White Paper
Full Reciprocity Plan

International Registration Plan (IRP), Inc.
Full Reciprocity Task Force
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Table of Contents

Introduction

This White Paper contains a summary of the work conducted by the Full Reciprocity Plan (FRP) task force in evaluating the FRP concept. The document includes a brief history of the FRP concept, an explanation for the need to create a task force to study the FRP concept, advantages of the FRP concept, as well as potential disadvantages to IRP membership and industry.

The FRP task force presented the FRP concept and solicited comments from industry and IRP membership through several different forums. All comments and suggestions were evaluated against the mission of the task force. The task force also conducted a revenue analysis of the FRP concept using the best available information. The FRP task force considered any information that may assist an IRP member jurisdiction or industry representative in making an informed decision regarding the FRP concept.

Executive Summary

The Full Reciprocity Plan, or FRP, is a concept to change the International Registration Plan (Plan) to grant full reciprocity for all apportioned vehicles in all member IRP jurisdictions, making the Plan more efficient to administer and more equitable and more flexible for its member jurisdictions and registrants.

The FRP follows the true intent of the Plan, which is to "grant reciprocity to apportioned fleets of vehicles" and to "promote and encourage the fullest possible use of the highway system". As noted in the Foreword of the Plan:

> "*The International Registration Plan is an agreement providing for registration reciprocity among Member Jurisdictions. The unique feature of the Plan is that, even though Apportionable Fees are paid to the various Jurisdictions in which Vehicles of a fleet are <u>operated</u>, the only Plate and Cab Card issued for each Fleet Vehicle are…issued by the Base Jurisdiction. The Plan provides for payment of Apportionable Fees on the basis of the proportion of Total Distance <u>operated</u> in all Jurisdictions by the Fleet of which a Vehicle is a part*".

The FRP proposal provides that once fees are paid to the base jurisdiction, the registrant's cab card would reflect <u>all</u> member jurisdictions at the proper registered weight. The registrant's apportioned vehicles would then be authorized to travel in **any** IRP jurisdiction during the license year. The FRP would eliminate estimated distance for renewing fleets; however, new fleets would be required to utilize the base jurisdiction's estimated distance chart as a sole means of determining first year operations as provided under Section 320 of the Plan.

Estimated distance has been a source of concern since the inception of the Plan and, even after the plan rewrite, concerns remained and in many cases the Plan rewrite exacerbated longstanding concerns. The proper use of estimated distance remains one of the most cited non-compliance issues in a Peer Review, is the most complicated aspect for administering the Plan by jurisdictions, and is objectionable to industry. There are several problems associated with estimated distance, including:

- loss of revenue to a jurisdiction due to substantial under-estimating
- little uniformity among jurisdictions in treatment of estimated distance in an audit
- loss of revenue to jurisdictions for dropped jurisdictions
- complications in administering for front line staff
- inability to audit estimated distance
- penalties to industry for second and subsequent year estimates (over 100%)

The FRP would benefit both jurisdictions and industry. Estimated distance is one of the most complicated aspects for jurisdictions administering the Plan. It is also the one element of the Plan that both limits the trucking industry's flexibility while at the same time charging second year estimate fees that are seen as unfair to industry.

There are several benefits in adopting the FRP, including:

- simplifies the administration of the Plan for jurisdictions
- eliminates concerns of unfairness for industry on second year estimates
- reduces the cost to administer the Plan for second year estimates
- removes the need for processing supplements and temporary cab cards
- reduces training requirements both for jurisdictions and industry
- increases compliance to the Plan both by jurisdictions and industry
- eliminates audit issues related to estimated distance and increases uniformity across jurisdictions
- eliminates one of the most often cited non-compliance issues in a Peer Review
- provides maximum flexibility for industry to operate throughout the United States and Canada

While the FRP has the potential to have savings in administering the Plan and to increase business opportunities for industry, there are some potential issues to be considered, including:

- revenue loss relating to second year estimates, reduced need for trip permits, and out of business operations;
- initial systems programming costs (end result will be reduced on-going systems costs);
- the increased importance of the audit function to prevent fraud (audit within IRP is very effective and can be made more so with the elimination of estimated distance); and
- initial training required during transition (end result will be reduced need for on-going training).

History

One of the basic questions that had to be answered when the Plan was first drafted was how to calculate the fees of first-year registrants, who have no history of distance traveled on which to base the necessary apportionment. The answer in 1973, when the Plan began, was to allow estimated distance. This was recognized as a compromise at the time, and the mechanism has not been easy to administer. It adds substantial complexity to the Plan, increases state and provincial administrative costs, penalizes many registrants – especially smaller, irregular-route operations – and provides incentives to base-state shop (and hop) and to avoid record-keeping and the payment of proper fees through the repeated declaration of new-registrant status.

