FEDERAL MARITIME COMMISSION

46 CFR Parts 502 and 515

Docket No. 19-04

RIN: 3072-AC75

Hearing procedures governing the denial, revocation, or suspension of an OTI license

AGENCY: Federal Maritime Commission

ACTION: Notice of Proposed Rulemaking.

SUMMARY: The Federal Maritime Commission (Commission) is seeking public comments on proposed modifications to the hearing procedures governing the denial, revocation, or suspension of an ocean transportation intermediary (OTI) license. The revised hearing procedures are intended to align more with other Commission hearing procedures, ensure a more streamlined process and fulfill the need for more detailed procedural requirements.

DATES: Submit comments on or before October 3, 2019.

ADDRESSES: You may submit comments, identified by the Docket No. 19-04, by the following methods:

- Email: secretary@fmc.gov. For comments, include in the subject line: “Docket No. 19-04, Comments on Hearing procedures governing the denial, revocation, or suspension of an OTI license” Comments should be attached to the email as a Microsoft Word or text-searchable PDF document. Only non-confidential and public versions of confidential comments should be submitted by email.
• Mail: Rachel E. Dickon, Secretary, Federal Maritime Commission, 800 North Capitol Street NW, Washington, DC 20573–0001.

Instructions: For detailed instructions on submitting comments, including requesting confidential treatment of comments, and additional information on the rulemaking process, see the Public Participation heading of the Supplementary Information section of this document. Note that all comments received will be posted without change to the Commission’s website, unless the commenter has requested confidential treatment.

Docket: For access to the docket to read background documents or comments received, go to the Commission’s Electronic Reading Room at: https://www2.fmc.gov/readingroom/proceeding/19-04/, or to the Docket Activity Library at 800 North Capitol Street NW, Washington, DC 20573, between 9:00 a.m. to 5:00 p.m., Monday through Friday, except Federal holidays. Telephone: (202) 523-5725.

FOR FURTHER INFORMATION CONTACT: Rachel E. Dickon, Secretary; Phone: (202) 523-5725; Email: secretary@fmc.gov.

SUPPLEMENTARY INFORMATION:

I. INTRODUCTION

The Federal Maritime Commission has issued this notice to obtain public comments on possible modifications to its processes for the denial, suspension, and revocation of OTI licenses. In 2015, the FMC published a final rule significantly amending its regulations governing OTIs. Among the revisions in this final rule were changes to the process for denying or revoking an OTI license. At the time, the Commission was primarily concerned with the time and expense

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that revocations and denials consumed, and the revisions were intended to streamline the process. The revised process, however, has proved to be imprecise in certain respects and has not led to the reduction in time and expense that was anticipated.

The Commission is now considering revising the denial, suspension, and revocation procedures and is seeking public comment. Specifically, the Commission is considering a new hearing procedure based on the procedure for formal small Shipping Act claims under 46 CFR part 502, Subpart T. The new hearing procedure would be overseen by an administrative law judge and would represent the type of expedient, low-burden process sought in the previous rulemaking while fulfilling the need for more detailed procedural requirements. We are seeking comment on the proposed new hearing procedure and how this procedure would affect OTIs.

II. BACKGROUND

The Shipping Act requires anyone desiring to operate as an OTI to obtain a license from the Commission.\textsuperscript{2} The Act provides that “[t]he Commission shall issue a license to a person that the Commission determines to be qualified by experience and character to act as an ocean transportation intermediary.”\textsuperscript{3} The Commission has delegated the authority to approve or disapprove applications for OTI licenses to the Bureau of Certification and Licensing (BCL).\textsuperscript{4}

A. Current Procedure

The current practice for OTI license denials, suspension, and revocations is as follows. Once BCL decides to deny, suspend, or revoke a license, a notice to that effect is sent to the

\begin{itemize}
  \item \textsuperscript{2} 46 U.S.C. 40901.
  \item \textsuperscript{3} Id. at § 40901(a).
  \item \textsuperscript{4} 46 CFR 501.26(a)(1).
\end{itemize}
applicant or licensee. This notice provides in detail a statement of the facts supporting the action. The applicant or licensee then has 20 days to request a hearing by submitting a statement of reasons why their application should not be denied, or their license should not be suspended or revoked.\(^5\)

