

**SUPPORTING STATEMENT FOR  
PAPERWORK REDUCTION ACT SUBMISSION UNDER 5 CFR PART 1320  
Information Collection: 2133-0027**

**Introduction:** The Maritime Administration is requesting renewal of a previous approved collection, 2133-0027, Capital Construction Fund and Exhibits. The current expiration date is March 31, 2012.

**Justification**

**1. Explain the circumstances that make collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

The Capital Construction Fund (CCF) is a tax deferred ship construction fund authorized by 46 USC 53501, et seq. (the Act). The program was created to assist owners and operators of U.S.-flag vessels in accumulating the large amount of capital necessary for the modernization and expansion of the U.S. merchant marine. The program encourages construction, reconstruction or acquisition of vessels through the deferment of Federal income taxes on certain deposits of money or other property placed into a CCF.

CCF vessels must be built in the United States and documented under the laws of the United States for operation in the United States, foreign, Great Lakes, or noncontiguous domestic trade or short sea transportation trade. Participants must meet U.S. citizenship requirements. Each CCF applicant must provide to the Maritime Administration (MARAD) such facts, documents and materials as required by the instructions in 46 CFR Part 390, Capital Construction Fund. No specific form is required, only a format specified in the regulations. These applications will be examined by MARAD officials to determine the applicant's eligibility and retained as part of the official file.

Operators of U.S.-flag vessels are faced with competitive disadvantage in the construction and replacement of their vessels relative to foreign-flag operators whose vessels are registered in countries that do not tax shipping income.

This information collection supports the Secretary of Transportation's economic growth and trade strategic goal.

**2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

Citizens desiring to participate in the CCF program must submit an application, and the information provided is utilized by the Maritime Administration to determine an applicant's ability to enter into a CCF Agreement. Content of the application is prescribed in 46 CFR Part

390. The specific information necessary to determine a citizen's eligibility is not generally available to the Maritime Administration from other sources.

The Exhibits A through D that are required annually from each citizen once they have entered into a CCF Agreement provide the Maritime Administration with the financial information as to how fundholders are complying with the terms of their agreement and the total activity within the CCF program. In addition, the Qualified Trade Affidavit (QTA) and citizenship affidavit are required annually from each fundholder. The QTA provides the Maritime Administration with the information as to whether each fundholder is operating its qualified agreement vessels in accordance with the terms of their Agreement and the Act. The QTA is a statement that the fundholder has operated in one of the qualified trades during the preceding year. The citizenship affidavit is initially required prior to approval of a CCF application, and is required annually thereafter by the fundholder's CCF Agreement. This affidavit verifies that the fundholder continues to meet the citizenship requirement. See attached regulations for sample QTAs, citizenship affidavits, and exhibits.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Also describe any consideration of using information technology to reduce burden.**

All companies submitting applications or documents required on an annual basis have been informed that the Maritime Administration provides a total electronic option for this collection.

**4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in item 2 above.**

No other program offers the same type of benefits, tax deferrals, or requires precisely the same type of information as the CCF program. There is no similar data available from other sources that can be used or modified for use by the Maritime Administration in the CCF program.

**5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.**

The information requested herein is not expected to have other than a minimal impact on small business as the applicants generally exceeds the Small Business Administration's criteria for small business. Timely information is requested when an applicant desires to obtain the benefits of the CCF program. There is no requirement for any applicant to submit any information if they do not desire the CCF benefits. An applicant for a CCF must demonstrate to the Maritime Administration that it has the financial capabilities to accomplish its proposed program. It does this by submitting with the application, for each of its past three fiscal years, audited balance sheets and income statements. In the case of a smaller company that does not have audited statements, unaudited statements can be submitted.

**6. Describe the consequence to Federal program or policy activities of the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

The basic CCF application is submitted only when initially seeking a CCF Agreement. The application is essential in determining qualification for benefits. The consequence to the Federal program or policy activities if the information was not collected would be the Maritime Administration's inability to properly administer the program.

**7. Explain any special circumstances that would cause information collected to be conducted in a manner:**

- **requiring respondents to report information to the agency more often than quarterly;**
- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
- **requiring respondents to submit more than an original and two copies of any document;**
- **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**
- **in connection with statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**
- **requiring the use of statistical data classification that has not been reviewed and approved by OMB;**
- **that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing data with other agencies for compatible confidential use; or requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

There are no special circumstances that require the collection of information in a manner described above.

**8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every three years, even if the collection of information activity is the same as in prior periods. There**

**may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

A Maritime Administration employee communicates with respondents regarding the basis and reporting consistency of the information submitted. Since the CCF data is not available from any other source, no consultations outside the agency other than with the companies with CCF agreements are required. Respondents are encouraged to comment fully on the scope and accuracy of the reports.

In addition, the Maritime Administration published a 60-day notice and request for comments on this information collection in the Federal Register on October 22, 2012 (copy attached), indicating comments should be submitted by December 21, 2012. No comments were received.

**9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

No payments or gifts are provided to respondents.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

Article XI of the application instructions states that if a party desires certain information in the application be withheld from public disclosure, they must submit a written request concurrently with the application. Any application and supporting information obtained in the course of administering the program is subject to disclosure under the Freedom of Information Act (FOIA) unless the respondent has requested exemption from public disclosure and the Maritime Administration has determined that an exemption is applicable. The respondent is notified of the Maritime Administration's determination.