Several versions of the FRP have been presented over the years and have often been referred to as the "Dallas Plan" because the proposal was first presented at the Administrative Policy and Procedures Sub-Committee Meeting held in Dallas, TX, in 1981. All these concepts have urged the elimination of estimated distance from the Plan and have featured the granting to all registrants of registration privileges in all member jurisdictions.

The next major initiative to improve the Plan was the Plan rewrite. Effective in July 2008, the rewrite of the Plan was intended primarily to revise the language of the IRP where it had become confusing or obsolete. The project did not, for the most part, attempt to resolve contentious issues or alter basic Plan policies. It was recognized during the Plan rewrite that a policy shift to address second and subsequent-year estimates would be most appropriate to address after the Plan rewrite.

Raising the level of second and subsequent year estimates was one of the most controversial elements of the Plan rewrite. Many in both government and industry believed that calculating fees above 100% under the Plan was conceptually flawed and unfairly penalized the registrants who were assessed such fees – mostly smaller carriers operating over irregular routes.

Task Force

Based on support for the concept by member jurisdictions, the IRP board of directors created a task force in 2008 to achieve the organization's strategic objective of "*developing proposals to improve the Plan and reduce the burden on jurisdictions and industry*". The task force is comprised of jurisdictional representatives from each IRP Region as well as industry representatives. The task force consists of the following members:

- Jay Starling (AL)
- Cathy Beedle (NE)
- Kirstin Peterson (AZ)
- Matthew Poirier (MA)
- Rob Termuende (BC)
- Kim Russell (MO)
- Scott Greenawalt (OK)
- Donna Burch (Ryder)
- John Jabas (Transcore)
- Bob Pitcher (ATA)

The task force was charged with gathering information, analyzing the FRP concept, reviewing alternative proposals, identifying potential advantages and disadvantages of the FRP, providing information on the task force's efforts to the membership and developing a ballot proposal, if necessary.

Purpose

The purpose of the FRP is to resolve longstanding fairness and administrative complexities relating to estimating distance under the plan.

It is recognized that calculating fees charged to industry at over 100% was a direct consequence of adding estimated distance to the Plan in the first place, and that was always an uncomfortable and controversial compromise. While many elements of the Plan rewrite changes were beneficial, the changes to estimated distance have arguably had a substantial cost to industry (administrative and fee costs), with jurisdictions benefiting from excess fees at. The FRP is a solution to these longstanding issues which, by eliminating estimated distance in the Plan, will bring substantial benefits to both jurisdictions and registrants.

Specific to the plan rewrite, to ensure consistency of approach for estimated distance, the fee rules for second and subsequent-year estimates were modified. The effect of these changes increased uniformity, but had the result of penalizing some IRP registrants more heavily than did the former Plan language, and made the Plan considerably more complicated for jurisdictions to administer and comply with.

The adoption of a full reciprocity plan has the potential to impact revenues (both up and down in different areas) for jurisdictions. The current model has incentives for industry to reduce fee costs either through complex administrative practices (use of add jurisdictions supplements and expanded use of permits) to avoid paying more than 100% fees through IRP – it also provides both a means and an incentive to falsify applications, further costing jurisdictions' revenue.

Full Reciprocity Plan Changes

The actual changes to the Plan language with FRP would be very minor.

All apportioned vehicles would be issued a cab card that gives operating rights in <u>all</u> member jurisdictions at the proper registered weight of the vehicles. Registration fees would continue to be collected at the proper registered weight of each vehicle and would be distributed to all member jurisdictions through the transmittal process.

New fleets[1] would be required to pay fees to all jurisdictions based on the "estimated distance chart" already in use today – the shift under FRP would be that all jurisdictions would be on the cab card and all registrants would be required to use the estimated distance chart rather than provide an operation plan to select jurisdictions. The estimated distance chart is already provided for in Section 320 so there would be no need for change in that process.

Renewed fleets would only pay apportioned fees to those jurisdictions in which the fleet actually traveled during the reporting period; no estimated distance would be used. Apportioned vehicles would be issued a cab card reflecting **all** IRP member jurisdictions allowing the vehicle to operate in **all** member jurisdictions at the proper registered weight of the vehicles. Second year estimates (E2s), subsequent year estimates, and estimates for expanded operations would be eliminated.

