

98TH CONGRESS
1ST SESSION

H. R. 3712

To amend the Defense Production Act of 1950 to revitalize the defense industrial base of the United States.

33

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 1983

Mr. LAFALCE introduced the following bill; which was referred jointly to the Committees on Banking, Finance and Urban Affairs and Education and Labor

A BILL

To amend the Defense Production Act of 1950 to revitalize the defense industrial base of the United States.

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

3 SHORT TITLE

4 SECTION 1. This Act may be cited as the "Defense In-
5 dustrial Base Revitalization Act".

6 TITLE I—INDUSTRIAL MODERNIZATION AND
7 STRATEGIC AND CRITICAL MATERIALS

8 SEC. 101. Title III of the Defense Production Act of
9 1950 (50 U.S.C. App. 2091 et seq.) is amended by inserting
10 after section 303 the following:

1 “FINDINGS AND PURPOSE

2 “SEC. 303A. (a) The Congress hereby finds, with re-
3 spect to section 303B, that—

4 “(1) the national defense and economic health of
5 the United States depend upon the continuous mainte-
6 nance of a strong and modern industrial base and the
7 uninterrupted access to those critical and strategic ma-
8 terials needed to supply such base;

9 “(2) in recent years, several important industries,
10 representing a significant portion of our Nation’s
11 second and third tier defense industrial base, have
12 either virtually shut down or have substantially re-
13 duced their production capacity;

14 “(3) a major factor in the decline of this part of
15 our national defense industrial base has been the inabil-
16 ity of small- and medium-sized businesses to obtain
17 access to sufficient capital to remain competitive in the
18 face of increasing foreign competition;

19 “(4) as a result, important segments of the United
20 States defense industrial base are now characterized by
21 declining productivity, aging facilities and machinery,
22 and a high degree of import penetration; and

23 “(5) at the same time, the United States has also
24 found itself increasingly and dangerously dependent

1 upon foreign sources for critical and strategic materials
2 necessary to our defense capability.

3 “(b) It is the purpose of section 303B to strengthen the
4 capability and capacity of the Nation’s defense industrial base
5 by assisting in the process of capital investment in certain
6 small- and medium-sized businesses vital to our defense pre-
7 paredness, and by encouraging the expansion of domestic
8 production, processing, and conservation of strategic and
9 critical materials.

10 “INDUSTRIAL MODERNIZATION AND STRATEGIC AND
11 CRITICAL MATERIALS

12 “SEC. 303B. (a)(1) The President, utilizing the types of
13 financial assistance specified in sections 301, 302, and 303,
14 and any other authority contained in this Act, shall take im-
15 mediate action to assist in the modernization, improvement,
16 and expansion of productive capacity of industries in the
17 United States which are necessary to the manufacture or
18 supply of national defense materials which are required for
19 the national security or are likely to be required in a time of
20 emergency or war.

21 “(2) Such assistance shall be provided only to small- and
22 medium-sized businesses, as defined by the Secretary of
23 Commerce, unless the President determines that the interests
24 of national defense require an exception to this limitation.

1 “(3) The financial assistance provided under this subsec-
2 tion shall, to the greatest extent possible, be made available
3 to small independently owned and operated businesses.

4 “(b)(1) The Secretary of Defense, in consultation with
5 the Secretary of Commerce, shall—

6 “(A) determine immediately, and semiannually
7 thereafter, those industries which should be given pri-
8 ority in the awarding of financial assistance under sub-
9 section (a);

10 “(B) determine the type and extent of financial
11 assistance which should be made available to each such
12 industry; and

13 “(C) with respect to the industries specified pursu-
14 ant to subparagraph (A), indicate those proposals, re-
15 ceived under subsection (d), which should be given
16 preference in the awarding of financial assistance under
17 subsection (a) based on a determination that such pro-
18 posals offer the greatest prospect for improving produc-
19 tivity and quality, and for providing materials which
20 will reduce the Nation’s reliance on imports.

21 “(2) Each proposal shall include a financial plan which
22 specifies how the assistance offered under this section shall
23 be used to insure that the company involved, by receiving
24 such financial assistance, will become more economically
25 viable in the future.

