

## **The Full Reciprocity Plan: Introductory Q & A**

By the International Registration Plan Full Reciprocity Task Force

### **What is the Full Reciprocity Plan?**

The Full Reciprocity Plan, or FRP, is a concept to change the International Registration Plan (IRP or Plan) to make the Plan more efficient for its member jurisdictions and more flexible and more equitable for many Plan registrants.

### **What would the FRP do?**

The FRP would: (1) eliminate the concept of estimated distance from the Plan, (2) automatically grant full registration reciprocity in all member jurisdictions to all IRP registrants, and (3) retain the rest of the Plan intact.

### **How would the FRP help the member jurisdictions?**

In many ways: the elimination of estimated distance would reduce jurisdictions' costs and the complexity of Plan administration, would tighten compliance with IRP requirements, and would almost surely mean greater revenues for the jurisdictions.

### **How would the FRP help registrants?**

The elimination of estimated distance would level the competitive playing field for Plan registrants by getting rid of a means for unscrupulous operators to avoid paying their fair share. The FRP would also mean greater operational flexibility, especially for smaller registrants, who in effect often pay extra to travel in jurisdictions they do not regularly enter.

### **How would the FRP work?**

In the first registration year of a fleet's operation, the fleet would pay a composite IRP fee to all IRP member jurisdictions. In return, the fleet would be granted registration privileges in all the IRP members, and would be issued cab cards showing all of the jurisdictions. In subsequent years, the fleet would (1) still automatically be granted registration in all member jurisdictions, and (2) would pay its apportioned fees based on the distance it traveled in the preceding year.

**Suppose the FRP were adopted by the IRP. What kind of transition would be necessary?**

Although jurisdictions would have to adjust their systems, there would be little change overall. New operations would no longer estimate distance, but would pay the first-year fee under the FRP. 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.

**Under the FRP, suppose an established fleet wanted to drop a jurisdiction in the coming registration year. Would that affect its fees?**

No. Under the FRP, all registrants would automatically be registered in all jurisdictions, and all fleets except new first-year fleets would pay fees based on all their actual distance in all member jurisdictions in the preceding year. The dropped jurisdiction would still be paid, because the fleet had operated there during the reporting period.

**Is the FRP the same as the “Dallas Plan”?**

Concepts similar to the FRP have been proposed almost as long as the IRP has been in existence. These all tend to be referred to as the Dallas Plan, after an especially well-known version. 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. However, the various proposals have differed in other respects. The FRP needs to be judged on its merits alone.

**Under the FRP, would there be any reconciliation of fees (a “true-up”) following a registrant’s first year?**

No. This is felt to be unnecessary, just as there has never been a true-up under the current estimated distance mechanism. A fee reconciliation would involve a system of credits and refunds that would likely be complicated and confusing for jurisdictions and registrants alike. 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.

**What would an IRP cab card look like under the FRP?**

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 that today is 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.

**Why continue to list the jurisdictions on the cab card, if a registrant is automatically granted registration privileges in all of them?**

At least for a transition period as the FRP is implemented, it is felt that listing all jurisdictions on the cab card may be helpful for law enforcement. In addition, 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.

**Would there be any need for trip permits under the FRP?**

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, or (2) when a vehicle already registered under the Plan is to be operated in a jurisdiction in which the fleet is not apportioned. Under the FRP, a trip permit would still be needed in the first instance, but not in the second.

**Under the FRP, will jurisdictions lose trip permit fees?**

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 higher apportioned fees with respect to those vehicles.

**How would apportioned fees be calculated under the FRP?**

Basically, in the same manner as today, except that, unlike today, (1) fees would be due to all jurisdictions in which a registrant traveled in the preceding year, whereas now, dropped jurisdictions receive nothing, and (2) no fees would be due on the basis of estimated distance.

**So after the first year, a fleet would never pay IRP fees to a jurisdiction in which it did not travel during the reporting period?**

That's right: After the first year fees would be based only on actual distance traveled.

**What fees would be assessed under the FRP when a registrant wanted to raise the weights at which it operates in a state to which it has not paid fees before?**

Two sets of circumstances (at least) are involved in this question. These may be addressed separately:

**Situation One: In Year 1, Carrier A, not a new operation, registers its fleet at 85,000 pounds in Jurisdiction X, in which it has not operated before, and to which it has therefore not paid any fees. It travels in X during that Year 1. At renewal, for Year 2 (and assuming Year 1 is the reporting period for 2), it declares only 80,000 pounds for X. What fees should it pay?**

Carrier A should pay Year 2 fees to X at X's rate for 85,000 pounds. In effect, under the FRP, registrants pay apportioned fees on the basis of prior operations. It would be unfair to X not to assess Carrier A for its operations at the heavier weight. In Year 3, if Carrier A still wishes to operate in X at 80,000 pounds, its fees for X (if it traveled there) will be assessed at the 80,000-pound rate, since that was the weight at which it was registered in X during the reporting period (that is, Year 2).

**Situation 2: In Year 1, Carrier A, not a new operation, registers at 40,000 kilograms in the jurisdictions in which it traveled during the reporting period, and at 42,500 kilograms in those jurisdictions in which it did not travel during the reporting period. What fees should it pay?**

For Year 1, Carrier A should pay fees to the jurisdictions in which it traveled during the reporting period, at their rates for 40,000 kilograms. In Year 2, it will be paying at 42,500 kilograms to the extent it traveled in the jurisdictions in which it was registered in Year 1 at 42,500 kilograms.

**The IRP has just been rewritten: Why promote the FRP now?**

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. However, during the rewrite process, concepts similar to the FRP were often raised in discussion as possible future courses for the Plan to take. In addition, the fee rules for second- and subsequent-year estimates under the rewrite may penalize some registrants more heavily than did the former Plan language.