[1] Under FRP, a new fleet is considered to be a fleet that does not have at least 90 days of operation during the reporting period as provided by Section 405(d) of the Plan.

The Full Reciprocity Plan task force carefully considered each of the issues or alternatives that were communicated by the membership throughout the FRP discussion process. Each issue/alternative was judged against the strategic objective of the task force, which was to "*develop proposals to improve the Plan and reduce the burden on jurisdictions and industry.*"

Benefits for Jurisdictions

The elimination of estimated distance and second year estimates would have the following benefits for jurisdictions:

- Reduced direct administrative costs
    - expanded operation supplements and temporaries/cab cards associated with those supplements would be eliminated
    - reduced need for multiple fleets and fleet to fleet transfers

- Reduced complexity administering the Plan
    - easier training of new IRP staff members and law enforcement
    - ease of understanding for registrants and staff (fee calculation for actual distance is challenging, and second year estimates especially complicated)
    - registrants argue existing plan is unfair, burdensome and unnecessarily complex

- Improved compliance with the Plan
    - easier for jurisdictions to comply as noncompliance with second-year estimates is often cited in IRP peer reviews
    - reduced complexity of the Plan will increase uniformity for plan administration for all IRP jurisdictions

- Increased fairness for fee calculations under the Plan
    - fees would be based on actual distance and the "penalties" for second and subsequent year estimates (over 100%) would be eliminated
    - fees for "dropped" jurisdictions would be collected, where they are not today (i.e. no travel intended)

- Elimination of audit issues relating to estimated distance
    - uniformity across all jurisdictions provided
    - removal of exclusion for auditing estimates on renewals, thereby eliminating potential for unchecked fraud

Benefits for Industry

The elimination of estimated distance and second year estimates would have the following benefits for industry:

- Increased efficiency for the movement of goods

  - increase of operational flexibility since all jurisdictions on cab cards

- Economic growth for industry
  - reduced need to overpay fees provides companies greater capital for expansion

- Greater operational flexibility for trucking companies
  - smaller registrants (which make up the majority of IRP registrants) with second and subsequent year estimates often have to overpay to travel in jurisdictions they do not regularly enter
  - carriers able to shift their vehicles from place to place more efficiently
  - business opportunities opened up, especially important during stressed economic periods

- Considerable savings from avoiding overpayment of fees
  - increase in registration fees experienced by registrants caused by the Plan rewrite and resulting change in the calculation of estimated distance (revised second year estimates)concern from many registrants that requirement to overpay fees is unfair and that the complexities of the Plan make it difficult to understand why there have been fee increases

- Reduced paperwork and administrative requirements
  - elimination by some carriers of some of the fleets they must currently register separately under the IRP
  - fewer supplements and fewer permits required
  - environmental benefits through paper reduction
  - less administrative burdens and costs to process paperwork

Potential Issues

Several potential issues were identified and examined by the FRP task force. The task force has made adjustments to the FRP to accommodate some issues, while other issues were unsubstantiated. Potential issues include:

- Potential revenue loss from second year estimates, trip permits and out of business operations
- Start up/transition costs for system programming and training/education
- Increased incentives for fraudulent activity/reporting with corresponding increased importance of audit function
- Impacts for insurers that rely on cab cards for insurance rating purposes
- Potential statutory or constitutional restrictions
- Fees paid by new carriers to jurisdictions where they may never operate

While arguably the advantages of the FRP would outweigh the disadvantages, there will be some revenue losses and other challenges that jurisdictions and industry will face, both during transition and on an ongoing basis.

The following sections outline the analysis and consideration of a range of options and the findings and recommendations of the FRP task force.

Revenue Analysis

In order to determine the potential revenue impact that this proposal would have on every jurisdiction, the task force created a revenue model. This revenue model uses the most current estimated distance revenue available from each participating Clearinghouse member. Estimated distance revenue data was also requested from the five (5) non-participating Clearinghouse members. The revenue model also uses the IRP jurisdictional fee calculator to determine potential replacement estimated distance revenue. The revenue model will be available on the IRP website in November 2010.

