DEPARTMENT OF TRANSPORTATION

Maritime Administration

46 CFR Part 296
[Docket Number MARAD–2014–0043]
RIN 2133–AB86

Maritime Security Program

AGENCY: Maritime Administration, Department of Transportation.

ACTION: Notice of proposed rulemaking, request for comments.

SUMMARY: The Maritime Administration (“MARAD”) is soliciting public comments on amendments to its regulations that implement amendments to the Maritime Security Act of 2003 by the National Defense Authorization Act for Fiscal Year 2013 (“NDAA 2013”). The proposed revisions to the regulation, among other things, make changes to vessel eligibility for participation in the Maritime Security Program (MSP), authorize the extension of current MSP Operating Agreements, establish a new procedure for the award of new MSP Operating Agreements, extend the MSP through fiscal year 2025, update the Operating Agreement payments and schedule of payments, and eliminate the Maintenance and Repair Pilot Program.

DATES: Comments must be received on or before October 5, 2015. MARAD will consider comments filed after this date to the extent practicable.

ADDRESSES: You may submit comments identified by DOT Docket Number MARAD–2014–0043 by any of the following methods:


• Email: Rulemakings.MARAD@dot.gov. Include MARAD–2014–0043 in the subject line of the message.

• Fax: (202) 493–2251.

• Mail: Docket Management Facility, U.S. Department of Transportation, 1200 New Jersey Avenue SE., West Building, Room W12–140, Washington, DC 20590. If you would like to know that your comments reached the facility, please enclose a stamped, self-addressed postcard or envelope.

• Hand Delivery/Courier: Docket Management Facility, U.S. Department of Transportation, 1200 New Jersey Avenue SE., West Building, Room W12–140, Washington, DC 20590. The Docket Management Facility is open 9:00 a.m. to 5:00 p.m., Monday through Friday, except on Federal holidays.

Note: If you fax, mail or hand delivery your input we recommend that you include your name and a mailing address, an email address, or a telephone number in the body of your document so that we can contact you if we have questions regarding your submission. If you submit your inputs by mail or hand delivery, submit them in an unbound format, no larger than 8 1/2 by 11 inches, suitable for copying and electronic filing.

Instructions: All submissions received must include the agency name and docket number or Regulatory Information Number (RIN) for this rulemaking. All comments received will be posted without change to the docket at www.regulations.gov, including any personal information provided. For detailed instructions on submitting comments and additional information on the rulemaking process, see the section entitled Public Participation.


SUPPLEMENTARY INFORMATION:

Background

Section 3508 of the NDAA 2013 authorized the extension of the Maritime Security Program through fiscal year 2025. Under Section 3508, the Secretary of Transportation, acting through the Maritime Administrator, is authorized to extend existing 60 MSP Operating Agreements through fiscal year 2025. Section 3508 authorized a new payment schedule of increasing MSP Operating Agreement payments through fiscal year 2025. Section 3508 also provided a new procedure for awarding MSP Operating Agreements, including a new priority system for the award of operating agreements. Under the new priority system, the award will be first based on vessel type as determined by military requirements and then based on the citizenship status of the applicant. Section 3508 revised the procedure for the transfer of Operating Agreements by eliminating the requirement to first offer an Operating Agreement to a U.S. Citizen under 46 U.S.C. 50501. In addition, Section 3508 eliminated the procedure for early termination of MSP Operating Agreements by eliminating vessels. Section 3508 also eliminated the eligibility of Lighter Aboard Ship (LASH) vessels to participate in the MSP Fleet as a stand-alone category of vessel. The proposed rule eliminates the Maintenance and Repair Pilot Program, which has sunset and was not extended by the NDAA 2013. The proposed rule also updates MARAD’s address for the purposes of submitting required reports and vouchers.

Public Participation

Your comments must be written and in English. To ensure that your comments are correctly filed in the Docket, please include the docket number in your comments. MARAD encourages you to provide concise comments. However, you may attach necessary additional documents to your comments. There is no limit on the length of the attachments. Please submit your comments, including the attachments, following the instructions provided under the above heading entitled ADDRESSES.

If you wish to submit any information under a claim of confidentiality, you should submit three copies of your complete submission, including the information you claim to be confidential business information, to the Department of Transportation, Maritime Administration, Office of Legislation and Regulations, MAR–225, W24–220, 1200 New Jersey Avenue SE, Washington, DC 20590. When you send comments containing information claimed to be confidential business information, you should include a cover letter setting forth with specificity the basis for any such claim and, if possible, a summary of your submission that could be made available to the public.