All hearing requests are submitted to the Commission’s Secretary. The Secretary then designates a hearing officer to review the decision. After being advised by the hearing officer that a hearing request has been made, BCL sends the hearing officer and applicant or licensee a copy of the notice of intent (which has already been sent to the applicant or licensee) along with materials supporting the notice under § 515.15 or § 515.16.\(^6\)

The hearing officer provides the licensee or applicant with a written notice advising the party of its right to submit its written arguments, affidavits of fact, and documents. The licensee or applicant then has 30 days to submit information and documents in support of a license or in support of continuation of a license. BCL then submits its response within 20 days of the licensee or applicant’s submission. These records and submissions constitute the entire record for the hearing officer’s decision. The hearing officer’s decision must be issued within 40 days of the record being closed.\(^7\) The applicant or licensee, but not BCL, may seek review of the hearing officer’s decision by the Commission by filing exceptions in accordance with 46 CFR 502.227, and the Commission may determine to conduct a formal evidentiary hearing under Part 502.\(^8\)

\(^5\) 46 CFR 515.15-515.16.

\(^6\) 46 CFR 515.17(a).

\(^7\) 46 CFR 515.17(b).

\(^8\) 46 CFR 515.17(c).
B. **Concerns with Current Procedure**

Since 2015, two hearings have been conducted under § 515.17. Both hearings conducted under § 515.17 have taken over 150 days to complete. A contributing factor to the length of time in each case has been the selection of an appropriate hearing officer, which has taken between 13 and 50 days. These delays resulted from not having a designated office from which to select the hearing officer.

In addition to the delays in selecting a hearing officer, because § 515.17 provides little detail about the hearing procedure other than deadlines for submission of information, Commission staff has had to resolve several procedural issues arising in the first two proceedings. These experiences have demonstrated the need for additional clarification of the procedure and the authority of the hearing officer.

III. **PROPOSED HEARING PROCEDURE**

Given the issues identified above, the Commission is proposing to replace the current hearing procedure with a modified version of the formal procedures for the adjudication of small claims in Subpart T of the Commission’s Rules of Practice and Procedure (46 CFR part 502). These hearings, like those in Subpart T, would be conducted by an ALJ, thereby removing the delay in appointing a hearing officer. Using a modified form of the Subpart T procedures would still ensure a more streamlined procedure than a typical hearing under Part 502, which allows for 150 days of discovery,\(^9\) while giving the presiding officer more flexibility in conducting the hearing than the current § 515.17 procedures. The new proceedings would be included in Part

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\(^9\) *See* 46 CFR 502.141-150. Given that the record in OTI license application and revocation/suspension is generally more limited, such a substantial discovery process is not necessary.
502 as Subpart X (the existing Subpart X would be redesignated) and cross-referenced in § 515.17.

A. Subpart T Proceedings

Typically, claims filed with less than $50,000 at issue are adjudicated under Subpart S, in which a Small Claims Officer is appointed by the Chief ALJ. If, however, the respondent does not consent to having their matter heard by a Small Claims Officer, the matter is instead adjudicated by an ALJ per the rules of Subpart T. While most of the Commission’s Rules of Practice and Procedure do not apply to Subpart T, a few rules on filing requirements, appearance before the Commission, substitution of parties, interest, and attorney fees continue to apply.

In a Subpart T proceeding, the respondent has 25 days from the service of the complaint to file an answer. The answer admits or denies each matter set forth in the complaint and anything not denied is deemed admitted. The answer may be accompanied by appropriate affidavits, other documents, and memoranda. The Complainant may then, within 20 days of service of the answer, file a reply memorandum along with appropriate affidavits and supporting documents.

