

## Recovery by U. S.

subcontractor to the prime contractor or higher tier subcontractor. The amount of any such fee, cost, or expense shall be recoverable on behalf of the United States from the subcontractor or the recipient thereof by set-off of moneys otherwise owing to the subcontractor either directly by the United States, or by a prime contractor under any cost-plus-a-fixed-fee or cost reimbursable contract, or by an action in an appropriate court of the United States. Upon a showing that a subcontractor paid fees, commissions, or compensation or granted gifts or gratuities to an officer, partner, employee, or agent of a prime contractor or of another higher tier subcontractor, in connection with the award of a subcontract or order thereunder, it shall be conclusively presumed that the cost of such expense was included in the price of the subcontract or order and ultimately borne by the United States. Upon the direction of the contracting department or agency or of the General Accounting Office, the prime contractor shall withhold from sums otherwise due a subcontractor any amount reported to have been found to have been paid by a subcontractor as a fee, commission, or compensation or as a gift or gratuity to an officer, partner, employee, or agent of the prime contractor or another higher tier subcontractor.

## "Subcontractor."

SEC. 2. For the purpose of this Act, the term "subcontractor" is defined as any person, including a corporation, partnership, or business association of any kind, who holds an agreement or purchase order to perform all or any part of the work or to make or to furnish any article or service required for the performance of a cost-plus-a-fixed-fee or cost reimbursable contract or of a subcontract entered into thereunder, and the term "person" shall include any subcontractor, corporation, association, trust, joint-stock company, partnership, or individual.

## "Person."

## Powers of GAO.

SEC. 3. For the purpose of ascertaining whether such fees, commissions, compensation, gifts, or gratuities have been paid or granted by a subcontractor, the General Accounting Office shall have the power to inspect the plants and to audit the books and records of any prime contractor or subcontractor engaged in the performance of a cost-plus-a-fixed-fee or cost reimbursable contract.

## Penalties.

SEC. 4. Any person who shall knowingly, directly or indirectly, make or receive any such prohibited payment shall be fined not more than \$10,000 or be imprisoned for not more than two years, or both.

Approved March 8, 1946.

## [CHAPTER 81]

## AN ACT

March 8, 1946

[H. R. 2348]

[Public Law 320]

To provide for the coverage of certain drugs under the Federal narcotic laws\*

## I. R. C., amendments.

53 Stat. 384.  
23 U. S. C. § 3228;  
Supp. V, § 3228.

53 Stat. 239.  
26 U. S. C. §§ 2550-  
2555; Supp. V, § 2550  
*et seq.*

Post, p. 39.  
52 Stat. 1040.  
21 U. S. C. §§ 301-  
392; Supp. V, § 321  
*et seq.*  
Rules and regula-  
tions.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 3228 of the Internal Revenue Code (containing definitions of terms used for purposes of certain provisions relating to narcotics) is amended by adding the following new subsection (f) at the end thereof:

"(f) OPIATE.—The word 'opiate' as used in this part and subchapter A of chapter 23 shall mean any drug (as defined in the Federal Food, Drug, and Cosmetic Act) found by the Secretary of the Treasury, after due notice and opportunity for public hearing, to have an addiction-forming or addiction-sustaining liability similar to morphine or cocaine, and proclaimed by the President to have been so found by the Secretary. The Secretary is authorized to issue necessary rules and regulations for carrying out the provisions of this

subsection, and to confer or impose upon any officer or employee of the Treasury Department, as he shall designate or appoint, the duty of conducting any hearing authorized hereunder."

SEC. 2. Section 2550 (a) of the Internal Revenue Code (tax on certain substances) is amended by inserting after the phrase "levied, assessed, collected, and paid upon opium, isonipecaine, coca leaves," the word "opiate,".

53 Stat. 269.  
26 U. S. C., Supp. V,  
§ 2550 (a).

SEC. 3. Paragraphs 5 and 6 of section 2557 (b) (penalties for violations of certain provisions relating to narcotics) are hereby amended by inserting in each immediately following the words "or conspiring to sell, import, or export, opium, coca leaves, cocaine, isonipecaine," the word "opiate,"; by deleting in each the word "or" from the phrase "preparation of opium, coca leaves, cocaine, or isonipecaine," and by inserting in each immediately following such phrase the words "or opiate,".

53 Stat. 275.  
26 U. S. C., Supp. V,  
§ 2557 (b) (5), (6).

SEC. 4. The first sentence of section 2558 (b) of the Internal Revenue Code (providing for confiscation and disposal of seized narcotics) is hereby amended by inserting immediately after the words "All opium, coca leaves, isonipecaine," the word "opiates,"; and by deleting the word "and" before the word "isonipecaine" in the phrase "all salts, derivatives, and preparations of opium, coca leaves, and isonipecaine," and inserting immediately following such phrase the words "and opiates,".