1 “(c)(1) The President shall extend assistance under sec-
2 tions 301, 302, and 303, and any other authority contained
3 in this Act, to persons engaged in the expansion of the do-
4 mestic capability and capacity to produce or process critical
5 and strategic metals, minerals, and materials, including—

6 “(A) the conservation, substitution, and recycling
7 of such metals, minerals, and materials; and

8 “(B) the development of processes, alternate prod-
9 uct designs and material selection systems, which
10 lessen or obviate the need for such critical and strate-
11 gic metals, minerals, and materials.

12 “(2) The President shall exercise the authority granted
13 under this subsection in consultation with the Secretary of
14 Defense, the Secretary of the Interior, the Secretary of Com-
15 merce, and the Director of the Federal Emergency Manage-
16 ment Agency.

17 “(d) The President, in extending assistance under sub-
18 sections (a) and (c), shall extend such assistance on the basis
19 of proposals submitted in response to a series of public solici-
20 tations, the first of which shall be issued by the President
21 within ninety calendar days following the date of the enact-
22 ment of this section.

23 “(e)(1) Any contract for financial assistance which is
24 awarded under subsection (a) or (c) and which utilizes finan-
25 cial assistance through purchase agreements specified in sec-

1 tion 303 shall provide that the President has the right to
2 refuse delivery of the items specified in such contract and to
3 pay the person involved an amount equal to the amount by
4 which the price for such items, as specified in the contract
5 involved, exceeds the market price, as determined by the
6 Secretary of Commerce, for such items on the delivery date
7 specified in such contract.

8 “(2) Financial assistance under subsection (a) or (c) shall
9 not be extended to assist establishments relocating from one
10 area to another or to assist persons whose purpose is to
11 divest, or whose economic success is dependent upon divest-
12 ing, other persons of contracts theretofore customarily per-
13 formed by them, except that such limitation shall not be con-
14 strued to prohibit such financial assistance for the expansion
15 of an existing business entity through the establishment of a
16 new branch, affiliate, or subsidiary of such business entity if
17 the President finds that the establishment of such branch,
18 affiliate, or subsidiary will not result in an increase in unem-
19 ployment in the area of original location or in any other area
20 where such entity conducts business operations, unless the
21 President has reason to believe that such branch, affiliate, or
22 subsidiary is being established with the intention of closing
23 down the operations of the existing business entity in the
24 area of its original location or in any other area where it
25 conducts such operations.

1 “(f)(1)(A) There are authorized to be appropriated to
2 carry out the provisions of subsections (a), (b), and (c) not to
3 exceed—

4 “(i) \$400,000,000 for fiscal year 1984;

5 “(ii) \$600,000,000 for fiscal year 1985; and

6 “(iii) \$800,000,000 for fiscal year 1986.

7 “(B) Such sums shall remain available until expended.

8 “(2)(A) In the use of loan guarantees, price guarantees,
9 and direct loans as Federal financial incentives to accomplish
10 the objectives of this section, the President may utilize the
11 borrowing authority of the Treasury to the extent that the
12 estimated ultimate net cost of such incentives to the Govern-
13 ment does not exceed the total of appropriations made by the
14 Congress to carry out the provisions of subsections (a), (b),
15 and (c). Such estimates shall be based upon the past experi-
16 ence of the actual costs of Federal financial incentives under
17 this Act and related expenses.

18 “(B) The use of loan guarantees, price guarantees, and
19 direct loans under this section and the use of the borrowing
20 authority of the Treasury under this subsection shall be effec-
21 tive for any fiscal year only to such extent or in such amounts
22 as are provided in advance in appropriation Acts.”.

1 TITLE II—DEFENSE-RELATED SKILL TRAINING
2 AND EDUCATION

3 SEC. 201. Title III of the Defense Production Act of
4 1950 (50 U.S.C. App. 2091 et seq.) is amended by inserting
5 after section 303B, as added by title I of this Act, the follow-
6 ing:

7 “FINDINGS AND PURPOSE

8 “SEC. 303C. (a) The Congress hereby finds, with re-
9 spect to sections 303D and 303E, that—

10 “(1) there is a serious shortage of trained workers
11 for many critical defense-related occupations;

12 “(2) in many such occupations, this labor shortage
13 will worsen as the present defense buildup gets under-
14 way;

15 “(3) this labor shortage has the potential of seri-
16 ously jeopardizing the Nation’s defense preparedness;

17 “(4) there is currently no federally focused effort
18 to remedy this threat to our national security by train-
19 ing workers specifically for critical defense-related jobs;

20 “(5) this labor shortage is occurring at the same
21 time that vast numbers of skilled and semi-skilled
22 workers have been permanently dislocated from their
23 prior occupations; and

24 “(6) there is currently inadequate assistance being
25 provided to institutions of higher education to assist

1 them in obtaining and installing the modern equipment
2 needed to train individuals for work in such occupa-
3 tions.

