

**The original documents are located in Box 65, folder “10/17/76 HR13218 Sale of the SS  
"United States" for Use as a Floating Hotel” of the White House Records Office:  
Legislation Case Files at the Gerald R. Ford Presidential Library**

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810/14/76

APPROVED  
OCT 17 1976

THE WHITE HOUSE  
WASHINGTON  
October 14, 1976

ACTION

Last Day: October 18

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON *Jim Cannon*

SUBJECT:

H.R. 13218 - Sale of the SS "United States"  
for use as a floating hotel

Attached for your consideration is H.R. 13218, sponsored by Representative Sullivan.

The enrolled bill would permit the Secretary of Commerce to sell the SS "United States" for use as a floating hotel.

Additional information is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Kilberg) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 13218 at Tab B.



*Posted 10/18/76*  
*Archives 10/16/76*



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OCT 9 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13218 - Sale of the SS "United States" for use as a floating hotel  
Sponsor - Rep. Sullivan (D) Missouri and 7 others

Last Day for Action

October 18, 1976 - Monday

Purpose

Permits the sale of the SS "United States" for use as a floating hotel.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Defense	No objection
Department of Transportation	No objection

Discussion

H.R. 13218 would permit the Secretary of Commerce to sell the SS "United States" for use as a floating hotel. The ship is the largest and fastest passenger liner ever built in the United States. Substantial Federal funds have been invested in the ship under both the construction and operating subsidy programs administered by the Maritime Administration (MarAd) of the Department of Commerce.

Even with operating subsidies, the ship lost money for its owners. As a result, P.L. 92-296 authorized Commerce to repurchase the vessel, which was done in 1972 at a cost of \$12.1 million. The original subsidy agreement with the owners precluded their scrapping the vessel. P.L. 92-296 also authorized the sale of other vessels built with Federal

subsidies for foreign-flag operation, but because of the national defense features of the "United States" -- primarily its speed and suitability for troop transport -- the Act specified that the ship either had to be laid up in the National Defense Reserve Fleet (NDRF) or sold at a later date for operation as a U.S. flag vessel.

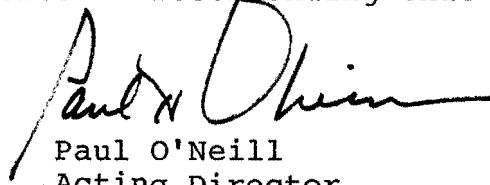
Since 1972, the vessel has been in layup at Norfolk, Virginia. The cost of maintaining the vessel in layup has been approximately \$62,000 a year. MarAd has tried to sell the vessel numerous times, but has been unsuccessful because of its high operating costs and the restrictions placed on it by P.L. 92-296.

The enrolled bill would allow the ship to be sold for use as a floating hotel. Under the terms of the original construction contract, this step could not have been taken without legislative action until after the end of the ship's 25 year statutory life (June 1977). This enrolled bill is needed only because there exists a potential buyer who wants to use the vessel as a floating hotel in Boston Harbor before the statutory ban against this type of use expires in June 1977.

The bill would also provide that the vessel could be requisitioned by the Federal government in the case of a national emergency under Section 902 of the Merchant Marine Act of 1936. Section 902 provides for fair market compensation, rather than compensation at the depreciated value as is ordinarily the case for vessels built with construction subsidies. Substantial modifications would need to be made to the vessel for use as a hotel. This provision was added because the modifications might not be made if the vessel could be requisitioned at the lower depreciated value.

Unless this legislation is approved, there is a good chance that the potential buyer mentioned above may decide not to purchase the ship at the end of its statutory life. This would result in MarAd's losing its chance to dump this "white elephant", thus resulting in continued Federal expense incurred in maintaining it in layup. For these

reasons, we concur with Commerce in recommending that you approve this bill.