53 Stat. 276.  
26 U. S. C., Supp.  
V, § 2558 (b).

SEC. 5. Section 2565 of the Internal Revenue Code (cross-reference to definitions) is hereby amended by adding at the end thereof the following:

53 Stat. 278.  
26 U. S. C., Supp.  
V, § 2565.

"OPIATE.—

"SUBSECTION (f)."

SEC. 6. The first paragraph of section 3220 of the Internal Revenue Code (occupational taxes) is hereby amended by striking out the word "or" in the phrase "gives away opium, coca leaves, or isonipecaine," and inserting immediately following such phrase the words "or opiate,".

53 Stat. 382.  
26 U. S. C., Supp.  
V, § 3220.

SEC. 7. Section 1 (a) of the Narcotic Drugs Import and Export Act, as amended (U. S. C., 1940 edition, title 21, sec. 171), is amended by inserting after the phrase "The term 'narcotic drugs' means opium, coca leaves, cocaine, isonipecaine," the word "opiate,"; by deleting the word "or" from the words "preparation of opium, coca leaves, cocaine, or isonipecaine" and inserting the words "or opiate"; and by striking out the period at the end thereof and inserting the following: "; and the word 'opiate' as used herein shall have the same meaning as defined in section 3228 (f) of the Internal Revenue Code."

42 Stat. 596.  
21 U. S. C., Supp.  
V, § 171.

*Ante*, p 38.

SEC. 8. Sections 1 and 2 of the Act of August 12, 1937, as amended, entitled "An Act to increase the punishment of second, third, and subsequent offenders against the narcotic laws" (ch. 598, 50 Stat. 627; U. S. C., 1940 edition, title 21, secs. 200 and 200a), are hereby amended by inserting in each immediately following the words "or conspiring to sell, import, or export, opium, coca leaves, cocaine, isonipecaine," the word "opiate,"; by deleting in each the word "or" from the phrase "preparation of opium, coca leaves, cocaine, or isonipecaine," and by inserting in each immediately following such phrase the words "or opiate,"; and by adding a new sentence at the end of each section to read as follows: "The word 'opiate' as used in this section shall have the same meaning as defined in section 3228 (f) of the Internal Revenue Code."

21 U. S. C., Supp.  
V, §§ 200, 200a.

*Ante*, p 38.

SEC. 9. The second paragraph of section 584 of the Tariff Act of

46 Stat. 748.  
19 U. S. C., Supp.  
V, § 1584.

1930, as amended (U. S. C., 1940 edition, title 19, sec. 1584), is hereby amended by deleting in the first sentence the word "or" from the phrase "If any of such merchandise so found consists of heroin, morphine, cocaine, or isonipecaïne," and by inserting immediately following such phrase the words "or opiate,"; and by inserting in the last sentence of the paragraph immediately following the word "isonipecaïne" the word "opiate" and inserting immediately following the reference "sections 3228 (e)" the following: ", 3228 (f)".

58 Stat. 721.  
26 U. S. C., Supp.  
V, § 3228(e).  
*Ante*, p. 38.

AMENDMENTS RELATING TO MARIHUANA

SEC. 10. (a) EXEMPTION FOR CERTAIN TRANSFERS TO MILLERS.—Section 2591 of the Internal Revenue Code is amended by adding at the end thereof a new subsection (e) to read as follows:

"(e) EXEMPTION FOR CERTAIN TRANSFERS TO MILLERS.—Nothing in this section shall apply to a transfer of the plant *Cannabis sativa* L. or any parts thereof from any person registered under section 3231 to a person who is also registered under section 3231 as a taxpayer required to pay the tax imposed by section 3230 (a) (6)."

*Infra.*

*Infra.*

53 Stat. 385.  
26 U. S. C. § 3230.

(b) SPECIAL TAX ON MILLERS.—Section 3230 of the Internal Revenue Code is hereby amended by adding at the end of subsection (a) a new subdivision (6) to read as follows:

"(6) MILLERS.—Any person who at a mill manufactures or produces from the plant *Cannabis sativa* L. any fiber or fiber products, \$1 per year or fraction thereof during which he engages in such activities."

