1	SEC ACCEPTANCE OF CONTRIBUTIONS IN SUPPORT OF AUSTRALIA,
2	UNITED KINGDOM, AND UNITED STATES SUBMARINE SECURITY
3	ACTIVITIES.
4	Chapter 155 of title 10, United States Code, is amended by inserting after section 2608
5	the following new section:
6	"§ 2609. Acceptance of contributions for Australia, United Kingdom, and United States
7	submarine security activities; Submarine Security Activities Account
8	"(a) ACCEPTANCE AUTHORITY.—The Secretary of Defense may accept from the
9	Government of Australia contributions of money made by the Government of Australia for use
10	by the Department of Defense in support of non-nuclear related aspects of submarine security
11	activities between Australia, the United Kingdom, and the United States (in this section referred
12	to as 'AUKUS').
13	"(b) Establishment of Submarine Security Activities Account.—(1) There is
14	established in the Treasury of the United States a special account to be known as the 'Submarine
15	Security Activities Account'.
16	"(2) Contributions of money accepted by the Secretary of Defense under subsection (a)
17	shall be credited to the Submarine Security Activities Account.
18	"(c) USE OF THE SUBMARINE SECURITY ACTIVITIES ACCOUNT.—(1) The Secretary of
19	Defense may use funds in the Submarine Security Activities Account—
20	"(A) for any purpose authorized by law that the Secretary determines would
21	support AUKUS submarine security activities; or
22	"(B) to carry out a military construction project that is consistent with the
23	purposes for which the contributions were made and is not otherwise authorized by law.

- 1 "(2) Funds in the Submarine Security Activities Account may be used as described in this 2 subsection without further specific authorization in law.
- "(d TRANSFERS OF FUNDS.—(1) In carrying out subsection (c), the Secretary of Defense
  may transfer funds available in the Submarine Security Activities Account to appropriations
  available to the Department of Defense.
- "(2) In carrying out subsection (c), and in accordance with the Atomic Energy Act of
  1954 (42 U.S.C. 2011 et seq.), the Secretary of Defense may transfer funds available in the
  Submarine Security Activities Account to appropriations or funds of the Department of Energy
  available to carry out activities related to AUKUS submarine security activities.

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- "(3) Funds transferred under this subsection shall be available for obligation for the same time period and for the same purpose as the appropriation to which transferred.
- "(4) Upon a determination by the Secretary that all or part of the funds transferred from the Submarine Security Activities Account are not necessary for the purposes for which such funds were transferred, all or such part of such funds shall be transferred back to the Submarine Security Activities Account.
- "(e) INVESTMENT OF MONEY.—(1) Upon request by the Secretary of Defense, the Secretary of the Treasury may invest money in the Submarine Security Activities Account in securities of the United States or in securities guaranteed as to principal and interest by the United States.
- "(2) Any interest or other income that accrues from investment in securities referred to in paragraph (1) shall be deposited to the credit of the Submarine Security Activities Account.
- "(f) RELATIONSHIP TO OTHER LAWS.—The authority to accept or transfer funds under this section is in addition to any other authority to accept or transfer funds."

## **Section-by-Section Analysis**

This proposal would provide the Department of Defense (DoD) with the authority to accept payments from the Government of Australia for the purpose of improving the United States submarine industrial base (SIB). The acceptance of funds will be accomplished as part of the enhanced trilateral arrangement between Australia, the United Kingdom, and the United States referred to as "AUKUS" and will be pursuant to an arrangement between the United States and the Government of Australia. DoD requires the broad authority proposed by this section to ensure that the full scope of SIB expansion to be supported by Australia can be executed in a timely fashion via the appropriate mechanism. Existing United States authorities and programs will likely accommodate certain aspects of the SIB expansion objective. For example, foreign military sales under the Arms Export Control Act or Atomic Energy Act agreement programs and bilateral arrangements to be created will support various activities of the SIB expansion effort. Funding in support of the nuclear aspects of the program is expected to be transferred directly to the Department of Energy pursuant to the Atomic Energy Act. However, the unique character of a foreign government transferring funds to the United States for purposes of expanding U.S. industrial capacity benefits from an authority for DoD that will allow the Secretary of Defense to direct Australian support to the appropriate elements of SIB expansion.

