

MANUAL OF ORDERS

REVOKES MAO 640-7
dtd. 2/28/77

NO. 640-7

EFFECTIVE DATE
February 28, 1978

SUBJECT

CONDITION SURVEYS OF SHIPS UNDER
OPERATING-DIFFERENTIAL SUBSIDY AGREEMENTS

Section 1. Purpose:

This order prescribes the policies and responsibilities for conducting and reporting on condition surveys of ships operating under operating-differential subsidy agreements (subsidy agreements).

Section 2. Applicability:

2.01 This order applies to all ships operating under subsidy agreements pursuant to 46 CFR 272 (General Order 20). These ships fall in two categories:

- 1 Ships eligible for Maintenance and Repair (M&R) Subsidy
- 2 Ships not eligible for Maintenance and Repair (M&R) Subsidy

2.02 This order does not apply to any ship operating under a subsidy agreement for the carriage of bulk raw and agricultural commodities from the United States to the Union of Soviet Socialist Republics pursuant to 46 CFR 294 (General Order 116).

Section 3. Governing Regulations:

Policies and procedures to be followed by the Maritime Administration and the subsidized operators in connection with the conduct of condition surveys of ships approved for operation under subsidy agreements are set forth in 46 CFR 272 (General Order 20).

Section 4. Responsibilities:

4.01 The Region Directors (Region Ship Management Offices) shall be responsible for conducting condition surveys of subsidized ships, when required under 46 CFR 272 (General Order 20) and the provisions of this order. The subsidized operators shall be invited to attend all surveys; however, their attendance is not mandatory.

4.02 The Office of Domestic Shipping (Division of Ship Management) shall provide guidance to the Regions for the conduct and reporting of condition surveys of subsidized ships, including information on changes in the status of ships (i.e., whether eligible or ineligible for M&R subsidy) and instructions for any condition surveys which may be required under special circumstances (e.g., when there is evidence or knowledge of substantial non-compliance with the subsidy agreement provisions relating to condition of the ships).

4.03 The Office of Subsidy Contracts shall:

- 1 Notify the Division of Ship Management of actions or other information relating to changes in status of a subsidized ship which may affect the requirements for condition surveys of such ship; and
- 2 Initiate requests to the Division of Ship Management for condition surveys of subsidized ships required under special circumstances.

Section 5. Condition Survey Requirements:5.01 Ships Eligible for M&R Subsidy.

- 1 The specific instances under which condition surveys of these ships shall be required and instructions for the conduct of such surveys, including the scope thereof, are set forth in 46 CFR 272 (General Order 20).
- 2 Condition surveys of subsidized ships which may be required in instances other than those set forth in 46 CFR 272 (General Order 20) (i.e., under special circumstances as provided in Section 4.02 above) shall be conducted by the Region Ship Management Offices only with the approval of, or upon receipt of instructions from, the Division of Ship Management. The scope and type of such surveys to be performed shall be prescribed by the Division of Ship Management.

5.02 Ships Not Eligible for M&R Subsidy.

Periodic condition surveys of these ships will not normally be required. The Region Ship Management Offices shall conduct surveys of these ships only under special circumstances with the approval of, or upon receipt of instructions, from the Division of Ship Management. The scope and type of such surveys to be performed shall be prescribed by the Division of Ship Management.

Section 6. Survey Reports:

6.01 Instructions for the preparation and execution of condition survey reports are set forth in 46 CFR 272 (General Order 20). In addition, the surveyor shall highlight (flag) items not eligible for subsidy in reports of all on/off subsidy surveys. Sufficient copies of the survey reports shall be prepared to make the following distribution:

- 1 One copy to the Division of Ship Management.
- 2 One copy to the operator of the subsidized ship involved.

- 3 One copy to be retained by the Region Ship Management Office under whose jurisdiction the survey was conducted.

Section 7. Items Requiring Corrective Action:


7.01 Whenever it becomes apparent during a condition survey of a ship conducted under Section 5 above that there are deficiencies or unsatisfactory conditions that should be corrected by the operator in order to conform with the provisions of the subsidy agreement, the Region Ship Management Office shall:

- 1 Inform the operator of the ship, promptly, of the deficiencies or unsatisfactory conditions uncovered in the survey.
- 2 Negotiate with the operator on correction of the deficiencies or unsatisfactory conditions, and maintain a follow-up on the required corrective measures.

7.02 Where there are deficiencies and/or unsatisfactory conditions which are disputed by the operator, or which he refuses to correct within a reasonable time, and the matter cannot be resolved at the Region level, the Region Ship Management Officer shall submit all pertinent information, including a copy of the survey report indicating those items which have been corrected and/or remain to be corrected, together with his recommendation for corrective action, to the Director, Office of Domestic Shipping. A copy also shall be forwarded to the Director, Office of Subsidy Contracts.

7.03 The Director, Office of Domestic Shipping shall review the recommendation for corrective action received from the Region for accuracy and completeness, and forward comments to the Director, Office of Subsidy Contracts.

7.04 The Director, Office of Subsidy Contracts shall attempt to resolve the differences with the operator. If a resolution is not reached, the Director, Office of Subsidy Contracts shall prepare a recommendation for appropriate action to the Maritime Subsidy Board.


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