53 Stat. 386.  
26 U. S. C. § 3231.

(c) REGISTRATION OF MILLERS.—Section 3231 of the Internal Revenue Code is hereby amended by inserting at the beginning thereof, before the word "Any" the following: "(a) IN GENERAL.—"; and by adding at the end of such section a new subsection to read as follows:

"(b) SPECIAL REQUIREMENTS FOR MILLERS.—The Secretary shall not permit the registration of any person under this section as a person required to pay the tax imposed by section 3230 (a) (6), unless in the opinion of the Secretary such person (or if a corporation, each officer thereof) is a person of good moral character and unless in the opinion of the Secretary such person is a person of suitable financial standing, intends to engage in good faith in the business of manufacturing or producing fiber or fiber products from the plant *Cannabis sativa* L. on a commercial basis, and is not seeking registration under this section for the purpose of facilitating the unlawful diversion of marihuana. Any person who is registered under this section and has paid the tax imposed by section 3230 (a) (6) shall afford agents of the Bureau of Narcotics ready access at all times to any part of the premises of the mill or other premises of such person and the right to inspect any and all books, papers, records, or documents connected with the activities of such person in dealing in, manufacturing, and processing *Cannabis sativa* L. and fiber or fiber products thereof, and the handling of marihuana. The Secretary may cancel or may refuse to renew, after notice and opportunity for hearing, the registration of any such person if he finds that such person has not complied or is not complying with the requirements of this subsection, or if he finds that grounds exist which would justify the refusal to permit the original registration of such person under this section."

*Supra.*

Approved March 8, 1946.

## [CHAPTER 82]

## AN ACT

To provide for the sale of surplus war-built vessels, and for other purposes.

March 8, 1946  
[H. R. 3603]  
[Public Law 321]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Merchant Ship Sales Act of 1946".

Merchant Ship  
Sales Act of 1946.

## DECLARATION OF POLICY

SEC. 2. (a) It is necessary for the national security and development and maintenance of the domestic and the export and import foreign commerce of the United States that the United States have an efficient and adequate American-owned merchant marine (1) sufficient to carry its domestic water-borne commerce and a substantial portion of its water-borne export and import foreign commerce and to provide shipping service on all routes essential for maintaining the flow of such domestic and foreign water-borne commerce at all times; (2) capable of serving as a naval and military auxiliary in time of war or national emergency; (3) owned and operated under the United States flag by citizens of the United States; (4) composed of the best-equipped, safest, and most suitable types of vessels, constructed in the United States and manned with a trained and efficient citizen personnel; and (5) supplemented by efficient American-owned facilities for shipbuilding and ship repair, marine insurance, and other auxiliary services.

(b) It is hereby declared to be the policy of this Act to foster the development and encourage the maintenance of such a merchant marine.

## DEFINITIONS

SEC. 3. As used in this Act the term—

(a) "Commission" means the United States Maritime Commission.

"Commission."

(b) "War-built vessel" means an oceangoing vessel of one thousand five hundred gross tons or more, owned by the United States and suitable for commercial use—

"War-built vessel."

(1) which was constructed or contracted for by or for the account of the United States during the period, beginning January 1, 1941, and ending with September 2, 1945; or

(2) which, having been constructed during the period beginning September 3, 1939, and ending with September 2, 1945, was acquired by the United States during such period.

(c) "Prewar domestic cost", as applied to any type of vessel, means the amount determined by the Commission, and published by the Commission in the Federal Register, to be the amount for which a standard vessel of such type could have been constructed (without its national defense features) in the United States under normal conditions relating to labor, materials, and other elements of cost, obtaining on or about January 1, 1941. In no case shall the prewar domestic cost of any type of vessel be considered to be greater than 80 per centum of the domestic war cost of vessels of the same type.

"Prewar domestic cost."

Limitation.

(d) "Statutory sales price", as applied to a particular vessel, means, in the case of a dry-cargo vessel, an amount equal to 50 per centum of the prewar domestic cost of that type of vessel, and in the case of a tanker, such term means an amount equal to 87½ per centum of the prewar domestic cost of a tanker of that type, such amount in each case being adjusted as follows:

"Statutory sales price."

(1) If the Commission is of the opinion that the vessel is not in class, there shall be subtracted the amount estimated by the Commission as the cost of putting the vessel in class.

(2) If the Commission is of the opinion that the vessel lacks

desirable features which are incorporated in the standard vessel used for the purpose of determining prewar domestic cost, and that the statutory sales price (unadjusted) would be lower if the standard vessel had also lacked such features, there shall be subtracted the amount estimated by the Commission as the amount of such resulting difference in statutory sales price.

(3) If the Commission is of the opinion that the vessel contains desirable features which are not incorporated in the standard vessel used for the purpose of determining prewar domestic cost, and that the statutory sales price (unadjusted) would be higher if the standard vessel had also contained such features, there shall be added the amount estimated by the Commission as the amount of such resulting difference in statutory sales price.

(4) There shall be subtracted, as representing normal depreciation, an amount computed by applying to the statutory sales price (determined without regard to this paragraph) the rate of 5 per centum per annum for the period beginning with the date of the original delivery of the vessel by its builder and ending with the date of sale or charter to the applicant in question, and there shall also be subtracted an amount computed by applying to the statutory sales price (determined without regard to this paragraph) such rate not in excess of 3 per centum per annum in the case of a vessel other than a tanker, and not in excess of 4 per centum per annum in the case of a tanker, for such period or periods of war service as the Commission determines will make reasonable allowance for excessive wear and tear by reason of war service which cannot be or has not been otherwise compensated for under this subsection.

