dividend payment from S to A. With respect to the payment from A to FB, paragraph (d)(2)(ii)(B) of this section will not apply because, although A is related to S, the payor of the dividend income it received, A is not related to FB under paragraph (d)(2)(ii)(B)(*4*) of this section. Under paragraph (d)(2)(ii)(A) of this section, the $25 interest payment made from A to FB in year 2 is characterized as interest under the Internal Revenue Code.

Example 8. Interest paid by domestic reverse hybrid to an unrelated entity pursuant to a financing arrangement. (i) *Facts.* The facts are the same as in *Example 7,* except that in year 3, FB makes an interest payment of $25 to FC on a deposit made by FC with FB.

(ii) *Analysis.* The analysis is the same as in *Example 1* with respect to the $100 dividend payment from S to A. With respect to the $25 payment from A to FB in year 2, because the payment is made in connection with a transaction that consititutes a financing arrangement within the meaning of paragraph (d)(2)(ii)(C)(*2*) of this section, the payment may be treated by the Commissioner as being made directly to FC. If the Commissioner disregards FB, then the analysis is the same as in *Example 3* with respect to the $25 interest payment in year 2 from A to FC.

Example 9. Royalty paid by related entity to domestic reverse hybrid entity. (i) *Facts.* The facts are the same as in *Example 3,* except the $100 income received by A from S in year 1 is a royalty payment under both the laws of the United States and the laws of Country X. The royalty rate under the treaty is 10 percent and the interest rate is 0 percent.

(ii) *Analysis.* The analysis as to the royalty payment from S to A is the same as in *Example 1* with respect to the $100 dividend payment from S to A. With respect to the $25 payment from A to FC, paragraph (d)(2)(ii)(B) of this section will not apply because the payment from S to A is not treated as a dividend under the Internal Revenue Code or the laws of Country X. Under paragraph (d)(2)(ii)(A) of this section, the $25 of interest paid by A to FC in year 2 is characterized as interest under the Internal Revenue Code. Accordingly, in year 2, FC may obtain the reduced rate of withholding applicable to interest under the U.S.-Country X income tax treaty, assuming all other requirements for claiming treaty benefits are met.

(6) *Effective dates.* This paragraph (d) applies to items of income paid on or after June 30, 2000, except paragraphs (d)(2)(ii) and (d)(2)(iii) of this section apply to items of income paid by a domestic reverse hybrid entity on or after June 12, 2002 with respect to amounts received by the domestic reverse hybrid entity on or after June 12, 2002.

* * * * *

Robert E. Wenzel,

Deputy Commissioner of Internal Revenue.

Approved: June 3, 2002.

Pamela F. Olson,

Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 02–14506 Filed 6–11–02; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF TRANSPORTATION

Coast Guard

33 CFR Part 165

[COTP Pittsburgh–02–005]

RIN 2115–AA97

Security Zone; Ohio River Mile 34.6 to 35.1, Shippingport, PA

AGENCY: Coast Guard, DOT.

ACTION: Final rule.

SUMMARY: The Coast Guard is establishing a security zone encompassing all waters extending 200 feet from the shoreline of the left descending bank on the Ohio River, beginning from mile marker 34.6 and ending at mile marker 35.1. This security zone is necessary to protect the First Energy Nuclear Power Plant in Shippingport, Pennsylvania, from any and all subversive actions from any groups or individuals whose objective it is to cause disruption to the daily operations of the First Energy Nuclear Power Plant. Entry of persons and vessels into this security zone is prohibited unless authorized by the Coast Guard Captain of the Port Pittsburgh or his designated representative.

DATES: This rule is effective June 15, 2002.

ADDRESSES: Comments and material received from the public, as well as documents indicated in this preamble as being available in the docket, are part of [COTP Pittsburgh-02–005] and are available for inspection or copying at Marine Safety Office Pittsburgh, Suite 1150 Kossman Bldg., 100 Forbes Ave., Pittsburgh, PA, 15222–1371, between 7:30 a.m. 4 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: Chief Petty Officer Brian Smith, Marine Safety Office Pittsburgh at (412) 644–5808 ext. 112.

SUPPLEMENTARY INFORMATION:

Regulatory Information

On March 18, 2002, the Coast Guard published a notice of proposed rule making (NPRM) entitled ''Security Zone; Ohio River Mile 34.6 to 35.1, Shippingport, Pennsylvania'', in the **Federal Register** (67 FR 11963). We received no comments on the proposed rule. No public hearing was requested, and none was held.