Many factors were identified as having a potential revenue impact; however, the impact of these factors could not be quantified by the task force. While there will be some initial costs and some revenue loss from second year estimates, other changes may offset any potential revenue loss and may actually increase a jurisdiction's total revenue. Each jurisdiction will need to assess for themselves the scope of the impacts; some of which are outlined in the following table:

Potential Revenue Impacts to Jurisdictions

Revenue Increases	***Revenue decreases***
- New registrants required to use estimated mileage chart	- Second year estimates
- Less staff time required for permit issuance	- Trip permits no longer required for IRP carriers
- Simplified on-going systems programming	- Initial systems programming to implement FRP
- Reduced need for on-going training	- Start up training
- Tighter enforcement capability	- Potential fee evasion
- Expanded trucking operations	- Increased reliance on audit
- Reduced paper and paperwork	- Decrease in citations
- Actual distance % changes	
- Fewer staff needed to administer less complicated Plan	
- Eliminated dropped jurisdictions	
- Internet applications and renewals become possible for more jurisdictions and industry	

Impact on New Accounts/Fleets

Many new registrants may pay less for first year fees under the IRP; however, some will pay more since new registrants vary widely in their planned (and actual) travels in their first year. Conceptually, however, it is felt that in order to be equitable to all the jurisdictions, a new registrant should pay each jurisdiction something for its first year's registration privileges, which will be good throughout North America. This allows the registrant the needed operational flexibility.

Provided that fees paid by first-year registrants do not significantly disadvantage them compared to their more-established competitors, a composite fee for new registrants that is calculated using the estimated distance chart for each jurisdiction may be considered equitable for all. First year fees for new registrants are determined using the base jurisdiction's estimated distance chart, which is an average of the actual distance operated by all registrants based in the member jurisdiction; therefore, it is considered to be the fairest method to determine fees for new registrants. Under the FRP, jurisdictions will continue to use the estimated distance charts that are established under the Plan to determine first year registration fees, and distance can no longer be manipulated to get a higher or lower registration fee.

Several alternatives to this first year fee proposal have been discussed by the FRP task force, including a fee reconciliation or "true-up," a U.S./Canada plan with U.S. only or Canada only on cab cards where there is no planned international operations, a regional plan, and an alternative similar to the one currently utilized which allows a new operation to "pick and choose" its jurisdictions. Each of these proposals was evaluated and it was ultimately determined that these proposals did not improve the current estimated distance process and would add complexity to both administration and enforcement.

Concerns have been raised by some jurisdictional representatives that carriers do not want all jurisdictions on their cab card, since carriers perceive that under the current Plan there is a fee for each jurisdiction. This is believed to be a concern for seasonal operations, point to point carriers, and carriers that operate in two or three jurisdictions. It is possible that under the FRP, new operations may pay more first year registration fees than are currently being paid. However, the trade off is that they will have greater operational flexibility and will only pay for the jurisdictions in which they actually traveled after the first year. Note: it will be easier for jurisdictions to provide an estimate of the price of the registration for first year operations. In addition, distance cannot be "adjusted" or manipulated to create the lowest possible registration fee.

Several jurisdictions have "ownership" or third structure taxes that are currently collected through the apportioned registration fee calculation process. Under the FRP, new registrants will not have the option of selecting the jurisdictions for which they intend to operate; therefore, they will be required to pay the third structure taxes. However, under the current Plan, registrants must also pay these taxes to jurisdictions in which they report estimated distance, but may never operate.

In consideration of adopting FRP and the potential revenue impacts, each jurisdiction is encouraged to compare the first year fees for a new registrant under the FRP to the average fees that first year registrants currently pay in order to determine the difference. The number of new registrants that are truly new operations and don't want all jurisdictions on their cab card should also be determined.

Transition from Estimated Distance to FRP

During the transition to FRP, many jurisdictions would need to incur costs for systems changes, forms updates, and training for staff, industry and enforcement. The changes would, however, also mean that the Plan and the systems that support the Plan would become simpler to administer. It is possible that the FRP would "simplify" jurisdictions' systems to allow for increased use of the internet to process IRP applications. It is also possible that the FRP could eliminate full time equivalent (FTE) positions needed by jurisdictions to process IRP applications.

New operations would no longer estimate distance, but would pay fees to all member jurisdictions using the base jurisdiction's estimated distance chart. Established fleets would pay their apportioned fees much as they do now, on the basis of their actual distance traveled in each jurisdiction in the preceding year; however, they would discontinue the practice of reporting estimated distance and would have to pay for "dropped" jurisdictions, or those jurisdictions where operation is no longer intended. Add vehicle supplements would not change.

Necessary systems programming changes would include those necessary to collect fees for dropped jurisdictions, and to adjust cab cards to reflect all jurisdictions at the appropriate vehicle weights. It is anticipated that on-going systems updates will be less expensive as the need to calculate second year estimates, to provide for expanded operation supplements and to provide for "dropped" jurisdictions, will be eliminated.

