



U.S. Department  
of Transportation  
Maritime  
Administration

## MANUAL OF ORDERS

### MARITIME ADMINISTRATIVE ORDER

REVOKES

MAO 560-6  
dated 3/15/77

NO.

560-6

EFFECTIVE DATE

February 27, 1992

SUBJECT

### APPROVAL OF VESSEL MAINTENANCE AND REPAIR COSTS FOR SUBSIDY

#### Section 1. Purpose:

This order prescribes procedures and responsibilities for review and approval of vessel maintenance and repair costs claimed by operators for payment of operating-differential subsidy (ODS), when authorized, under the applicable provisions of operating-differential subsidy agreements.

#### Section 2. Applicability:

2.01 This order shall apply to all ships operating under ODS agreements pursuant to 46 CFR Part 272 (formerly general order 20), which are eligible for payment of subsidy on maintenance and repair expenses.

2.02 This order does not apply to any ship operating under ODS agreement for the carriage of bulk raw and agricultural commodities from the United States to the geographic area formerly known as the Union of Soviet Socialist Republics pursuant to 46 CFR Part 294.

#### Section 3. Related Directives:

3.01 Title 46 CFR Part 272 sets forth the procedures to be followed by the subsidized operators in substantiating maintenance and repair expenses claimed for subsidy, and the criteria for determining whether such expenses are eligible for subsidy participation.

3.02 Maritime Administrative Order 560-1 establishes the internal procedures and responsibilities for determining eligibility of expenses for subsidy payment under ODS agreements.

3.03 Maritime Administrative Order 640-7 prescribes policies and responsibilities for conducting and reporting on condition surveys of ships approved for operation under subsidy agreements.

#### Section 4. Responsibilities:

4.01 The Region Directors (Ship Operations) shall:

- 1 Receive the Subsidy Repair Summaries, Forms MA-140, with copies of the invoices pertinent thereto and other supporting documentation, if required, from the subsidized operators.

- 2 Under the program supervision and technical direction of the Office of Ship Operations (Division of Ship Maintenance and Repair), determine, through a selective review of the Subsidy Repair Summaries and supporting documentation, that the costs claimed for subsidy payment are fair and reasonable and eligible for subsidy participation.
  - (1) Determinations that costs are eligible for subsidy participation shall be in accordance with the provisions of the subsidy agreement, the applicable criteria established by 46 CFR Part 272, the administrative determinations made pursuant to Maritime Administrative Order 560-1, and other guidance provided by Division of Ship Maintenance and Repair.
  - (2) Determinations that costs are fair and reasonable shall take into account such factors as the scope of work involved; degree of complexity; specialized equipment required; types of personnel required - laborer, mechanic, specialist; facility requirements; services; billing rates; and materials involved.
  - (3) Questions of excessive elements of cost shall be investigated before final approval by the Region (Ship Operations). Disagreements with the operator with respect to tentative disallowances shall be resolved to the mutual agreement of both parties, to the extent possible.
  - (4) Any items of expense for which the Regions need advice pertaining to eligibility or fair and reasonableness of costs or on which the Regions and the operators cannot agree shall be referred to the Division of Ship Maintenance and Repair.
- 3 For each Subsidy Repair Summary prepare and submit a letter to the operator setting forth amounts determined to be eligible for subsidy participation, the disallowances with reasons therefore, and the qualified approvals on marine loss items not compensated by insurance.

4.02 The Office of Ship Operations (Division of Ship Maintenance and Repair) shall:

- 1 Provide guidance to the Regions in the review and approval of maintenance and repair costs. The guidance shall include but not be limited to the considerations on which to base the selection of items, areas, or operators, etc., for review; and the criteria for approval of claimed costs for subsidy participation.
- 2 When requested by the Regions, advise as to eligibility and fair and reasonableness of particular items of expense for subsidy participation; and make administrative determinations as to eligibility of questionable items of expense, as provided in Maritime Administrative Order 560-1.
- 3 Review requests submitted by operators for reconsideration of disallowances made by the Region (Ship Operations), as provided in 46 CFR Part 272.
- 4 Review and evaluate program accomplishments in the Regions.

4.03 The Region Directors (Finance Officers) shall process vouchers submitted by operators for payment of ODS in accordance with the provisions of Maritime Administrative Order 560-5.

4.04 The Office of Ship Operating Assistance shall calculate ODS rates taking into account the maintenance and repair costs that have been determined to be eligible for subsidy participation as set forth in the letters to the operators from the Region (Ship Operations), any pertinent administrative determinations made by the Division of Ship Maintenance and Repair, and results of audits by the Office of Inspector General of the expenses claimed.

Section 5. Requests for Reconsideration and Appeals:

Instructions and responsibilities for processing requests from operators for reconsideration or appeals from determinations as to eligibility of costs for subsidy participation are set forth in 46 CFR Part 272 and Maritime Administrative Order 560-1.

  
CAPTAIN WARREN G. LEBACK  
Maritime Administrator