

SUMMARY: The Grain Inspection, Packers and Stockyards Administration (GIPSA) proposes several changes to the fee schedule for official inspection and weighing services performed under the authority of the United States Grain Standards Act (USGSA), as amended. The USGSA provides the authority to charge and collect reasonable fees to cover the cost of performing official services. These fees also cover the costs associated with administrative and supervisory activities related to official services.

After a review of the financial status of GIPSA, including a comparison of the costs and revenues associated with official services, and administrative and supervisory activities; GIPSA is proposing changes to the fee schedule. These proposed changes include eliminating provisions for the 3-month and 6-month contracts; increasing the 1-year contract hourly rate by approximately 20 percent and the non-contract hourly rate by 47 percent; increasing hourly rates for services not performed at an applicant's facility by approximately 11.5 percent; increasing unit fees for additional tests provided by GIPSA; eliminating the 6-level administrative tonnage fee and replacing it with regional administrative tonnage fees; eliminating the unit fee charged to delegated States for export ships and replacing it with a tonnage fee; increasing hourly fees for special weighing services by approximately 30 percent above the non-contract hourly rate; and establishing a \$500 usage fee per facility when the GIPSA test car is used to test track scales.

These proposed changes are needed to replenish the retained earnings accounts and to maintain a 3-month operating reserve. Further, maintaining GIPSA's financial stability will assure continued inspection and weighing services to the grain industry which will further facilitate the sound and orderly marketing of grain in domestic and export markets.

DATES: Written comments must be submitted on or before January 20, 2004.

ADDRESSES: Interested persons are encouraged to submit comments via electronic mail or Internet to comments.gipsa@usda.gov. Hardcopy written comments may be sent to Tess Butler, GIPSA, USDA, 1400 Independence Avenue, SW., Room 1647-S, Washington, DC 20250-3604, or fax to (202) 690-2755. All comments should make reference to the date and page number of this issue of the **Federal Register**, and will be available for public inspection in the above office during regular business hours (7 CFR 1.27 (b)).

Commentors should also send a copy of any comments that concern information collection and recordkeeping requirements to the Office of Information and Regulatory Affairs, OMB, Attention: Desk Officer for GIPSA, Washington, DC 20503.

FOR FURTHER INFORMATION CONTACT:

David Orr, Director, Field Management Division, e-mail address: David.M.Orr@usda.gov, telephone (202) 720-0228.

SUPPLEMENTARY INFORMATION:

Background

The USGSA (7 U.S.C. 71 *et seq.*) authorizes GIPSA to provide official grain inspection and weighing services, and to charge and collect reasonable fees for performing these services. The fees collected are to cover, as nearly as practicable, GIPSA's costs for performing these services, including related administrative and supervisory costs.

GIPSA adopted its current fee structure (61 FR 43301) effective October 1, 1996, for services provided by GIPSA employees. This fee structure change was needed because advances in technology had allowed exporters to improve operational efficiencies, which, in turn, had reduced the number of GIPSA personnel required to service certain facilities. The fee structure was changed from primarily using hourly fees to recover costs to a method that uses a mix of hourly and unit fees for its inspection and weighing services. Direct service costs are recovered through hourly fees charged for employees providing the inspection and weighing services. Administrative costs are recovered by a tonnage fee applied to grain inspected and weighed as shipments from an export facility. Export grain companies are paying for direct labor costs and pay a share of the local and national administrative costs.

Since implementing the fees in 1996, GIPSA has adjusted hourly fees to correspond with annual Federal pay increases.

This action is necessary since employee payroll costs account for approximately 84 percent of GIPSA's total operating budget. The current USGSA fees were published in the **Federal Register** on June 2, 2003, (68 FR 32623) and became effective on July 2, 2003.

GIPSA regularly reviews its programs to determine if the fees are adequate. Since implementing the fees in 1996, GIPSA has only experienced one year where the revenues exceeded the costs. Annual losses have been between \$1 million to \$1.7 million since 1996

except for the one positive year GIPSA revenue exceeded the costs by \$88,000.

GIPSA recognizes the need to reduce inspection and weighing costs as much as possible before increasing fees. Therefore, GIPSA has taken action through the years to minimize payroll costs. These actions include utilizing employee buyouts to remove high-salaried, senior employees from the active employment list; taking advantage of employee attrition to reduce total staff by not hiring to fill vacant positions; hiring and scheduling more part-time and intermittent employees to better manage staff costs during fluctuating work periods; and reducing the amount of paid overtime via creative scheduling processes. Although GIPSA has observed a 14 percent reduction in paid hours and has reduced overtime pay by 2 percent, this is not enough to avoid continued financial losses.

GIPSA has completed a review of the grain inspection and weighing programs and has determined it is necessary to amend the fees in order to replenish the retained earnings accounts and to maintain a 3-month operating reserve. The proposed changes are targeted to recover employee costs directly related to services provided and to recover the costs associated with administering and supervising the grain inspection and weighing programs. Maintaining GIPSA's financial stability will assure continued inspection and weighing services to the grain industry which will further facilitate the sound and orderly marketing of grain in domestic and export markets.

To minimize the impact of a fee increase, GIPSA has decided to propose fee rates that collect sufficient revenue to immediately cover operating expenses, while striving to create a 3-month operating reserve by FY 2010. These proposed fees are designed to collect sufficient annual revenue through FY 2007, to achieve an average estimated positive \$1,000,000 balance annually based on an inspection volume of 80 MMT per year. The cost of living projections used in calculating future salary and benefits out to FY 2007 were supplied by OMB as set forth in their **Federal Register** publication (68 FR 12388) on March 14, 2003. GIPSA will evaluate the financial status of the grain inspection and weighing program on a continuous basis to determine if it is meeting the goal of obtaining a 3-month operating reserve by FY 2010 and to determine if other adjustments are necessary. While GIPSA may not fully replenish its 3-month reserve until FY 2010, it is critical that action is taken to start to replenish it. GIPSA proposes to