MARAD will consider all comments received before the close of business on the comment closing date indicated above under DATES. To the extent possible, MARAD will also consider comments received after that date. If a comment is received too late for MARAD to consider in developing a final rule (assuming that one is issued), MARAD will consider that comment as an informal suggestion for future rulemaking action.

For access to the docket to read background documents, including those referenced in this document, or to submit or read comments received, go to the Docket Management Facility, U.S. Department of Transportation, 1200 New Jersey Avenue SE., West Building, Room W12–140, Washington, DC 20590. The Docket Management Facility is open 9:00 a.m. to 5:00 p.m., Monday through Friday, except on Federal holidays. To review documents, read comments or to submit comments, the
docket is also available online at http://www.regulations.gov, keyword search MARAD–2014–0043.

Please note that even after the comment period has closed, MARAD will continue to file relevant information in the Docket as it becomes available. Further, some people may submit late comments. Accordingly, MARAD recommends that you periodically check the Docket for new material.

Privacy Act

Anyone is able to search the electronic form of all comments received into any of our dockets by the name of the individual submitting the comment (or signing the comment, if submitted on behalf of an association, business, labor union, etc.). You may review the DOT Privacy Act system of records notice for the Federal Docket Management System (FDMS) in the Federal Register published on January 17, 2008, (73 FR 3316) at http://edocket.access.gpo.gov/2008/pdf/E8–785.pdf.

Rulemaking Analysis and Notices

Executive Orders 12866 (Regulatory Planning and Review), 13563 (Improving Regulation and Regulatory Review) and DOT Regulatory Policies and Procedures. Under E.O. 12866 (58 FR 51735, October 4, 1993), supplemented by E.O.13563 (76 FR 3821, January 18, 2011) and DOT policies and procedures, MARAD must determine whether a regulatory action is “significant,” and therefore subject to Office of Management and Budget (OMB) review and the requirements of the E.O. The Order defines “significant regulatory action” as one likely to result in a rule that may: (1) Have an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal government or communities; (2) create a serious inconsistency or otherwise interfere with an action taken or planned by another Agency; (3) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; and; (4) raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in the E.O.

A determination has been made that this notice of proposed rulemaking is not considered a significant regulatory action under section 3(b) of Executive Order 12866. This rulemaking will not result in an annual effect on the economy of $100 million or more. It is also not considered a major rule for purposes of Congressional review under Public Law 104–121. This rulemaking is also not significant under the Regulatory Policies and Procedures of the Department of Transportation (44 FR 11034, February 26, 1979). The costs and overall economic impact of this rulemaking do not require further analysis.

Executive Order 13132 (Federalism)

This rulemaking was analyzed in accordance with the principles and criteria contained in Executive Order 13132 (“Federalism”) and have determined that it does not have sufficient Federalism implications to warrant the preparation of a Federalism summary impact statement. This rulemaking has no substantial effect on the States, or on the current Federal-State relationship, or on the current distribution of power and responsibilities among the various local officials. Nothing in this document preempts any State law or regulation. Therefore, MARAD did not consult with State and local officials because it was not necessary.

Executive Order 13175 (Consultation and Coordination With Indian Tribal Governments)

MARAD does not believe that this rulemaking will significantly or uniquely affect the communities of Indian tribal governments when analyzed under the principles and criteria contained in Executive Order 13175 (Consultation and Coordination with Indian Tribal Governments). Therefore, the funding and consultation requirements of this Executive Order do not apply.

Executive Order 12372 (Intergovernmental Review)

The regulations implementing Executive Order 12372 regarding intergovernmental consultation on Federal programs and activities do not apply to this rulemaking.

Regulatory Flexibility Act

The Regulatory Flexibility Act of 1980 requires MARAD to assess whether this rulemaking would have a significant economic impact on a substantial number of small entities and to minimize any adverse impact. MARAD certifies that this rulemaking will not have a significant economic impact on a substantial number of small entities.

