**DATES:** Comments on the proposed rule must be received on or before June 23, 1995

ADDRESSES: Send an original and two copies of the comments to Secretary, Maritime Administration, Room 7210, 400 7th St., SW., Washington DC 20590. To expedite reviewing the comments the agency requests, but does not require, submission of an additional ten (10) copies. All comments will be made available for inspection during normal business hours at the above address. Commenters wishing MARAD to acknowledge receipt of comments should enclose a stamped self-addressed envelope or postcard.

FOR FURTHER INFORMATION CONTACT: Michael P. Ferris, Director, Office of Costs and Rates, Maritime Administration, Washington, DC 20590, Telephone (202) 366–2324.

**SUPPLEMENTARY INFORMATION: Section** 901(b) of the Merchant Marine Act, 1936, as amended, cited as the Cargo Preference Act of 1954, requires that, with respect to certain cargoes which could be described as "governmentimpelled," such as food donation programs administered by the State Department or the Department of Agriculture, the cognizant government agency or agencies must take appropriate steps to assure that at least 50 percent of the gross tonnage of such cargoes transported on ocean vessels will be "transported on privately owned United States-flag commercial vessels, to the extent such vessels are available at fair and reasonable rates for United States-flag commercial vessels" (46 App. U.S.C. 1241(b)). Section 901b of the Act, cited as the Food Security Act of 1985, increased the 50 percent carriage requirement to 75 percent for agricultural commodities or products shipped under certain food donation programs (46 App U.S.C. 1241f). The rule (46 CFR part 383) was promulgated to govern the determination of "fair and reasonable rates" (also referred to as guideline rates) for the carriage of dry bulk preference cargoes, in less-thanshipload lots, on U.S.-flag vessels employed in a liner service. It was originally issued on and became effective November 9, 1987. It was subsequently modified, effective January 2, 1992 (57 FR 21036).

Liner operators provide important services to the public as well as shippers of packaged agricultural commodities, for example, consolidations of cargo, intermodal movements and scheduled services. These services are frequently needed and sought by shippers of government impelled cargo. USDA's Commodity Credit Corporation (CCC) through a system of monthly invitations for the purchase of agricultural products and transportation services is the major government contractor of agricultural liner cargo. U.S.-flag liner operators offer transportation bids for the carriage of certain liner cargoes, and the cargo is allocated as to load and discharge ranges based on product prices and these bids. The CCC may then seek lower bids from U.S. liner and bulk operators for the 75% allocation or book the cargo at the rates originally bid.

In general, liner services have complex cost and operating structures which frequently make the determination of guideline rates difficult and impractical. When the Rule was originally proposed in 1986, liner operators carrying most agricultural preference cargoes operated in this more structured environment carrying a wide variety of cargoes to and from numerous domestic and foreign ports. It was also believed, since packaged liner preference cargoes were generally transported under conference freight tariffs filed with the Federal Maritime Commission, that the rates charged were subject to sufficient competition to assure reasonableness. Additionally, the numerous types of parcels in a wide variety of sizes, many below 1,000 metric tons, shipped to various locations would pose substantial administrative and technical problems if guideline rates calculations were to be attempted.

However, MARAD now believes that a significant portion of the bagged and packaged agricultural preference cargoes are carried on voyages in large parcel lots, frequently a consolidation of several small parcels. In these instances, where large parcel lots are being carried, the liner voyage often takes on enough of the pricing characteristics of a bulk voyage that it should be treated on an equal basis with bulk voyages. Also, many of the administrative and technical restraints are eliminated or minimized when guideline rates are only determined for large parcels. As such, it is appropriate and feasible that MARAD furnish a shipper agency with a guideline rate for large parcels when it is requested.

MARAD also recognizes that certain sizes or amounts of cargo are well suited for carriage by a vessel in a common carrier liner service, while larger amounts are better suited for carriage outside the liner service system. This recognition, which was expounded in the Administration's proposed maritime reform legislation, has resulted in the decision to calculate a fair and reasonable guideline rate when a vessel

carries a 5,000 ton parcel of preference cargo. Parcels smaller than 5,000 tons pose administrative and technical restraints that prevent calculation of rates that can be reliably termed fair and reasonable, so these parcels will continue to be subject only to the common carrier rate process.

Since U.S. shipper agencies may consolidate two or more distinct cargoes from the same port or region to the same discharge port or region, and those cargoes may individually be less than 5,000 metric tons, but collectively exceed 5,000 metric tons, a clear definition of the term "parcel" is required. To determine the most functional definition, MARAD evaluated over 2,000 bills of lading, pertaining to over 1.0 million metric tons of agricultural liner parcels shipped by U.S. shipper agencies during the period October 1, 1992 to September 30, 1993. The data showed that various agricultural preference cargoes destined for the same country were frequently carried on the same voyage.

In analyzing this sample, MARAD consolidated preference cargoes into parcel lots under three different definitions for a parcel, all of which were at least 5,000 metric tons. The first, equal to approximately one-third of the sample, was preference cargo in parcel lots shipped on voyages from a single U.S. port to a single foreign port. The second definition used an expanded load range which included all the ports within a U.S. load port range (i.e., U.S. Gulf) to a single foreign port. This expansion increased the amount of sample tonnage covered to about 45 percent of the sample cargo. The third definition used a further expansion to include a discharge range of all ports of the recipient country. This third definition of parcel covered over twothirds of the cargo analyzed.

As part of the analysis, MARAD reviewed the three options for complexity of determining guideline rates and for their conformity with MARAD's policy goals of providing guideline rates that are reasonable for the shipper agencies and fair to an efficient U.S.-flag operator. The first option, parcels over 5,000 metric tons shipped from a single load to a single discharge port, would involve the simplest ratemaking but would have the least impact on the number of shipments subject to fair and reasonable guideline rate calculations. The third option, parcels over 5,000 metric tons shipped from a single U.S port range to a port or ports within a single discharge country, would have the greatest level of cargo coverage but results in a slightly more complicated ratemaking process.