

only avenue available to ensure revenues equal expenses on a sustaining basis.

(2) *Consider the impact total MGC Branch costs on the livestock and meat industry:* The MGC Branch issued recommended staffing guidelines for applicants of beef carcass grading and/or live animal/carcass schedule certification services on August 22, 2002. The recommended staffing guidelines, while increasing the number of Federal meat graders in 4 percent of firms requesting services, were designed to reduce the number of cumulative trauma disorders (CTD) associated with repetitive motions, which is the leading cause of injuries to MGC Branch employees.

Voluntary Federal meat grading and certification services are provided to 450 businesses, including 152 livestock slaughterers, 79 facilities that process federal donated products, 74 meat processors, 46 livestock producers and feeders, 28 brokers, 26 organic certifying companies, 25 trade associations, 17 State and Federal entities, and 3 distributors. Seventy-two percent (i.e., 324) of these businesses are small entities which generate approximately 17 percent of the MGC Branch's revenues. A small entity is defined for the meat packing and processing industry as a company that employs less than 500 employees. AMS estimates that the fee increase will cost small businesses an average of \$68,170 or an additional \$210 per month (\$2,520 per year) per applicant. AMS is very cognizant of the impact that fees charged for meat grading and certification services have over all firms.

(3) *Reevaluate the accuracy of the formula used to estimate the per pound cost of providing services:* In accordance with the AMA, meat grading and certification services are provided on a cost recovery basis. The cost per pound is derived by dividing the total revenue by the total pounds graded and certified within the same time frame. The formula provides an accurate and consistent comparison between the cost of providing service and the tonnage of graded and certified carcasses over time. Since 1993, the amount of product graded and certified per year has increased by 13 billion pounds. Over the same timeframe, the MGC Branch has doubled its revenue hour efficiency and maintained the overall cost per pound of service at \$0.0006. We believe this method of calculating the cost per pound for providing grading and certification services is accurate and provides a meaningful way to evaluate efficiency over time.

(4) *Streamline services through MGC Branch office consolidation and staff reduction:* In the past 10 years, the MGC Branch has closed three area offices, reduced mid-level supervisory staff by over 50 percent, and reduced the number of support staff by 38 percent. As part of the current MGC Branch reorganization, the Branch will close the remaining four area offices, eliminate two levels of supervision, and transfer area office functions to the Office of Field Operations (OFO) in Denver, Colorado, by the end of FY 2003. The MGC Branch reorganization also includes plans to restructure the internal operations to more effectively and efficiently service specific program areas. The MGC Branch will maintain two offices: the OFO in Denver, Colorado, and the Headquarter office in Washington, DC. The Agency has determined that, upon completion of the current reorganization, MGC Branch's operations will be streamlined to the maximum extent possible.

(5) *Explore alternative revenue sources and new technology to decrease user costs and improve the accuracy and efficiency of grading and certification services:* By law, the Agency is required to charge fees that equal the cost of providing services. Accordingly, any "alternative revenue source," if required as suggested by the respondent, would be conducted on a full cost recovery basis. AMS has actively participated with the National Cattlemen's Beef Association (NCBA), the beef packing industry, instrument manufacturers, and academia to develop performance standards that can potentially improve grading accuracy and repeatability through the use of an electronic instrument augmentation system that measures the ribeyes of beef carcasses. This same concept is also being researched for lamb grading augmentations. AMS is also involved with ongoing studies to develop technology that utilizes special equipment to apply environmentally safe yet durable carcass quality and yield grade labels. Additionally, the Agency is working with additional companies to incorporate voice recognition software into this new grade application as well as for general data collection and transmission.

Process Verified Programs such as the Non Hormone Treated Cattle Program and the Pork for the European Union Program provide complete traceability from farm to plate. Additional audit based programs such as the National School Lunch Programs' Canned Meats and Ham Programs are being implemented to improve the overall selection, quality, and cost of the

services provided to the industry. In addition, the MGC Branch has worked with members of the Federal purchase and further processing industry to develop several pilot programs that incorporate audit based principles. These programs, while providing the same or a higher level of assurance, require graders to monitor and verify an applicants' entire production process rather than performing an examination on the end product. These audit and audit based programs also allow greater scheduling flexibility, improve operational efficiencies, reduce costs, and provide value-adding services to applicants. The Agency believes that, to the maximum extent possible technology is being utilized to improve the accuracy and cost-effectiveness of meat grading and certification services.

#### List of Subjects in 7 CFR Part 54

Food grades and standards, Food labeling, Meat and meat products.

■ For the reasons set forth in the preamble, 7 CFR part 54 is amended as follows:

#### PART 54—MEATS, PREPARED MEATS, AND MEAT PRODUCTS (GRADING, CERTIFICATION, AND STANDARDS)

■ 1. The authority citation for 7 CFR part 54 continues to read as follows:

Authority: 7 U.S.C. 1621–1627.

■ 2. Section 54.27 is amended as follows:

■ a. In paragraph (a), remove "\$52" and add "\$64" in its place, remove "\$57" and add "\$70" in its place, remove "\$90" and add "\$110" in its place.

■ b. In paragraph (b), remove "\$45" and add "\$55" in its place, remove "\$57" and add "\$70" in its place, remove "\$90" and add "\$110" in its place.

Dated: June 27, 2003.

A.J. Yates,

Administrator, Agricultural Marketing Service.

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## FEDERAL RESERVE SYSTEM

### 12 CFR Part 225

[Regulation Y; Docket No. R–1146]

#### Bank Holding Companies and Change in Bank Control

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule.

**SUMMARY:** The Board of Governors of the Federal Reserve System is adopting an