Environmental Assessment

We have analyzed this rulemaking for purposes of compliance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) and have concluded that under the categorical exclusions provision in section 4.05 of Maritime Administrative Order (MAO) 600–1, “Procedures for Considering Environmental Impacts,” 50 FR 11606 (March 22, 1985), neither the preparation of an Environmental Assessment, an Environmental Impact Statement, nor a Finding of No Significant Impact for this rulemaking is required. This rulemaking has no environmental impact.

Executive Order 13211 (Energy Supply, Distribution, or Use)

MARAD has determined that this rulemaking will not significantly affect energy supply, distribution, or use. Therefore, no Statement of Energy Effects is required.

Executive Order 13045 (Protection of Children)

Executive Order 13045, Protection of Children from Environmental Health Risks and Safety Risks, requires agencies issuing “economically significant” rules that involve an environmental health or safety risk that may disproportionately affect children, to include an evaluation of the regulation’s environmental health and safety effects on children. As discussed previously, this rulemaking is not economically significant, and will cause no environmental or health risk that disproportionately affects children.

Executive Order 12988 (Civil Justice Reform)

This action meets applicable standards in sections 3(a) and 3(b)(2) of E.O. 12988, Civil Justice Reform, to minimize litigation, eliminates ambiguity, and reduce burden.

Executive Order 12630 (Taking of Private Property)

This rulemaking will not effect a taking of private property or otherwise have taking implications under Executive Order 12630, Governmental Actions and Interference with Constitutioanlly Protected Property Rights.

International Trade Impact Assessment

This rulemaking is not expected to contain standards-related activities that create unnecessary obstacles to the foreign commerce of the United States.

Privacy Impact Assessment

The Maritime Administration proposes to amend 46 CFR part 296 as follows:

**PART 296—MARITIME SECURITY PROGRAM**

1. The authority citation for part 296 is revised to read as follows:


2. Amend §296.2 by:
   a. Revising the definitions of *Foreign Commerce*, *MSA 2003*, *Participating Fleet Vessel*, and *Section 2 Citizen*; and
   b. Removing the definition of *Lash Vessel*

The revisions to read as follows:

**§296.2 Definitions.**

*Foreign Commerce* means—

1. Commerce or trade between the United States, its territories, or the District of Columbia, and a foreign country;
2. Commerce or trade between foreign countries.


**Participating Fleet Vessel** means a vessel that—

1. On October 1, 2015—
   a. Meets the requirements of section 50501 of this title; and
   b. Offers a vessel of the type established by the Secretary of Defense as meeting military requirements.

2. The applicant shall meet the vessel ownership and operating requirements for priority in 46 U.S.C. 53103(c); and

**Section 2 Citizen** means a United States citizen within the meaning of 46 U.S.C. 50501, without regard to any statute that “deems” a vessel to be owned and operated by a United States citizen within the meaning of 46 U.S.C. 50501.

3. Amend §296.11(a)(3) by revising it to read as follows:

**§296.11 Vessel requirements.**

(a) * *

(b) * *

(3) The vessel is self-propelled and—
   a. Is a tank vessel that is 10 years of age or less on the date the vessel is included in the Fleet; or
   b. Is any other type of vessel that is 15 years of age or less on the date the vessels is included in the Fleet;

§§296.21, 296.22, 296.23 [Removed and reserved].

4. Remove and reserve §§296.21 through 296.23.

5. Revise §296.24 to read as follows:

**§296.24 Subsequent awards of MSP Operating Agreements.**

(a) MARAD intends to ensure that all available MSP Operating Agreements are fully utilized at all times, in order to maximize the benefit of the MSP. Accordingly, when an MSP Operating Agreement becomes available through termination by the Secretary or early termination by the MSP contractor, and no transfer under 46 U.S.C. 53105(e) is involved, MARAD will reissue the MSP Operating Agreement pursuant to the following criteria:

1. The proposed vessel shall meet the requirements for vessel eligibility in 46 U.S.C. 53102(b);
2. The applicant shall meet the vessel ownership and operating requirements for priority in 46 U.S.C. 53103(c); and
3. Priority will be assigned on the basis of vessel type established by military requirement specified by the Secretary of Defense.

Upon consideration of military requirements, priority shall be given to an applicant that—

1. Is a United States citizen under section 50501 of this title; and
2. Offers a vessel of the type established by the Secretary of Defense for a new Operating Agreement.

