

## **Supporting Statement for Audit Reports under the International Safety Management Code**

### **A. Justification.**

#### 1) Circumstances that make the collection of information necessary.

The implementation of the International Safety Management (ISM) Code on U.S. vessels subject to the International Convention for the Safety of Life at Sea, as amended (SOLAS 74/88) is mandated by section 602 of the Coast Guard Authorization Act of 1996 (Pub. L. 104-324; 110 STAT. 3901). The statute requires that U.S. shipping companies and their vessels possess Safety Management Certificates (SMC) and Documents of Compliance (DOC), respectively, as outlined in the ISM Code. Information showing the compliance status of U.S. vessels in international trade must be provided to the Coast Guard by organizations recognized by them. Three classification societies possess this recognition. 33 CFR Part 96 sets the rules for the safe operation of vessels and safety management systems.

This information collection supports the following strategic goals:

##### Department of Homeland Security

- Prevention
- Protection

##### Coast Guard

- Maritime Safety
- Protection of the Natural Resources

##### Marine Safety, Security and Stewardship Directorate (CG-5)

- Safety: Eliminate deaths, injuries, and property damage associated with commercial maritime operations.
- Human and Natural Environment: Eliminate environmental damage associated with maritime transportation and operations on and around the nation's waterways.

#### 2) By whom, how, and for what purpose the information is to be used.

Information describing companies' and vessels' compliance with the ISM Code must be verified by the Coast Guard through an audit and its corresponding report. Information must be collected to determine the compliance status of U.S. vessels, subject to SOLAS 74/88, engaged in international trade. Ongoing audits of vessels' and companies' safety management systems which impact the SMC and DOC status are conducted by organizations recognized by the Coast Guard. Authorized classification societies perform audits of vessels and reports are generated as the auditor inputs the relevant information into their laptop. These audit reports are later uploaded to the Societies' databases and the information is made available for retrieval by the Coast Guard.

Collecting the information ensures that vessels will not be delayed or detained while conducting international commerce. When visiting foreign ports, these certificates attest that the vessel meets applicable requirements of Chapter IX of SOLAS 74/88 to the satisfaction of the organization recognized by the Coast Guard to issue ISM certificates. Without compliance, American flag ships could be detained and/or harassed as being "unsafe." Unless sooner returned or revoked, these certificates are valid for five years. "Interim" SMCs and DOCs are valid for six months and 12 months respectively. Interim certificates may be issued to companies/vessels that are new or newly acquired. Collection is necessary when the status of the certificate changes.

#### 3) Consideration of the use of improved information technology.

The classification societies have implemented a system of reporting and recordkeeping which is done electronically. At this time we estimate that 100% of the responses are collected electronically. Classification society auditors upload the information as they perform the audits. For example, online access to the audit reports performed by ABS is done by logging onto the ABS website at <http://www.eagle.org> and clicking on the link marked "My Eagle Login". The electronic database which has been implemented, allows the Coast Guard online access to classification societies' reports and recordkeeping. Audit reports are not submitted directly to the Coast Guard, rather uploaded to Societies' internal databases. These reports are made available to the Coast Guard and are retrieved on a periodic basis for review.

4) Efforts to identify duplication. Why similar information cannot be used.

The Coast Guard established specific criteria for organizations to be recognized to act on its behalf. Presently, only three classification societies are authorized to issue ISM certificates: America Bureau of Shipping, Germanischer Lloyd, and Det Norske Veritas. Close contact and continuous communication with these organizations ensures that no duplication occurs.

5) Methods to minimize the burden to small business if involved.

This information collection does not have an impact on small businesses or other small entities.

6) Consequences to the Federal program if collection were conducted less frequently.

Without current information, the possibility of vessels being delayed or operating under unsafe conditions increases.

7) Explain any special circumstances that would cause the information collection to be conducted in a manner inconsistent with guidelines.

This information collection is conducted in manner consistent with the guidelines in 5 CFR 1320.5(d) (2).

8) Consultation.

A 60-day Notice and 30-day Notice were published in the *Federal Register* to obtain public comment on this collection. (See USCG-2010-0266: April 20, 2010; 75 FR 20616; July 9, 2010, 75 FR 39551). The USCG has not received any comments on this information collection.

9) Explain any decision to provide any payment or gift to respondents.

There is no offer of monetary or material value for this information collection.

10) Describe any assurance of confidentiality provided to respondents.

There are no assurances of confidentiality provided to the respondents for this information collection.

11) Additional justification for any questions of a sensitive nature.

There are no issues of a sensitive nature involved in this information collection.

12) Estimates of reporting and recordkeeping hour and cost burdens of the collection of information.

- The estimated number of annual respondents is 409.
- The estimated number of annual responses is 4,754.
- The estimated hour burden is 18,610 hours.

- The estimated cost burden is \$1,391,826.

The reporting and recordkeeping burden will be imposed only on those vessels required to comply with the ISM Code. The specific recordkeeping requirements in the ISM Code are an international standard. The regulations themselves prescribe no additional recordkeeping on the companies or classification societies. The estimated reporting information was obtained from the MISLE database. The frequency of response varies since the requirements are based on parameters established in individual safety management systems. Also, the complexity of the safety management system is based on the type and number of vessels operated. The vessels that currently hold Safety Management Certificates are listed in the following table:

Vessel Type	Vessels
Freight Barges	6
Freight Ships	236
Industrial Vessels	23
MODUs	4
OSV	228
Oil Recovery	5
Passenger	119
Recreational	29
Research Vessel	31
School Ship	1
Tank Barge	16
Tank Ship	94
Towing Vessel	248
<b>TOTAL</b>	<b>1,040</b>

There are 1,040 total vessels which are owned by 406<sup>1</sup> separate entities.