Subtraction for normal depreciation.

Restriction on adjustments.

No adjustment, except in respect of passenger vessels constructed before January 1, 1941, shall be made under this Act which will result in a statutory sales price which (1) in the case of dry-cargo vessels (except Liberty type vessels) will be less than 35 per centum of the domestic war cost of vessels of the same type, (2) in the case of any Liberty type vessel will be less than 31½ per centum of the domestic war cost of vessels of such type, or (3) in the case of a tanker will be less than 50 per centum of the domestic war cost of tankers of the same type. For the purposes of this Act, except section 5, all Liberty vessels shall be considered to be vessels of one and the same type.

Liberty vessels.

"Domestic war cost."

(e) "Domestic war cost" as applied to any type of vessel means the average construction cost (without national defense features) as determined by the Commission, of vessels of such type delivered during the calendar year 1944, except in case of any type of vessel the principal deliveries of which were made after the calendar year 1944, there shall be used in lieu of such year 1944 such period of not less than six consecutive calendar months as the Commission shall find to be most representative of war production costs of such type.

"Cessation of hostilities."

(f) "Cessation of hostilities" means the date proclaimed by the President as the date of the cessation of hostilities in the present war, or the date so specified in a concurrent resolution of the two Houses of the Congress, whichever is the earlier.

"Citizen of the United States."

(g) "Citizen of the United States" includes a corporation, partnership, or association only if it is a citizen of the United States within the meaning of section 2 of the Shipping Act of 1916, as amended. The term "affiliated interest" as used in sections 9 and 10 of this Act includes any person affiliated or associated with a citizen applicant for benefits under this Act who the Commission, pursuant to rules and regulations prescribed hereunder, determines should be so included in order to carry out the policy and purposes of this Act.

39 Stat. 729.  
46 U. S. C. §§ 802,  
803.  
"Affiliated interest."  
Post, pp. 46, 49.

## SALES OF WAR-BUILT VESSELS TO CITIZENS

Sec. 4. (a) Any citizen of the United States may make application to the Commission to purchase a war-built vessel, under the jurisdiction and control of the Commission, at the statutory sales price. If the Commission determines that the applicant possesses the ability, experience, financial resources, and other qualifications, necessary to enable him to operate and maintain the vessel under normal competitive conditions, and that such sale will aid in carrying out the policies of this Act, the Commission shall sell such vessel to the applicant at the statutory sales price.

(b) At the time of sale, the purchaser shall pay to the Commission at least 25 per centum of the statutory sales price. The balance of the statutory sales price shall be payable in not more than twenty equal annual installments, with interest on the portion of the statutory sales price remaining unpaid, at the rate of 3½ per centum per annum, or shall be payable under such other amortization provisions which permit the purchaser to accelerate payment of the unpaid balance as the Commission deems satisfactory. The obligation of the purchaser with respect to payment of such unpaid balance with interest shall be secured by a preferred mortgage on the vessel sold.

Payment.

(c) The contract of sale, and the mortgage given to secure the payment of the unpaid balance of the purchase price, shall not restrict the lawful or proper use or operation of the vessel.

Use of vessel.

## CHARTER OF WAR-BUILT VESSELS TO CITIZENS

SEC. 5. (a) Any citizen of the United States and, until July 4, 1946, any citizen of the Commonwealth of the Philippines, may make application to the Commission to charter a war-built dry-cargo vessel, under the jurisdiction and control of the Commission, for bare-boat use. The Commission may, in its discretion, either reject or approve the application, but shall not so approve unless in its opinion the chartering of such vessel to the applicant would be consistent with the policies of this Act. No vessel shall be chartered under this section until sixty days after publication of the applicable prewar domestic cost in the Federal Register under subsection 3 (c) of this Act.

(b) The charter hire for any vessel chartered under the provisions of this section shall be fixed by the Commission at such rate as the Commission determines to be consistent with the policies of this Act, but, except upon the affirmative vote of not less than four members of the Commission, such rate shall not be less than 15 per centum per annum of the statutory sales price (computed as of the date of charter). Except in the case of vessels having passenger accommodations for not less than eighty passengers, rates of charter hire fixed by the Commission on any war-built vessel which differ from the rate specified in this subsection shall not be less than the prevailing world market charter rates for similar vessels for similar use as determined by the Commission.

Rates.

(c) The provisions of sections 708, 709, 710, 712, and 713, of the Merchant Marine Act, 1936, as amended, shall be applicable to charters made under this section.

