



US Department  
of Transportation  
Maritime  
Administration

## MANUAL OF ORDERS

## MARITIME ADMINISTRATIVE ORDER

REVOKES MAO 500-1  
dated 11/18/74 and  
Amdt.1 dtd 3/10/78

NO.  
500-1

EFFECTIVE DATE  
November 23, 1988.

SUBJECT

### ADMINISTRATION OF CAPITAL CONSTRUCTION FUND PROGRAM

#### Section 1. Purpose:

This order establishes procedures and responsibilities for administering the Capital Construction Fund program authorized under section 607 of the Merchant Marine Act, 1936, as amended (the Act).

#### Section 2. Contracting Officer:

2.01 The Associate Administrator for Maritime Aids is designated as the contracting officer and shall:

- 1 Approve or disapprove applications for Capital Construction Fund agreements;
- 2 Enter into Capital Construction Fund agreements;
- 3 Issue rulings requested by applicants for or parties to Capital Construction Fund agreements concerning interpretations under section 607 of the Act, the Capital Construction Fund agreement, and the rules and regulations, 46 CFR Parts 390 and 391;
- 4 Make findings and determinations as required by the Capital Construction Fund agreement; 46 CFR Parts 390 and 391, and such other rules and regulations applicable to the Capital Construction Fund program, except as provided in this order.

#### Section 3. Responsibilities:

3.01 The Office of Ship Financing shall process applications and administer the Capital Construction Fund program, as follows:

- 1 Review, for completeness, each application for a Capital Construction Fund agreement and each application to amend an existing agreement; in cases of deficiencies, request the applicant to submit further information as may be required to complete the application.

- 2 Furnish copies of the application to the Office of the Chief Counsel, Office of Financial Approvals, Office of Ship Construction, and other offices as appropriate, for analysis and recommendations on that portion of the application falling within their purview.
- 3 Evaluate recommendations of other offices and conduct necessary negotiations with the applicant in conjunction with other appropriate offices to remedy any deficiency which makes the application unacceptable under section 607 of the Act.
- 4 Determine deposit requirements.
- 5 Prepare a formal recommendation to the contracting officer for approval or denial of the application.
- 6 Make distribution of executed agreements and addendums to the parties to the agreement and other offices as appropriate.
- 7 Prepare rulings, for issuance by the contracting officer, relative to requests for rulings received from applicants for or parties to Capital Construction Fund agreements.
- 8 Review annual reports of Capital Construction Funds submitted by parties to the agreement to ascertain that the party is complying with the obligations contained in the agreement.
- 9 Prepare a tentative conclusion for the contracting officer where it is to be determined by the contracting officer that a substantial obligation is not being fulfilled by a party to an agreement.
- 10 Prepare a final decision for the contracting officer pursuant to his or her instructions in proceeding in accordance with 46 CFR Part 390.
- 11 Prepare an annual program status report to the contracting officer including, as appropriate, recommendations and advice as to any actions required concerning any agreement or the program in general.
- 12 Prepare an annual status report for the Department of the Treasury.

3.02 The Office of the Chief Counsel shall:

- 1 Review applications for Capital Construction Fund agreements and advise the Director, Office of Ship Financing, as to any legal deficiencies in such applications, including the determination of the applicant's citizenship.
- 2 Prepare agreements, addenda and other legal documents, as required.
- 3 On behalf of the contracting officer tender agreements to the applicant for his or her execution, receive and review executed agreements, and tender them to the contracting officer for final execution.

3.03 The Office of Financial Approvals shall:

- 1 Review Capital Construction Fund applications upon request of the Office of Ship Financing and advise the Director, Office of Ship Financing, as to the applicant's financial ability to accomplish the proposed acquisition, construction, or reconstruction within the specified time.
- 2 Advise the Director, Office of Ship Financing, as to the qualifications of the applicants' proposed depositories under Maritime Administration rules and regulations.
- 3 Verify the calculation and payment of liquidated damages submitted by the Capital Construction Fund holders and inform the Director, Office of Ship Financing, of the results of these reviews. Also, inform the Director, Office of Accounting, of amounts due from the fundholders in the event of any underpayment.

3.04 The Office of Ship Construction shall review applications for Capital Construction Fund agreements as requested by the Office of Ship Financing and advise the Director, Office of Ship Financing, as to the reasonableness of the cost of the applicant's program, and the technical suitability of proposed ships for the trades in which they will be operated.

  
JOHN GAUGHAN  
Maritime Administrator