

# **Full Reciprocity Plan**

## ***IRP Webinar***

***Presenters:***  
***Jay Starling, Alabama***  
***Kim Russell, Missouri***  
***Tim Adams, IRP Inc.***

Tim: Welcome. Remind participants that they can use the chat feature to submit questions at any time during the webinar; however, all questions will be answered at the end of the presentation. Also inform participants that the webinar will be recorded and will be available on the IRP website.

Claudia: Webinar instructions. Note: Claudia will control slides. Turn over to presenters who will introduce themselves

Jay: Jay Starling, Registration Supervisor for Alabama Dept. of Revenue, Motor Vehicle Division. Chair of the FRP task force. Vice chair of the IRP board of directors, board liaison to the IRP audit committee, also serve on the CAWG.

Kim: Kim Russell, Motor Carrier Compliance Supervisor for Missouri Department of Transportation, Motor Carrier Services Division. She also serves on the IRP Peer Review Committee.

# Outline



- Concept
- Pros / Cons
- Revenue Impact
- Summary
- Next Steps



Jay, to provide outline of the Webinar.

Poll question: Is this the first time you've heard a presentation on the Full Reciprocity Plan? Participants answer yes/no.

## FRP Goal

The goal of the Full Reciprocity Plan (FRP) is to improve the IRP

- Efficient
- Equitable
- Flexible



Jay: The Full Reciprocity Plan, or FRP, is a concept to change the International Registration Plan to make the Plan more efficient, more equitable and more flexible for its member jurisdictions and registrants by granting full reciprocity for all apportioned vehicles in all member IRP jurisdictions. This is consistent with the IRP board of director's strategy to improve the Plan.

The full reciprocity plan is also consistent with the fundamental principle (105) of the Plan "to promote and encourage the fullest possible use of the highway system by authorizing apportioned registration of fleets of apportionable vehicles and the recognition by each member jurisdiction of the registration of vehicles apportioned by other member jurisdictions, thus contributing to the economic and social development and growth of the member jurisdiction." Freedom of vehicle movement is a fundamental principle of the Plan.

## What would the FRP do?

- All IRP jurisdictions on Cab card - allowing operation in all jurisdictions
- Eliminate guess work of estimates for new carriers
- Eliminate estimated distance for renewals
- Fairly assess fees paid by carriers based on actual operations



JAY:

1. All jurisdictions would be reflected on the cab card at the proper weight, which would allow IRP vehicles to travel in all member jurisdictions.
2. New accounts/fleets would use the estimated distance chart (as provided by s. 320) of the base jurisdiction and would pay registration fees to all jurisdictions.
3. Estimated distance would be eliminated for renewals.
4. The FRP would resolve longstanding fairness and administrative complexities relating to estimating distance. The Plan rewrite changed the fee calculation rules for second and subsequent-year estimates in order to ensure consistency. The effect of these changes increased uniformity, but penalized some IRP registrants, and made the Plan more complicated for jurisdictions to administer.

## What are FRP benefits?

- Simplifies Plan administration for jurisdictions & law enforcement
- Eliminates expanded operations supplements and temporaries
- Reduces compliance costs
- Promotes operational flexibility
- Eliminates concerns of unfairness for industry for second year estimates

Jay: FRP creates a simplified Plan that reduces training requirements for jurisdictions, law enforcement & industry, as well as improving compliance with the Plan

1. Estimated distance is one of the most complicated concepts. Elimination of first year estimates (E1s), second year estimates (E2s), and subsequent year estimates will simplify the Plan. The FRP concept is already understood by law enforcement because it is already used for UCR and IFTA.

2. Since all jurisdictions are included on the registrant's cab card, expanded operations (added jurisdictions) supplements would be eliminated. This removes the need for temporary cab cards associated with these supplements

3. Eliminates often cited non-compliance issues in a Peer Review. It also reduces the cost to comply with the Plan for jurisdictions and carriers.