SIB expansion is needed on two crucial fronts: (1) the sustainment SIB, the four naval shipyards, and intermediate maintenance activities; and (2) the nuclear and non-nuclear construction SIB, contractor-owned shipyards and the underlying nuclear and non-nuclear government-furnished equipment submarine supplier base. These key SIB components are suffering from extended reductions in workload that occurred over two decades (what is referred to as the 'peace dividend' era), a generational turnover of the workforce, followed by COVID-19 impacts. At the same time, there has been a significant increase in demand in both segments due to overhauls on the Virginia-class nuclear-powered submarines (SSN) (VCS), and a dramatic increase of approximately five times in tonnage of new construction submarines since 2012. Consequently, the currently programmed funding of these SIB components (Shipyard Infrastructure Optimization Program (SIOP) for sustainment and fiscal year (FY) 2020 to FY 2023 President's Budget investments in construction) is not sufficient to accommodate the increased workload. The planned activities for AUKUS exacerbate the problem on both fronts.

Funds for the sustainment SIB may be used for enhancing the naval shipyards (deep maintenance facilities) and intermediate maintenance activities in order to mitigate the force-level reductions caused by sale of VCS to Australia. Specifically, for the naval shipyards, we would add a significant number of trade workers to facilitate a transition to round-the-clock operations to work off the significant overhaul backlog. For the intermediate maintenance activities, we would add capital assets, specifically that are not included in the SIOP or otherwise budgeted, that would reduce backlog, provide parallel paths for sustainment, and increase resiliency to repair damage – including an additional submarine tender and floating dry dock. Budgeted items that should be expanded for the sustainment SIB include advance purchasing of components and materials that are known to be replacement items for submarine overhauls so that parts are on-hand at the start of shipyard work, outsourcing less complex sustainment work to local contractors, resolving Virginia class system and component obsolescence issues through

life-of-class purchase of parts that go out of production quickly and cannot be sourced over the life of the class, and expanding planning efforts for private sector overhauls to relieve the backlog at the naval shipyards.

Funds for the construction SIB may be used for increasing the VCS production rate to produce additional VCS to replace sold in-service VCS to Australia, and to produce additional VCS for Australia, as well as specifically addressing the need to support technology transfer into the design of the Australia-UK nuclear-powered submarine (SSN AUKUS). The funds would support a whole-of-industry approach to facilities, technology, personnel, and oversight. These efforts would include design tool modernization and deployment, addressing supplier base modernization, additional facilities, and advanced manufacturing improvements, and levelling shipyard workload via strategic sourcing of key submarine fabrication work to newly qualified contractors. With regard to personnel, the funds would be applied to recruitment, training, incentivizing, and retention of key skilled trades, engineering, and planning personnel in both nuclear and non-nuclear disciplines that are required by the additional AUKUS workload, and also embedments of Australian personnel in the United States submarine construction SIB for training purposes. Supporting the workflow in the construction shipyards requires attention to resiliency in both capital plant equipment and advance purchase of construction spares and long lead time materials to level-load the supplier base, and enable the construction yards to deal with in-yard bottlenecks and production issues by pulling forward key components. Finally, there is a need for an increase in government onsite supervision, quality assurance, and headquarters personnel to support the transition of Australia to a nuclear navy and to support the incorporation of United States technology into SSN AUKUS.

**Resource Information:** This proposal has no impact on the use of resources requested within the Fiscal Year (FY) 2024 President's Budget.

**Changes to Existing Law:** This proposal would add a new section to chapter 155 of title 10, United States Code, the full text of which is shown in the legislative language above.

1	SEC AUSTRALIA, UNITED KINGDOM, AND UNITED STATES SUBMARINE
2	SECURITY ACTIVITIES.
3	(a) AUTHORIZATION TO TRANSFER SUBMARINES.—
4	(1) IN GENERAL.—Subject to paragraph (6), the President may transfer not more
5	than two Virginia class submarines from the inventory of the Navy to the Government of
6	Australia on a sale basis under section 21 of the Arms Export Control Act (22 U.S.C.
7	2761).
8	(2) COSTS OF TRANSFER.—Any expense incurred by the United States in
9	connection with the transfer authorized by this subsection shall be charged to the
10	Government of Australia.
11	(3) WAIVER OF CERTIFICATION REQUIREMENT.—The requirement for the Chief of
12	Naval Operations to make a certification under section 8678 of title 10, United States
13	Code, shall not apply to a transfer under this subsection.
14	(4) USE OF FUNDS.— The Secretary of the Navy may use the proceeds of a
15	transfer under this subsection—
16	(A) for the acquisition of vessels to replace the vessels transferred to the
17	Government of Australia; or
18	(B) to carry out any other authority the use of which the Secretary of the
19	Navy determines would improve the submarine industrial base.
20	(5) CREDITING OF RECEIPTS.—Notwithstanding any provision of law pertaining to
21	the crediting of amounts received from a sale under the terms of the Arms Export Control
22	Act (22 U.S.C. 2761), any receipt of the United States as a result of a transfer under this
23	section shall—