4 “(b) It is the purpose of sections 303D and 303E to
5 train and employ individuals, especially dislocated workers,
6 for jobs in critical defense-related skills, as determined by the
7 President, and to provide assistance to institutions of higher
8 education to obtain and install equipment to train individuals
9 in such skills.

10 “DEFENSE-RELATED SKILLS TRAINING PROGRAM

11 “SEC. 303D. (a)(1) The President shall take immediate
12 action to develop and implement a national program to train
13 and employ workers in skills which the President determines
14 are necessary in the industries identified under subsections
15 (a), (b), or (c) of section 303B, and which the President deter-
16 mines are in short supply or are anticipated to be in short
17 supply.

18 “(2) The Secretary of Defense, after consultation with
19 the Secretary of Labor and the National Occupational Infor-
20 mation Coordinating Committee, shall transmit to the Presi-
21 dent the recommendations of the Secretary of Defense re-
22 garding the determinations which the President is required to
23 make under paragraph (1).

24 “(b)(1) Assistance under this section shall be in the form
25 of a grant to a Governor to be allotted to a State board of

1 vocational education or other agency or agencies designated
2 in the State plan by the Governor of the State involved. Such
3 grants may be extended only if a State plan for a three-year
4 program of skills training has been submitted by the Gover-
5 nor to the President and approved by the President.

6 “(2) The President may, to the extent possible—

7 “(A) provide assistance in coordinating the State
8 plans developed under this section; and

9 “(B) provide technical assistance and support
10 services in the implementation and conduct of pro-
11 grams of skills training which are carried out under
12 this section.

13 “(c) The President, in determining the extent to which
14 State plans shall be funded, shall make use of all appropriate
15 and reasonable factors, but shall give particular emphasis
16 to—

17 “(1) the present or anticipated short supply in
18 that State of skilled workers for industries identified by
19 the President under subsection (a), (b), or (c) of section
20 303B;

21 “(2) the number of labor surplus areas in such
22 State; and

23 “(3) the extent to which the State plan is de-
24 signed to train dislocated workers for skilled occupa-
25 tions in such industries which are presently in short

1 supply or anticipated to be in short supply upon the
2 completion of such training.

3 “(d) The President shall not approve for funding any
4 State plan unless—

5 “(1) the State plan has been developed with rep-
6 resentatives of the management and workers of the in-
7 dustries involved and with public and private educa-
8 tional institutions of the State;

9 “(2) the State plan includes on-the-job training,
10 vocational, and other institutional training programs;

11 “(3) the State plan is designed to ensure meaning-
12 ful opportunities for participation by minorities and
13 women;

14 “(4) the Governor of the State has certified in
15 writing that the State plan will be carried out in ac-
16 cordance with the requirements of this section; and

17 “(5) such State plan includes—

18 “(A) upgrading skills training; and

19 “(B) retraining of workers in depressed in-
20 dustries, in surplus labor areas, or with occupa-
21 tional skills which might become obsolete because
22 of industrial modernization or technological ad-
23 vancement, in skills which the President deter-
24 mines under subsection (a) are necessary in the
25 industries identified under subsection (a), (b), or (c)

1 of section 303B as necessary to the manufacture
2 or supply of national defense materials which are
3 required for the national security or are likely to
4 be required in a time of emergency or war.

5 “(e) The State plan shall, where appropriate, include
6 certified apprenticeship training pursuant to an apprentice-
7 ship plan.

8 “(f) Any bona fide public or private training program
9 engaged in training workers in skills described in subsection
10 (a) shall be considered eligible to deliver such training serv-
11 ices upon written application, pursuant to a competitive proc-
12 ess, to the State board of vocational education or other
13 agency or agencies designated by the Governor of the State
14 involved under subsection (b)(1).

15 “(g) The State job training coordinating council under
16 Public Law 97-300 shall be given the opportunity—

17 “(1) to participate in the development of the plan;

18 “(2) to review the plan for thirty days prior to its
19 submission to the President; and

20 “(3) to submit written comments along with the
21 submission of the plan to the President.