4. Promotes operational flexibility for industry throughout the US and Canada, which encourages economic growth.

5. Eliminates concerns of unfairness for industry on registration fee "penalties" calculated for second year estimates,

## What are the potential issues?

- Revenue loss for 2<sup>nd</sup> and subsequent year estimates
- Start-up system programming costs
- Transition training
- Trip permit fee revenue
- Citation revenue

Jay: While we all agree that the FRP has the potential to reduce administrative costs to increase business opportunities for industry, there are some potential issues to be considered, including:

1. Loss of revenue from 2<sup>nd</sup> and subsequent year estimates (may be offset by proposed fees collected on new operations). May also be offset by revenue increases in elimination of E1s, which reduce actual distance percentages and elimination of dropped jurisdictions, which under FRP would no longer be allowed.
2. initial systems programming costs (end result will be reduced on-going systems costs); Alabama system vendor reports that elimination of estimated distance rules will simplify process.
3. Simplifies training in the long run, but requires some transition training for industry, IRP staff and law enforcement.
4. Revenue from trip permits would be reduced; however, the loss would be offset by increases in registration fees collected from IRP carriers who would be required to report and pay for this distance on their renewal applications.
5. Revenue loss from citations would only be for those situations in which a carrier is caught operating in a jurisdiction without the jurisdiction on the cab card.

## What is the revenue impact?

Transmittal data was requested from the CH:

- Fees collected/distributed by all participating members whose transmittals reflect estimated distance (both E1 and E2).
- CH data was also received that included the total fees collected/distributed (actual and estimated) for each jurisdiction.

A comparison of estimated fees to total fees was determined for each jurisdiction.

Kim: This is perhaps, the biggest question asked regarding the full reciprocity plan. While arguably the advantages of the FRP would outweigh the disadvantages, the revenue impact on each jurisdiction and industry is still unclear. The information has been challenging to obtain because not all jurisdictions were in the CH during the time periods that were analyzed; therefore, the CH data is incomplete. The current modernization effort will resolve this issue, but until CH modernization is complete...

The analysis will include: The current estimated distance revenue provided by the CH and most non-CH jurisdictions – this is the expected revenue loss; or what each jurisdiction will be giving up in revenue.

We received estimated distance revenue and total distance revenue for each participating jurisdiction for the period 2010 through 2006

## What is the revenue impact?

- Expected revenue gain or loss from FRP based on:
  - New fleets from 2009 Annual Reports
  - An average of 2 vehicles per fleet
  - The estimated distance charts used to calculate fees for each jurisdiction using the following parameters:
    - Tractor, Year - 2007, Unladen - 17,000 lbs, GVW - 80,000, 3 axles, Diesel, Factory Price \$80,000, Purchase Price \$70,000, For Hire, All Commodities, 12 month registration

Kim:

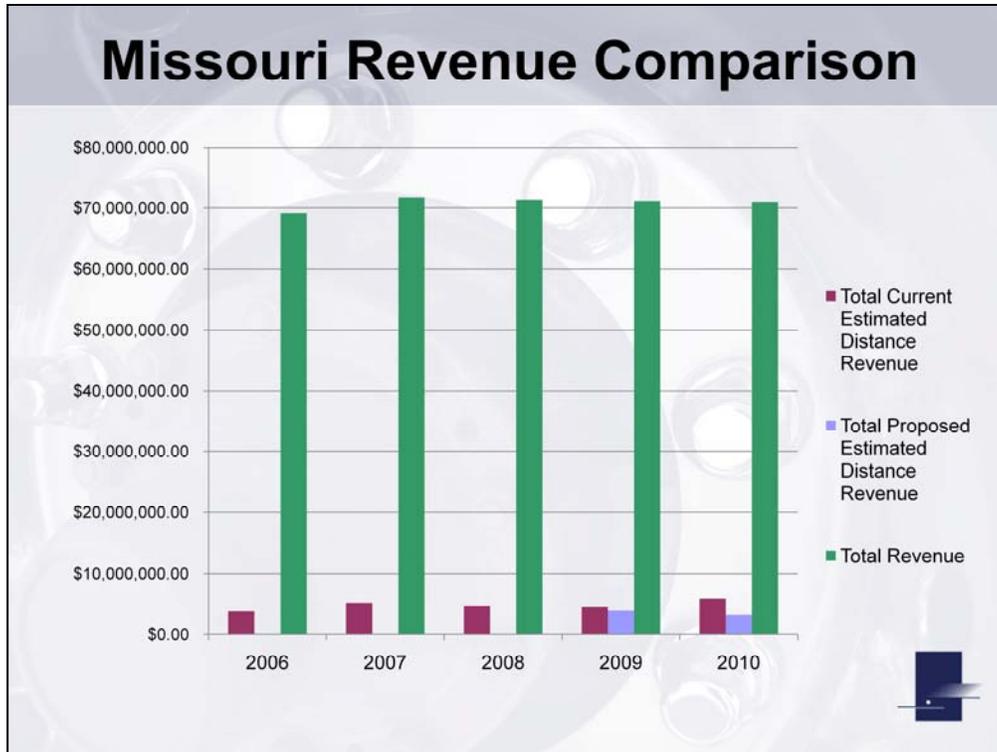
Analysis reflects a revenue loss for many jurisdictions; however, some may experience a slight increase.

