

functions now performed by the Coast Guard. The cognizant Coast Guard Officer-in-Charge of Marine Inspection may issue a certificate of inspection based upon the classification society's reports that the vessel is classed and complies with applicable requirements. This alternative would free Coast Guard resources and allow the Coast Guard to move from assessing a vessel's equipment and material condition to evaluating more pressing concerns related to the human element. In addition, it would allow the Coast Guard to shift resources from inspection of U.S. vessels to port state enforcement efforts without degrading the safety of U.S. vessels. The Coast Guard would maintain oversight of this Alternative Compliance Program (ACP) through random checks of delegated tasks, monitoring of the classification society's quality system via participation in system audits and tracking demonstrated performance in identifying and correcting quality deficiencies.

Under current law, the Coast Guard may, with limited exceptions, only delegate inspection and examination functions to the ABS or similar United States classification society. Separate legislation has been introduced that would allow the Coast Guard to recognize additional classification societies. If the Coast Guard recognizes other classification societies, each classification society's rules would be examined and a separate supplement developed to be incorporated by reference in a future rulemaking.

An ACP pilot program with ABS was announced by the **Federal Register** notice of February 3, 1995 (60 FR 6687). The purpose of the pilot program is to test and evaluate the standards and procedures that have been developed in cooperation with the ABS. The Coast Guard may modify this proposal based upon the experience and findings of the ACP pilot program. In addition, the Coast Guard will use the pilot program to determine the level of resources involved in the alternate compliance process, and may adjust vessel inspection user fees through a separate rulemaking.

Discussion of Proposed Amendments

This proposal would establish alternate compliance procedures for U.S. flagged tank vessels, passenger vessels, cargo vessels, miscellaneous vessels, and mobile offshore drilling units. It would add new incorporation by reference sections in 46 CFR parts 30 (§ 30.01-4), 70 (§ 70.01-10) and 90 (§ 90.01-10). Each of these sections would incorporate, by reference, the

ABS Class Rules for Building and Classing Steel Vessels, 1995, and the ABS U.S. Supplement to Class Rules for Building and Classing Steel Vessels, 1995. When developed, the ABS Class Rules for Building and Classing Mobile Offshore Drilling Units would be added to the existing incorporation by reference provisions in 46 CFR 107.115. These documents are available from the American Bureau of Shipping at the address indicated in the applicable section. The Coast Guard has determined that compliance with applicable international requirements, the ABS Class rules, and respective ABS U.S. Supplement would provide a level of safety equivalent to compliance with existing regulations.

The proposal would also add new sections in 46 CFR parts 31 (§ 31.01-3), 71 (§ 71.15-5), 91 (§ 91.15-5), and 107 (§ 107.205). These sections would allow the owner or operator of a vessel subject to Coast Guard inspection for initial issuance or renewal of a certificate of inspection to submit the vessel for inspection by a recognized classification society, such as ABS. The classification society would inspect the vessel to ensure that it complies with applicable international requirements, their Class rules, and its U.S. supplement.

The owner or operator of an eligible vessel who desires to take advantage of these provisions would indicate on the Application for Inspection of U.S. Vessel (CG-3752) that the vessel has been enrolled in an accepted alternate compliance program, naming the classification society, and that the inspection would be conducted by that classification society. The cognizant Coast Guard Officer-in-Charge of Marine Inspection (OCMI) may issue a certificate of inspection (COI) based on reports from a recognized classification society, such as ABS, that the vessel complies with applicable international requirements, the classification society's rules, and its U.S. supplement.

If the OCMI declines to issue a COI even though the recognized classification society's reports indicate the vessel meets the applicable standards, the owner may appeal the OCMI's decision under 46 CFR 1.03-20. If the cognizant OCMI declines to issue a COI based on reports from the classification society that the vessel does not meet applicable standards, the vessel owner could choose to correct the deficiencies and arrange with the classification society for an additional inspection, request that the Coast Guard inspect the vessel under the other provisions of 46 CFR Ch. I, appeal the decision under 46 CFR 1.03-35, or appeal via the recognized classification

society to Chief, Merchant Vessel Inspection and Documentation Division, U.S. Coast Guard.

Regulatory Evaluation

The Coast Guard has determined the economic impact of this proposed rule change would be positive and that a full Regulatory Evaluation under paragraph 10e of the regulatory policies and procedures of DOT is unnecessary. This proposal is not significant under Executive Order 12866 and Department of Transportation (DOT) Regulatory Policies and Procedures (44 FR 11040, February 26, 1979). The purpose of this rulemaking is to provide economic relief to the U.S. maritime industry without jeopardizing safety.

The Coast Guard believes this proposal, if adopted, would provide an economic benefit to the owners and operators of U.S. flagged vessels. Currently, 549 U.S. vessels may be eligible to participate in this proposed alternative compliance program. The Coast Guard estimates that while a vessel owner may have to pay an additional \$5 thousand in classification society fees for functions presently performed by the Coast Guard, the savings in design, construction and operating costs will recover this expense many times over during the lifetime of the vessel. Moreover, ships built and maintained to SOLAS 74/83, MARPOL 73/78, recognized classification society rules and accepted U.S. supplement are expected to experience greater competitiveness in the worldwide shipping market.

Additionally, streamlining the certification process will reduce time frames for Coast Guard involvement in the Certificate of Inspection process from an average of over 50 hours to 10 hours or less. Because the vessel is already inspected by the classification society, this program will reduce the duplication, decrease vessel "down time" and permit greater scheduling flexibility. Lower construction and operating costs, greater flexibility for the vessel in the global market and additional availability for vessel hire will offset the costs incurred through the alternative plan review and inspection process utilizing a recognized classification society. The Coast Guard specifically solicits comments on potential costs, savings and benefits.

Small Entities

Under the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), the Coast Guard must consider whether this proposal will have significant impact on a substantial number of small entities.