22 “(h) The activities funded under this section shall not
23 duplicate facilities or services available in the area (with or
24 without reimbursement) from Federal, State, or local sources,
25 unless the plan provides evidence that alternative services or

1 facilities would be more effective or more likely to achieve
2 the objectives specified in subsection (a) of this section.

3 “(i) The plan shall contain assurances that the activities
4 funded under this section will be coordinated to the maximum
5 extent feasible with other employment-related programs in
6 the State, through joint agreements where practicable, or
7 through joint administration, with programs funded under the
8 Job Training Partnership Act to ensure maximum participa-
9 tion of eligible participants under such Act in training pro-
10 grams funded under this section, and through consultation
11 and coordination with certified apprenticeship plans, where
12 such plans are in effect, to ensure that the plan does not
13 duplicate or undermine existing certified apprenticeship pro-
14 grams.

15 “(j) The State plan shall include a certification which
16 assures the following labor training standards and require-
17 ments will be met:

18 “(1) conditions of training shall be appropriate and
19 reasonable in the light of such factors as the type of
20 work, geographical region, and proficiency of the par-
21 ticipant;

22 “(2) health and safety standards established under
23 State or Federal law, otherwise applicable to working
24 conditions of employees, shall be equally applicable to
25 working conditions of participants;

1 “(3) to the extent that a State workers’ compen-
2 sation law is applicable, workers’ compensation bene-
3 fits in accordance with such law shall be available with
4 respect to injuries suffered by participants. To the
5 extent that such law is not applicable, each recipient or
6 subrecipient of funds under this section shall secure in-
7 surance coverage for injuries suffered by such partici-
8 pants, in accordance with regulations prescribed by the
9 Secretary of Labor;

10 “(4) no currently employed worker shall be dis-
11 placed by any participant (including partial displace-
12 ment such as a reduction in the hours of nonovertime
13 work, wages, or employment benefits);

14 “(5) no program shall impair existing contracts of
15 employment;

16 “(6) no person shall be trained for a job—

17 “(A) when any other employee in the same
18 workplace or plant is on layoff from the same or
19 any substantially equivalent job; or

20 “(B) when the employer has terminated the
21 employment of any regular employee or otherwise
22 reduced its workforce with the intention of filling
23 the vacancy so created by hiring a participant
24 whose training is assisted under this section;

1 “(7) recipients of funds available under this sec-
2 tion have given assurances that such funds shall not be
3 used to assist, promote, or deter union organizing;

4 “(8) no funds available under this section may be
5 used to assist, promote, or deter union organizing; and

6 “(9) no funds will be used to train workers for
7 low skilled occupations.

8 “(k) Any grant under under this section shall be ex-
9 tended in any year only after the State involved has provided
10 a contribution, from public or private resources, to carry out
11 the State plan in an amount equal to 10 per centum of the
12 cost of the State plan for such year.

13 “(l) Each training program under the State plan shall
14 include contributions and other types of active participation
15 during the course of training from industry or labor organiza-
16 tions or both, except that the President, upon written request
17 from a State, may exempt training programs in economically
18 depressed communities from the contribution required under
19 this paragraph.

20 “(m) A portion of a State’s contribution may consist of
21 ‘in kind’ contributions of equipment, facilities, personnel, or
22 services to the extent that such ‘in kind’ contribution is uti-
23 lized in carrying out the State’s plan. No such ‘in kind’ con-
24 tribution may include equipment acquired under section
25 303E.

1 “(n) The President shall act upon each State plan not
2 later than ninety days after the date on which such State
3 plan is received. Such action shall be based upon the recom-
4 mendations of the Secretary of Defense, the Secretary of
5 Labor, and the Secretary of Education.

6 “(o) No person shall be excluded from participation in,
7 denied the benefits of, subjected to discrimination under, or
8 denied training in the administration of or in connection with
9 any program under this section because of race, color, reli-
10 gion, sex, national origin, age, handicap, or political affili-
11 ation or belief.

12 “(p) Not more than 10 per centum of the amount of any
13 grant made under this section may be used by a State for
14 administrative expenses incurred in carrying out a State plan.

15 “(q) Assistance under this section may be used to pur-
16 chase and install equipment for training purposes. The pur-
17 chase of any such equipment shall be done by means of com-
18 petitive bidding.