1	(A) be credited, at the discretion of the Secretary of the Navy to—
2	(i) the appropriation, fund, or account used in incurring the original
3	obligation;
4	(ii) an appropriate appropriation, fund, or account currently
5	available for the purposes for which the expenditures were made; or
6	(iii) any other appropriation, fund, or account available for the
7	purpose specified in paragraph (4)(B); and
8	(B) remain available for obligation until expended for the same purpose as
9	the appropriation to which the receipt is credited.
10	(6) APPLICABILITY OF EXISTING LAW TO TRANSFER OF SPECIAL NUCLEAR MATERIAL
11	AND UTILIZATION FACILITIES FOR MILITARY APPLICATIONS.—
12	(A) IN GENERAL.—With respect to any special nuclear material for use in
13	utilization facilities or any portion of a vessel transferred under this subsection
14	constituting utilization facilities for military applications under section 91 of the
15	Atomic Energy Act (42 U.S.C. 2121), transfer of such material or such facilities
16	shall only occur in accordance with such section 91.
17	(B) USE OF FUNDS.—The Secretary of Energy may use proceeds from a
18	transfer described in subparagraph (A) for the acquisition of submarine naval
19	nuclear propulsion plants and the nuclear fuel to replace the propulsion plants and
20	fuel transferred to the Government of Australia.
21	(b) REPAIR AND REFURBISHMENT OF AUKUS SUBMARINES.—Section 8680 of title 10,
22	United States Code, is amended—
23	(1) by redesignating subsection (c) as subsection (d); and

1	(2) by inserting after subsection (b) the following new subsection:
2	"(c) Repair and Refurbishment of Certain Submarines.—
3	"(1) Shipyard.—Notwithstanding any other provision of this section, the
4	Secretary of the Navy shall determine the appropriate shipyard in the United States,
5	Australia, or the United Kingdom to perform any repair or refurbishment of a United
6	States submarine involved in submarine security activities between Australia, the United
7	Kingdom, and the United States (in this section referred to as "AUKUS").
8	"(2) PERSONNEL.—Repair or refurbishment described in paragraph (1) may be
9	carried out by personnel of the United States, United Kingdom, or Australia in
10	accordance with the international arrangements governing AUKUS submarine security
11	activities.".

[Please note: The "Changes to Existing Law" section below sets out in red-line format how the legislative text would amend existing law.]

#### **Section-by-Section Analysis**

This proposal would authorize the transfer of up to two Virginia class submarines to the Government of Australia as part of the highly complex, critically important, and multi-decade project to develop, produce, train, and sustain a conventionally armed, nuclear-powered submarine force in Australia. The transfer would be in the form of a sale with the costs of the transfer covered by the Government of Australia.

This project, referred to as AUKUS, will require significant coordination and cooperation among the Governments of Australia, the United Kingdom, and the United States, as well as among their defense industrial bases. This proposal will authorize some of the early necessary steps in the process and will signal to Australia and the United Kingdom that this is a long-term commitment by the United States to an enduring relationship with trilateral cooperation on some of the most sensitive technologies.

AUKUS submarine security cooperation will adhere to the highest non-proliferation standards for activities occurring in Australia and will involve a variety of United States agencies acting through suitable international arrangements and statutory authorities.