Fee Calculations and Dropped Jurisdictions for Renewals

Under FRP, all registrants would automatically be registered in all jurisdictions, and all fleets except new first-year fleets would pay fees based on their actual distance in all member jurisdictions in the preceding year. No jurisdiction would be "dropped" by a registrant, even though the registrant might not travel there in a given registration year. A registrant would pay fees for any jurisdiction in which it had traveled in the preceding year, even though it did not intend to travel there in the year for which it was renewing. Estimated distance would be eliminated, except for new registrants and registrants who have less than 90 days operation during the reporting period. These registrants would utilize the distance on the base jurisdiction's estimated distance chart to calculate registration fees.

Out of Business Carriers

How are fees collected when a carrier goes out of business? Currently, when a carrier goes out of business, fees are collected at the time of registration (renewal) based on the actual operation during the reporting period and estimated operation during the upcoming registration year. The FRP would not treat an out of business carrier any differently. Fees would be collected at the time of registration (renewal) based on the actual operation during the reporting period; however, estimated operation would not be reported.

The concern under FRP is that a registrant could operate in a jurisdiction for which no actual distance was reported on the renewal application, and for which no registration fees were paid. Since the registrant had the ability to operate in the jurisdiction under FRP, it is possible that the registrant could escape paying registration fees due to that jurisdiction.

To address out of business carriers, one option is to audit all registrants that go out of business during the registration year; however, it is unclear if fees could be collected from a registrant who has gone out of business. It should be noted that since IRP is a license, whether under the current model or FRP, fees are paid in advance based on previous operations, and do not usually require an audit of an out of business carrier in order to determine if fees are due. Under the current Plan, it is possible for a registrant to pay registration fees based on the actual distance operated during the reporting period or estimated distance based on proposed operation, but does not travel in all the jurisdictions in which distance was reported, these jurisdictions would receive registration fees without the registrant receiving the benefit of operating in those jurisdictions during the registration period in which the registrant went out of business. The impact on failure to collect fees from out of business carriers is believed to be minimal and may be offset against an increase in fees collected for dropped jurisdictions.

Alternatives to FRP Model

Several suggestions to the FRP were offered during the evaluation process. These suggestions were evaluated against the task force's mission and board's strategic objective of "*developing proposals to improve the Plan and reduce the burden on jurisdictions and industry.*" The results of the analysis and evaluation are provided here.

One alternative suggested during the FRP evaluation process was the idea of a "true up." A "true up" is a reconciliation of the actual distance operated by new registrants to the estimated distance reported by new registrants using the jurisdiction's estimated distance chart. Although a "true up" would insure that a new registrant paid the proper fees, a "true up" is felt to be unnecessary, just as there has never been a "true-up" under the current estimated distance mechanism.

A "true up" was also suggested for carriers which go out of business. A fee reconciliation would involve a system of credits and refunds that would likely be complicated and confusing for jurisdictions and registrants alike, and might invite the evasion of fees. Instead, under the FRP a new registrant simply pays the first-year fee and in subsequent years pays on the basis of actual distance traveled; similar to the current renewal process. Similar to many other privilege licenses, the licensee pays an "estimated" fee based on anticipated business activity for the upcoming year. When the licensee renews the license, the fee is based on the actual business activity for the previous year. The International Fuel Tax Agreement (IFTA) works in a similar fashion.

Another suggestion is to create “national” or “regional” reciprocity plans. It was determined that this proposal would be fair to new registrants who operated within the geographic regions; however, it wouldn’t eliminate much of the paperwork associated with expanded operations and multiple fleets. It was also determined that this proposal would be more complex than the current Plan. For example, the transition of a national carrier to an international carrier would be administratively complex and increase systems development costs.

Alternative proposals to calculate first year registration fees were offered during the evaluation process. A proposal allowing the base jurisdiction a full fee (100%) was suggested. It was determined that in many cases, a registrant would pay more under the full fee proposal than they currently pay. There was discussion about charging a minimum fee for each jurisdiction; however, the Plan currently does not allow for this. The task force agreed that a minimum fee would only add another layer of administration to the Plan.

A national average chart fee proposal was also discussed. Under this proposal, each jurisdiction’s chart would be combined into one chart and jurisdiction fees would be charged accordingly. This was determined to be a fair approach for first year registrants; however, the proposal added administrative complexity to the Plan.

