

raises. The following table illustrates how the fee levels are structured and indicates what was originally

implemented in 1996 and what is current for the same levels.

ADMINISTRATIVE TONNAGE FEES

Metric ton ranges	1996 fees (\$ per metric ton)	Current fees (\$ per metric ton)
1–1,000,000	0.090	0.1199
1,000,001–1,500,000	0.082	0.1094
1,500,001–2,000,000	0.042	0.0591
2,000,001–5,000,000	0.032	0.0437
5,000,001–7,000,000	0.017	0.0239
7,000,001 +	0.002	0.0109

When GIPSA introduced the 6-level tonnage fee in 1996, the World Agricultural Outlook Board projected grain exports to increase 2.5 percent annually, and reach 131 MMT by 2001. With this in mind, GIPSA decided to use 85 MMT as the target level for setting fees. This would be the breakeven point. GIPSA could expect to recover costs if billable tonnage were 85 MMT or more. Conversely, costs would exceed the revenues if billable tonnage were less than 85 MMT. Since 1996, GIPSA had only one year where the billable tonnage reached the 85 MMT mark at 85.2 MMT. Although GIPSA recovered the costs that year, the other years had losses between \$1 million and \$1.7 million. The decision to use 85 MMT as the breakeven basis for the administrative tonnage fee has contributed to the revenue shortfall.

Other changes in market practices further reduced revenue collected. Exports handled by the New Orleans Field Office facilities increased from 72 percent of the total tons serviced by GIPSA in FY 1996 to 78.6 percent in FY 2002. During the same period, the League City Field Office export tonnage decreased from 13 to 12 percent and the Portland Field Office volume declined from 10 to 7 percent. In addition, the Baltimore Field Office was closed due to no volume in FY 2002. These market shifts resulted in less revenue being collected per metric ton than originally predicted since the shift in New Orleans resulted in more tons loaded at a lower per-ton cost due to the 6-level fee structure. Export volume increased and the revenue per ton decreased.

GIPSA's analysis of the financial information for the 6-level administrative tonnage fee shows the revenues from it are not recovering the costs. To better recover field office administrative and supervisory costs in today's export grain marketing environment, GIPSA analyzed three potential changes to the current administrative tonnage fee: Alternative

1: Specific field office tonnage fees; Alternative 2: A flat rate national administrative tonnage fee; and Alternative 3: Increasing the current 6-level tonnage fee by 27 percent. The analysis used actual FY 2002 costs, revenue, and volume of export grain inspected by GIPSA.

The specific field office tonnage fee (Alternative 1) was designed to recover local overhead costs and a part of the national administrative costs. Local administrative costs were divided by the tonnage observed by that field office to determine the cost per ton needed by the field office to cover expenses. National administrative costs were divided by the total export tons serviced by GIPSA at all field offices to determine the cost per ton needed to recover administrative costs at headquarters. The sum of the two per ton costs (local and national) was used to establish a specific field office tonnage fee. GIPSA determined the use of specific field office tonnage fees resulted in each field office collecting sufficient revenue to cover local administrative costs as well as headquarters administrative costs.

A flat rate national administrative tonnage fee (Alternative 2) was designed to recover total administrative costs but not necessarily each field office collecting revenues to recover the local costs. This tonnage fee was calculated by dividing GIPSA's total administrative costs (field offices and headquarters) by the total tons of U.S. export grain serviced by GIPSA. GIPSA determined the flat rate national administrative tonnage fee would collect the revenues to recover the total administrative costs but only the New Orleans Field Office received revenue to recover the field office administrative costs. All other field offices did not recover their local administrative costs.

GIPSA determined if increasing the current 6-level tonnage fee was to become a viable option, those fees would have to be increased by 27

percent (Alternative 3). Although all the field offices collected revenues to recover the total administrative costs of GIPSA; not all field offices collected revenue to offset their individual office costs. GIPSA is also concerned that shifting market trends may make the 6-level tonnage fee unreliable since the revenues are dependent on the volume of grain handled by each facility.

After considering these alternatives, GIPSA proposes adopting the specific field office administrative tonnage fee structure (Alternative 1). Under this fee structure, local export facilities financially support their field office administrative costs and every ton of grain exported from field office service areas is assessed an identical fee to cover headquarters costs. This will ensure that headquarters costs are collected regardless of where the grain is exported. This proposed tonnage fee also puts each field office in an independent financial position and encourages customers to work directly with each field office to continue the implementation of grain handling efficiencies while raising the awareness of local administrative and supervisory costs. This action should foster the further development and implementation of grain handling efficiencies by grain companies to reduce the cost of GIPSA services. Also, this process makes administrative and supervisory costs more transparent to the industry.

GIPSA developed the new administrative tonnage fees by projecting GIPSA costs to the FY 2007 level and assuming GIPSA billable tonnage will be 80 MMT. GIPSA determined the field office tonnage rates would be \$0.167 per ton for elevators serviced by the League City Field Office, \$0.067 per ton for elevators serviced by the New Orleans Field Office, \$0.136 per ton for elevators serviced by the Portland Field Office, and \$0.184 for elevators serviced by the Toledo Field Office.