Paul O'Neill  
Acting Director

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

18

Date: October 11

Time: 730pm

FOR ACTION: Paul Leach  
Max Friedersdorff  
Bobbie Kilberger  
Judy Hope

cc (for information): Ed Schmults  
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: October 12

Time: 530pm

SUBJECT:

H.R. 13218-Sale of the SS UNITED STATES

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston,ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.  
For the President



**GENERAL COUNSEL OF THE  
UNITED STATES DEPARTMENT OF COMMERCE**  
Washington, D.C. 20230

OCT 6 1976

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H. R. 13218, an enrolled enactment

"To permit the steamship United States to be used as a floating hotel, and for other purposes."

The enrolled enactment would amend section 2 of Public Law 92-296 (89 Stat. 140) to expand the authority of the Secretary of Commerce with respect to the sale or charter of the steamship UNITED STATES.

Under existing law, the Secretary is authorized to place the vessel in layup in the National Defense Reserve Fleet for operation for the account of any agency or department of the United States during any period in which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936, as amended, (the 1936 Act) and for sale or charter to a qualified operator for operation under the American flag. H. R. 13218 would authorize the Secretary to sell or charter the UNITED STATES for use as a floating hotel on or in the navigable waters of the United States. Provision is also made for requisition or purchase of the vessel by the United States, for title or use, in return for just compensation, whenever the conditions set forth in section 902 of the 1936 Act exist.

The Department of Commerce recommends approval by the President of H. R. 13218.

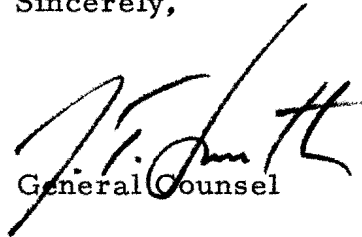
The Maritime Administration, an agency within the Department of Commerce, has made several unsuccessful efforts, since 1973, to sell the UNITED STATES for operation under the American flag. The prospects for selling the vessel for operation remain very poor in light of the probability of large operating losses, which caused its operator to place the vessel in layup in 1969.



Thus, we consider the sale of the UNITED STATES as a floating hotel, as proposed by the enrolled enactment, to be a viable option which should enlarge the scope of proposals for disposition of the vessel. By the terms of H. R. 13218 the vessel will remain subject to requisition or acquisition by the United States for just compensation, in time of emergency.

Enactment of H. R. 13218 would require no expenditure of funds by this Department.

Sincerely,



General Counsel





DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20350

October 7, 1976

Dear Mr. Lynn:

Your transmittal sheet dated October 5, 1976, enclosing a facsimile of an enrolled bill of Congress, H.R. 13218, "To permit the steamship United States to be used as a floating hotel, and for other purposes," and requesting comments of the Department of Defense, has been received. The Department of the Navy has been assigned the responsibility for the preparation of a report expressing the views of the Department of Defense.

The purpose of H.R. 13218 is to authorize the steamship United States to be used as a floating hotel in or on the navigable waters of the United States. Provision is also made for requisitioning or purchasing the vessel by the United States, in return for just compensation, whenever the conditions set forth in section 902 of the Merchant Marine Act of 1936, as amended (46 U.S.C. 1242), exist.

The steamship United States, although currently inactive, is the fastest passenger ship in the world today. By virtue of its high speed, large troop capability, and other national defense features incorporated under the Merchant Marine Act of 1936, as amended, it is an asset which may be required by the Navy in time of war or national emergency.

The approval of this legislation would result in no increase in the budgetary requirements of the Department of Defense.

The Department of the Navy, on behalf of the Department of Defense, has no objection to the approval of H.R. 13218.

Sincerely yours,

A handwritten signature in black ink that reads "David R. Macdonald".

David R. Macdonald  
Acting Secretary of the Navy

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503





THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

OCT 7 1976

Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, D.C. 20503

Dear Mr. Lynn:

Reference is made to your request for the views of the Department of Transportation concerning H.R. 13218, an enrolled bill

"To permit the steamship United States to be used as a floating hotel, and for other purposes."


