 802 of such Act,*
40 *are redesignated as sections 70120 and 70121, respectively, and moved*

1 to appear immediately after section 70119 of title 46, United States
2 Code.

3 (C) In section 70120(a) (as redesignated by subparagraph (B)), strike
4 “section 70120” and substitute “section 70119”.

5 (D) In section 70121(a) (as redesignated by subparagraph (B))—

6 (i) strike “section 70120” and substitute “section 70119”; and

7 (ii) strike “section 4197 of the Revised Statutes of the United
8 States (46 U.S.C. App. 91)” and substitute “section 60105 of this
9 title”.

10 (E) In the analysis of chapter 701, strike the items relating to sections
11 70117–70119 and substitute the following:

“70117. Firearms, arrests, and seizure of property.

“70118. Enforcement by State and local officers.

“70119. Civil penalty.

“70120. In rem liability for civil penalties and certain costs.

“70121. Withholding of clearance.”.

12 **SEC. 15. CONFORMING AMENDMENTS TO OTHER LAWS.**

13 (a) TITLE 10.—Title 10, United States Code, is amended as follows:

14 (1) In section 374(b)(4)(A)(iv), strike “The Maritime Drug Law En-
15 forcement Act (46 U.S.C. App. 1901 et seq.)” and substitute “Chapter
16 705 of title 46”

17 (2) In section 2218(d)(2), strike “sections 508 and 510 of the Merchant
18 Marine Act of 1936 (46 U.S.C. App. 1158, 1160), shall be deposited in
19 the Fund” and substitute “sections 57101–57104 and chapter 573 of title
20 46”.

21 (3) In section 2350b(g)(2), strike “section 901(b) of the Merchant Ma-
22 rine Act, 1936 (46 U.S.C. App. 1241(b))” and substitute “section 55305
23 of title 46”.

24 (4) In section 2645—

25 (A) in subsection (c), strike “the second sentence of section
26 1208(a) of the Merchant Marine Act, 1936 (46 U.S.C. App.
27 1288(a))” and substitute “section 53909(b) of title 46”;

28 (B) in subsection (h)(1), strike “title XII of the Merchant Marine
29 Act, 1936 (46 U.S.C. App. 1281 et seq.)” and substitute “chapter
30 539 of title 46”; and

31 (C) in subsection (h)(2), strike “the first sentence of section
32 1208(a) of the Merchant Marine Act, 1936 (46 U.S.C. App.
33 1288(a))” and substitute “section 53909(a) of title 46”.

34 (5) In section 2664(a)(3), strike “transferred to the Secretary of
35 Transportation under section 3 of the Maritime Act of 1981 (46 U.S.C.
36 App. 1602)” and substitute “of the Secretary of Transportation relating
37 to the Maritime Administration”.

1 (6) In section 5985, strike “section 1304 of the Merchant Marine Act,
2 1936 (46 U.S.C. App. 1295c),” and substitute “chapter 515 of title 46”.

3 (7) In section 7721(a), strike “the Act of March 3, 1925 (commonly
4 referred to as the ‘Public Vessels Act’) (46 U.S.C. App. 781–790)” and
5 substitute “chapter 311 of title 46”.

6 (b) TITLE 11.—Title 11, United States Code, is amended as follows:

7 (1) In section 362(b)—

8 (A) in clause (12), strike “section 207 or title XI of the Merchant
9 Marine Act, 1936” and substitute “chapter 537 of title 46 or section
10 109(h) of title 49”; and

11 (B) in clause (13), strike “section 207 or title XI of the Merchant
12 Marine Act, 1936” and substitute “chapter 537 of title 46”.

13 (2) In section 1110(a)(3)(A)(ii), strike “documented vessel (as defined
14 in section 30101(1) of title 46)” and substitute “vessel documented under
15 chapter 121 of title 46”.

16 (c) TITLE 14.—Sections 821(b) and 823a(b) of title 14, United States Code,
17 are each amended by striking clauses (3)–(5) and substituting the following:

18 “(3) Section 30101 of title 46 (popularly known as the Admiralty Ex-
19 tension Act).

20 “(4) Chapter 309 of title 46 (known as the Suits in Admiralty Act).

21 “(5) Chapter 311 of title 46 (known as the Public Vessels Act).”.