**11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.**

Not applicable. There are no questions of a sensitive nature.

**12. Provide estimates of the hour burden of the collection of information. The statement should indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated burden and explain**

**the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**

**If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in item 13 of OMB Form 83-I. Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in item 14.**

With respect to the annual reports which are required once a CCF is established, it is estimated that 75 percent of the fundholders would require approximately 10 hours to prepare Exhibits A through D, and the other 25 percent of the fundholders, which consist of large corporations or consolidated groups, could require up to 20 hours to prepare the exhibits. It should not require more than one hour per company to prepare both the citizenship affidavit and the QTA. At present there are 143 companies maintaining CCF Agreements. Therefore, we currently have 143 responses for Exhibits A through D and 143 responses for the QTA and citizenship affidavit, both of which are submitted annually. A summary of the hours required to prepare the exhibits, the QTA and the citizenship affidavit is as follows:

Exhibits A through D

75% of 143	107 responses
107 x 10 hours	<u>1070 hours</u>
25% of 143	36 responses
36 x 20 hours	<u>720 hours</u>

Total Hours            1790 hours

1790 hours divided by the 143 respondents = 12.5 hours average per year per respondent to prepare Exhibits A through D.

Each respondent requires one hour to prepare both the QTA and the citizenship affidavit.

Total annual average hours by classes of responses:

Exhibits A through D	12.5 hours
QTA & Citizenship Affidavit	<u>1.0 hours</u>

Total Hours            13.5 hours

143 respondents times 13.5 average hours = 1931 annual hours required by the respondents. Assuming that 10 new CCF applications will be approved, it is estimated that 135 annual hours (10 companies x 13.5 hours per company) will be required by these additional respondents for annual reporting. In addition, as mentioned above, it is estimated that the completion of a CCF

application will require 48 hours for each respondent. Hence, the total number of annual hours required by all respondents totals 2105 (1790 + 135 + (10 x 48)).

The estimated annual cost burden to the respondents who submit one response each requiring 13.5 hours per response is as follows:

It is estimated that an employee in each of six separate areas spends eight hours of their time collecting and assimilating the information submitted with each application. Therefore, given an average salary of \$200/hour for each of the employees, the cost to the respondent is estimated as follows:

<u>Number of Employees</u>		<u>Hourly Wage</u>		<u>Project Time</u>	=	<u>Cost Per Application</u>
6	x	\$200	x	8 hours	=	\$9,600

- 1 Accountant, Auditor or Bookkeeper
- 1 Professional and Technical Worker
- 1 Clerical Worker
- 1 Manager/Administrator
- 1 Lawyer
- 1 Service Worker

With regard to the annual statements to be provided by each respondent, it is estimated that an accountant, auditor and/or bookkeeper will spend 13.5 hours of their time collecting and assimilating information for the annual Exhibits A through D, the QTA and the citizenship affidavit to be filed with the Maritime Administration.

Therefore, the estimated cost to the respondent is 13.5 x \$200/hour x (143 + 10 applicants) = \$413,100. Total of all the above costs = (\$9,600 x 10 applications) + \$413,100 = \$422,700.

**13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in items 12 and 14).**

**The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.**

If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.

Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

The estimated annual cost burden to the respondents is as follows:

Total Capital and Start-Up Costs Estimate: There are no capital or start-up costs associated with this information collection.

Total Operation and Maintenance and Purchase of Services Estimate: There are no operation and maintenance costs associated with this information collection.

**14. Provide estimates of annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from items 12, 13, and 14 in a single table.**

The total annual cost to the Federal Government for processing the collection is estimated as follows:

It is estimated that four employees in various areas of the Maritime Administration spend between 75 percent and one-eighth of their time collecting and assimilating information submitted with CCF applications and the annual Exhibits A through D and QTA reports, as well as citizenship affidavits filed by CCF respondents. Therefore, given average salaries of seven staff member and an overhead cost of 85% of the salaries, the cost to the Government is estimated as follows:

<u>Number of Employees</u>	<u>% of Time</u>	<u>Annual Wage</u>	<u>Total Cost</u>
1 SES	25	\$179,700	\$44,925
1 GS-15	27.5	\$155,500	\$42,763
2 GS-13	75	\$115,742	<u>\$86,807</u>

Total Salary	\$174,495.00
Overhead Cost (85% of Salary)	<u>\$148,320.75</u>
Total Estimated Cost to the Government	\$322,815.75

**15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of OMB Form 83-1.**

The number of respondents has decreased due to either companies requesting to close their Capital Construction Funds or companies being terminated from the program for non-compliance with program regulations.

**16. For collections of information whose results are planned to be published for statistical use, outline plans for tabulation, statistical analysis, and publication. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates and other actions.**

There are no plans to publish the results of the information collection for statistical purposes or any other use. A summary of Exhibits A through D is provided to the Internal Revenue Service on an annual basis.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

Not applicable. MARAD is not seeking such approval.

**18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-1.**

Not applicable. There are no exceptions to the certificate statement.