The enrolled bill amends P.L. 92-296 to permit the Secretary of Commerce to sell the S.S. UNITED STATES for use as a floating hotel in or on the navigable waters of the United States. P.L. 92-296 authorized the sale of several U.S. passenger ships to foreign registry in 1972, but it specifically excluded the S.S. UNITED STATES from that legislation because of its special defense features and troop transport capability. P.L. 92-296 authorized the Secretary of Commerce to purchase the S.S. UNITED STATES for layup in the National Defense Reserve Fleet or for operation under the U.S. flag.

On several occasions since 1972, the Maritime Administration has tried to sell the vessel for operation as a U.S. flag passenger ship, but no responsive bid has ever been received. The enrolled bill would provide an alternative use and allow persons interested in using the vessel as a floating hotel in or on the navigable waters of the United States to also be eligible to have their bids considered by the Maritime Administration.

The enrolled bill would not change the status of the S.S. UNITED STATES as a vessel subject to the inspection and manning statutes and regulations. Vessel inspection and manning requirements would be applicable as long as the UNITED STATES remains a "vessel", although the requirements would vary according to the vessel's use and operational status.

Therefore, this Department has no objection to the President signing the enrolled bill.

Sincerely,

  
William T. Coleman, Jr.

Date: October 11

Time: 730pm

FOR ACTION: Paul Leach  
Max Friedersdorf  
Bobbie Kilberg ✓  
Judy Hopecc (for information): Ed Schmults  
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: October 12

Time: 530pm

SUBJECT:

H.R. 13218-Sale of the SS UNITED STATES

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

*agreed Ruby 10/12/76*PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

Date: October 11

Time: 730pm

FOR ACTION: Paul Leach  
Max Friedersdorf ✓  
Bobbie Kilberg  
Judy Hopecc (for information): Ed Schmults  
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FROM THE STAFF SECRETARY

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## REMARKS:

please return to judy johnston, ground floor west wing

*Recommend Approval.*  
*JMF*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 11

Time: 730pm

FOR ACTION: Paul Leach  
Max Friedersdorf  
Bobbie Kilberg  
Judy Hope ✓

cc (for information): Ed Schmults  
Jack Marsh

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- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*ok.*

*Judy Hope*  
*10/14/76 at 10:30AM.*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

## SALE OF SS "UNITED STATES" FOR USE AS A FLOATING HOTEL

JULY 13, 1976.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

Mrs. SULLIVAN, from the Committee on Merchant Marine and  
Fisheries, submitted the following

### REPORT

[To accompany H.R. 13218]

The Committee on Merchant Marine and Fisheries, to whom was referred the bill (H.R. 13218) to permit the steamship *United States* to be used as a floating hotel, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### I. PURPOSE OF THE BILL

The purpose of H.R. 13218 is to allow the Maritime Administration to sell the SS *United States* for use as a floating hotel on or in the navigable waters of the United States.

The various Maritime subsidy programs, which assisted with the construction, financing, and operation of this vessel, prohibit her use as a fixed, floating hotel during the 25 year statutory life of the vessel which will not expire until June 1977. Without legislation, the vessel may be sold for this or any other purpose after the end of the statutory life; the bill is required only because prospective owners would like to acquire the ship before that date.

The second sentence of the bill provides that the vessel may be requisitioned in the case of national emergency under the conditions set forth in section 902 of the Merchant Marine Act of 1936. Under section 902, vessels may be requisitioned at a price representing just compensation. Ordinarily, vessels built with construction subsidy funds are subject to a requisitioning under section 802 of the Merchant Marine Act. This section provides that vessels are subject to requisition at the depreciated cost of the vessel. For vessels which are nearing the end of their statutory life, such as the SS *United States*, the fair market value is often much greater than depreciated value. A second purpose of the bill then is to provide that the vessel could only be requisitioned by the Government at the higher valuation.