Under 5 U.S.C. 553 (d)(3), good cause exists for making this rule effective less than 30 days after publication in the **Federal Register**. This final rule maintains the status quo for the security zone. We received no comments on either the temporary final rule or the NPRM. Delaying its effective date would be contrary to public interest since immediate action is needed to respond to the security risks associated with nuclear power plants.

Background and Purpose

On September 11, 2001, both towers of the World Trade Center and the Pentagon were attacked by terrorists. National security and intelligence officials have warned that future terrorist attacks against civilian targets are anticipated. In response to these terrorist acts, heightened awareness and security of our ports and harbors is necessary. To immediately enhance that security, the Captain of the Port, Pittsburgh established a temporary security zone on the Ohio River in the vicinity of the First Energy Nuclear Power Plant, in Shippingport, PA. The temporary final rule was published March 4, 2002 in the **Federal Register** (67 FR 9589) and remains in effect until 8 a.m. on June 15, 2002.

Because the generalized high-level threat environment continues, the Captain of the Port, Pittsburgh has determined that there is a need for this security zone to remain in effect indefinitely. This security zone will reduce the risk of a terrorist incident in this generalized high-level threat environment. It reduces the potential of a waterborne attack on the facility, enhancing public health, safety, defense and security, at this location and surrounding areas.

The location of this security zone limits access to only the waters immediately adjacent to the facility and permits vessels to safely navigate around the facility.

Discussion of Comments and Changes

We received no comments on the proposed rule. Therefore, we have made no substantive changes to the provisions of the proposed rule. The words ''and vessels'' were added to paragraph (b)(2)

of the final rule to clarify that the term ''persons'' included vessels. Persons and vessels desiring entry must seek permission of the Captain of the Port Pittsburgh to transit the security zone.

Regulatory Evaluation

This rule is not a ''significant regulatory action'' under section 3(f) of Executive Order 12866, Regulatory Planning and Review, and does not require an assessment of potential costs and benefits under section 6(a)(3) of that Order. The Office of Management and Budget has not reviewed it under that Order. It is not ''significant'' under the regulatory policies and procedures of the Department of Transportation (DOT)(44 FR 11040, February 26, 1979).

We expect the economic impact of this rule to be so minimal that a full Regulatory Evaluation under paragraph 10e of the regulatory policies and procedures of DOT is unnecessary. This rule will not obstruct the regular flow of vessel traffic and will allow vessel traffic to pass safely around the security zone.

Small Entities

Under the Regulatory Flexibility Act (5 U.S.C. 601–612), we have considered whether this rule would have a significant economic impact on a substantial number of small entities. The term ''small entities'' comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000.

The Coast Guard certifies under 5 U.S.C. 605(b) that this rule would not have a significant economic impact on a substantial number of small entities for the reasons enumerated under the Regulatory Evaluation above.

If you are a small business entity and are significantly affected by this regulation please contact Chief Petty Officer Brian Smith, U.S. Coast Guard Marine Safety Office Pittsburgh, Suite 1150 Kossman Bldg. 100 Forbes Ave. Pittsburgh, PA at (412) 644–5808.

Assistance for Small Entities

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996 (Public Law 104–121), we offered to assist small entities in understanding the rule so that they could better evaluate its effects on them and participate in the rulemaking process.

Small businesses may send comments on the actions of Federal employees who enforce, or otherwise determine compliance with, Federal regulations to the Small Business and Agriculture Regulatory Enforcement Ombudsman and the Regional Small Business Regulatory Fairness Boards. The Ombudsman evaluates these actions annually and rates each agency's responsiveness to small business. If you wish to comment on actions by employees of the Coast Guard, call 1–888–REG–FAIR (1–888–734–3247).

Collection of Information

This rule calls for no new collection of information under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520).

Federalism

A rule has implications for federalism under Executive Order 13132, Federalism, if it has a substantial direct effect on State or local governments and would either preempt State law or impose a substantial direct cost of compliance on them. We have analyzed this rule under that Order and have determined that it does not have implications for federalism.

