



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

MANUAL OF ORDERS

MARITIME ADMINISTRATIVE ORDER

REVOKES

MAO 560-1 dtd.
5/30/78

NO.

560-1

EFFECTIVE DATE

February 29, 1988

SUBJECT

DETERMINATION OF ELIGIBILITY OF EXPENSES FOR SUBSIDY PAYMENT UNDER OPERATING-DIFFERENTIAL SUBSIDY AGREEMENTS

Section 1. Purpose:

The purpose of this order is to establish the procedures and responsibilities in connection with the determination of expenses which shall be eligible for subsidy payment under operating-differential subsidy agreements.

Section 2. General:

2.01 The eligibility of expenses of subsidized operators for subsidy payment purposes shall, within the framework of section 603 of the Merchant Marine Act, 1936, as amended, be governed by the type of trade or service involved and by the definitions of the major items of expense contained in the following documents and regulations:

- 1 For Liner Operations - 46 CFR Part 282 - General Procedures for Determining Operating-Differential Subsidy for Liner Vessels.
- 2 For Bulk Vessels in Worldwide Services - 46 CFR Part 252 - Operating-Differential Subsidy for Bulk Cargo Vessels Engaged in Worldwide Services.
- 3 For Bulk Vessels in Great Lakes Trade - 46 CFR Part 279 - Operating-Differential Subsidy for Bulk Cargo Vessels in United States Foreign Commerce on the Great Lakes, Connecting Rivers, St. Lawrence River and Gulf of St. Lawrence.
- 4 For Bulk Vessels in Soviet Trade - 46 CFR Part 294 - Operating-Differential Subsidy for Bulk Cargo Vessels Engaged in Carrying Bulk Raw and Processed Agricultural Commodities from the United States to the Union of Soviet Socialist Republics.

2.02 The administrative determination as to the eligibility of specific items of expense for subsidy payment shall be made in accordance with sections 3 and 4 of this order.

Section 3. All Items of Expense, Except Maintenance and Repairs, and Stores, Supplies, and Expendable Equipment:

3.01 Office of Financial Approvals shall:

- 1 Request the Department of Transportation Office of the Inspector General to conduct any needed audits, review all matters and issues presented by the Office of the Inspector General in its audit findings and questions, and provide its opinion and comments to the Office of Ship Operating Assistance on matters concerning expenses eligible for subsidy under the definitions referred to in section 2.01 of this order.
- 2 Advise the Office of the Inspector General of the treatment, i.e., acceptance or exclusion, of any item of cost when there is a reasonable doubt as to the eligibility of such expense under the prescribed definitions. Such advice shall be, among other factors, for the purpose of avoiding any delay of audit completion, subsidy rate making or payment purposes. Once a decision is made as to the eligibility of costs questioned, the Office of Financial Approvals shall decide with the Office of Ship Operating Assistance as to the appropriate treatment of such costs for Operating-Differential Subsidy (ODS) rate making and payment purposes.

3.02 The Office of Ship Operating Assistance, upon request by the Office of Financial Approvals, shall make administrative determinations as to eligibility or ineligibility of any item of expense on which subsidy is claimed in these categories which, in the opinion of the Office of Financial Approvals, is not clearly eligible under the definitions referred to in Section 2.01 of this order.

Section 4. Expenses for Maintenance and Repairs, and Stores, Supplies, and Expendable Equipment:

4.01 The Region Directors (Region Ship Management Offices) shall:

- 1 Make determinations as to the eligibility of costs claimed for subsidy payment in these categories in accordance with the provisions of 46 CFR Part 272 (formerly General Order 20) and Maritime Administrative Order 560-6, if applicable, as well as the definitions of such expenses as referred to in section 2.01 of this order; and
- 2 Refer questionable items of such expenses, together with all pertinent facts, to the Office of Ship Operations (Division of Ship Management) for administrative determination.

4.02 The Office of Ship Operations (Division of Ship Management) shall make administrative determinations as to eligibility or ineligibility of questionable items of expenses claimed in these categories.

Section 5. Control and Notice of Administrative Determinations:


5.01 Administrative determinations made by the Office of Ship Operating Assistance and the Office of Ship Operations, with respect to questionable items, shall be issued to the subsidized operators by the respective offices in the form of a letter under the subject "Administrative Determination of Eligibility of Expense for Subsidy" followed by a control number prefixed by the appropriate office initials, e.g., OSOA No. 1 or OSO No. 1.

5.02 Determinations made by the Office of Financial Approvals pursuant to subsection 3.01 2 hereof, based exclusively on technical accounting treatment, shall be promulgated to all subsidized operators by the Office of Financial Approvals, in the form of Office of Financial Approvals Notices, numbered consecutively.

5.03 The Office of Ship Operating Assistance, Office of Ship Operations, and Office of Financial Approvals shall be responsible for making internal distribution of copies of the above determinations to the Region Directors (Region Finance Offices and Region Ship Management Offices), the Department of Transportation Office of the Inspector General, and other offices concerned, as appropriate.

Section 6. Appeal Procedure:

In the event that a subsidized operator takes exception to a determination made pursuant to sections 3 and 4 of this order, such operator may appeal to the Maritime Subsidy Board for final determination. Such appeals must be filed in writing with the Secretary of the Board, setting forth the basis for objection, within sixty (60) days from receipt of advice of the determinations. In no event will an extension beyond the 60-day period set forth herein be granted.


JOHN GAUGHAN
Maritime Administrator