19 “(r) For purposes of installing Government-owned
20 equipment pursuant to section 303(e), the term ‘industrial
21 facilities’, as used in such section, shall include vocational
22 schools, other schools offering technical and vocational train-
23 ing programs, and any other location in which workers are
24 trained pursuant to this section.

1 “(s) There are authorized to be appropriated to carry
2 out the provisions of this section and section 303E not to
3 exceed \$350,000,000 for each fiscal year beginning with
4 fiscal year 1984 and continuing through fiscal year 1986,
5 except that not more than \$100,000,000 is authorized to be
6 appropriated for each such fiscal year to carry out the provi-
7 sions of section 303E. All such sums shall remain available
8 until expended.

9 “DEFENSE-RELATED EQUIPMENT ASSISTANCE PROGRAM

10 “SEC. 303E. (a)(1) The President shall take immediate
11 action to develop and implement a grant program to assist
12 colleges, universities, and other institutions of higher educa-
13 tion in obtaining and installing modern equipment which shall
14 be used to train professional, scientific, and technical person-
15 nel who are needed in the industries identified under subsec-
16 tion (a), (b), or (c) of section 303B.

17 “(2) All students and faculty studying, teaching, or con-
18 ducting research at such an institution of higher education
19 shall have access to such equipment for use in accordance
20 with regulations and practices of such institution of higher
21 education.

22 “(b) Any college, university, or other institution of
23 higher education which desires to receive a grant under this
24 section may submit an application to such Federal depart-

1 ment or agency as the President shall designate. Each such
2 application shall—

3 “(1) certify the cost of purchasing and installing
4 the equipment involved; and

5 “(2) contain such other information as the Presi-
6 dent deems necessary.

7 “(c)(1) Each college, university, or other institution of
8 higher education whose application is approved under this
9 section may be required to provide a matching share of up to
10 50 per centum of the cost of purchasing and installing the
11 equipment involved.

12 “(2) The purchase of any such equipment shall be done
13 by means of competitive bidding.

14 “(d) At the discretion of the President, equipment may
15 be provided under section 303(e) to colleges, universities, and
16 other institutions of higher education. For purposes of such
17 section, the term ‘industrial facilities’ shall include colleges,
18 universities, and other institutions of higher education.

19 “GENERAL PROVISIONS

20 “SEC. 303F. (a) Any equipment or plant financed
21 through Federal assistance authorized by sections 303B
22 through 303E shall be of United States origin to the maxi-
23 mum extent practicable. Exceptions to this limitation may be
24 made whenever the Secretary of Commerce determines in
25 writing—

1 “(1) that the foreign sourcing of such equipment
2 or plant will not adversely affect the capability or ca-
3 pacity of the United States defense industrial base to
4 provide national defense materials in a time of emer-
5 gency or war; or

6 “(2) that such equipment or plant of United States
7 origin is not available and is not practicable to obtain.

8 “(b) The Comptroller General of the United States shall
9 monitor the implementation of sections 303B through 303E,
10 conduct such audits as he determines to be necessary, and
11 submit an annual report of his findings to the Congress at the
12 beginning of each session of the Congress. The first such
13 annual report shall be submitted in the year following the
14 enactment of the Defense Industrial Base Revitalization Act.

15 “(c)(1) In order to carry out the provisions of sections
16 303B through 303E, the Office of Technology Assessment
17 shall, subject to approval of the Technology Assessment
18 Board and in a manner prescribed by section 472(d) of title 2,
19 United States Code, undertake a study of the public facilities
20 or infrastructure essential to the defense industrial base and
21 provide Congress with appropriate recommendations for in-
22 frastructure measures designed to avoid serious impediments
23 to the production and distribution of materiel.

24 “(2) The President shall employ individuals for the pur-
25 pose of assessing national strategic and critical minerals and

1 materials in accordance with the National Materials and Min-
2 erals Policy, Research and Development Act of 1980 (Public
3 Law 96-479).

