



U.S. Department  
of Transportation  
**Maritime  
Administration**

## MANUAL OF ORDERS

### MARITIME ADMINISTRATIVE ORDER

REVOKES

See section 5.

NO.

56-1

EFFECTIVE DATE

December 1, 1999

SUBJECT

#### OFFICE OF FINANCIAL AND RATE APPROVALS

Section 1. Organization: The Office of Financial and Rate Approvals is supervised by a Director who reports to the Associate Administrator for Shipping Analysis and Cargo Preference. The office has no formal organizational breakdown.

Section 2. Delegations of Authority: Subject to such conditions and limitations as the Maritime Administrator may impose in other directives, the Director, Office of Financial and Rate Approvals is authorized to exercise all the authorities of the Associate Administrator for Shipping Analysis and Cargo Preference required to perform the functions assigned in Department of Transportation Order (DOT) 1100.69A and this order, except authorities delegated by the Maritime Subsidy Board that cannot be redelegated.

Section 3. The Costs and Rates Group shall:

3.01 Calculate operating-differential subsidy (ODS) rates for subsidizable items of expense covered by subsidy contracts, and prepare recommendations to the Maritime Administrator concerning these rates, except for those where section 606(1) of the Merchant Marine Act, 1936, as amended, is an issue. In the latter instances, recommendations will be made to the Maritime Subsidy Board. Analyze procedures for determining ODS rates and recommend modifications and revisions, as appropriate; develop and maintain related manuals, orders, and regulations, and prepare relevant circular letters.

3.02 Determine the eligibility of items of expense on which subsidy is claimed (except Maintenance and Repair expenses), as provided in Maritime Administrative Order (MAO) 560-1. Determine the eligibility of and approve unusual expenses such as shortfalls, special assessments, and retroactive wage increases for unpredictably-timed subsidy payments. Review, analyze, and prepare reports and recommendations, as assigned pursuant to MAO 560-1, regarding eligibility of items of expense on which subsidy is claimed, requested, or being considered.

3.03 Analyze substantiality and extent of foreign-flag competition on essential trade routes and recommend such competition as the basis for ODS rate calculations.

3.04 Collect, analyze, and evaluate data on crew scales and operating costs of foreign and U.S.-flag vessels. Conduct studies and reviews of operating costs of U.S.- and foreign-flag vessels, as required, and prepare related analysis and cost statements, including an annual report on daily operating costs of U.S.-flag vessels, using available financial and ship operating cost data.

3.05 Develop and recommend new or revised policies, procedures, and regulations relating to the fair and reasonable rate requirements of section 901(b)(1) of the Merchant Marine Act, 1936, as amended, and Public Resolution 17.

3.06 Collect, analyze, evaluate and verify cost data for the calculation of fair and reasonable guideline rates for preference cargoes; and, as may be required and upon request from U.S. shipper agencies determine fair and reasonable guideline rates for U.S. Government and privately-owned U.S.-flag ships carrying preference cargoes.

3.07 Provide program guidance to subsidized and preference operators and other industry representatives regarding the collection of cost data; requests for assistance in obtaining information on subsidies, fair and reasonable guideline rates, or other aids to shipping; and other matters which may affect the operation of U.S.-flag ships in competition with foreign-flag ships.

3.08 Determine compliance with the buy American provisions of section 606(6) of the Merchant Marine Act, 1936, as amended, and take appropriate actions on violations, subject to the limitation contained in section 2.04 5 of MAO 50-1.

3.09 Prepare annual ODS budget requests for transmittal to the Office of Budget and maintain comparative records of projected versus actual ODS outlays and accruals. Administer allotted funds, verify vouchers for payment of ODS, and initiate corrective actions when discrepancies are discovered. Prepare an annual consolidated status report of out-lays and balances of allotted funds for ODS, incorporating data submitted by the Region Finance Officers.

3.10 Make periodic detailed analyses of the financial conditions of companies receiving maritime aids that have been identified as failing review criteria or which are experiencing financial difficulties; report findings to appropriate program managers and senior agency management. Perform special surveys and analyses of the operating and financial performance of individual companies, industry segments, and the industry as a whole. Provide financial and operating cost data assistance to other agency offices and external organizations as required.