49 Stat. 2009.  
46 U. S. C. §§ 1108-  
1200, 1202, 1203.

## SALE OF WAR-BUILT VESSELS TO PERSONS NOT CITIZENS OF THE UNITED STATES

SEC. 6. (a) Any person not a citizen of the United States may make application to the Commission to purchase a war-built vessel (other than a P-2 type or other passenger type and other than a

Liberty type collier or tanker), under the jurisdiction and control of the Commission. If the Commission determines—

(1) that the applicant has the financial resources, ability, and experience necessary to enable him to fulfill all obligations with respect to payment of any deferred portion of the purchase price, and that sale of the vessel to him would not be inconsistent with any policy of the United States in permitting foreign sales under section 9 of the Shipping Act, 1916, as amended; and

(2) after consultation with the Secretary of the Navy, that such vessel is not necessary to the defense of the United States; and

(3) that such vessel is not necessary to the promotion and maintenance of an American merchant marine described in section 2; and

(4) that for a reasonable period of time, which in the case of tankers and "C" type vessels shall not end before ninety days after publication of the applicable prewar domestic cost in the Federal Register under subsection 3 (c) of this Act, such vessel has been available for sale at the statutory sales price to citizens of the United States, or for charter under section 5 to citizens of the United States, and that no responsible offer has been made by a citizen of the United States to purchase or charter such vessel;

then the Commission is authorized to approve the application and sell such vessel to the applicant at not less than the statutory sales price.

Application by citizen of Philippines.

Restrictions.

In case of application submitted by a citizen of the Commonwealth of the Philippines, paragraph (4) of this subsection shall not apply. Notwithstanding paragraph (4) of this subsection, not to exceed ten "C" type vessels, except C-3's, may be sold to noncitizens at any time after such date of publication at not less than the statutory sales price.

(b) Notwithstanding any other provision of law, no war-built vessel shall be sold to any person not a citizen of the United States, except in accordance with subsection (a), or upon terms or conditions more favorable than those at which such war-built vessel is offered to a citizen of the United States, but where the vessel so sold is being transferred to foreign register and flag, the mortgage securing the unpaid balance of the purchase price and interest thereon shall contain provisions according to such mortgage the priorities over other liens and encumbrances accorded such mortgages on merchant vessels under the laws of such registry and flag.

#### ORDER OF PREFERENCES

Citizen and non-citizen applicants.

SEC. 7. (a) In exercising its powers under this Act and under other provisions of law with respect to the sale and charter of war-built vessels, the Commission shall give preference to citizen applicants over noncitizen applicants, and as between citizen applicants to purchase and citizen applicants to charter, shall, so far as practicable and consistent with the policies of this Act, give preference to citizen applicants to purchase. In determining the order of preference between citizen applicants to purchase or between citizen applicants to charter, the Commission shall consider, among other relevant factors, the extent to which losses and requisitions of the applicant's prewar tonnage have been overcome and shall in all cases, in the sale and charter of a war-built vessel, give preference in such sale or charter, as the case may be, to the former owner of such vessel, or to the person for whom the vessel was constructed but to whom delivery thereof was prevented by the United States. In determining the order of preference between noncitizen applicants to purchase, the Commission shall give preference to citizens of the Commonwealth of the Philippines, and in determining the order of preference between other noncitizen applicants to purchase shall consider the extent to which losses in prewar tonnage

Citizens of the Philippines.

39 Stat. 730.  
46 U. S. C. § 808.

of the various member nations of the United Nations, incurred in the interests of the war effort, have been overcome, and the relative effects of such losses upon the national economy of such member nations.

(b) After the cessation of hostilities, operation of vessels in commercial service by the United States, either for its own account or through operating agents under agency agreements, shall, except as to the Panama Railroad Company and other services specifically authorized by law, be continued only to the extent necessary to effect orderly transfer of vessels to private operation.

Operation after cessation of hostilities.

#### EXCHANGE OF VESSELS

SEC. 8. (a) The Commission is authorized to acquire, in exchange for an allowance of a credit on the purchase of any war-built vessel under section 4 or any vessel acquired through exchange under subsection (d) of this section—

Credit allowance.

(1) Any vessel owned by a citizen of the United States, other than a vessel purchased under this Act; or

(2) Any vessel owned by a foreign corporation, if—

(A) the vessel was constructed in the United States, and has, after December 7, 1941, been chartered to, or otherwise taken for use by, the United States; and

(B) the controlling interest in such corporation is, at the time of acquisition of such vessel hereunder, owned by a citizen or citizens of the United States, and has been so owned for a period of at least three years immediately prior to such acquisition; and

(C) such corporation agrees that the war-built vessel purchased with the use of such credit shall be owned by such citizen or citizens and shall be documented under the laws of the United States.

Such allowance shall not be applied upon the cash payment required under section 4. A war-built vessel shall be deemed a "new vessel" for the purpose of section 511 of the Merchant Marine Act, 1936, as amended, and section 510 (e) of such Act shall be applicable with respect to vessels exchanged under this section to the same extent as applicable to obsolete vessels exchanged under section 510 of such Act.

