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April 5, 1999

FSIS Docket Clerk
Room 102-Cotton Annex Building
Food Safety and Inspection Service
U.S. Department of Agriculture
Washington, DC 20250-3700

98-052P
98-052P-15
Mark D. Dopp

**Re: Docket No. 98-052P: Fee Increase for Inspection Services; Proposed Rule.
Federal Register / Vol. 64, No. 42 / March 4, 1999**

Dear Sir or Madam:

The American Meat Institute (AMI) is the national trade association representing the meat packing and processing industries. AMI members produce the majority of meat and poultry products that move in commerce in the United States, and have a direct interest in the regulatory process which the Food Safety and Inspection Service (FSIS or the agency) has initiated through its publication of the above-referenced proposal.

Many AMI members use FSIS inspection services, including overtime and holiday inspection, voluntary inspection, identification, certification, and laboratory services. Inspected establishments pay for these services as received, but fee increases for these services must be justifiable and controllable. In this instance, FSIS has not provided a compelling rationale for the proposed increases.

FSIS has proposed a fee increase for 1999 totaling \$7,676,936, comprised of increases in hourly fees for voluntary inspection and overtime and holiday inspection. (Expected revenues from higher fees for FSIS laboratory services were not estimated in the proposal.) However, the proposal does not explain whether the \$7.68 million increase reflects an increase in expected hours coupled with higher hourly costs for these services, or just higher hourly costs. An explanation of how the proposed increase would affect total paid program costs, and why, is necessary before FSIS proceeds in imposing these higher fees.

The proposed rule attempts to justify the proposed increase by referencing a pay raise for federal employees of 3.1 percent, as well as projected increased travel and overhead costs of 1.9 percent. The relationship of these increases to the proposed fee hike is not explained, however, and AMI is puzzled how a 3.1 percent pay raise and an estimated increase of 1.9 percent in travel and overhead costs yield a need for a 12.53 percent increase in voluntary program base rates (\$37.00/\$32.88), an overtime and holiday rate increase of 9.12 percent (\$36.84/\$33.86) and a laboratory cost fee increase of 4.78 percent (\$50.88/\$48.56). In short, the justification provided by the agency in the proposed rule does not support increases of the magnitude sought.

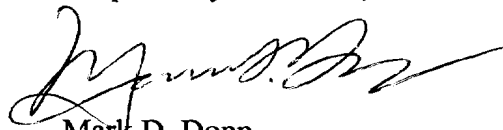
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Inflation, as measured by the Consumer Price Index, rose 1.6 percent last year and is projected to increase by a similar amount in 1999. Assuming "hours used" in the proposal's Table 2 does not reflect an increase in expected hours that will be required of FSIS in 1999, the weighted average proposed increase for base time and overtime and holidays is 9.3 percent (\$36.85/\$33.72), some 5-6 times higher than expected inflation this year and three times higher than the federal employee pay raise cited as justification for the fee increase. Similarly, USDA's latest projections for total red meat and poultry production call for 1999's industry output to rise by one-half percent from 1998 production levels to 79.7 billion pounds. The proposal fails to explain or justify increases of the magnitude proposed given the more limited increase in the Consumer Price Index and the even smaller expected increase in production.

In short, the proposed increases in FSIS paid inspection fees are unduly excessive and not supported by the justification provided in the proposed rule. AMI respectfully requests that before implementing any fee increase the agency provide adequate justification the amount requested beyond the limited explanation provided in the proposal.

Thank you for this opportunity to comment.

Respectfully submitted,



Mark D. Dopp
Senior Vice President, Regulatory Affairs
and General Counsel