## II. BACKGROUND

The SS *United States* is the largest and fastest passenger ship ever built in the United States. She is 916 feet long and has accommodations for approximately 1,000 passengers. She was built in 1952 by Newport News Shipbuilding and Drydock Co. for United States Lines which operated her until 1969.

Substantial Government funds are invested in this vessel. The Government paid \$45 million of the original \$80 million construction price through the construction-differential subsidy and the funding of national defense features. During the vessel's operation from 1952 to 1969 the Government contributed about \$134 million in operating-differential subsidy. Finally, when operation of the ship continued to result in losses despite the operating subsidy (the ship lost money in all years of operation after 1954), in Public Law 92-296, Congress authorized the Secretary of Commerce to repurchase the vessel. This occurred in 1972 at a cost of \$12.1 million.

Since 1972 the Maritime Administration has repeatedly tried to sell the vessel. Public Law 92-296 allowed several other U.S.-flag passenger ships to be sold for foreign-flag operation. However, because the *United States* retained considerable national defense utility, primarily because of its speed and suitability for troop transport, that legislation required that the vessel either be laid up in the National Defense Reserve Fleet or sold for operation under the U.S. flag. Though MARAD has received a number of bids since they were first opened in 1973, none of the bidders have been qualified. Basically, they have been unable to meet the requirement that a cash tender of 10 percent of the bid be made before the bid may be accepted. Since her purchase by the Government in 1972, the vessel has been in layup at Norfolk, Va., where annual layup costs are about \$62,000.

## III. COMMITTEE ACTION

The committee held 2 days of hearings on H.R. 13218. The bill was supported by the Maritime Administration, by the Ship/Shore Hotel Corp. which intends to purchase the SS *United States* and convert it to a floating hotel if the legislation passes, and by the Massachusetts Port Authority. Ship/Shore intends to tow the vessel to Boston Harbor and locate it there at Commonwealth Pier. The vessel then would serve both as a hotel and a tourist attraction for the Boston area. The reasons given in support for the bill are:

(1) Except for a few years immediately after she was built, the SS *United States* never made a profit—even with subsidy. Since repurchasing the vessel from its original owners, MARAD has tried unsuccessfully three times to sell the vessel. This indicates that it may not be financially feasible to operate the SS *United States* as a vessel; to authorize the sale of her for a hotel may be a feasible way to save her from scrapping when her statutory life ends.

(2) The vessel's statutory life ends in June, 1977. Thereafter the vessel could be sold for use as a hotel or any other purpose; the legislation is only needed because prospective owners would like to purchase her immediately.

(3) Allowing the vessel to be sold as a hotel will expand the pool of potential bidders, likely increase the price bid, and therefore, return more money to the Government. This bill would not preclude selling the ship for use as an operating vessel if those interested in that use have an economical proposal and the highest bid.

(4) If the vessel is allowed to be sold for use as a hotel, the owners intend to leave her machinery and navigation gear undisturbed. Therefore, she would be available for requisitioning and use by the military in times of emergency.

(5) If the ship is to be sold for use as a vessel, the Government would have to provide title XI mortgage insurance in order to finance the necessary improvements, estimated at \$30 to \$40 million. MARAD has already spent over \$200 million in subsidy on the vessel. The Federal Government should not obligate itself for more—particularly since the vessel's financial history has been so poor.

The bill was opposed by Trans Pacific Cruise Corp. which intends to bid on the vessel and use it as an operating vessel in the U.S. domestic Pacific trade between Hawaii and the west coast, and by the National Maritime Union, AFL-CIO, which was opposed to allowing the sale of the vessel for use as a hotel until the Trans Pacific bid had received thorough review by the Maritime Administration. Those opposing the bill indicated that because the Nation had invested substantial sums in the SS *United States* and because the vessel continues to have defense utility she should not be allowed to be sold for use as a floating hotel. Their point of view was that for all practical purposes once the vessel is used as a floating hotel she would probably never be capable of being used as an active ship again. Although prospective owners expect to keep the engines and navigational areas and equipment intact, they do not expect to spend the substantial amounts of money that would be required to keep this equipment functioning since those uses would not contribute to the operation of a hotel. The vessel would serve the Nation and justify the Federal expenditures that have been made to date only if she were to operate successfully as a vessel.