4 “(d)(1)(A) All laborers and mechanics employed for the
5 construction, repair, or alteration of any project funded, in
6 whole or in part, by a guarantee, loan, or grant entered into
7 pursuant to the amendments made by the Defense Industrial-
8 ization Base Revitalization Act shall be paid wages at rates
9 not less than those prevailing on projects of similar character
10 in the locality as determined by the Secretary of Labor in
11 accordance with the Act entitled ‘An Act relating to the rate
12 of wages for laborers and mechanics employed on public
13 buildings of the United States and the District of Columbia
14 by contractors and subcontractors, and for other purposes’,
15 approved March 3, 1931 (40 U.S.C. 276a et seq.), and com-
16 monly known as the Davis-Bacon Act.

17 “(B) Such rates are not required to be paid trainees en-
18 rolled in a public training program, established under section
19 303C and 303D of this Act unless they are employed in
20 connection with projects funded under this Act in whole or in
21 part, exclusive of wages and benefits, or projects covered by
22 other statutes requiring the payment of such Davis-Bacon
23 Act wage rates.

24 “(C) Notwithstanding subparagraph (B), trainees en-
25 rolled in a private training program, established under sec-

1 tions 303C and 303D shall receive such rates as required by
2 such Davis-Bacon Act unless they are enrolled in training
3 programs certified by the Secretary of Labor pursuant to
4 such Act.

5 “(D) Participation by a trainee on a project not other-
6 wise covered by such Davis-Bacon Act or related statutes
7 requiring the payment of prevailing wages for laborers and
8 mechanics shall not require the payment of such wages to
9 employees on that project.

10 “(2) Guaranteeing agencies shall not extend guarantees
11 and the President shall not make loans or grants for the con-
12 struction, repair, or alteration of any project unless a certifi-
13 cation is provided to the agency or the President, as the case
14 may be, prior to the commencement of construction or at the
15 time of filing an application for a loan, guarantee, or grant, if
16 construction has already commenced, that these labor stand-
17 ards will be maintained at the project.

18 “(3) With respect to the labor standards specified in this
19 subsection, the Secretary of Labor shall have the authority
20 and functions set forth in Reorganization Plan Numbered 14
21 of 1950 and section 276(c) of title 40, United States Code.

22 “(e) On October 1, 1983, and on the first business day
23 of every sixth month beginning after such date, the President
24 shall transmit a report to both Houses of the Congress listing
25 all loans, loan guarantees, and commitments for loan guaran-

1 tees which were issued under section 303B during the six
2 calendar months preceding the transmittal date of the report
3 involved.

4 “(f) Notwithstanding any other provision of sections
5 303B through 303E, no funds are authorized to be appropri-
6 ated to carry out such sections, unless all of such funds are
7 attributed to a budget function or budget allocation other
8 than one affecting or relating to education or labor, the De-
9 partment of Education or the Department of Labor, the Com-
10 mittee on Education and Labor of the House of Representa-
11 tives or the Committee on Labor and Human Resources of
12 the Senate, or any subcommittee of the Committee on Appro-
13 priations of either House primarily responsible for appropri-
14 ations for education or labor.

15 “(g) For purposes of sections 303A through 303E—

16 “(1) the term ‘apprenticeship plan’ means a plan
17 approved by the Secretary of Labor pursuant to the
18 National Apprenticeship Act (29 U.S.C. 50 et seq.);

19 “(2) the term ‘State’ means any of the several
20 States, the District of Columbia, the Commonwealth of
21 Puerto Rico, Guam, the Virgin Islands, the Northern
22 Mariana Islands, American Samoa, the Trust Territory
23 of the Pacific Islands, or any other territory or posses-
24 sion of the United States; and

1 “(3) the term ‘United States’ means the several
2 States, the District of Columbia, the Commonwealth of
3 Puerto Rico, Guam, the Virgin Islands, the Northern
4 Mariana Islands, American Samoa, the Trust Territory
5 of the Pacific Islands, and any other territory or pos-
6 session of the United States.”.

7 **TITLE III—AMENDMENTS TO DEFENSE**

8 **PRODUCTION ACT OF 1950**

9 **SEC. 301. (a)(1)** Section 2 of the Defense Production
10 Act of 1950 (50 U.S.C. App. 2062) is amended to read as
11 follows:

12 **“DECLARATION OF POLICY**

13 **“SEC. 2. (a)(1)** In view of continuing international prob-
14 lems, the Nation’s demonstrated reliance on imports of mate-
15 rials and components, and the need for measures to reduce
16 defense production lead times and bottlenecks, and in order
17 to provide for the national defense and national security, our
18 defense mobilization preparedness effort continues to require
19 the development of preparedness programs, defense industrial
20 base improvement measures, and the expansion of domestic
21 productive capacity and supply beyond the levels needed to
22 meet the civilian demand. Also required is some diversion of
23 certain materials and facilities from civilian use to military
24 and related purposes.