Finally, a proposal to retain the current estimated distance process for new registrants was suggested. It was determined that this proposal may not satisfy the statutory requirements of a few jurisdictions that require payment of registration fee prior to entry. Another proposal allowed a new registrant to “opt-out” if they only wanted to operate in specific jurisdictions (i.e. the one to two jurisdiction operators that didn’t want all 59 on their cab-card). Again, these proposals did not achieve the board’s strategic plan of improving the Plan.

Cab Cards

The cab card for a vehicle in any registrant’s fleet would look approximately the same as it does now for a vehicle in a fleet apportioned in all jurisdictions. All jurisdictions would be listed on the face of the card, along with the maximum registration weights for each one, the registrant’s identity, the enforcement dates, and so forth. During discussions, several people have questioned the need to reflect any jurisdiction on the cab card. The jurisdictions and their respective registered weights must be reflected on the cab card because a registrant may register a vehicle at different weights in different jurisdictions, and those weights will have to be associated with the appropriate states and provinces on the card for enforcement purposes.

Since all jurisdictions will be reflected on the cab card, several jurisdictional representatives have expressed concerns about the registrant’s ability to avoid fees under the FRP. For example, registrants may not report distance in a jurisdiction in which they actually traveled; however, they have the privilege of operating in that jurisdiction under the FRP. The argument is that at least under the current Plan, some fees are paid for each jurisdiction listed on the cab card. Although this is true, there are many ways under the current Plan that fees can be manipulated. For example, registrants can report higher distance in low fee jurisdictions and low distance in high fee jurisdictions. Registrants can also report actual distance instead of estimated distance.

Both of these methods may be currently used by registrants to manipulate fees and can only be detected through audit.

In order to determine if cab card issue had a negative impact on the FRP concept, the IFTA and FRP concepts were compared since both concepts rely on reciprocity in all member jurisdictions and payment of fees based on the actual operation at a later date. Registrants must license under both the IRP and IFTA, and IFTA revenue does not seem to be affected by the potential for fraud. The task force concluded that neither the FRP nor the current Plan contains any guarantees against fraudulent activity.

Due to the change in the calculation of estimated distance that is reported on a renewal application (estimated distance chart times number of registered vehicles), which resulted from the Plan rewrite, registrants are removing jurisdictions from their registration in order to avoid increased registration fees. This may increase the distance percentages (revenues) in the remaining jurisdictions on the registrant's cab card, or it may eliminate revenue that a jurisdiction may have otherwise received. This practice encourages registrants to utilize the "no operation intended" option for actual distance jurisdictions. It also forces registrants to purchase trip permits for jurisdictions that are removed from their cab cards; therefore, apportioned fees are not collected for the entire fleet.

Since all jurisdictions would be reflected on the cab card, the task force identified a potential issue regarding weight increases. Under the FRP, if a registrant did not operate in a jurisdiction during the reporting period, and the registrant wanted to increase the registered weight in that jurisdiction, the registrant may not pay any fees for the weight increase. This does not become an issue unless the registrant operates in the jurisdiction at the higher weight and decides to decrease the registered weight during the following renewal cycle. The registrant would pay registration fees to the jurisdiction; however, the registrant would escape paying the registration fees at the higher weight.

The FRP acknowledges the possibility of escaping registration fees in this situation; however, this situation is considered to be rare and the revenue impact would be minimal. In most situations the registrant would increase weights for jurisdictions that allow registered weights that exceed 80,000 pounds (36,287 kilograms), and the number of registrants who occasionally operate at a higher registered weight is small.

It was suggested that registrants who increase weights in jurisdictions where actual distance is not accumulated should automatically be audited. This would place further burden on the requirement to audit 3% of a jurisdiction's renewed fleets. The task force discussed how the issuance of OS/OD permits may be affected. It was determined that most OS/OD offices won't issue a permit until they verify that the cab card reflects the proper weight. This ensures that the registrant would increase the weight on the cab card before operating in a higher weight jurisdiction.

Trip Permits

Currently, trip permits are needed (1) when a vehicle not registered under the IRP – a full-plated vehicle, say, or a vehicle based in a non-member jurisdiction – is to be operated in such a way as to require IRP registration, (2) when a vehicle already registered under the Plan is to be operated in a jurisdiction in which the fleet is not apportioned. Although it is probable that most or all jurisdictions issue more trip permits for vehicles that are not IRP vehicles than for IRP vehicles that are not registered in the jurisdiction, some revenue from the latter source would be eliminated under the FRP. Some of this potential loss would be offset by the collection of apportioned fees with respect to those vehicles since the registrant would be required to pay fees for all distance operated under the FRP.