Unfunded Mandates Reform Act

The Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538) requires Federal agencies to assess the effects of their discretionary regulatory actions. In particular, the Act addresses actions that may result in the expenditure by a State, local, or tribal government, in the aggregate, or by the private sector of $100,000,000 or more in any one year. Though this rule would not result in such an expenditure, we do discuss the effects of this rule elsewhere in this preamble.

Taking of Private Property

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

Civil Justice Reform

This rule meets applicable standards in sections 3(a) and 3(b)(2) of Executive Order 12988, Civil Justice Reform, to minimize litigation, eliminate ambiguity, and reduce burden.

Protection of Children

We have analyzed this rule under Executive Order 13045, Protection of Children from Environmental Health Risks and Safety Risks. This rule is not an economically significant rule and will not create an environmental risk to health or risk to safety that might disproportionately affect children.

Indian Tribal Governments

This rule does not have tribal implications under Executive Order 13175, Consultation and Coordination with Indian Tribal Governments, because it would not have a substantial direct effect on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes, or on the distribution of power and responsibilities between the Federal Government and Indian tribes.

Energy Effects

We have analyzed this rule under Executive Order 13211, Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use. We have determined that it is not a ''significant energy action'' under that order because it is not a ''significant regulatory action'' under Executive Order 12866 and is not likely to have a significant adverse effect on the supply, distribution, or use of energy. It has not been designated by the Administrator of the Office of Information and Regulatory Affairs as a significant energy action. Therefore, it does not require a Statement of Energy Effects under Executive Order 13211.

Environment

We have considered the environmental impact of this rule and concluded that, under figure 2–1, paragraph (34)(g), of Commandant Instruction M16475.lD, this rule is categorically excluded from further environmental documentation because this rule is not expected to result in any significant adverse environmental impact as described in the National Environmental Policy Act of 1969 (NEPA). A ''Categorical Exclusion Determination'' is available in the docket where indicated under **ADDRESSES**.

List of Subjects in 33 CFR Part 165

Harbors, Marine safety, Navigation (water), Reporting and recordkeeping requirements, Security measures, Waterways.

For the reasons discussed in the preamble, the Coast Guard amends 33 CFR part 165 as follows:

PART 165—REGULATED NAVIGATION AREAS AND LIMITED ACCESS AREAS

1. The authority citation for part 165 continues to read as follows:

Authority: 33 U.S.C. 1231; 50 U.S.C. 191, 33 CFR 1.05–1(g), 6.04–1, 6.04–6, 160.5; 49 CFR 1.46.

2. Add § 165.820 to read as follows:

§ 165.820 Security Zone; Ohio River Mile 34.6 to 35.1, Shippingport, Pennsylvania.

(a) *Location.* The following area is a security zone: The waters of the Ohio River, extending 200 feet from the shoreline of the left descending bank beginning from mile marker 34.6 and ending at mile marker 35.1.

(b) *Regulations.* (1) Entry into or remaining in this zone is prohibited unless authorized by the Coast Guard Captain of the Port, Pittsburgh.

(2) Persons and vessels desiring to transit the area of the security zone may contact the Captain of the Port Pittsburgh at telephone number 412–644–5808 or on VHF channel 16 to seek permission to transit the area. If permission is granted, all persons and vessels must comply with the instructions of the Captain of the Port Pittsburgh or his designated representative.

(c) *Authority.* In addition to 33 U.S.C. 1231, the authority for this section includes 33 U.S.C. 1226.

Dated: June 3, 2002.

S.L. Hudson,

Commander, U.S. Coast Guard, Captain of the Port, Pittsburgh.

[FR Doc. 02–14686 Filed 6–11–02; 8:45 am]

BILLING CODE 4910–15–U

POSTAL SERVICE

39 CFR Part 111

New Specifications for Automated Flats

AGENCY: Postal Service.

ACTION: Final rule.

SUMMARY: The Automated Flat Sorting Machine (AFSM) 100 represents the next step into the automated processing environment envisioned for flat-size mail (''flats''). Mailpieces that currently qualify for automation rates for flats under Flat Sorting Machine (FSM) 881 standards (*Domestic Mail Manual* C820.2.0) will be eligible for the automation rates, provided that the pieces meet the physical criteria for processing on the AFSM 100 and other applicable preparation requirements.

EFFECTIVE DATE: This final rule is effective at 12:01 a.m. on June 30, 2002.

FOR FURTHER INFORMATION CONTACT: Karen A. Magazino, 703–292–3644.