1 “(2) These activities are needed in order to improve de-
2 fense industrial base efficiency and responsiveness, to reduce
3 the time required for industrial mobilization in the event of an
4 attack on the United States or to respond to actions occur-
5 ring outside the United States which could result in the ter-
6 mination or reduction of the availability of strategic and criti-
7 cal materials, including energy, and which could adversely
8 affect the national defense preparedness of the United States.
9 In order to insure the national defense preparedness which is
10 essential to national security, it is also necessary and appro-
11 priate to assure the availability of domestic energy supplies
12 for national defense needs.

13 “(b)(1) In order to insure productive capacity in the
14 event of an attack on the United States, it is the policy of the
15 Congress to encourage the geographical dispersal of the in-
16 dustrial facilities of the United States in the interest of the
17 national defense, and to discourage the concentration of such
18 productive facilities within limited geographical areas which
19 are vulnerable to attack by an enemy of the United States.

20 “(2) In the construction of any Government-owned in-
21 dustrial facility, in the rendition of any Government financial
22 assistance for the construction, expansion, or improvement of
23 any industrial facility, and in the production of goods and
24 services, under this or any other Act, each department and
25 agency of the executive branch shall apply, under the coordi-

1 nation of the Federal Emergency Management Agency, when
2 practicable and consistent with existing law and the desirabil-
3 ity for maintaining a sound economy, the principle of the geo-
4 graphical dispersal of such facilities in the interest of national
5 defense. However, nothing in this paragraph shall preclude
6 the use of existing industrial facilities.

7 “(3) To ensure the adequacy of productive capacity and
8 supply, executive agencies and departments responsible for
9 defense acquisition shall continuously assess the capability of
10 the defense industrial base to satisfy near-term requirements
11 as well as increased mobilization production requirements.
12 Such assessments shall specifically evaluate the availability
13 of adequate production sources, including subcontractors and
14 suppliers, materials, and skilled labor, and professional, scien-
15 tific, and technical personnel.

16 “(4) It is the policy of the Congress that plans and pro-
17 grams to carry out this declaration of policy shall be under-
18 taken with due consideration for promoting efficiency and
19 competition.”.

20 (2) Section 101 of the Defense Production Act of 1950
21 (50 U.S.C. App. 2071) is amended by adding at the end
22 thereof the following:

23 “(d) The Secretary of Defense may not enter into any
24 contract of more than \$5,000,000 for any item of defense
25 production from any manufacturer located in the United

1 States unless that manufacturer agrees to conduct or sponsor
2 the training of personnel in skills which the President deter-
3 mines are in short supply pursuant to section 303D, if the
4 defense procurement contract will require the contractor or
5 any subcontractor of the contractor to hire additional workers
6 in any such skilled occupations, and the training of such
7 workers is critical to the timely completion of work under the
8 contract in the area in which the contract will be performed.

9 “(e)(1) Except as provided in paragraph (2), the Presi-
10 dent may not exercise the authority granted under subsection
11 (a) or (b) regarding any change in approved Department of
12 Defense urgency determinations for critical defense produc-
13 tion programs (including any compilation or revision of the
14 master urgency list on defense production) unless both
15 Houses of the Congress have been notified in writing of such
16 proposed exercise of authority and sixty days of continuous
17 session of the Congress have expired following the date on
18 which such notice was transmitted to the Congress.

19 “(2) The provisions of paragraph (1) shall not apply in
20 any case in which the President determines that immediate
21 action is needed in the interest of national security and the
22 President transmits a notice of such determination to both
23 Houses of the Congress. Such notice shall be transmitted to
24 both Houses of the Congress on the date on which the Presi-
25 dent makes such determination.

1 “(3) For purposes of this subsection, the continuity of a
2 session of the Congress is broken only by an adjournment of
3 the Congress sine die, and the days on which either House is
4 not in session because of an adjournment of more than three
5 days to a day certain are excluded in the computation of such
6 sixty-day period.