Though the financial history of the vessel has not been a good one, Trans Pacific suggested that the contemplated operation would be economical for several reasons. Agreements have been made to reduce the crew size by up to 50 percent. It intends to operate the vessel at about one-half power and thereby reduce fuel consumption considerably while still maintaining speeds in excess of 20 knots. The vessel would operate in the domestic trades and thereby be protected from foreign competition. Arrangements have been made to improve the flexibility and desirability of steamship travel through agreements with airlines to provide combination tours to and from Hawaii.

The vessel could probably be brought back to operating status with an expenditure of \$30 to \$40 million, but all parties agree that financing would be forthcoming only if the Maritime Administration's title XI mortgage guarantee was available. Use of the vessel in this manner would employ approximately 500 seamen, contribute favorably to the balance of payments, and result in having an operating vessel available immediately if needed for national defense purposes.



The vessel could also be used as an engineering test platform since only one-half of its engine capacity would be used at any one time.

The committee also heard testimony from Sea Containers, Inc., which suggested an amendment to the bill. The Sea Containers amendment would have allowed the vessel to be used as a floating hotel outside the territorial waters of the United States, permitted foreign seamen to be used in the stewards' department, allowed repair and maintenance work performed on the vessel outside U.S. waters to be exempt from U.S. customs duty or other taxes upon the vessels return to the United States, and extended the vessel's statutory life from 25 years to 30 years to prohibit the vessel from being scrapped at the end of its present statutory life. The suggestion of this witness was that the vessel's use for operational purposes was impractical in view of its financial history and that of other passenger ships. In his view, use of the vessel as a floating hotel in the United States would be uneconomical and especially difficult because of interunion demarkation problems. An example given was the hotel operation of the ex-British passenger vessel, the *Queen Mary*, which lost about \$1 million per year in its operation between 1972 and 1974.

Though the Department of the Navy did not testify, its departmental report on the bill stated:

It is recommended, however, that the bill require the ship to be maintained in a condition of material readiness equivalent to ocean going ships run by qualified operators under the American flag.

During its testimony the Maritime Administration indicated that it could require that the vessel be kept in such a state of readiness as a condition of sale. But that such a condition would probably severely reduce the price that was bid for the vessel.

During the single day of markup which was required, a unanimous consent request was granted to discharge the Subcommittee from further consideration of the bill, and it was ordered reported by a voice vote of the full committee.

#### CONCLUSION

The committee recognizes that the best utilization for the *SS United States* is as an operating passenger ship. However, because of the uncertainty surrounding the economic soundness of such operation and the need for prompt action if the vessel is to be sold to Ship/Shore Hotel Corp., it concluded that authorizing the vessel's sale as a floating hotel now would be in the national interest.

The bill would expand the pool of potential bidders, likely increase the price that is eventually bid for the vessel, and therefore return more money to the government. In three previous attempts no qualified bidders were found for the vessel for operational use, and passenger liner traffic has declined sharply in recent years even for foreign-flag operations which have operating expenses which are considerably less than those of the *SS United States*. If the Trans Pacific Cruise Corp. has a viable proposal for operating the vessel in the domestic trades this bill would not preclude its acquisition of the ship although the price required to purchase it, and therefore the return to the Government, would probably be higher. Since the committee

expects the Maritime Administration to require that future owners leave the vessel's navigational equipment, machinery, and essential character as a vessel entirely intact, its defense utility should be retained. The committee also intends that future owners should be required to allow regular inspections and/or surveys by appropriate Government officials to insure that the conditions of sale are being complied with. In other words, your committee expects MARAD to require any future owners to keep the vessel in its present state and condition so that it will be in reasonable readiness for requisitioning in the event of a national emergency. However, because of the potential defense utility of the vessel, because the economic benefits from the sale should be retained to the extent possible in this country, and because foreign seamen are not generally allowed on other U.S.-flag vessels, the committee felt it would be inappropriate to allow the vessel to be crewed by a stewards' department composed of foreign nationals or to be located as a floating hotel in a foreign country.