54 Stat. 1106; 53 Stat. 1184.  
46 U. S. C. §§ 1161, 1160 (e); Supp. V, § 1161.

(b) (1) If, prior to December 31, 1946, the owner of a vessel eligible for exchange under subsection (a) makes a firm offer binding for at least ninety days, to transfer the vessel to the Commission in exchange for an allowance of credit provided in subsection (a), the amount of such allowance shall be the fair and reasonable value of the vessel as determined by the Commission under this section. In making such determination the Commission shall consider: (A) The value of the vessel determined in accordance with the standards of valuation established pursuant to Executive Order 9387 (8 F. R. 14105) as of the date of such offer, (B) any liability of the United States for repair and restoration of the vessel, (C) the utility value of the vessel, (D) the effect of this Act upon the market value of such vessel, and (E) the public interest in promoting exchanges of vessels as a means of rehabilitating and modernizing the American merchant marine. In no event shall the amount of such allowance, in case of dry cargo vessels and tankers, exceed (A) (1) if the vessel or vessels tendered in exchange are of equal or greater dead-weight tonnage than the war-built vessel or vessels being acquired, 33 $\frac{1}{3}$  per centum of the statutory sales price (unadjusted) of the war-built vessel or vessels, or (2) if the vessel or vessels tendered in exchange are of lesser dead-weight tonnage than the war-built vessel or vessels, such proportionate part of 33 $\frac{1}{3}$  per centum of the statutory sales price (unadjusted) of such war-built vessel or vessels as the dead-weight tonnage of such

Amount of allowance.

50 U. S. C., Supp. V, app. § 1295 note.

Dry cargo vessels and tankers.



- vessel or vessels tendered in exchange bear to the dead-weight tonnage of such war-built vessel or vessels, or (B) the liability of the United States in connection with the repair or restoration of such vessel under any charter to which the United States is a party, whichever is higher. In the case of passenger vessels tendered in exchange, the amount of the allowance shall not exceed the percentages of statutory sales price computed under (A) (1) and (2) above by gross tons instead of dead-weight tons, or such liability for the repair or restoration of such passenger vessel, whichever is the higher. In any case where the vessel tendered in exchange was acquired from the United States, the exchange allowance under this section shall not exceed the price paid the United States therefor plus the depreciated cost of any improvements thereon. In the case of any vessel tendered in exchange which has been restored to condition by the United States for the purpose of redelivering such vessel to its owner in compliance with the charter of such vessel with the United States, or where, for such restoration a cash allowance has been made to the owner, there shall be deducted from the amount of the allowance of credit for such vessel determined by the Commission under this section, an amount equal to the liability of the United States for such restoration or such cash allowance made to the owner.
- (2) If, after such offer is made, and prior to its acceptance, or prior to the acquisition of the vessel, by the Commission, the vessel is lost by reason of causes for which the United States is responsible, then in lieu of paying the owner any amount on account of such loss, the offer shall, for the purposes of subsection (a) and this subsection, be considered as having been accepted and the vessel as having been acquired by the Commission under subsection (a) immediately prior to such loss.
- (c) The Commission is also authorized to make available any war-built vessel for transfer in complete or partial settlement of any claim against the United States (1) for just compensation upon requisition for title of any vessel, or (2) for indemnity for the loss of any vessel which was acquired for use by the United States, but only to the extent such vessel is available for sale to the claimant.
- (d) In the case of any vessel constructed in the United States after January 1, 1937, which has been taken by the United States for use in any manner, the Commission, if in its opinion the transfer would aid in carrying out the policies of this Act, is authorized to transfer to the owner of such vessel another vessel which is deemed by the Commission to be of comparable type with adjustments for depreciation and difference in design or speed, and to the extent applicable, adjustments with respect to the retained vessel as provided for in section 9, and such other adjustments and terms and conditions, including transfer of mortgage obligations in favor of the United States binding upon the old vessel, as the Commission may prescribe.
- Passenger vessels.
- Reconditioned vessels.
- Loss prior to acquisition, etc.
- Transfers in settlement of claims.
- Adjustments with owners.