(c) MARAD and USTRANSCOM will determine if the applications received form an adequate pool for award of a reissued MSP Operating Agreement. If so, MARAD will award a reissued MSP Operating Agreement from that pool of qualified applicants in its discretion according to the procedures of paragraph (b) of this section, subject to approval of the Secretary of Defense.

MARAD and USTRANSCOM may decide to open a new round of applications. MARAD shall provide written reasons for denying applications. Inasmuch as MSP furthers a public purpose and MARAD does not acquire goods or services through MSP, the selection process for award of MSP Operating Agreements does not constitute an acquisition process subject to any procurement law or the Federal Acquisition Regulations.

6. Revise §296.30 to read as follows:

**§296.30 General conditions.**

(a) * Approval. The Secretary, in conjunction with the Secretary of Defense, may approve applications to enter into an MSP Operating Agreement and make MSP Payments with respect
to vessels that are determined by the Secretary to be commercially viable and those that are deemed by the Secretary of Defense to be militarily useful for meeting the sealift needs of the United States in time of war or national emergencies. The Secretary announced an initial award of 60 MSP Operating Agreements on January 12, 2005. In June 2014, the Secretary extended the term of all 60 MSP Operating Agreements through FY 2025.

(b) Effective date—(1) General Rule. Unless otherwise provided, the effective date of an MSP Operating Agreement is October 1, 2005.

(2) Exceptions. In the case of an Eligible Vessel to be included in an MSP Operating Agreement that is on charter to the U.S. Government, other than a charter under the provisions of an Emergency Preparedness Agreement (EPA) provided by section 53107 of the MSA 2003, as amended unless an earlier date is requested by the applicant, the effective date for an MSP Operating Agreement shall be:

(i) The expiration or termination date of the Government charter covering the vessel; or

(ii) Any earlier date on which the vessel is withdrawn from that charter, but not before October 1, 2005.

(c) Replacement Vessels. A Contractor may replace an MSP vessel under an MSP Operating Agreement with another vessel that is eligible to be included in the MSP under section 296.11(a), if the Secretary, in conjunction with the Secretary of Defense, approves the replacement vessel.

(d) Termination by the Secretary. If the Contractor materially fails to comply with the terms of the MSP Operating Agreement:

(1) The Secretary shall notify the Contractor and provide a reasonable opportunity for the Contractor to comply with the MSP Operating Agreement;

(2) The Secretary shall terminate the MSP Operating Agreement if the Contractor fails to achieve such compliance; and

(3) Upon such termination, any funds obligated by the relevant MSP Operating Agreement shall be available to the Secretary to carry out the MSP.

(e) Early termination by Contractor, generally. An MSP Operating Agreement shall terminate on a date specified by the Contractor if the Contractor notifies the Secretary not later than 60 days before the effective date of the proposed termination that the Contractor intends to terminate the MSP Operating Agreement. The Contractor shall be bound by the provisions relating to vessel documentation and national security commitments, and by its EPA for the full term, from October 1, 2005 through September 30, 2025, of the MSP Operating Agreement.

(f) [Reserved].

(g) Non-renewal for lack of funds. If, by the first day of a fiscal year, sufficient funds have not been appropriated under the authority of MSA 2003, as amended, for that fiscal year, the Secretary will notify the Senate Committees on Armed Services and Commerce, Science, and Transportation, and the House of Representative Committee on Armed Services, that MSP Operating Agreements for which sufficient funds are not available, will not be renewed for that fiscal year if sufficient funds are not appropriated by the 60th day of that fiscal year. If only partial funding is appropriated by the 60th day of such fiscal year, then the Secretary, in consultation with the Secretary of Defense, shall select the vessels to retain under MSP Operating Agreements, based on the Secretaries’ determinations of the most militarily useful and commercially viable vessels. In the event that no funds are appropriated, then all MSP Operating Agreements shall be terminated and, each Contractor shall be released from its obligations under the MSP Operating Agreement. Final payments under the terminated MSP Operating Agreements shall be made in accordance with section 296.41. To the extent that funds are appropriated in a subsequent fiscal year, former MSP Operating Agreements may be reinstated if mutually acceptable to the Administrator and the Contractor provided the MSP vessel remains eligible.

(h) Release of Vessels from Obligations: If sufficient funds are not appropriated for payments under an MSP Operating Agreement for any fiscal year by the 60th day of that fiscal year, then—

(1) Each vessel covered by the terminated MSP Operating Agreement is released from any further obligation under the MSP Operating Agreement; and

(2) If section 902 of the Act is applicable to a vessel that has been transferred to a foreign registry due to a terminated MSP Operating Agreement, then that vessel is available to be requisitioned by the Secretary pursuant to section 902 of the Act.