22 (d) TITLE 18.—Title 18, United States Code, is amended as follows:

23 (1) In section 229F(9)(C), strike “section 3(b) of the Maritime Drug
24 Enforcement Act, as amended (46 U.S.C., App. sec. 1903(b))” and sub-
25 stitute “section 70502(b) of title 46, United States Code”.

26 (2) In section 507—

27 (A) in the first paragraph, strike “recording, registry, or enroll-
28 ment of any vessel, in the office of any collector of the customs, or
29 a license to any vessel for carrying on the coasting trade or fisheries
30 of the United States” and substitute “documentation of any vessel”;

31 (B) in the first paragraph, strike “collector or other”; and

32 (C) in the second paragraph, strike “license.”.

33 (3) In section 924—

34 (A) in subsections (c)(2), (e)(2)(A)(i), (g)(2), and (k)(1), strike
35 “the Maritime Drug Law Enforcement Act (46 U.S.C. App. 1901
36 et seq.)” and substitute “chapter 705 of title 46”; and

37 (B) in subsection (g)(2), strike “802 et seq.” and substitute “801
38 et seq.”.

39 (4) In section 929(a)(2), strike “the Maritime Drug Law Enforcement
40 Act (46 U.S.C. App. 1901 et seq.)” and substitute “chapter 705 of title
41 46”.

1 (5) In section 965(a), strike “section 4197 of the Revised Statutes of
2 the United States (46 U.S.C. App. 91)” and substitute “section 60105
3 of title 46”.

4 (6) In section 2277(a), strike “registered, enrolled, or licensed” and
5 substitute “documented”.

6 (7) In section 3142(e) and (f)(1)(C), strike “the Maritime Drug Law
7 Enforcement Act (46 U.S.C. App. 1901 et seq.)” and substitute “chapter
8 705 of title 46”.

9 (e) INTERNAL REVENUE CODE OF 1986.—The Internal Revenue Code of
10 1986 (26 U.S.C. 1 et seq.) is amended as follows:

11 (1) In section 56(c)(2)—

12 (A) strike “section 607 of the Merchant Marine Act, 1936 (46
13 U.S.C. 1177)” and substitute “chapter 535 of title 46, United States
14 Code”; and

15 (B) in clauses (A) and (B), strike “such section 607” substitute
16 “such chapter 535”.

17 (2) In section 140(a)(4), strike “section 607(d) of the Merchant
18 Act, 1936 (46 U.S.C. 1177)” and substitute “section 53507 of title 46,
19 United States Code”.

20 (3) In section 543(a)(1)(B), strike “section 511 or 607 of the Merchant
21 Marine Act, 1936 (46 U.S.C. App. 1161 or 1177)” and substitute “chap-
22 ter 533 or 535 of title 46, United States Code”.

23 (4) In section 1023(2), strike “section 511 of the Merchant Marine Act,
24 1936, as amended (46 U.S.C. 1161)” and substitute “chapter 533 of title
25 46, United States Code”.

26 (5) In section 1061—

27 (A) in clause (1), strike “section 510 of the Merchant Marine Act,
28 1936, see subsection (e) of that section, as amended August 4, 1939
29 (46 U.S.C. App. 1160)” and substitute “chapter 573 of title 46,
30 United States Code, see section 57307 of title 46”;

31 (B) in clause (2), strike “section 511 of such Act, as amended (46
32 U.S.C. App. 1161)” and substitute “chapter 533 of title 46, United
33 States Code”; and

34 (C) strike clause (3).

35 (6) In section 7518—

36 (A) in subsection (a)(1), strike “section 607 of the Merchant Ma-
37 rine Act, 1936” and substitute “chapter 535 of title 46 of the United
38 States Code”;

39 (B) in subsections (a)(2) and (c)(1)(A) and (D), strike “section
40 607 of the Merchant Marine Act, 1936” and substitute “chapter 535
41 of title 46, United States Code”; and

1 (C) in subsection (g)(3)(C)(iii), strike “Merchant Marine Act of
2 1936” and substitute “Merchant Marine Act, 1936.”

3 (f) TITLE 28.—Title 28, United States Code, is amended as follows:

4 (1) In section 994(h)(1)(B) and (2)(B), strike “the Maritime Drug
5 Law Enforcement Act (46 U.S.C. App. 1901 et seq.)” and substitute
6 “chapter 705 of title 46”.