Because substantial modifications will be required if the vessel is to be purchased now, and because these improvements would not likely be made if the ship could be requisitioned by the Government at its depreciated value, the committee concluded that it would be fair to provide that the vessel could only be requisitioned at a price representing just compensation.

The vessel may be disposed of for hotel, scrap, or any other purpose after its statutory life; therefore, the bill is only required for the less than one year that remains in the official life of the ship. Since there is an apparent buyer ready to purchase the vessel, it makes little sense to delay the purchase until June, 1977, when acting now would save the Government the annual layup cost of \$62,000, and when there is no assurance that an interested buyer could be found after the statutory life had run.

For these reasons the committee has concluded that H.R. 13218 allows for a proper disposition of the *SS United States*, is in the national interest, and should receive the support of all House Members.

#### COST OF THE LEGISLATION

Pursuant to clause 7 of rule XIII of the Rules of the House of Representatives, the committee estimates that the legislation will result in no extra costs to the Government.

#### INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the committee estimates that the enactment of H.R. 13218 would have no significant impact on the prices and costs in the national economy.

#### COMPLIANCE WITH CLAUSE 2(1)(3) OF RULE XI

With respect to the requirements of clause 2(1)(3) of rule XI of the Rules of the House of Representatives—

(A) No oversight hearings were held on the specific subject matter of this legislation during this Congress. However, the Merchant Marine Subcommittee has been holding a series of oversight hearings to review the nation's current maritime policy.

(B) Section 308(a) of the Congressional Budget Act of 1974 is not applicable.

(C) No estimate and comparison of costs has been received by the Committee from the Director of the Congressional Budget Office, pursuant to section 403 of the Congressional Budget Act of 1974.

(D) The Committee on Government Operations has sent no report to the Committee on Merchant Marine and Fisheries pursuant to clause 2(b) (2) of Rule X.

#### DEPARTMENTAL REPORTS

H.R. 13218 was the subject of reports from the Department of Commerce and the Department of the Navy. The reports follow:

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,  
*Washington, D.C., June 9, 1976.*

HON. LEONOR K. SULLIVAN,  
*Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.*

DEAR MADAM CHAIRMAN: This is in response to your request for the views of this Department concerning H.R. 13218, a bill—"To permit the steamship *United States* to be used as a floating hotel, and for other purposes."

The bill would amend section 2 of Public Law 92-296 (86 Stat. 140) to expand the authority of the Secretary of Commerce with respect to the sale or charter of the steamship *United States*.

Under existing law the Secretary is authorized to place the vessel in layup in the National Defense Reserve Fleet for operation for the account of any agency or Department of the United States during any period in which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936, (1936 Act) and for sale or charter to a qualified operator for operation under the American flag. The bill would authorize the Secretary to sell or charter the *United States* for use as a floating hotel on or in the navigable waters of the United States. Provision is also made for requisitioning or purchasing the vessel by the United States, in return for just compensation, whenever the conditions set forth in section 902 of the 1936 Act exist.

The Department of Commerce supports the enactment of H.R. 13218. The Maritime Administration has made several unsuccessful efforts since 1973 to sell the *United States* for operation under the American flag. The prospects for selling the vessel for operation remain very poor in light of the probability of large operating losses, which caused its operator to place the vessel in layup in 1969. We believe a viable option is to sell it for use as a floating hotel in or on the navigable waters of the United States, as prohibited in the bill. Of course the vessel will be subject to requisition by the United States, for just compensation, in time of emergency.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of our report to the Congress from the standpoint of the Administration's program.