This proposal, intended to satisfy the requirements of section 8677 of title 10, United States Code, would provide the United States Navy the flexibility to transfer up to two Virginia class submarines without a deadline to consummate the transfers and without specifying the specific vessels to be transferred. This small amount of flexibility is necessary because the transfers may not occur for a significant period of time and will be conditioned on Australian readiness to safely and effectively operate such vessels. This flexibility is also necessary so that Royal Australian Navy personnel have time to complete schoolhouse and on-the-job training, Australian private-shipyard personnel have time to acquire training on submarine production and repair from the United States Navy and United States contractors, and the Government of Australia and the Australian defense industrial base have time to develop and build adequate infrastructure.

The proposal includes a standard provision in legislation authorizing transfers of naval vessels noting that the recipient is responsible for any expense incurred in making the transfer. The proposal also clarifies that the transfer of submarine naval nuclear propulsion plants and fuel shall take place subject to the provisions of the Atomic Energy Act that govern such transfers.

The proposal would waive the requirement under section 8678 of title 10, United States Code, for the Chief of Naval Operations to certify that transfer of the submarines will not affect the ability to defend the United States. While transfer of one or two submarines may have an effect in the near term, the expectation is that AUKUS submarine security cooperation will keep those submarines in use by a close ally to maintain our collective defense.

The proposal would also permit a unique use of the proceeds from the sale of the vessel or vessels. Existing statutory authority under section 21 of the Arms Export Control Act (22 U.S.C. 2761) permits a Military Department to retain the proceeds of a sale of non-excess defense articles and obligate them to procure replacement defense articles. For the AUKUS submarine security cooperation, the Navy may have a more pressing need at the time of the transfer to obligate the proceeds for improving public and private United States Virginia class submarine production and repair facilities. The proposal would permit such a use of funds. The proposal also permits the Secretary of Energy to use the proceeds from the transfer of submarine nuclear propulsion plants and fuel to Australia for the acquisition of replacement submarine naval nuclear propulsion plants and the nuclear fuel.

The proposal would also provide the Secretary of Defense the authority to specify the shipyard or repair facility most able to conduct the necessary repair and refurbishment of the submarine or submarines before transfer. If repair or refurbishment is necessary, it will need to occur very quickly and the proposal reduces the likelihood the acquisition process will delay the repair or refurbishment. The proposal also allows for the repair or refurbishment of United States submarines involved in AUKUS security cooperation that could occur in Australia or the United Kingdom if the industrial capability exists at that time. The flexibility to allow United Kingdom and Australian personnel to service United States submarines is essential to develop the capacity of Australia to manage a nuclear-powered submarine fleet and to maximize the utilization of the United States and United Kingdom submarine industrial bases to carry out the purposes of the AUKUS project.

**Resource Information:** This proposal has no impact on the use of resources requested within the Fiscal Year (FY) 2024 President's Budget. Any costs related to this authority will be included in the FMS case, and not budgeted for by the Navy.

**Changes to Existing Law:** This proposal would make the following changes to section 8680 of title 10, United States Code:

# § 8680. Overhaul, repair, etc. of vessels in foreign shipyards: restrictions

- (a) VESSELS UNDER JURISDICTION OF THE SECRETARY OF THE NAVY WITH HOMEPORT IN UNITED STATES OR GUAM.—(1) A naval vessel the homeport of which is in the United States or Guam may not be overhauled, repaired, or maintained in a shippard outside the United States or Guam.
- (2)(A) Notwithstanding paragraph (1) and subject to subparagraph (B), in the case of a naval vessel classified as a Littoral Combat Ship and operating on deployment, corrective and preventive maintenance or repair (whether intermediate or depot level) and facilities maintenance may be performed on the vessel—
  - (i) in a foreign shipyard;
  - (ii) at a facility outside of a foreign shipyard; or
  - (iii) at any other facility convenient to the vessel.
- (B)(i)(I) Corrective and preventive maintenance or repair may be performed on a vessel as described in subparagraph (A) if the work is performed by United States Government personnel or United States contractor personnel.
- (II) Notwithstanding subclause (I), foreign workers may be used to perform corrective and preventive maintenance or repair on a vessel as described in subparagraph (A) only if the Secretary of the Navy determines that travel by United States Government personnel or United States contractor personnel to perform the corrective or preventive maintenance or repair is not advisable for health or safety reasons. The Secretary of the Navy may not delegate the authority to make a determination under this subclause.
- (III) Not later than 30 days after making a determination under subclause (II), the Secretary of the Navy shall submit to the congressional defense committees written notification of the determination. The notification shall include the reasons why travel by United States personnel is not advisable for health or safety reasons, the location where the corrective and preventive maintenance or repair will be performed, and the approximate duration of the corrective and preventive maintenance or repair.
- (ii) Facilities maintenance may be performed by a foreign contractor on a vessel as described in subparagraph (A) only as approved by the Secretary of the Navy.
  - (C) In this paragraph:
    - (i) The term "corrective and preventive maintenance or repair" means—
    - (I) maintenance or repair actions performed as a result of a failure in order to return or restore equipment to acceptable performance levels; and
    - (II) scheduled maintenance or repair actions to prevent or discover functional failures.
    - (ii) The term "facilities maintenance" means—
    - (I) the effort required to provide housekeeping services throughout the ship;