3.11 Determine the eligibility and compliance of foreign insurance companies to underwrite risk on vessels built or operated with subsidy or whose debt is guaranteed under Title XI of the Merchant Marine Act, 1936, as amended.

Section 4. The Financial Approvals Group shall:

4.01 Formulate and recommend financial policies, criteria, and regulations with respect to external aspects of the Maritime Administration's (MARAD's) operating programs; provide advice and opinions with respect to external financial, accounting, and audit affairs.

4.02 Analyze financial statements and other data submitted by contractors and applicants for maritime aids; evaluate and determine their financial qualifications and limitations in connection with applications for Maritime Security Program (MSP), operating-differential subsidy (ODS), construction-differential subsidy (CDS), ship financing guarantees, capital construction funds (CCF), and General Agency and Ship Repair contracts under the National Shipping Authority (NSA). Waive performance and payment bond requirements of shipbuilders under construction contracts if the financial resources of the shipbuilders and/or their guarantors are determined to be sufficient for contract performance; and recommend approval or disapproval of such requests to the Office of Ship Financing or the Office of Shipbuilding Technology, as appropriate.

4.03 Prescribe a uniform system of accounts for subsidized operators, agents, charterers, and other contractors and issue accounting and financial reporting instructions for their guidance. Interpret financial transactions under provisions of contracts and related regulations; determine financial acceptability of personal sureties, trustees, and depositories.

4.04 Maintain surveillance of construction reserve funds and contractual (escrow and construction) funds.

4.05 With respect to NSA Ship Repair contracts, review applicants' and contractors' financial statements and prepare recommendations to the Office of Acquisition as to financial qualifications and limitations to be imposed. Provide guidelines to region finance offices for similar reviews in their respective regions. Establish, administer, and close special bank accounts required for operations under Agency (Service) Agreements. Settle finally accounts of General Agents relating to NSA service agreements, except matters in litigation.


4.06 Calculate use-hire rates for traded-in ships under use agreements.

4.07 Provide financial management services, advice, reports, and recommendations in support of assigned financial aspects of MARAD's programs.

4.08 Review operators' reports submitted pursuant to 46 CFR Part 283 to determine whether the operator meets the stated conservative dividend policy criteria, and advise the Associate Administrator for Shipping Analysis and Cargo Preference.

- 4.09 Provide assistance in the financial evaluation and review of "Performance of Commercial Activities" under Office of Management and Budget Circular A-76.
- 4.10 Evaluate the preliminary financial condition and financial covenant compliance of companies receiving financial assistance and report findings to appropriate program managers and senior management. Grant extensions of time for the submission of financial statements by contractors, provided the effects of such extensions are not inconsistent with MARAD policies.
- 4.11 Determine the annual guarantee fee rate for each Title XI company.
- 4.12 Determine CDS repayments due from contractors and liquidated damages payable by CCF holders. Review investments made by CCF holders under 46 CFR 390.8. Monitor the ODS repayment requirements for the carriage of excess preference cargo under 46 CFR Part 280. Prescribe ODS payment review and approval procedures for use by the region finance offices.
- 4.13 Prescribe accounting principles and procedures for the operation of non-appropriated fund activities at the United States Merchant Marine Academy.
- 4.14 Prepare special and periodic financial statements and reports of contractors.
- 4.15 Maintain a system of data verification in association with the Inspector General to assure the accuracy of data used in the determination of fair and reasonable rates and invoices for payment of ODS. Arrange for audit services to be provided by the Inspector General, except for internal audits and procurement-related audits. Review contractors' audit appeals and make recommendations for action by appropriate authorized officials.

Section 5. Impact on Other Issuances: This order revokes Maritime Administrative Orders 56-1 dated July 21, 1999 and 58-1 dated May 18, 1987.



James J. Zok

Associate Administrator  
for Shipping Analysis  
and Cargo Preference

Concurrence:



John L. Mann, Jr.  
Associate Administrator  
for Administration