It is estimated that the companies responsible for the vessels listed above will use classification societies to attain the required ISM certificates. Hence, **the number of annual respondents is 409**, comprised of the 406 companies that own the vessels subject to the International Convention for the Safety of Life at Sea, as amended (SOLAS 74/88), and the 3 classification societies.

**The no. of annual responses is 4,754, which is calculated using the following formula:**

$$4,754^2 = (2 \times 406) + (2 \times 1,040) + (1 \times 1,040) + (1 \times 406) + (0.4 \times 1,040).$$

Each company and each vessel must have a Safety Management System (SMS) and should be internally audited twice a year – once to verify whether safety and pollution-prevention activities comply with the SMS, and once to evaluate the efficiency and possible improvements to the existing SMS. These audits are to be reviewed by appropriate management personnel to ensure the results of the audits are brought to the attention of all personnel having responsibilities in the involved areas and that timely corrective actions can be made.

Classification societies also perform verification audits on the validity of a company's DOC as well as a vessel's SMC. Company verification audits are performed annually and vessels audits occur twice in five years. During the annual company audits, classification societies process and update company SMS vessel audit reports.

#### 12-1. SMS audits.

<sup>1</sup> Figure was obtained from the following MISLE data: US shipping companies that own SOLAS vessels.

<sup>2</sup> The number of responses is calculated by adding together the number of audits per year times the number of vessels or companies that are affected by those audits. These numbers can be located in the tables and do not count the time required for each audit.

Company SMS audits

No. of Audits per year		Time Requirements (Hours)				No. of Companies		Total # of Annual hours	
		Completion Time		Management Review Time					
2	x	( 1	+	3 )	x	406	=	3,248	

Vessel SMS audits

No. of Audits per year		Time Requirements (Hours)				No. of Vessels		Total # of Annual hours	
		Completion Time		Management Review Time					
2	x	( 2	+	3 )	x	1,040	=	10,400	

Total Annual Hour Burden (3,248hrs + 10,400hrs) = **13,648 hours**  
 X hourly rate (O-3 outside<sup>3</sup>) x \$ 84 / hr .

Total Annual Cost Burden: = **\$1,146,432**

12-2. Classification societies process (vessel audit) information.

No. of instances per year		Time Requirements (Hours)				No. of Vessels		Total # of Annual hours	
1	x	2		x		1,040	=	2,080	

Total Annual Hour Burden = **2,080 hours**  
 X hourly rate (E-3 outside) x \$ 37 / hr .

Total Annual Cost Burden: = **\$76,960**

12-3. Classification societies complete company and vessel verification audits to determine compliance with the ISM Code. Consider two vessel-audits in five years and one company-audit yearly.

Company Audits

# of Audits per year		Time Requirements (Hours)				No. of Companies		Total # of Annual hours	
1	x	2		x		406	=	812	

Vessel Audits

# of Audits per year		Time Requirements (Hours)				No. of Vessels		Total # of Annual hours	
0.4	x	2		x		1,040	=	832	

Total Annual Hour Burden (812 hrs + 832 hrs) = **1,644 hours**  
 X hourly rate (E-5 outside) x \$ 52 / hr .

<sup>3</sup> The hourly rates are from COMDTINST 7310.1L. When the cost is borne by the Coast Guard, the "within government" rate was used. When the work was performed by a non-government employee, the "outside government" rate was used.

Total Annual Cost Burden: = **\$85,488.**

**Total Annual Industry Hour Burden (13,648 hrs + 2,080 hrs + 1,644 hrs) = 17,372 hours**

**Total Annual Industry Cost Burden ( \$1,146,432 + \$76,960 + \$85,488) = \$1,308,880**

13) Estimates of annualized capital and start-up costs.

There are no capital, start-up or maintenance costs associated with this information collection.

14) Estimates of annualized Federal Government costs.

Government costs will come from a Coast Guard officer (O-3) who will review vessel ISM audit reports as well as classification society printouts to determine compliance with ISM Code—

14.1 Review of vessel ISM audit reports.

Hour Burden:

# of Audits per year	Time Requirements	# of vessels	Total # of Annual hours
0.4   x	2   x	1,040 =	832

Total Annual Hour Burden = **832 hours**

Total Annual Cost Burden:

Total Hour Burden X hourly rate = cost  
 832 hours X \$67/hr (O-3 inside) = **\$55,744**

14-2. Review of classification society audits.

Hour Burden:

# of Audits per year	Time Requirements	# of companies	Total # of Annual hours
1   x	1   x	406 =	406

Total Annual Hour Burden = **406 Hours**

**Total Annual Cost Burden:**

Total Hour Burden X hourly rate = cost  
 406 hours X \$67 (O-3 inside) = **\$27,202**

**Total Annual Government Time Burden (832 hrs + 406 hrs) = 1,238 hours**

**Total Annual Government Cost (\$53,667 + \$27,202) = \$82,946**

15) Explain the reasons for the change in burden.

The change (i.e., increase) in burden is an ADJUSTMENT due to a change in the vessel populations. The number of vessels that comply with the ISM Code has increased. The regulations related to the ISM Code have not changed. The methodology for calculating burden remains unchanged.

16) For collections of information whose results are planned to be published for statistical use, outline plans for tabulation, statistical analysis and publication.

This information collection will not be published for statistical purposes.

17) Explain the reasons for seeking not to display the expiration date for OMB approval of the information collection.

The Coast Guard will display the expiration date for OMB approval of this information collection.

18) Explain each exception to the certification statement.

The Coast Guard does not request an exception to the certification of this information collection.

## **B. Collection of Information Employing Statistical Methods.**

This information collection does not employ statistical methods.