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10  46 CFR 502.304.
11  46 CFR 502.304(f).
12  46 CFR 502.321(b) (“The following sections in subparts A through Q apply to situations covered by this subpart: §§ 502.2(a) (Requirement for filing); 502.2(f)(1) (Email transmission of filings); 502.2(i) (Continuing obligation to provide contact information); 502.7 (Documents in foreign languages); 502.21-502.23 (Appearance, Authority for representation, Notice of appearance; substitution and withdrawal of representative); 502.43 (Substitution of parties); 502.253 (Interest in reparation proceedings); and 502.254 (Attorney fees in complaint proceedings”).
13  46 CFR 502.312.
14  46 CFR 502.313.
The ALJ may also require the submission of additional documentation if necessary from either the complainant or respondent. In the normal course of the proceeding, an oral hearing will not occur, but the ALJ has the discretion to order an oral hearing. A request for an oral hearing can also be made in either the respondent’s answer or in the complainant’s reply.

Either party may request a review of the ALJ’s decision by the Commission within 22 days of the issuance of the decision. The Commission may, at the request of a single Commissioner, also choose to review any decision or order of dismissal.

**B. Modified Subpart T Procedure for License Hearings**

The Commission is not proposing to change the process for requesting a hearing as currently described in §§ 515.15(c) and 515.16(a). If an applicant or licensee wishes to request a hearing after receiving a notice of intent to deny, suspend, or revoke their license, they would continue to have 20 days to do so, and, if no hearing is requested, the decision to deny, revoke, or suspend would become final.

Under the proposed procedure, if a hearing request is received, the Secretary would transmit the request to the Office of Administrative Law Judges for assignment. The hearing would then take place under the new Subpart X. Section 515.17 would retain its first sentence, indicating that “hearing requests under §§ 515.15 and 515.16 shall be submitted to the Commission's Secretary” and cross-reference Subpart X.

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16 46 CFR 502.315.
17 46 CFR 502.318.
The preliminary portions of the new Subpart X mirror the current procedures in § 515.17, save that an ALJ, rather than a hearing officer, would preside over the proceeding. Once a timely request is received, the Secretary would transmit the request to the Office of Administrative Law Judges who would notify BCL and BOE of the hearing request. BOE would provide the applicant or licensee a copy of the notice previously given as well as the BCL materials supporting the decision. The ALJ would then issue a notice advising the applicant or licensee of the right to respond in support of a license application or continuation of a current OTI license. The licensee or applicant would have 30 days to file a response and supporting documentation. BOE would then have 20 days to submit a reply memorandum and supporting documents. These proposed deadlines are identical to those currently listed in § 515.17.

Under the current § 515.17, the notice, response, and reply constitute the entirety of the record. To provide the ALJ with additional discretion and flexibility, the new Subpart X would permit the ALJ to require additional information from the parties. Additionally, the new Subpart X would allow for parties to request oral hearing or oral argument in either the applicant/licensee’s response or BOE’s reply to the response. A request for oral hearing or argument would be ruled on within 10 days of receipt of the request and would only occur at the discretion of the ALJ. While neither oral proceedings nor additional information were expressly permitted under § 515.17 and could extend the proceeding beyond the current § 515.17 timeline, we expect use of these procedures to be the exception rather than the norm. In addition, expressly permitting the use of these procedures when necessary will help ensure that determinations are based on a complete and accurate record and eliminate confusion regarding the presiding officer’s authority.
To ensure a streamlined process, the Commission would still require that the presiding officer issue a decision within 40 days of the record being closed, which would be either when the reply to the response is submitted, or, if additional information is required or oral hearing or argument is conducted, the completion of either event.

The exceptions process would remain the same as under current § 515.17, except that either party (BOE or the applicant/licensee) would have the ability to file exceptions within 22 days after the ALJ’s decision is issued. Under § 515.17, only the applicant or licensee may currently do so. BOE has the right to file exceptions in other Commission proceedings, and we believe the best course will be to allow a similar right in OTI license hearings.

The discretionary review process would also be altered somewhat. Currently, discretionary Commission review of hearing officer decisions is governed by the general provisions in 46 CFR 501.27, which allows for review if one less than a majority of Commissioners (i.e., two Commissioners if there are four or five Commissioners total) votes to review the matter. The proposed change would make the discretionary review procedures consistent with those for other decisions under part 502 (i.e., ALJ and SCO decisions), and a single Commissioner would be able to request Commission review within 30 days after the ALJ’s decision is issued.

