

and 6-month contracts; (2) increasing the 1-year contract hourly rate by approximately 20 percent and the non-contract hourly rate by 47 percent; (3) increasing hourly rates for services not performed at an applicant's facility by approximately 11.5 percent; (4) increasing unit fees for additional tests

provided by GIPSA; (5) eliminating the 6-level administrative tonnage fee and replacing it with regional administrative tonnage fees; (6) eliminating the unit fee charged to delegated States for export ships and replacing it with a tonnage fee; (7) increasing hourly fees for special weighing services by approximately 30

percent above the non-contract hourly rate; and (8) establishing a \$500 usage fee per facility when the GIPSA test car is used to test track scales.

These proposed changes should generate additional average annual revenues as noted in the following table.

Changes to fee schedule	FY02 revenue	Projected annual revenue	Projected annual revenue increase
Eliminating 3-month and 6-month contracts	\$31,063	\$0	\$(31,063)
Increasing 1-year contract and non-contract hourly rates	16,220,331	18,515,129	2,294,798
Increasing hourly rates not at facility	13,886	16,928	3,042
Increasing unit fees for testing services	677,854	930,110	252,256
Substituting regional tonnage fee for 6-level administrative fee	4,845,464	6,905,679	2,060,215
Substituting tonnage fee for unit fees on delegated State ship inspections	32,226	601,388	569,162
Increasing hourly fees for special weighing services	426,195	519,552	93,357
Establishing test car usage fee	0	25,000	25,000
Totals	22,247,019	27,513,786	5,266,767

These proposed changes are needed to restore the retained earnings accounts and to maintain a 3-month operating reserve. GIPSA has projected that the

proposed changes to the fee schedule should gradually replenish the retained earnings account and the 3-month operating reserve. The following table

illustrates how gradually restoring the fund is projected over time.

PROJECTED FINANCIAL POSITION FOR GIPSA

	FY 03	FY 04	FY 05	FY 06	FY 07
Shortfall in Retained Earnings	\$1,945,000	\$1,573,000	\$ - 926,000	\$ - 2,705,000	\$ - 3,740,000
3-Month Operating Reserve	6,475,000	6,680,000	6,853,000	7,034,000	7,219,000
Total Need	8,420,000	8,253,000	5,927,000	4,329,000	3,479,000

GIPSA will evaluate the financial status of the grain inspection and weighing program every six months to determine if it is meeting the goal of obtaining a 3-month operating reserve by fiscal year 2010. Using the projected information in the above table, GIPSA will assess if the revenue collection trend is comparable to the financial objectives of the table. GIPSA would consider further adjusting the fees if it becomes apparent that GIPSA's goal to restore the retained earnings accounts and to obtain a 3-month operating reserve is not achievable by fiscal year 2010.

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.

Executive Orders 12866 and 12988

This proposed rule has been determined to be significant for the purposes of Executive Order 12866 and, therefore, has been reviewed by the Office of Management and Budget (OMB). GIPSA has prepared a

Regulatory Impact Assessment (RIA) consisting of a statement of the need for the proposed action, an examination of alternative approaches, and an analysis of the benefits and costs.

Need for Proposed Action. The USGSA requires GIPSA to charge and collect reasonable fees for performing official inspection and weighing services. The fees are to cover, as nearly as practicable, GIPSA's costs for performing inspection and weighing services, including related administrative and supervisory costs.

GIPSA changed the inspection and weighing fees in 1996 (61 FR 43301) from using predominately hourly fees to the current method of using a mixture of hourly fees, unit fees, and tonnage fees. Hourly fees are designed to recover the salary and benefit costs for those employees (pool) that perform work at an export grain elevator. Unit fees are designed to recover the costs of tests along with administrative and supervisory costs. Tonnage fees are designed to recover local and national administrative and supervisory costs.

GIPSA implemented the new fees expecting exports to increase. Export volume is a critical condition since

GIPSA determined a minimum of 85 million metric tons (MMT) of billable tonnage was needed to break even. Since implementing the fees in 1996, GIPSA has only experienced one year where the revenues exceeded the costs. That year the billable tonnage reached 85 MMT. The other years had billable tonnage below the 85 MMT target and costs exceeded the revenues in those years due to the changes in grain marketing. 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.

The continued financial deficits prompted GIPSA to initiate a detailed analysis of the user fees and operating costs to determine why revenues were not supporting the costs and to determine what action was needed. At the same time, it must be recognized that the U.S. grain market is very dynamic and constantly changing which makes it difficult to precisely predict and project long-term market trends. Transportation costs, grain handling costs, global pricing, environmental conditions, crop quality conditions, phytosanitary issues, and crop