(3) Paragraph (b) of this section is not applicable to vessels under MSP Operating Agreements that have been terminated for any other reason.

(i) Foreign Transfer of Vessel. A Contractor may transfer a non-tank vessel to a foreign registry, without approval of the Secretary, if the Secretary, in conjunction with the Secretary of Defense, determines that the contractor will provide a replacement vessel:

(1) Of equal or greater military capability or of a capacity that is equivalent or greater as measured in deadweight tons, gross tons, or container equivalent units, as appropriate;

(2) That is a documented vessel under 46 U.S.C. chapter 121 by the owner of the vessel to be placed under a foreign registry; and

(3) That is not more than 10 years of age on the date of that documentation.

(j) Transfer of MSP Operating Agreements. A contractor under an operating agreement may transfer the agreement (including all rights and obligations under the operating agreement) to any person that is eligible to enter into the operating agreement under this chapter if the Secretary and the Secretary of Defense determine that the transfer is in the best interests of the United States. A transaction shall not be considered a transfer of an operating agreement if the same legal entity with the same vessels remains the contracting party under the operating agreement.

8. Amend §296.31 by revising paragraphs [a] and (d)(2) and adding paragraph (e)(2) to read as follows:

§296.31 MSP assistance conditions.

(a) Term of MSP Operating Agreement. MSP Operating Agreements are authorized for 20 years, starting on October 1, 2005, and ending on September 30, 2025, but payments to Contractors are subject to annual appropriations each fiscal year. MARAD may enter into MSP Operating Agreements for a period less than the full term authorized under the MSA 2003, as amended.

(d) Operation: Be operated exclusively in the foreign trade and shall not otherwise be operated in the coastwise trade of the United States; and

(e) [Reserved]
§ 296.40 Billing procedures.

Submission of voucher. For contractors operating under more than one MSP Operating Agreement, the contractor may submit a single monthly voucher applicable to all its MSP Operating Agreements. Each voucher submission shall include a certification that the vessel(s) for which payment is requested were operated in accordance with § 296.31(d) MSP Operating Agreements with MARAD, and consideration shall be given to reductions in amounts payable as set forth in § 296.41(b) and (c). All submissions shall be forwarded to the Director, Office of Accounting, MAR–330, Maritime Administration, 2nd Floor, West Building, 1200 New Jersey Ave. SE., Washington, DC 20590. Payments shall be paid and processed under the terms and conditions of the Prompt Payment Act, 31 U.S.C. 3901.

10. Amend § 296.41 by revising paragraph (a) to read as follows:

§ 296.41 Payment procedures.

(a) Amount payable. An MSP Operating Agreement shall provide, subject to the availability of appropriations and to the extent the MSP Operating Agreement is in effect, for each Agreement Vessel, an annual payment equal to $2,600,000 for FY 2006, FY 2007, FY 2008; $2,900,000 for FY 2009, FY 2010, FY 2011; and $3,100,000 for FY 2011. The annual amount payable shall not be reduced except as provided in paragraphs (b) and (c) of this section.

9. Revise § 296.40 to read as follows:

§ 296.40 Billing procedures.

Submission of voucher. For contractors operating under more than one MSP Operating Agreement, the contractor may submit a single monthly voucher applicable to all its MSP Operating Agreements. Each voucher submission shall include a certification that the vessel(s) for which payment is requested were operated in accordance with § 296.31(d) MSP Operating Agreements with MARAD, and consideration shall be given to reductions in amounts payable as set forth in § 296.41(b) and (c). All submissions shall be forwarded to the Director, Office of Accounting, MAR–330, Maritime Administration, 2nd Floor, West Building, 1200 New Jersey Ave. SE., Washington, DC 20590. Payments shall be paid and processed under the terms and conditions of the Prompt Payment Act, 31 U.S.C. 3901.

11. Remove Subpart G, consisting of § 296.60.

Dated: July 31, 2015.

By Order of the Maritime Administrator.

T. Mitchell Hudson, Jr.,
Secretary, Maritime Administration.
[FR Doc. 2015–19254 Filed 8–4–15; 8:45 am]