Subpart T also includes its own sections on computation of time and service. These provisions do not differ substantially from the generally applicable rules in Subpart G of Part 502, which covers time, and Subpart H, which covers service of documents. The Commission intends to incorporate via cross-reference nearly all of Subparts G and H instead of including the separate provisions for time and service in Subpart T. This will bring license hearings in line with other proceedings under Part 502 and any future improvements to the Commission rules on
service and time would automatically apply to these proceedings. The only section in these subparts that would not apply to license hearings under Subpart X would be § 502.115, which concerns service in rulemaking and petition proceedings.

To ensure consistency across 502 proceedings, other sections of 502 would also apply to license hearings under Subpart X, including: §§ 502.1-502.13 (General information); 502.21-502.23 (Appearance, Authority for representation, Notice of appearance; substitution and withdrawal of a representative); 502.42 (Bureau of Enforcement); 502.43 (Substitution of parties); and 502.223-502.230 (Decisions). This includes many of the sections cross-referenced in Subpart T, along with additional general rules that would establish a more defined framework for conducting license hearings. Sections 502.253 (Interest in reparation proceedings); and 502.254 (Attorney fees in complaint proceedings), which apply in Subpart T proceedings, would not apply to hearings under Subpart X, as those provisions are only applicable to private complaint proceedings.

Among the chief considerations of the 2015 rule was the length of time required to complete a hearing. The proposed Subpart X carries with it all the deadlines currently listed in § 515.17. Subpart X does allow for the submission of additional information and oral hearing and argument, but those are not expected to occur in most proceedings. Subpart X would also remove confusion about the assignment of a hearing officer and thus would likely reduce the overall time required to complete a hearing.

IV. CONCLUSION

Since the 2015 rulemaking, the Commission has encountered several issues implementing the hearing procedures established by § 515.17. To resolve these issues and improve the license hearing process, the Commission is proposing to replace the current hearing
procedures with a modified version of the procedures in Subpart T of the Commission’s Rules of Practice and Procedure. The Commission is seeking comment on the proposed new hearing procedures.

V. PUBLIC PARTICIPATION

How do I prepare and submit comments?

Your comments must be written and in English. To ensure that your comments are correctly filed in the docket, please include the docket number of this document in your comments.

You may submit your comments via e-mail to the e-mail address listed above under ADDRESSES. Please include the docket number associated with this notice and the subject matter in the subject line of the e-mail. Comments should be attached to the email as a Microsoft Word or text-searchable PDF document. Only non-confidential and public versions of confidential comments should be submitted by email.

You may also submit comments by mail to the address listed above under ADDRESSES.

How do I submit confidential business information?

The Commission will provide confidential treatment for identified confidential information to the extent allowed by law. If your comments contain confidential information, you must submit the following by mail to the address listed above under ADDRESSES:

- A transmittal letter requesting confidential treatment that identifies the specific information in the comments for which protection is sought and demonstrates that the information is a trade secret or other confidential research, development, or commercial information.
- A confidential copy of your comments, consisting of the complete filing with a cover page marked “Confidential-Restricted,” and the confidential material clearly marked on each page.
You should submit the confidential copy to the Commission by mail.

- A public version of your comments with the confidential information excluded. The public version must state “Public Version—confidential materials excluded” on the cover page and on each affected page and must clearly indicate any information withheld. You may submit the public version to the Commission by email or mail.

**Will the Commission consider late comments?**

The Commission will consider all comments received before the close of business on the comment closing date indicated above under DATES. To the extent possible, we will also consider comments received after that date.

**How can I read comments submitted by other people?**

You may read the comments received by the Commission at the Commission’s Electronic Reading Room or the Docket Activity Library at the addresses listed above under ADDRESSES.