SUPPLEMENTARY INFORMATION: On April 17, 2002, the Postal Service published for public comment in the **Federal Register** a proposed rule (67 FR 18842) that provided information on the implementation of automation rates for pieces prepared as automation flats that meet the physical mailpiece requirements for the AFSM 100. The revised *Domestic Mail Manual* (DMM) standards published with this final rule become effective June 30, 2002.

Deployment of 534 AFSM 100s has been completed in major processing and distribution centers nationwide. With deployment of the AFSM 100s, the older FSM 881s are being phased out. Currently, pieces may qualify for an automation rate for flats based on the FSM 881 physical criteria defined in DMM C820. The Postal Service will replace the current FSM 881 standards, with new criteria based on the physical mailpiece requirements for the AFSM 100. Flat-size mailpieces must continue to meet the uniformity requirements in DMM C820.8.0.

Processing mail on the AFSM 100 provides tremendous savings opportunities. One of the Postal Service's objectives is to reduce processing costs by moving the processing of flats from a labor-intensive manual/mechanized environment to a more efficient automated mode. The additional machine capacity provided by AFSM 100 deployment reduces the overall amount of mail processed in manual/mechanized operations.

The processing and technological capabilities of the AFSM 100 are vastly superior to those of the FSM 881. The AFSM 100 has three automatic feeders with throughput rates capable of exceeding 17,000 pieces per hour, and 120 individual sort separations. Challenges that arise with high-speed feeders compared with manual inductions include singulation (double feeds) and acceleration (jams and stoppages).

The AFSM 100 also has optical character reader (OCR) and barcode reader (BCR) functionality. The reader first scans the inducted mailpiece in search of an address block and barcode. If a POSTNET barcode is found, the piece is sorted based on the ZIP Code information. If a POSTNET barcode is not found or cannot be read, the OCR looks for the delivery address and the piece is sorted based on the result returned by the OCR. If the address is unreadable by the OCR, a video-coding operator must key the image and the piece is then sorted to the correct bin or worked manually. The AFSM 100 does not apply (spray on) a POSTNET barcode.

To determine the range of mailpieces compatible with the AFSM 100, the Postal Service conducted controlled tests using a variety of physical mailpiece characteristics. Three mail characteristic studies were performed: a preliminary test in Baltimore, Maryland, from February 26, 2001, to March 13, 2001; a test in Denver, Colorado, from July 9, 2001, to August 1, 2001; and a study to determine maximum weight conducted in Palatine, Illinois, from February 25, 2002, to March 12, 2002.

The mailing industry assisted the Postal Service and supplied many of the mailpieces that were processed during the tests. The mailing industry's participation and coordinated efforts were crucial to the successful outcome of the tests.

The AFSM 100 preliminary test was designed with specific analytical objectives, including: (1) Identifying mailpiece characteristic ranges that would require additional data to determine automation compatibility, (2) identifying factors that would have a significant impact on sorter performance, (3) providing data that would identify threshold levels, and (4) determining mailpiece characteristics that would not require further testing. The test included the evaluation of a large number of mailpiece characteristics and a subset of combinations, each individually replicated over several test decks. The data represented jams, double feeds, miss-sorts, thickness, weight limitations, physical dimensions, mechanical rejects, and mailpiece damage. In addition, the Postal Service tested several different polywrap materials to analyze factors such as seam and wrap direction, contents, polywrap characteristics, and overhang (selvage).

The primary mail types included in the test were folded pieces (*e.g.,* tabloids), paper envelopes, bound edge pieces (*e.g.,* digest-size and perfect-bound magazines and catalogs), and a variety of pieces enclosed in polywrap. Other types of mailpieces were also included in the test, such as newspapers, self-mailers, CD/DVD disks, very thin pieces, very thick pieces, and the extremes of enveloped and folded mailpieces. Each test deck had varying characteristics including length, width, thickness, structure, polywrap, overhang (selvage), seam, and wrap direction.

This test was designed to define acceptable physical mailpiece characteristics and polywrap characteristics. The results from the pilot test in Baltimore eliminated some obvious mailpieces with specific characteristics for the second test in Denver (*e.g.,* odd-shaped envelopes and cards, pieces of non-uniform thickness, and pieces in polywrap with film-on-film coefficient of friction measuring greater than 0.5).