7 (2) In section 1605(d), strike “the Ship Mortgage Act, 1920 (46 U.S.C.
8 911 and following)” and “that Act” and substitute “section 31301 of title
9 46” and “chapter 313 of title 46”, respectively.

10 (3) In section 2342(3)—

11 (A) in clause (A), strike “section 2, 9, 37, or 41 of the Shipping
12 Act, 1916 (46 U.S.C. App. 802, 803, 808, 835, 839, and 841a)” and
13 substitute “section 50501, 50502, 56101–56104, or 57109 of title
14 46”; and

15 (B) strike clause (B) and substitute the following:

16 “(B) the Federal Maritime Commission issued pursuant to sec-
17 tion 305, 41304, 41308, or 41309 or chapter 421 or 441 of title
18 46;”.

19 (4) In section 2680(d), strike “sections 741–752, 781–790 of Title 46,”
20 and substitute “chapter 309 or 311 of title 46”.

21 (g) TITLE 40.—Title 40, United States Code, is amended as follows:

22 (1) In section 548, strike “the Merchant Marine Act, 1936 (46 App.
23 U.S.C. 1101 et seq.),” and substitute “part F of subtitle V of title 46”.

24 (2) In section 3134(b), strike “the Merchant Marine Act, 1936 (46
25 App. U.S.C. 1101 et seq.)” and substitute “subtitle V of title 46”.

26 (h) TITLE 49.—Title 49, United States Code, is amended as follows:

27 (1) In section 5122(c)(1), strike “Secretary of the Treasury” and “sec-
28 tion 4197 of the Revised Statutes of the United States (46 App. U.S.C.
29 91)” and substitute “Secretary of Homeland Security” and “section
30 60105 of title 46”, respectively.

31 (2) In section 5901(3)(B), strike “section 3 of the Shipping Act of
32 1984 (46 App. U.S.C. 1702)” and substitute “section 40102 of title 46”.

33 (i) MISCELLANEOUS.—Section 5501(a) of the Oceans Act of 1992 (Public
34 Law 102–587, 106 Stat. 5084) is amended by adding the following:

35 “(3) The exceptions provided by paragraph (2) shall apply under section
36 55109 of title 46, United States Code, to the same extent as under former sec-
37 tion 1 of the Act of May 28, 1906, as amended by paragraph (1).”

SEC. 16. LEGISLATIVE CONSTRUCTION AND TRANSITIONAL PROVISIONS.

(a) *IN GENERAL.*—The purpose of this Act is to complete the codification of title 46, United States Code, “Shipping”, as positive law, in accordance with section 285b(1) of title 2, United States Code.

(b) *CONFORMITY WITH ORIGINAL INTENT.*—In the codification of laws encompassed by this Act, the intent is to conform to the understood policy, intent, and purpose of the Congress in the original enactments, with such amendments and corrections as will remove ambiguities, contradictions, and other imperfections both of substance and of form.

(c) *CUTOFF DATE.*—This Act codifies certain laws enacted as of August 31, 2004. Any law enacted after that date that is inconsistent with this Act, including any law purporting to amend or repeal a provision that is repealed by this Act, supersedes this Act to the extent of the inconsistency.

(d) *ORIGINAL DATE OF ENACTMENT UNCHANGED.*—For purposes of determining whether one provision of law supersedes another based on enactment later in time, the date of enactment of a provision codified by this Act is deemed to remain unchanged, continuing to be the date of enactment of the underlying provision that is codified.

(e) *REFERENCES IN OTHER PROVISIONS.*—A reference to a provision of law codified by this Act, including a reference in another law or in a rule, regulation, or order, is deemed to refer to the corresponding provision enacted by this Act.

(f) *SAVINGS PROVISIONS.*—

(1) *RULES, REGULATIONS, AND ORDERS.*—A rule, regulation, or order in effect under a provision of law codified by this Act continues in effect under the corresponding provision enacted by this Act.

(2) *ACTIONS TAKEN AND OFFENSES COMMITTED.*—An action taken or an offense committed under a provision of law codified by this Act is deemed to have been taken or committed under the corresponding provision enacted by this Act.

SEC. 17. REPEALS.