Sincerely,

F. SMITH,  
*General Counsel.*

DEPARTMENT OF THE NAVY,  
OFFICE OF LEGISLATIVE AFFAIRS,  
*Washington, D.C., June 7, 1976.*

HON. LEONOR K. SULLIVAN,  
*Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.*

DEAR MADAM CHAIRMAN: Your request for comment on H.R. 13218, a bill To permit the steamship *United States* to be used as a floating hotel, and for other purposes, has been assigned to this Department by the Secretary of Defense for the preparation of a report expressing the views of the Department of Defense.

The purpose of the bill is stated in its title. The steamship *United States*, although currently inactive, is the fastest passenger ship in the world today. By virtue of its high speed, large troop carrying capability, and other national defense features incorporated under the Merchant Marine Act of 1936, as amended, is an asset which may be required by the Navy in time of war or national emergency.

Although the Navy would prefer that the ship not be converted to a floating hotel, no objection is interposed to subject bill as long as the ship may be requisitioned or purchased by the United States whenever the conditions set forth in Section 902, the Merchant Marine Act of 1936, exist (i.e., whenever the President shall proclaim that the security of the national defense makes it advisable or during any national emergency declared by proclamation of the President). It is recommended, however, that the bill require that the ship be maintained in a condition of material readiness equivalent to ocean going ships run by qualified operators under the American flag.

This report has been coordinated within the Department of Defense in accordance with the procedures prescribed by the Secretary of Defense.

The Office of Management and Budget advises that from the standpoint of the Administration's program, there is no objection to the presentation of this report on H.R. 13218 for the consideration of the Committee.

For the Secretary of the Navy,  
Sincerely yours,

N. R. GOODING, Jr.,  
*Captain, U.S. Navy, Deputy Chief.*

#### CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italics*, existing law in which no change is proposed is shown in *roman*):

SECTION 2 OF THE ACT OF MAY 16, 1972

(PUBLIC LAW 92-296; 86 STAT. 140)

SEC. 2. The Secretary of Commerce is authorized and directed to purchase the steamship *United States*, as is, where is, at the depreciated

cost of the vessel to the owner, as determined by the Secretary of Commerce, less the unpaid principal and interest on the mortgage on the vessel, for layup in the National Defense Reserve Fleet and operation for the account of any agency or department of the United States during any period in which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936, and/or for sale or charter to a qualified operator for operation under the American flag [.] or for use as a floating hotel in or on the navigable waters of the United States. Whenever the conditions set forth in section 902, the Merchant Marine Act of 1936, exist, the vessel may be requisitioned or purchased by the United States and just compensation for title or use, as the case may be, shall be paid in accordance with section 902 of the Merchant Marine Act, as amended (46 U.S.C. 1242). The depreciated cost of the vessel to the owner shall be computed on the schedule adopted by the Internal Revenue Service for income tax purposes. Such determination shall be final. The Secretary of Commerce shall require the owner of the vessel to agree that it will pay all existing private obligations related to the vessel, and that it will commit an amount equal to the net proceeds received from such sale in excess of existing obligations and expenses incident to the sale, within a reasonable period not to exceed twelve months of receipt, as equity capital for the construction of new vessels which the Secretary determines are built to effectuate the purposes and policy of the Merchant Marine Act, 1936, as amended.

○

H. R. 13218

# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To permit the steamship United States to be used as a floating hotel, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 2 of Public Law 92-296 (86 Stat. 140) is amended by striking out the period at the end thereof and inserting the following: "or for use as a floating hotel in or on the navigable waters of the United States. Whenever the conditions set forth in section 902, the Merchant Marine Act of 1936, exist, the vessel may be requisitioned or purchased by the United States and just compensation for title or use, as the case may be, shall be paid in accordance with section 902 of the Merchant Marine Act, as amended (46 U.S.C. 1242)."*

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*