- (II) the effort required to perform coating maintenance and repair to exterior and interior surfaces due to normal environmental conditions; and (III) the effort required to clean mechanical spaces, mission zones, and topside spaces.
- (3) Notwithstanding paragraph (1), a naval vessel described in paragraph (1) may be repaired in a shipyard outside the United States or Guam if the repairs are—
  - (A) voyage repairs; or
  - (B) necessary to correct damage sustained due to hostile actions or interventions.
- (b) VESSEL CHANGING HOMEPORTS.—(1) In the case of a naval vessel the homeport of which is not in the United States (or a territory of the United States), the Secretary of the Navy may not during the 15-month period preceding the planned reassignment of the vessel to a homeport in the United States (or a territory of the United States) begin any work for the overhaul, repair, or maintenance of the vessel that is scheduled to be for a period of more than six months.
- (2) In the case of a naval vessel the homeport of which is in the United States (or a territory of the United States), the Secretary of the Navy shall during the 15-month period preceding the planned reassignment of the vessel to a homeport not in the United States (or a territory of the United States) perform in the United States (or a territory of the United States) any work for the overhaul, repair, or maintenance of the vessel that is scheduled—
  - (A) to begin during the 15-month period; and
  - (B) to be for a period of more than six months.

## (c) REPAIR AND REFURBISHMENT OF CERTAIN SUBMARINES.—

- (1) SHIPYARD.—Notwithstanding any other provision of this section, the Secretary of the Navy shall determine the appropriate shipyard in the United States, Australia, or the United Kingdom to perform any repair or refurbishment of a United States submarine involved in submarine security activities between Australia, the United Kingdom, and the United States (in this section referred to as "AUKUS").
- (2) PERSONNEL.—Repair or refurbishment described in paragraph (1) may be carried out by personnel of the United States, United Kingdom, or Australia in accordance with the international arrangements governing AUKUS submarine security activities.
- (ed) REPORT.—(1) The Secretary of the Navy shall submit to Congress each year, at the time that the President's budget is submitted to Congress that year under section 1105(a) of title 31, a report listing all repairs and maintenance performed on any covered naval vessel that has undergone work for the repair of the vessel in any shipyard outside the United States or Guam (in this section referred to as a "foreign shipyard") during the fiscal year preceding the fiscal year in which the report is submitted.
- (2) The report shall include the percentage of the annual ship repair budget of the Navy that was spent on repair of covered naval vessels in foreign shipyards during the fiscal year covered by the report.
- (3) Except as provided in paragraph (4), the report also shall include the following with respect to each covered naval vessel:

- (A) The justification under law and operational justification for the repair in a foreign shipyard.
  - (B) The name and class of vessel repaired.
- (C) The category of repair and whether the repair qualified as voyage repair as defined in Commander Military Sealift Command Instruction 4700.15C (September 13, 2007) or Joint Fleet Maintenance Manual (Commander Fleet Forces Command Instruction 4790.3 Revision A, Change 7), Volume III. Scheduled availabilities are to be considered as a composite and reported as a single entity without individual repair and maintenance items listed separately.
  - (D) The shipyard where the repair work was carried out.
  - (E) The number of days the vessel was in port for repair.
- (F) The cost of the repair and the amount (if any) that the cost of the repair was less than or greater than the cost of the repair provided for in the contract.
- (G) The schedule for repair, the amount of work accomplished (stated in terms of work days), whether the repair was accomplished on schedule, and, if not so accomplished, the reason for the schedule over-run.
  - (H) The homeport or location of the vessel prior to its voyage for repair.
- (I) Whether the repair was performed under a contract awarded through the use of competitive procedures or procedures other than competitive procedures.
- (4) In the case of a covered vessel described in subparagraph (C) of paragraph (5), the report shall not be required to include the information described in subparagraphs (A), (E), (F), (G), and (I) of paragraph (3).
  - (5) In this subsection, the term "covered naval vessel" means any of the following:
    - (A) A naval vessel.
    - (B) Any other vessel under the jurisdiction of the Secretary of the Navy.
  - (C) A vessel not described in subparagraph (A) or (B) that is operated pursuant to a contract entered into by the Secretary of the Navy and the Maritime Administration or the United States Transportation Command in support of Department of Defense operations.

