

under Title VI of the Merchant Marine Act, 1936, as amended, as interpreted by the Maritime Subsidy Board in Docket No. S-244.

§ 280.2 Definitions.

For purposes of this part only:

(a) *Commercial cargo* means cargo other than military cargo and civilian preference cargo.

(b) *Military cargo* means that cargo required to be carried on a U.S.-flag vessel by 10 U.S.C. 2631.

(c) *Civilian preference cargo* means any cargo other than military cargo required by law to be carried on a U.S.-flag vessel, including, but not limited to, cargo required to be carried on a U.S.-flag vessel by 15 U.S.C. 616a and 46 U.S.C. 1241(b).

(d) *Conference-rated civilian preference cargo* means any civilian preference cargo moving at rates set by an international rate conference.

(e) *International rate conference* means any formal organization of competing carriers established for the purpose of setting shipping rates.

(f) *Open-rated civilian preference cargo* means any civilian preference cargo moving at a rate other than a set rate established by an international rate conference.

(g) *Open-rated civilian preference cargo carried at the world rate* means any open-rated civilian preference cargo that is considered pursuant to § 280.5 not to be carried at a premium rate.

(h) *Competitive cargo* means commercial cargo, conference-rated civilian preference cargo, and open-rated civilian preference cargo carried at the world rate.

(i) *Secretary* means the Secretary of the Maritime Administration, Department of Transportation.

(j) *Region Director* means the Region Director of the Maritime Administration within whose region the principal office of the operator is located.

(k) *Operator* means any individual, partnership, corporation or association that contracts with the United States Government under Title VI of the Act to receive ODS.

(l) *Board* means the Maritime Subsidy Board of the Maritime Administration, Department of Transportation.

(m) *Act* means the Merchant Marine Act, 1936, as amended.

(n) *Operating-differential subsidy (ODS)* means, except as the operator and the United States Government shall agree upon a lesser amount, the excess of the cost of subsidizable items of expense incurred in the operation under United States registry of a vessel over the estimated fair and reasonable cost of the same items of expense (excluding any increase in the cost of such items necessitated by features incorporated for national defense), if such vessel were operated under the registry of a foreign country whose vessels are substantial competitors of the vessel.

(o) *Gross freight revenue* means total gross receipts earned from the carriage of cargo (other than mail) in the U.S. foreign commerce.

(p) *Miscellaneous gross revenue* means total gross receipts earned in the U.S. foreign commerce from the carriage of passengers and mail plus miscellaneous voyage revenues.

(q) *Inbound gross freight revenue* means gross freight revenue earned from the carriage of cargo in foreign commerce inbound to the United States.

(r) *Outbound gross freight revenue* means gross freight revenue earned from the carriage of cargo in foreign commerce outbound from the United States.

(s) *Wayport gross freight revenue* means gross freight revenue earned from the carriage of cargo between foreign ports.

(t) *Total gross revenue* means the sum of inbound gross freight revenue, outbound gross freight revenue, wayport gross freight revenue and miscellaneous gross revenue.

(u) *Service* means any essential service in the foreign commerce of the United States under section 211(a) of the Act for which an ODS agreement has been entered into by the operator and the United States.

(v) *ODS payable on the inbound leg of a service* means the inbound gross freight revenue of the service divided by the total gross revenue of the service times the ODS payable for the service.

(w) *ODS payable on the outbound leg of a service* means the outbound gross

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freight revenue of the service divided by the total gross revenue of the service times the ODS payable for the service.

(x) *U.S. foreign commerce* means the commerce or trade between the United States, its territories or possessions, or the District of Columbia and a foreign country.

§ 280.3 Standards governing award of an ODS agreement.

No ODS agreement, including any amendments thereto concerning additional services or revised service area, shall be made under Title VI of the Act, unless the applicant establishes in its application to the satisfaction of the Board, that the vessel operations proposed to be subsidized will be conducted in a manner which will not preclude the applicant from earning at least 50 percent of its inbound gross freight revenue and at least 50 percent of its outbound gross freight revenue for each service covered by the application from the carriage of competitive cargo.

§ 280.4 Standards governing payment of ODS.

(a) *Full payment.* Except to the extent otherwise provided in § 280.8, ODS shall be paid in full to the operator for vessel operations on the inbound and outbound legs of each service if, during the calendar year, at least 50 percent of the inbound and 50 percent of the outbound gross freight revenues earned on voyages terminated during the calendar year, for each service, are earned from the carriage of competitive cargo.

(b) *Reduction in payment*—(1) *Inbound leg of service.* The amount of ODS payable for the inbound leg of a service for the calendar year shall be reduced as provided in paragraph (b)(3) of this section if, during the calendar year, less than 50 percent of the inbound gross freight revenue earned in such service, on voyages terminated during the calendar year, is earned from the carriage of competitive cargo.

(2) *Outbound leg of service.* The amount of ODS payable for the outbound leg of a service for the calendar year shall be reduced as provided in paragraph (b)(3) of this section if, during the calendar year, less than 50 per-

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cent of the outbound gross freight revenue earned in such service, on voyages terminated during the calendar year, is earned from the carriage of competitive cargo.

(3) *ODS reduction formula.* The reduction in ODS payable required by paragraphs (b) (1) and (2) of this section for any calendar year shall be made by reducing the amount payable on one or more ODS vouchers for the subsequent calendar year by a cumulative amount equal to an amount determined in accordance with the following table:

Percent of inbound or outbound gross freight revenue from carriage of competitive cargo	ODS reduction ¹
40 to 49.9	20
30 to 39.9	40
20 to 29.9	60
10 to 19.9	80
0 to 9.9	100

¹ Expressed in percent of total ODS payable for cargo carriage on the inbound or outbound leg of the service.

(4) *Last calendar year exception.* The provisions of this paragraph do not apply to the last calendar year of an ODS agreement except to the extent that any reduction in ODS payable required by this section for the calendar year immediately preceding the last calendar year is to be made, pursuant to paragraph (b)(3) of this section, on ODS vouchers submitted in the last calendar year.

§ 280.5 Criteria for determining whether or not civilian preference cargo is carried at a premium rate.

Civilian preference cargo shall be considered to be carried at a premium rate unless carried:

(a) At the tariff commodity rate published in a conference tariff or at the stated minimum level or floor rate for an open-rated commodity published in a conference tariff, *Provided*, That the international rate conference issuing such tariff commodity rate, stated minimum level, or floor rate has at least one foreign-flag carrier as a voting member, or

(b) At a rate or tariff agreement rate, or at the stated minimum level or floor rate for an open-rated commodity, established by a rate making group other than an international rate conference, *Provided*, That such rate making group has at least one foreign-flag carrier as a voting member, or