## ADJUSTMENT FOR PRIOR SALES TO CITIZENS

SEC. 9. (a) A citizen of the United States who on the date of the enactment of this Act—

(1) owns a vessel which he purchased from the Commission prior to such date, and which was delivered by its builder after December 31, 1940; or

(2) is party to a contract with the Commission to purchase from the Commission a vessel, which has not yet been delivered to him; or

(3) owns a vessel on account of which a construction-differential subsidy was paid, or agreed to be paid, by the Commission

under section 504 of the Merchant Marine Act, 1936, as amended, and which was delivered by its builder after December 31, 1940; or

(4) is party to a contract with a shipbuilder for the construction for him of a vessel, which has not yet been delivered to him, and on account of which a construction-differential subsidy was agreed, prior to such date, to be paid by the Commission under section 504 of the Merchant Marine Act, 1936, as amended; shall, except as hereinafter provided, be entitled to an adjustment in the price of such vessel under this section if he makes application therefor, in such form and manner as the Commission may prescribe, within sixty days after the date of publication of the applicable prewar domestic costs in the Federal Register under section 3 (c) of this Act. No adjustment shall be made under this section in respect of any vessel the contract for the construction of which was made after September 2, 1945, under the provisions of title V (including section 504) or title VII of the Merchant Marine Act, 1936, as amended.

(b) Such adjustment shall be made, as hereinafter provided, by treating the vessel as if it were being sold to the applicant on the date of the enactment of this Act, and not before that time. The amount of such adjustment shall be determined as follows:

(1) The Commission shall credit the applicant with the excess of the cash payments made upon the original purchase price of the vessel over 25 per centum of the statutory sales price of the vessel as of such date of enactment. If such payment was less than 25 per centum of the statutory sales price of the vessel, the applicant shall pay the difference to the Commission.

(2) The applicant's indebtedness under any mortgage to the United States with respect to the vessel shall be adjusted.

(3) The adjusted mortgage indebtedness shall be in an amount equal to the excess of the statutory sales price of the vessel as of the date of the enactment of this Act over the sum of the cash payment retained by the United States under paragraph (1) plus the readjusted trade-in allowance (determined under paragraph (7)) with respect to any vessel exchanged by the applicant on the original purchase. The adjusted mortgage indebtedness shall be payable in equal annual installments thereafter during the remaining life of such mortgage with interest on the portion of the statutory sales price remaining unpaid at the rate of 3½ per centum per annum.

(4) The Commission shall credit the applicant with the excess, if any, of the sum of the cash payments made by the applicant upon the original purchase price of the vessel plus the readjusted trade-in allowance (determined under paragraph (7)) over the statutory sales price of the vessel as of the date of the enactment of this Act to the extent not credited under paragraph (1).

(5) The Commission shall also credit the applicant with an amount equal to interest at the rate of 3½ per centum per annum (for the period beginning with the date of the original delivery of the vessel to the applicant and ending with the date of the enactment of this Act) on the excess of the original purchase price of the vessel over the amount of any allowance allowed by the Commission on the exchange of any vessel on such purchase; the amount of such credit first being reduced by any interest on the original mortgage indebtedness accrued up to such date of enactment and unpaid. Interest so accrued and unpaid shall be canceled.

(6) The applicant shall credit the Commission with all amounts paid by the United States to him as charter hire for use of the

49 Stat. 1998.  
46 U. S. C. § 1154.

*Supra.*  
Price adjustments.

*Ante*, p. 41.

49 Stat. 1995, 2008.  
46 U. S. C. §§ 1151-  
1155, 1156-1161, 1191-  
1204; Supp. V, §§ 1152-  
1161, 1194, 1195.  
Date of sale.

Determination of  
amount.

Credit for excess pay-  
ments, etc.

Mortgage indebted-  
ness.

Credit for excess pay-  
ments, etc.

Interest.

Charter hire.

vessel (exclusive of service, if any, required under the terms of the charter) under any charter party made prior to the date of the enactment of this Act, and any charter hire for such use accrued up to such date of enactment and unpaid shall be canceled; and the Commission shall credit the applicant with the amount that would have been paid by the United States to the applicant as charter hire for bare-boat use of vessels exchanged by the applicant on the original purchase (for the period beginning with date on which the vessels so exchanged were delivered to the Commission and ending with the date of the enactment of this Act).

(7) The allowance made to the applicant on any vessel exchanged by him on the original purchase shall be readjusted so as to limit such allowance to the amount provided for under section 8.

(8) There shall be subtracted from the sum of the credits in favor of the Commission under the foregoing provisions of this subsection the amount of any overpayments of Federal taxes by the applicant resulting from the application of subsection (c) (1), and there shall be subtracted from the sum of the credits in favor of the applicant under the foregoing provisions of this subsection the amount of any deficiencies in Federal taxes of the applicant resulting from the application of subsection (c) (1). If, after making such subtractions, the sum of the credits in favor of the applicant exceeds the sum of the credits in favor of the Commission, such excess shall be paid by the Commission to the applicant. If, after making such subtractions, the sum of the credits in favor of the Commission exceeds the sum of the credits in favor of the applicant, such excess shall be paid by the applicant to the Commission. Upon such payment by the Commission or the applicant, such overpayments shall be treated as having been refunded and such deficiencies as having been paid.

Exchange allow-  
ance.

*Ante*, p. 45.