**Under the FRP, will jurisdictions lose revenue they currently get from second- and subsequent-year estimates?**

Yes, such revenues will be eliminated, since under the FRP there are no estimates. Raising the level of second- and subsequent year estimates was one of the most controversial elements of the Plan rewrite, as many in both government and industry believed that calculating fees above 100% under the Plan was conceptually absurd and unfairly penalized the registrants who were assessed such fees – mostly smaller carriers operating over irregular routes. Fees over 100% were a direct consequence of adding estimated distance to the Plan in the first place, and that was always an uncomfortable and controversial compromise. Its elimination will bring substantial benefits to both jurisdictions and registrants.

**What would the FRP cost to implement administratively?**

This is not known, and the cost of programming and training would certainly vary by jurisdiction. Some service providers' systems would presumably also need to be revised. The FRP Task Group would appreciate more information in this area from interested parties.

**How would registration in all jurisdictions affect a registrant's insurance costs?**

Insurance companies that insure motor carriers consider various factors in setting premiums. To some extent, they may be expected to 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. There is some indication that this area may cause transitional problems in Canada more than in the United States. The FRP Task Group would appreciate more input in this area.

**Under the FRP, what counts as a "new operation"?**

Although this area of the FRP is still under consideration, it is probable that the kinds of operations considered to be new under the FRP are pretty much the same as those considered new under the Plan's current language; that is, an operation that did not operate for more than 90 days in the reporting period is generally considered new. Provisions like those now found in Plan §420, which impose some additional restrictions, will almost certain be needed under the FRP.

### **What happens to estimated distance under the FRP?**

The whole concept and practice of estimated distance is eliminated under the FRP, and replaced with a system under which apportioned fees (following a fleet's first year of operation) are calculated only on the basis of actual distance traveled.

### **Why should the IRP eliminate estimated distance?**

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 never worked very well. 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.

### **Under the FRP, how would a registrant's first year fees be calculated?**

With the FRP, under which all registrants are automatically granted full reciprocity, and pay fees only on the basis of actual travel, it seems necessary to require first-year registrants to pay some fee to all member jurisdictions, reflecting the fact that they are purchasing a privilege in each one. Currently, the FRP concept is to have a first-year registrant pay fees on the basis of the average distance traveled in each jurisdiction by all the registrants based in the first-year registrant's base state. These same numbers are currently reflected in jurisdictions' estimated distance charts, making the transition to the FRP easier. However, these values may not be equitable for many new operations. The FRP Task Group especially needs input on this issue.

### **How can it be ensured that first-year fees would be fair for all new registrants?**

This is a difficult question, 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 one of them something for its first year's registration privileges, which, after all, will be good throughout North America. Provided the fees paid by first-year registrants do not significantly disadvantage them compared to their more-established competitors, a composite fee of the type described in the preceding answer may be considered equitable for all. Again, the FRP Task Force would appreciate more information on this matter.

### **Who is developing the FRP?**

The IRP Board of Directors has appointed a Full Reciprocity Plan Task Force to assess the feasibility of the FRP and, if they find it is warranted, to prepare and submit a formal ballot proposal to adopt it.

### **What is the timetable for proposing the FRP?**

This is undetermined. On the one hand, there appears to be a lot of support for the concept of the FRP, but there are numerous aspects to the proposal, and the IRP community should probably be made comfortable with the ramifications of the idea before it is formally set before them. That may take a year or even two to accomplish.

### **Is there ballot language for the FRP?**

No formal proposal to amend the IRP has been made. Two members of the FRP Task Force have written drafts of what possible amendments to establish the FRP might look like. These differ in detail, but not in concept.

### **Would adoption of the FRP affect how jurisdictions report to the IRP Clearinghouse?**

No, the operations of the Clearinghouse would be unaffected.

### **How would the FRP affect IRP auditing?**

In at least two ways. First, all IRP 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, are likely to raise under the FRP. 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.

### **Would adoption of the FRP affect how audits are netted?**

No.

### **Would adoption of the FRP mean more audits for a jurisdiction?**

Perhaps, IF the IRP's audit quota rules remain the same. Since it is likely that there would be fewer so-called new operations if the FRP were adopted, more registrants would be renewal fleets, and included in a jurisdiction's audit pool. However, the FRP Task Force is coordinating its work with the Plan's Compliance Task Force, so that such factors can be considered and accommodated by the Plan community as a whole.

**The FRP can be seen as allowing a registrant to operate in a jurisdiction without having paid the jurisdiction any fees. Would this conflict with state statutes or constitutional provisions?**

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. However, fees for any given registration year would be based on the actual distance traveled by a registrant in the preceding year. As far as the Task Force can determine, however, this does not appear to violate state or provincial statutes or constitutions, although this has been alleged in the past when proposals like to 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 perhaps be construed as payment of fees before operation. This is an issue that needs further exploration.

**What amendments would be needed for the IRP to adopt the FRP?**

Only a few provisions of the Plan would have to be amended significantly, in particular those that currently deal with estimated distance (§§ 405 and 415, especially). Those that concern the IRP application process will also have to be altered, less substantially, for new operations. Finally, a number of other provisions might have to be amended slightly to change terminology, depending on how the preceding changes are managed.

**What effect would adoption of the FRP have on evasion of registration fees?**

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.

**How would adoption of the FRP affect law enforcement?**

The job of law enforcement personnel with respect to IRP under the FRP would be similar to their job under the International Fuel Tax Agreement, 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 members. 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.

*DRAFT  
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