**VI. RULEMAKING ANALYSES AND NOTICES**

**Regulatory Flexibility Act**

The Regulatory Flexibility Act (codified as amended at 5 U.S.C. 601–612) provides that whenever an agency is required to publish a notice of proposed rulemaking under the Administrative Procedure Act (APA) (5 U.S.C. 553), the agency must prepare and make available for public comment an initial regulatory flexibility analysis (IRFA) describing the impact of the proposed rule on small entities. 5 U.S.C. 603. An agency is not required to publish an IRFA, however, for the following types of rules, which are excluded from the APA’s notice-and-comment requirement: interpretative rules; general statements of policy; rules of agency organization, procedure, or practice; and rules for which the agency for good cause finds that
notice and comment is impracticable, unnecessary, or contrary to public interest. See 5 U.S.C. 553(b).

Although the Commission has elected to seek public comment on this proposed rule, the rule is a rule of agency procedure or practice. Therefore, the APA does not require publication of a notice of proposed rulemaking in this instance, and the Commission is not required to prepare an IRFA.

National Environmental Policy Act

The Commission’s regulations categorically exclude certain rulemakings from any requirement to prepare an environmental assessment or an environmental impact statement because they do not increase or decrease air, water or noise pollution or the use of fossil fuels, recyclables, or energy. 46 CFR 504.4. The proposed rule would amend the Commission procedures for the revocation, suspension, and denial of OTI licenses. This rulemaking thus falls within the categorical exclusion for “issuance, modification, denial and revocation of ocean transportation intermediary licenses.” 46 CFR 504.4(a)(1). Therefore, no environmental assessment or environmental impact statement is required.

Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3521) (PRA) requires an agency to seek and receive approval from the Office of Management and Budget (OMB) before collecting information from the public. 44 U.S.C. 3507. The agency must submit collections of information in proposed rules to OMB in conjunction with the publication of the notice of proposed rulemaking. 5 CFR 1320.11. This proposed rule does not contain any collections of information as defined by 44. U.S.C. 3502(3) and 5 CFR 1320.3(c).

Executive Order 12988 (Civil Justice Reform)
This rule meets the applicable standards in E.O. 12988 titled, “Civil Justice Reform,” to minimize litigation, eliminate ambiguity, and reduce burden.

**Regulation Identifier Number**

The Commission assigns a regulation identifier number (RIN) to each regulatory action listed in the Unified Agenda of Federal Regulatory and Deregulatory Actions (Unified Agenda). The Regulatory Information Service Center publishes the Unified Agenda in April and October of each year. You may use the RIN contained in the heading at the beginning of this document to find this action in the Unified Agenda, available at


**List of Subjects**

*46 CFR Part 502*

Administrative practice and procedure, Claims, Equal access to justice, Investigations, Lawyers, Maritime carriers, Penalties, Reporting and recordkeeping requirements,

*46 CFR Part 515*

Freight, Freight forwarders, Maritime carriers, Reporting and recordkeeping requirements

For the reasons set forth above, the Federal Maritime Commission proposes to amend 46 CFR parts 502 and 515 as follows:

**PART 502 - RULES OF PRACTICE AND PROCEDURE**

1. The authority citation for part 502 continues to read as follows:


Subpart X [REDESIGNATED AS SUBPART Y]
2. Redesignate subpart X as subpart Y.

3. Add new subpart X to read as follows:

**Subpart X—Hearing Procedure Governing Denial, Suspension, or Revocation of OTI License**

Sec.

502.701 Purpose and scope.
502.702 Hearing requests.
502.703 Applicant or licensee response.
502.704 Reply.
502.705 Additional information.
502.706 Request for an oral hearing or argument.
502.707 Intervention.
502.708 Decision.
502.709 Applicability of other rules to this subpart.

**§ 502.701 Purpose and scope.**

(a) The purpose of this subpart is to provide the hearing procedures for the denial, suspension, or revocation of an ocean transportation intermediary (OTI) license applied for or issued under part 515 of this chapter when the Bureau of Certification and Licensing has issued a notice of intent to deny under § 515.15 of this chapter or notice of revocation or suspension under § 515.16 of this chapter and the applicant or licensee timely requests a hearing under those sections.

(b) Denial, suspension, and revocation proceedings under this subpart will be adjudicated by the administrative law judges of the Commission under the procedures set forth in this subpart. [Rule 701.]