Overpayments and  
deficiencies in Fed-  
eral taxes.

Purchase price.

49 Stat. 1998.  
46 U. S. C. § 1154.

Adjustment subject  
to binding agreement.

For the purposes of this subsection, the purchase price of a vessel on account of which a construction-differential subsidy was paid or agreed to be paid under section 504 of the Merchant Marine Act, 1936, as amended, shall be the net cost of the vessel to the owner.

(c) An adjustment shall be made under this section only if the applicant enters into an agreement with the Commission binding upon the citizen applicant and any affiliated interest to the effect that—

(1) depreciation and amortization allowed or allowable with respect to the vessel up to the date of the enactment of this Act for Federal tax purposes shall be treated as not having been allowable; amounts credited to the Commission under subsection (b) (6) shall be treated for Federal tax purposes as not having been received or accrued as income; amounts credited to the applicant under subsection (b) (5) and (6) shall be treated for Federal tax purposes as having been received and accrued as income in the taxable year in which falls the date of the enactment of this Act;

(2) the liability of the United States for use (exclusive of service, if any, required under the terms of the charter) of the vessel on or after the date of the enactment of this Act under any charter party shall not exceed 15 per centum per annum of the statutory sales price of the vessel as of such date of enactment; and the liability of the United States under any such charter party for loss of the vessel shall be determined on the basis of the statutory sales price as of the date of the enactment of this Act, depreciated to the date of loss at the rate of 5 per centum per annum; and

(3) in the event the United States, prior to the termination of the existing national emergency declared by the President on

May 27, 1941, uses such vessel pursuant to a taking, or pursuant to a bare-boat charter made, on or after the date of the enactment of this Act, the compensation to be paid to the purchaser, his receivers, and trustees, shall in no event be greater than 15 per centum per annum of the statutory sales price as of such date.

55 Stat. 1647.  
50 U. S. C., Supp. V,  
app., note prec. § 1

(d) Section 506 of the Merchant Marine Act, 1936, as amended, shall not apply with respect to (1) any vessel which is eligible for an adjustment under this section, or (2) any vessel described in clause (1), (2), (3), or (4) of subsection (a) of this section, the contract for the construction of which is made after September 2, 1945, and prior to the date of enactment of this Act.

49 Stat. 1999.  
46 U. S. C. § 1156.

#### LIMITATION ON ELIGIBILITY FOR BENEFITS OF ACT

SEC. 10. No person shall be eligible to purchase or charter a war-built vessel under this Act, or to receive an adjustment under section 9, unless such person makes an agreement with the Commission binding upon such person and any affiliated interest to the effect that the liability of the United States under any charter party or taking for use, made or effected prior to the date of the enactment of this Act, for the loss, on or after such date of enactment and prior to September 3, 1947, of any vessel owned by such person and under charter to the United States (excluding a vessel with respect to which an adjustment is made under section 9) shall be limited to an amount equal to just compensation as of the date of said loss, determined pursuant to existing law, or such amount as may be mutually agreed upon subsequent to the date of the enactment of this Act as just compensation under the provisions of existing law.

#### NATIONAL DEFENSE RESERVE FLEET

SEC. 11. (a) The Commission shall place in a national defense reserve (1) such vessels owned by it as, after consultation with the Secretary of War and the Secretary of the Navy, it deems should be retained for the national defense, and (2) all vessels owned by it on December 31, 1947, for the sale of which a contract has not been made by that time, except those determined by the Commission to be of insufficient value for commercial and national defense purposes to warrant their maintenance and preservation, and except those vessels, the contracts for the construction of which are made after September 2, 1945, under the provisions of the Merchant Marine Act, 1936, as amended. A vessel under charter on December 31, 1947, shall not be placed in the reserve until the termination of such charter. Unless otherwise provided for by law, all vessels placed in such reserve shall be preserved and maintained by the Commission for the purpose of national defense. A vessel placed in such reserve shall in no case be used for commercial operation, except that any such vessel may be used during any period in which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936, as amended.

49 Stat. 1985.  
46 U. S. C. § 1101  
et seq., Supp. V, ch. 27.

49 Stat. 2015.  
46 U. S. C. § 1242;  
Supp. V, § 1242.

(b) Any war-built vessel may be made available by the Commission to any State maintaining a marine school or nautical branch in accordance with the Act of July 29, 1941 (Public Law 191, Seventy-seventh Congress; 55 Stat. 607).

34 U. S. C., Supp. V,  
§§ 1122, 1123a-1123e.

#### GENERAL PROVISIONS

SEC. 12. (a) The Commission is authorized to reconvert or restore for normal operation in commercial services, including removal of national defense or war-service features, any vessel authorized to be sold or chartered under this Act. The Commission is authorized to make such replacements, alterations, or modifications with respect to

Reconversion, etc.,  
of vessels.