The following laws are repealed, except with respect to rights and duties that matured, penalties that were incurred, or proceedings that were begun before the date of enactment of this Act:

Revised Statutes

<i>Revised Statutes Section</i>	<i>United States Code</i>	
	<i>Title</i>	<i>Section</i>
2792	46 App.	124
4136	46 App.	14
4173	46 App.	42
4184	46 App.	57
4188	46 App.	59
4197	46 App.	91
4202	46 App.	97

Revised Statutes—Continued

Revised Statutes Section	United States Code	
	Title	Section
4204	46 App.	98
4206	46 App.	100
4219	46 App.	121
4220	46 App.	122
4221	46 App.	125
4225	46 App.	128
4226	46 App.	129
4227	46 App.	135
4228	46 App.	141
4238	46 App.	721
4239	46 App.	722
4240	46 App.	723
4241	46 App.	724
4281	46 App.	181
4282	46 App.	182
4283	46 App.	183
4283A	46 App.	183b
4283B	46 App.	183c
4284	46 App.	184
4285	46 App.	185
4286	46 App.	186
4287	46 App.	187
4289	46 App.	188
4309	46 App.	354
4310	46 App.	355
4311	46 App.	251
4320	46 App.	262
4336	46 App.	277
4370	46 App.	316
4373	46 App.	321
4374	46 App.	322
4375	46 App.	323
4376	46 App.	324
4378	46 App.	326
4379	46 App.	327
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1884 June 26	121	14	23	57	121
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1886 June 19	421	8	24	81	289
		9	24	81	320
		17	24	82	142
1887 Mar. 3	339	24	475	143
1892 July 26	248	1	27	267	144
		2	27	268	145
1893 Feb. 13	105	1	27	445	190
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1906 May 28	2566	1 (except as may be applicable under section 5501(a)(2) of Pub. L. 102-587).	34	204	292
1908 Mar. 24	96	1	35	46	133
		2	35	46	134
May 28	212	5	35	425	104
1909 Aug. 5	6	36	36	111	121
1910 Mar. 8	86	36	234	132
1912 Aug. 1	268	1	37	242	727
		3	37	242	729
		4	37	242	730
		5	37	242	731
1913 Oct. 3	16	IV(J)(1)-(3)	38	195	19 U.S.C. 128, 130, 131; 46 App. 146
1915 Mar. 4	153	20	38	1185	688
	171	38	1193	19 U.S.C. 128, 131; 46 App. 121, 128, 146
1916 Sept. 7	451	1	39	728	801
		2(a)-(c)	39	729	802
		2(d)	39	729	803
		9	39	730	808
		12	39	732	811
		34	39	738	833
		36	39	738	834
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		38	836
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1920 Mar. 9	95	1	41	525	741
		2	41	525	742
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		5	41	526	745, 745 nt
		6	41	527	746
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		9	41	527	749
		10	41	528	750
		11	41	528	751
		12	41	528	752
Mar. 30	111	1	41	537	761
		2	41	537	762
		4	41	537	764
		5	41	537	765
		6	41	537	766
		7	41	538	767
		8	41	538	768
June 5	250	1	41	988	861
		6	41	991	865
		7	41	991	866
		8	41	992	867
		9	41	992	868
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		28	41	999	884
		36	41	1007	887
		37	41	1008	888
		39	41	1008	889
		1	43	1112	781
		2	43	1112	782
		3	43	1112	783
		4	43	1112	784
5	43	1113	785		
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8	43	1113	788		
9	43	1113	789		
10	43	1113	790		
1928 May 22	675	1	45	689	891
		202	45	690	891b
		203	45	690	891c
		703	45	698	891u
		704	45	698	891v
		705	45	698	891w
		706	45	698	891x
1932 June 30	314	306	47	408	804a
	315	47	420	743a, 745
1934 Mar. 26	90	48	500	1241-1
	June 28	523	48	963
1936 June 25	807	1	49	1922	738
		2	49	1922	738a
		4	49	1923	738c
	
June 29	858	101	49	1985	1101
		201	49	1985	1111
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1990					
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1 **SEC. 18. EFFECTIVE DATE.**

2 *This Act shall take effect on October 1, 2004, or the date of enactment of*
3 *this Act, whichever is later.*

House Calendar No. 224

108TH CONGRESS
2^D SESSION

H. R. 4319

[Report No. 108-690]

A BILL

To complete the codification of title 46, United States Code, 'Shipping', as positive law.

SEPTEMBER 17, 2004

Reported with an amendment, referred to the House Calendar, and ordered to be printed