**§ 502.702 Hearing requests.**

(a) Upon receipt of a timely hearing request under § 515.17 of this chapter, the Secretary will transmit the request to the Office of Administrative Law Judges.
(b) The assigned administrative law judge will notify the Bureau of Certification and Licensing and the Bureau of Enforcement of the hearing request, and the Bureau of Enforcement must file with the administrative law judge and serve on the applicant or licensee a copy of the notice given to the applicant or licensee and a copy of BCL materials supporting the notice.

[Rule 702.]

§ 502.703 Applicant or licensee response.

Upon receiving the materials described in § 502.702(b), the administrative law judge will issue a notice advising the applicant or licensee of the right to respond in support of an OTI application or continuation of a current OTI license. The response must be:

(a) Filed with the administrative law judge within 30 days of the administrative law judge’s notice; and

(b) Include any supporting information or documents, such as affidavits of fact, memoranda, or written argument. [Rule 703.]

§ 502.704 Reply.

The Bureau of Enforcement may, within twenty (20) days of service of the response filed by the applicant or licensee, file with the administrative law judge and serve upon the applicant or licensee a reply memorandum accompanied by appropriate affidavits and supporting documents.

§ 502.705 Additional information.

The administrative law judge may require the submission of additional affidavits, documents, or memoranda from the Bureau of Enforcement or the licensee or applicant. [Rule 705.]

§ 502.706 Request for an oral hearing or argument.
(a) In the usual course of disposition of matters filed under this subpart, no oral hearing or argument will be held, but the administrative law judge, in their discretion, may order such hearing.

(b) A request for oral hearing or argument may be incorporated in the applicant or licensee’s response or in the Bureau of Enforcement’s reply to the response. Requests for oral hearing or argument will not be entertained unless they set forth in detail the reasons why the filing of affidavits or other documents will not permit the fair and expeditious disposition of the claim, and the precise nature of the facts sought to be proved or issues to be addressed at an oral hearing or argument.

(c) The administrative law judge will rule upon a request for oral hearing or argument within ten (10) days of its receipt.

(d) In the event oral hearing or argument is ordered, it will be held in accordance with the rules applicable to other formal proceedings, as set forth in subparts A through Q of this part. [Rule 706.]

§ 502.707 Intervention.

Intervention will ordinarily not be permitted. [Rule 707.]

§ 502.708 Decision.

(a) Except as described in paragraph (b) of this section, the administrative law judge will issue a decision within forty (40) days after the submission of the Bureau of Enforcement’s reply.

(b) If oral hearing or argument is conducted or additional information is required, then the decision will be issued within forty (40) days after the oral proceeding or the deadline for submission of additional information, whichever is later.
(c) The decision of the administrative law judge will be final, unless, within twenty-two (22) days from the date of service of the decision, either party files exceptions under § 502.227(a)(1) or the Commission makes a determination to review under § 502.227(a)(3) and (d). [Rule 708.]

§ 502.709 Applicability of other rules to this subpart.

(a) Except as otherwise specifically provided in this subpart or in paragraph (b) of this section, the sections in subparts A through Q, inclusive, of this part do not apply to proceedings covered by this subpart.

(b) The following sections in subparts A through Q apply to proceedings covered by this subpart: §§ 502.1-502.11, 502.13 (Filing requirements, Document requirements, and General rules); 502.21-502.23 (Appearance, Authority for representation, Notice of appearance, Substitution, and Withdrawal of representative); 502.42 (Bureau of Enforcement); 502.43 (Substitution of parties); 502.101-502.105 (Computation of time); 502.114, 502.116-502.117 (Service of documents); 502.223-502.230 (Decisions). [Rule 709.]

PART 515 - LICENSING, FINANCIAL RESPONSIBILITY REQUIREMENTS, AND GENERAL DUTIES FOR OCEAN TRANSPORTATION INTERMEDIARIES

4. The authority citation for part 515 continues to read as follows:


5. Revise § 515.17 to read as follows:

§ 515.17 Hearing Procedures governing denial, revocation, or suspension of OTI License.
All hearing requests under §§ 515.15 and 515.16 shall be submitted to the Commission's Secretary. The hearing will be adjudicated under the procedures set forth in subpart X of part 502 of this chapter.

By the Commission.

Rachel Dickon
Secretary