

Pollution Prevention. Most of this information will be required only after the new SOLAS amendments and ISPS Code go into effect, in July 2004. However, after January 1, 2004, if a foreign vessel already possesses an International Ship Security Certificate and an approved Vessel Security Plan, we will require it to provide some basic information about the International Ship Security Certificate and declare if it is implementing the Vessel Security Plan. The purpose of collecting this data in the first half of 2004 is to help us gauge international progress toward meeting the July 1, 2004, entry into force date.

#### Regulatory Assessment

This interim rule is a "significant regulatory action" under section 3(f) of Executive Order 12866, Regulatory Planning and Review, and has been reviewed by the Office of Management and Budget under that Order. It requires an assessment of potential costs and benefits under section 6(a)(3) of that Order. It is significant under the regulatory policies and procedures of the Department of Homeland Security. A Cost Assessment is available in the docket as indicated under **ADDRESSES**.

#### Cost Assessment

For the purposes of good business practice or regulations promulgated by other Federal and State agencies, many companies already have spent a substantial amount of money and resources to upgrade and improve security. The costs shown in this assessment do not include the security measures these companies have already taken to enhance security.

We realize that every company engaged in maritime commerce would not implement the interim rule exactly as presented in this assessment. Depending on each company's choices, some companies could spend much less than what is estimated herein while others could spend significantly more. In general, we assume that each company would implement the interim rule based on the type of vessels or facilities it owns or operates and whether it engages in international or domestic trade.

This assessment presents the estimated cost if vessels are operating at Maritime Security Level 1, the current level of operations since the events of September 11, 2001. We also estimated the costs for operating for a brief period at Maritime Security Level 2, an elevated level of security.

We do not anticipate that implementing the interim rule will require additional manning aboard

vessels; existing personnel can assume the duties envisioned.

The interim rule will affect about 10,300 U.S. flag SOLAS, domestic (non-SOLAS), and about 70 foreign non-SOLAS vessels.

The estimated cost of complying with the interim rule is Present Value (PV) \$1.368 billion (2003–2012, 7 percent discount rate). Approximately PV \$248 million of this total is attributable to U.S. flag SOLAS vessels. Approximately PV \$1.110 billion is attributable to domestic vessels (non-SOLAS), and PV \$10 million is attributable to foreign non-SOLAS vessels. In the first year of compliance, the cost of purchasing equipment, hiring security officers, and preparing paperwork is an estimated \$218 million (non-discounted, \$42 million for the U.S. flag SOLAS fleet, \$175 million for the domestic fleet, \$1 million for the foreign non-SOLAS fleet). Following initial implementation, the annual cost of compliance is an estimated \$176 million (non-discounted, \$32 million for the U.S. flag SOLAS fleet, \$143 million for the domestic fleet, \$1 million for the foreign non-SOLAS fleet).

For the U.S. flag SOLAS fleet, approximately 52 percent of the initial cost is for hiring Company Security Officers and training personnel, 29 percent is for vessel equipment, 12 percent is for assigning Vessel Security Officers to vessels, and 7 percent is associated with paperwork (Vessel Security Assessment and Vessel Security Plan). Following the first year, approximately 72 percent of the cost is for Company Security Officers and personnel training, 3 percent is for vessel equipment, 10 percent is for drilling, 15 percent is for Vessel Security Officers, and less than 1 percent is associated with paperwork. Company Security Officers and training are the primary cost drivers for U.S. flag SOLAS vessels.

For the domestic fleet, approximately 51 percent of the initial cost is for hiring Company Security Officers and training personnel, 29 percent is for vessel equipment, 14 percent is for assigning Vessel Security Officers to vessels, and 6 percent is associated with paperwork (Vessel Security Assessments and Vessel Security Plans). Following the first year, approximately 61 percent of the cost is for Company Security Officers and training, 6 percent is for vessel equipment, 11 percent is for drilling, 22 percent is for VSOs, and less than 1 percent is associated with paperwork. As with SOLAS vessels, Company Security Officers are the primary cost driver for the domestic fleet.

We estimated approximately 135,000 burden hours for paperwork during the first year of compliance (33,000 hours for U.S.-flag SOLAS, 101,000 hours for the domestic fleet, 1,000 hours for the foreign non-SOLAS fleet). We estimated approximately 12,000 burden hours annually following full implementation of the interim rule (2,000 hours for U.S.-flag SOLAS, 10,000 hours for the domestic fleet, less than 1,000 hours for the foreign non-SOLAS fleet).

We also estimated the annual cost for going to an elevated security level, Maritime Security Level 2, in response to increased threats. The duration of the increased security level will be entirely dependent on intelligence received. For this assessment, we estimated costs for Maritime Security Level 2 using the following assumptions: all ports will go to Maritime Security Level 2 at once, each elevation will last 21 days, and the elevation will occur twice a year. The estimated cost associated with these conditions is \$235 million annually.

#### Benefit Assessment

This interim rule is one of six interim rules that implement national maritime security initiatives concerning general provisions, Area Maritime Security (ports), vessels, facilities, Outer Continental Shelf (OCS) facilities, and AIS. The Coast Guard used the National Risk Assessment Tool (N-RAT) to assess benefits that would result from increased security for vessels, facilities, OCS facilities, and ports. The N-RAT considers threat, vulnerability, and consequences for several maritime entities in various security-related scenarios. For a more detailed discussion on the N-RAT and how we employed this tool, refer to *Applicability of National Maritime Security Initiatives* in the interim rule titled "Implementation of National Maritime Security Initiatives" (USCG–2003–14792), published elsewhere in today's **Federal Register**. For this benefit assessment, the Coast Guard used a team to calculate a risk score for each entity and scenario before and after the implementation of required security measures. The difference in before and after scores indicated the benefit of the proposed action.

We recognized that the interim rules are a "family" of rules that will reinforce and support one another in their implementation. We have ensured, however, that risk reduction that is credited in one rulemaking is not also credited in another. For a more detailed discussion on the benefit assessment and how we addressed the potential to double-count the risk reduced, refer to *Benefit Assessment* in the interim rule