IRP registrants opt to purchase trip permits instead of including a jurisdiction on the cab card due to the increase in registration fees resulting from estimated distance. Also, it is often difficult for some registrants to obtain the permits in a timely manner. Trip permits may also be a more costly alternative depending on the number of permits that must be purchased as compared to the IRP registration fees. Based on trip permit revenue analysis performed by several of the task force members, it is anticipated that any trip permit revenue losses would be small. The trip permit revenue analysis reflected that approximately 25% of trip permits are purchased for IRP registered vehicles.

Each jurisdiction is encouraged to calculate the revenue loss - or gain – from the FRP for itself by examining the IRP trip permits issued by the base jurisdiction and service providers to determine which permits are issued to IRP and non-IRP registrants.

Insurance

Several jurisdictions have raised concerns that insurers in Canada would raise premiums significantly in each jurisdiction, especially U.S. jurisdictions, if all jurisdictions were listed on the cab card. Investigation by the FRP task force has shown that there is little or no substance to these concerns. The basis for these concerns was the perception that insurance underwriters believe that a carrier's operating authority is determined by the jurisdictions reflected on the carrier's IRP cab card, although the proper Canadian and U.S. regulatory authorities are responsible for issuing operating authority.

Insurers may react differently to the implementation of the FRP. In general, however, it appears that insurance premiums, to the degree they are determined by which jurisdictions a carrier travels in, depend on a fleet's actual operations more than on where a carrier may hold operating authority or where its vehicles may be registered to travel. If this is the case, the implementation of the FRP, under which an IRP registrant is automatically registered in all member jurisdictions, should affect insurance premiums little if at all, except to the extent the carrier's actual operations expand as a result. However, there may be a transition period, before insurance underwriters have adjusted to the new registration rules, when carriers will have to be careful to explain to their insurance agents just what the changes connected with the FRP mean and what they don't mean about their operations and the associated risks.

The task force researched the issue and discovered that insurance companies that insure motor carriers consider various factors in setting premiums. Canadian carriers report that most insurers require the IFTA quarterly tax returns as evidence of operation and subsequent insurance premiums; however, it is possible that some insurers may require the carrier to provide the IRP cab card as evidence of intended operation. It could be explained that the FRP would create an IRP cab card that is similar to the IFTA license (i.e. blanket authority). An alternative would be for the carriers to provide the IRP license renewal as evidence of operation.

The task force determined that most insurers do not use the cab card as evidence of operation into a jurisdiction. Consultations with the public insurers (BC, SK, MB, QC) as well as with the Insurance Bureau of Canada found that the FRP would have no impact on insurance premiums. It is, however, important to include both public and private insurers early in the process of communicating any changes if FRP were to come into effect.

Auditing

The FRP would affect audits in several ways.

First, all IRP renewal applications would be auditable, including operations which now, because they involve estimated distance, are precluded from audit in whole or in part. For this reason, jurisdictions' audit quotas, other things being equal, might tend to rise under the FRP. On the other hand, it is likely that since the cab card reflects all member jurisdictions, carriers would consolidate multiple fleets. This would tend to lower the audit load on jurisdictions.

Second, since under the FRP all apportioned fees after an operation's first year are based solely on actual distance, the importance of audit will, if anything, be even greater than it is now. The audit itself would not change significantly; however, the audit process might be somewhat simpler due to the elimination of estimated distance and inclusion of "dropped jurisdictions" in the determination of fees on renewal applications. Currently, there are no audit provisions which allow an auditor to "adjust" fees resulting from estimates or "assess" fees for dropped jurisdictions.

The FRP concept would actually provide some audit uniformity because unreported distance would become "billable"; similar to IFTA. Several ballots were submitted which attempted to address these deficient audit procedures; however, the ballots were unsuccessful.

Ultimately, audits will remain just as important as they are now in order to insure compliance with the Plan. It should be noted that another IRP task force, the Compliance Audit Working Group (CAWG), is analyzing and rewriting, whenever needed, the audit provisions of the Plan. The FRP task force is working closely with the CAWG to ensure that there are no conflicts between the two projects.

Statutory Limitations

Currently, a registrant that wishes to travel into a jurisdiction in which it is not apportioned will file a supplement with its base and pay the required fee. Under the FRP, any IRP registrant would be registered in all jurisdictions automatically. This reflects the nature of the IRP as a *reciprocity agreement* which grants privileges in other jurisdictions to a vehicle registered in one of the members. As now, however, fees for any given registration year under the FRP would still be based on the actual distance traveled by a registrant in the preceding year.