7 “(f)(1) The President shall not exercise the authority
8 granted under subsection (a) or (b) of this section to achieve
9 the performance of any contract or order for an item of de-
10 fense production if such item, or any component of such item,
11 is obtained from any manufacturer located outside of the
12 United States, unless—

13 “(A) such contract or order is for less than
14 \$1,000,000;

15 “(B) the Secretary of Defense has determined in
16 writing that such contract or order will not result in
17 the United States becoming primarily dependent upon
18 manufacturers located outside of the United States for
19 the supply of such item of defense production, or any
20 component of such item; or

21 “(C) the President has certified in writing to the
22 Congress that entering into such contract is essential
23 to the national defense.

24 “(2) The requirements of paragraph (1) shall not
25 apply—

1 “(A) during any period in which there is in
2 effect—

3 “(i) a declaration of national emergency
4 which is issued by the President; or

5 “(ii) a declaration of war which is adopted by
6 the Congress; or

7 “(B) with respect to contracts or orders which are
8 entered into under the terms of any treaty which is
9 ratified by the Senate.

10 “(3) For purposes of this subsection, the term ‘United
11 States’ means the several States, the District of Columbia,
12 the Commonwealth of Puerto Rico, Guam, the Virgin Is-
13 lands, the Northern Mariana Islands, American Samoa, the
14 Trust Territory of the Pacific Islands, and any other territory
15 or possession of the United States.”.

16 (b) The first sentence of section 717(a) of the Defense
17 Production Act of 1950 (50 U.S.C. App. 2166(a)) is amended
18 by striking out “September 30, 1983” and inserting in lieu
19 thereof “September 30, 1986”.

20 (c) Section 720 of the Defense Production Act of 1950
21 (50 U.S.C. App. 2169) is hereby repealed.

22 (d) Section 701 of the Defense Production Act of 1950
23 (50 U.S.C. App. 2151) is amended by adding at the end
24 thereof the following:

1 “(e)(1)(A)(i) Any person signing a contract which in-
2 volves the sale of any defense article or defense service for
3 use by a nation other than the United States and which in-
4 cludes an offset agreement in excess of \$5,000,000 shall file
5 an annual report with the Secretary of the Treasury. Each
6 such report shall include the total of all offsets, classified by
7 the category of the defense material or defense services in-
8 volved, entered into by such person during the three calendar
9 years preceding the year in which such report is filed. The
10 first such annual report shall be filed with the Secretary of
11 the Treasury not later than June 1, 1984. Subsequent annual
12 reports shall be filed not later than June 1 of each year.

13 “(ii) Except as provided in subparagraph (B) and not-
14 withstanding any other provision of law, including section
15 552 of title 5, United States Code (commonly known as the
16 Freedom of Information Act), the Secretary of the Treasury
17 shall not disclose, except to the Congress, any information
18 required to be reported pursuant to this subparagraph.

19 “(B) Not later than the first October 1 occurring more
20 than ninety days after the date of the enactment of this sub-
21 section and not later than each October 1 occurring after
22 such October 1, the Secretary of the Treasury shall submit to
23 the Committee on Banking, Housing, and Urban Affairs of
24 the Senate and to the Committee on Banking, Finance and
25 Urban Affairs of the House of Representatives a report on

1 the total number of contracts reported pursuant to subpara-
2 graph (A) and the total amount of offsets required by such
3 contracts. Such report shall contain a breakdown of offsets by
4 category of defense material or defense services involved and
5 by recipient country.

6 “(2) For purposes of this subsection—

7 “(A) the term ‘offset’ means any international
8 transaction between a buyer and seller that provides
9 nonmonetary compensation which may include, but not
10 be limited to, the transfer of production or technology
11 to the buyer as a consideration for the purchase of a
12 particular item or service; and

13 “(B) the term ‘person’ means any individual, sole
14 proprietorship, partnership, or corporation.

15 “(3) This subsection shall cease to be effective five years
16 after the date of the enactment of this subsection.

17 “(f) The Secretary of Defense shall report to the Com-
18 mittee on Banking, Housing, and Urban Affairs of the Senate
19 and to the Committee on Banking, Finance and Urban Af-
20 fairs of the House of Representatives any memorandum of
21 understanding or similar agreement which involves actual,
22 planned, or potential offsets in contracts involving the sale of
23 defense articles or services in excess of \$5,000,000 not later
24 than thirty days after the Secretary of Defense signs such
25 memorandum of understanding.”.

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