

the agreement only if each vessel to be covered by the agreement after the transfer is an eligible vessel under section 1187(b) of this Appendix.

(k) Reversion of unused authority

The obligation of the Secretary to make payments under an operating agreement under this part shall terminate with respect to a vessel if the contractor fails to engage in operation of the vessel for which such payment is required—

(1) within one year after the effective date of the operating agreement, in the case of a vessel in existence on the effective date of the agreement, or

(2) within 30 months after the effective date of the operating agreement, in the case of a vessel to be constructed after that effective date.

(l) Procedure for considering application; effective date for certain vessels

(1) Procedures

No later than 30 days after October 8, 1996, the Secretary shall accept applications for enrollment of vessels in the Fleet, and within 90 days after receipt of an application for enrollment of a vessel in the Fleet, the Secretary shall enter into an operating agreement with the applicant or provide in writing the reason for denial of that application.

(2) Effective date

Unless an earlier date is requested by the applicant, the effective date for an operating agreement with respect to a vessel which is, on the date of entry into an operating agreement, either subject to a contract under part A of this subchapter or on charter to the United States Government, other than a charter under section 1187b of this Appendix, shall be the expiration or termination date of the contract under part A of this subchapter or of the Government charter covering the vessel, respectively, or any earlier date the vessel is withdrawn from that contract or charter.

(m) Early termination

An operating agreement under this part shall terminate on a date specified by the contractor if the contractor notifies the Secretary, by not later than 60 days before the effective date of the termination, that the contractor intends to terminate the agreement. Vessels covered by an operating agreement terminated under this subsection shall remain documented under chapter 121 of title 46 until the date the operating agreement would have terminated according to its terms. A contractor who terminates an operating agreement pursuant to this subsection shall continue to be bound by the provisions of section 1187b of this Appendix until the date the operating agreement would have terminated according to its terms. All terms and conditions of an Emergency Preparedness Agreement entered into under section 1187b of this Appendix shall remain in effect until the date the operating agreement would have terminated according to its terms, except that the terms of such Emergency Preparedness Agreement may be modified by the mutual consent of the contractor and the Secretary of Transportation and the Secretary of Defense.

(n) Nonrenewal for lack of funds

If, by the first day of a fiscal year, sufficient funds have not been appropriated under the authority provided by section 1187d of this Appendix for that fiscal year, the Secretary of Transportation shall notify the Congress that operating agreements authorized under this part for which sufficient funds are not available will not be renewed for that fiscal year if sufficient funds are not appropriated by the 60th day of that fiscal year. If funds are not appropriated under the authority provided by section 1187d of this Appendix for any fiscal year by the 60th day of that fiscal year, then each vessel covered by an operating agreement under this part for which funds are not available is thereby released from any further obligation under the operating agreement, and the vessel owner or operator may transfer and register such vessel under a foreign registry deemed acceptable by the Secretary of Transportation, notwithstanding any other provision of law. If section 1242 of this Appendix is applicable to such vessel after registration of the vessel under such a registry, the vessel is available to be requisitioned by the Secretary of Transportation pursuant to section 1242 of this Appendix.

(o) Award of operating agreements

(1) In general

The Secretary of Transportation, subject to paragraph (4), shall award operating agreements within each priority under subsection (i)(1), (2), and (3) of this section under regulations prescribed by the Secretary.

(2) Number of agreements awarded

Regulations under paragraph (1) shall provide that if appropriated amounts are not sufficient for operating agreements for all vessels within a priority under subsection (i)(1), (2), or (3) of this section, the Secretary shall award to each person submitting a request a number of operating agreements that bears approximately the same ratio to the total number of vessels in the priority, as the amount of appropriations available for operating agreements for vessels in the priority bears to the amount of appropriations necessary for operating agreements for all vessels in the priority.

(3) Treatment of related parties

For purposes of paragraph (2), a related party with respect to a person shall be treated as the person.

(4) Preference for United States-built vessels

In awarding operating agreements for vessels within a priority under subsection (i)(1), (2), or (3) of this section, the Secretary shall give preference to a vessel that was constructed in the United States, to the extent such preference is consistent with establishment of a fleet described in the first sentence of section 1187(a) of this Appendix (taking into account the age of the vessel, the nature of service provided by the vessel, and the commercial viability of the vessel).

(p) Notice to United States shipbuilders required

The Secretary shall include in any operating agreement under this part a requirement that