The FRP research has determined that no credible evidence exists that the FRP violates any state or provincial statutes or constitutions, although this argument has been used in the past when proposals like the FRP were discussed. It must be remembered too that a fleet that began its operations after the implementation of the FRP will have paid fees to all jurisdictions before it first received IRP registration. That payment could be construed as payment of fees before operation. Even outside the IRP, of course, North American jurisdictions operate on the basis of numerous other registration reciprocity agreements, many of which involve no pre-payment in any but the base jurisdiction.

When proposals like Full Reciprocity have been raised in the past, at least a few jurisdictions were concerned about potential provisions of jurisdictional laws or even constitutions that would prevent the jurisdictions from allowing a carrier to operate on a highway without having paid for that privilege, even if it was only to another jurisdiction as the basis of reciprocity. These past concerns may have been made about FRP-type proposals that would have given new registrations full reciprocity in all jurisdictions in the first year without an upfront payment – which the current proposal of course does not do.

Each jurisdiction should be encouraged to research its statutes to determine if there is a possible conflict. It is understood that some jurisdictions may require a statute change in order to adopt the change, as they must already do for most changes to the Plan.

Evasion

It is anticipated that the elimination of estimated distance from the Plan will significantly tighten Plan compliance (provided that jurisdictions continue to devote adequate resources to IRP audit). There is currently a substantial benefit to a registrant with irregular operations to repeatedly move its base jurisdiction and declare itself a new fleet in order to re-estimate distance without penalty or the fear of audit.

It is impossible to completely eliminate fraudulent activity; however, the FRP will reduce moving the base jurisdiction by making it easier for registrants to comply and charging the proper and fair amount of registration fees.

As mentioned previously, one possible loophole has been identified by the task force which would allow a vehicle to legally operate at a higher weight in a jurisdiction without paying the proper registration fee. If a registrant increases a weight in a jurisdiction for which no actual mileage is reported during the distance reporting period, the registrant will not pay any fees for the increased weight; however, it can legally operate at the higher weight. If the vehicle subsequently operates at the higher weight in the subject jurisdiction during the registration year, and the proper distance is reported on the subsequent renewal application, the registrant may avoid paying the registration fees at the higher weight by registering at a lower weight. This situation is possible; however, it would be a somewhat rare occurrence.

Enforcement

The job of law enforcement personnel with respect to the IRP under the FRP would be similar to their job under the IFTA, since licensing with IFTA enables a licensee to travel in all IFTA member jurisdictions without additional obligations with respect to fuel tax licensing. Under the FRP, an IRP registrant would automatically be registered in all IRP member jurisdictions. Law enforcement would no longer need to look at a cab card to see if a state or province was included on it – it would be. Checking the cab card for registered weights would still be necessary on occasion, as well as verifying enforcement dates.

Some have suggested that jurisdictions must provide training to law enforcement officers responsible for IRP enforcement regarding the FRP concept. The necessary training will require resources that many jurisdictions do not currently have. It is expected that law enforcement officers responsible for IRP enforcement would need minimal training since IRP registration verification will not change under the FRP concept. In addition, many of the officers responsible for IRP enforcement are also responsible for IFTA enforcement. Since the concept is so similar to IFTA, it is anticipated that minimal, if any, training will be needed.

Many believe the FRP may reduce revenue because of the reduced number of citations issued for IRP violations; primarily those citations due to a registrant's failure to apportionally register for a jurisdiction before operating in the jurisdiction.

Two members of the task force conducted research in their own jurisdictions to determine the revenue loss from IRP citations issued to IRP registered vehicles because the vehicle's cab card did not reflect the jurisdiction for which the vehicle was operating. Both task force members determined that the percentage of IRP citations issued for this reason was immaterial; less than $10,000 over a four year period. If jurisdictions are concerned about potential citation revenue losses, it is suggested that each jurisdiction conduct its own analysis on IRP citations to determine the revenue impact.

Summary of Task Force Efforts

The Full Reciprocity Task force has spent a considerable amount of time and effort to weigh the merits of the Full Reciprocity Plan (FRP) concept. The FRP task force has attempted to address all comments and concerns expressed by the IRP membership and industry throughout the FRP evaluation process.

The FRP task force's response to all comments and suggestions are included in this document. The FRP task force believes that the FRP concept is beneficial to the IRP membership and industry. Readers of this document are asked to carefully consider the advantages and potential disadvantages of the FRP, especially if asked to consider a ballot proposal.

Comments to this document are welcome. Please send comments to:

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