# SEC. . AUSTRALIA, UNITED KINGDOM, AND UNITED STATES SUBMARINE

#### 2 **SECURITY TRAINING.**

- 3 (a) IN GENERAL.—The President may transfer or authorize export of defense services to
- 4 the Government of Australia under the Arms Export Control Act (22 U.S.C. 2751 et seq.) that
- 5 may also be directly exported to Australian private-sector personnel to support the development
- 6 of the Australian submarine industrial base necessary for submarine security activities between
- Australia, the United Kingdom, and the United States (in this section referred to as "AUKUS"),
- 8 including where such private-sector personnel are not officers, employees, or agents of the
- 9 Government of Australia.

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- 10 (b) APPLICATION OF REQUIREMENTS FOR FURTHER TRANSFER.—Any transfer of defense
- services to the Government of Australia pursuant to subsection (a) to persons other than those
- directly provided such defense services pursuant to such subsection shall only be made in
- accordance with the requirements of the Arms Export Control Act (22 U.S.C. 2751 et seq.).

## **Section-by-Section Analysis**

This proposal would provide for the training of the Australian private-sector personnel to support the development of the Australian submarine industrial base under the foreign military sales program pursuant to the Arms Export Control Act (AECA). The training would be provided by United States contractors and the United States Navy. In order for submarine security cooperation between Australia, the United Kingdom, and the United States (referred to as "AUKUS") to succeed on schedule, Australia must rapidly develop the capacity of its submarine industrial base to produce, maintain, and repair conventionally armed, nuclear-powered submarines. This development must begin as soon as possible for Australia to become ready to own and safely operate these submarines in a manner that both maintains the highest non-proliferation standards and strengthens the global non-proliferation regime.

Foreign military sales under the AECA is the principal authority for U.S. Government sales of defense services, such as the training contemplated in support of AUKUS, to friendly foreign countries. AECA sales are limited to foreign governments or their agents. The AECA does not affirmatively authorize the U.S. Government to sell defense services to foreign commercial entities. The success of AUKUS security cooperation will partly depend on developing the submarine industrial base of Australia by training private-sector personnel who do not currently have a contractual relationship with the Australian government, a concept not

directly addressed by the AECA. This proposal would clarify that the President may provide, through transfer or export, to the Government of Australia the training necessary to directly develop the Australian submarine industrial base even when private-sector personnel of that industrial base do not yet have a contractual relationship with the Government of Australia.

The proposed legislation will help build expeditiously the capacity of the Australian submarine industrial base. It contemplates multiple approaches, but is not limited to requiring either the Government of Australia to establish an agency relationship with multiple Australian companies or each Australian company needing to conclude contracts with multiple U.S. companies for which each U.S. company would need to seek a U.S. Government approved export license. Such an approach would provide the broad framework necessary to implement such a significant effort.

If this legislative proposal is enacted, it would allow export licenses for such private experts and still would not preclude the U.S. Government from providing the needed oversight and consolidation of the numerous stakeholders under an overarching foreign military sales case to ensure the training program for the Australian submarine industry is coherent, comprehensive, timely, and effective. A foreign military sales letter of offer and acceptance would permit the U.S. Navy to award contracts to U.S. contractors with highly specialized industrial skills so that these U.S. contractors can train Australian government contractors as well as Australian private-sector personnel and allow U.S. Navy public submarine facilities to train all of such Australians, all of which would be carried out under strict security protocols.

**Resource Information:** This proposal has no impact on the use of resources requested within the Fiscal Year (FY) 2024 President's Budget.

Changes to Existing Law: This proposal would not change the text of any existing provision of law.