The number of vehicles per new fleet was determined using the 2009 Annual IRP Report (2008 data). See NEW VEHICLES worksheet.

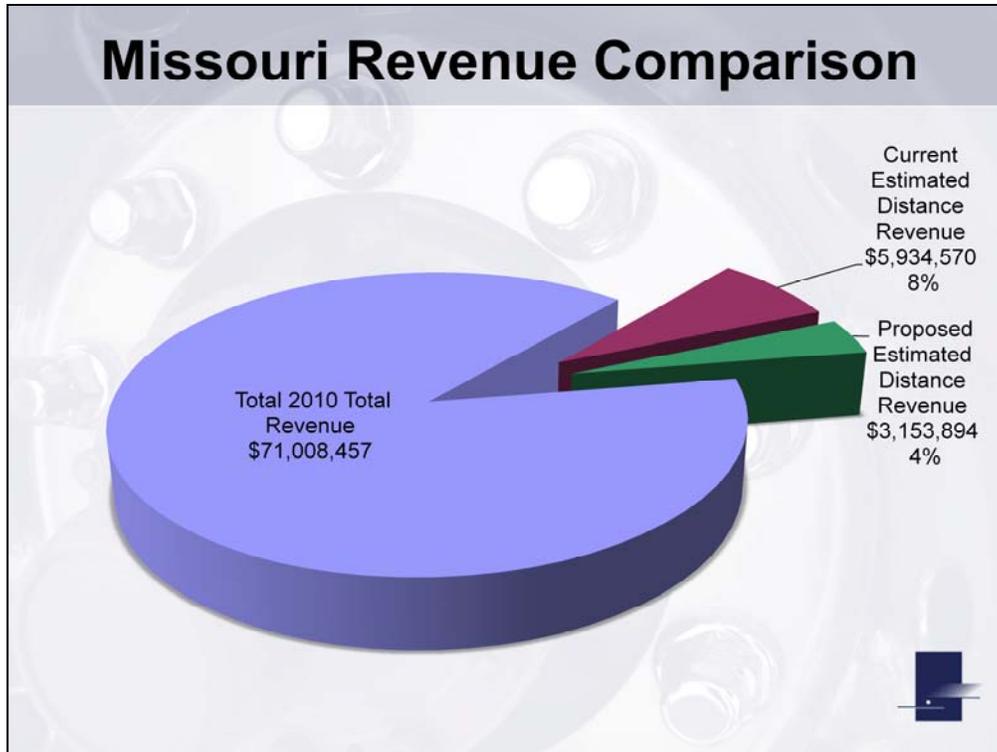
The average number of vehicles for each new account/fleet for each jurisdiction was multiplied by the fees determined from each jurisdiction's estimated distance chart. See EST DISTANCE X NEW VEHICLES worksheet. The average number was estimated to be 2. Reasons why accurate number could not be determine.

Expected revenue gain/loss is determined by calculating the anticipated fees collected for new accounts/fleets by all jurisdictions based on existing estimated distance charts (IRP fee calculator).

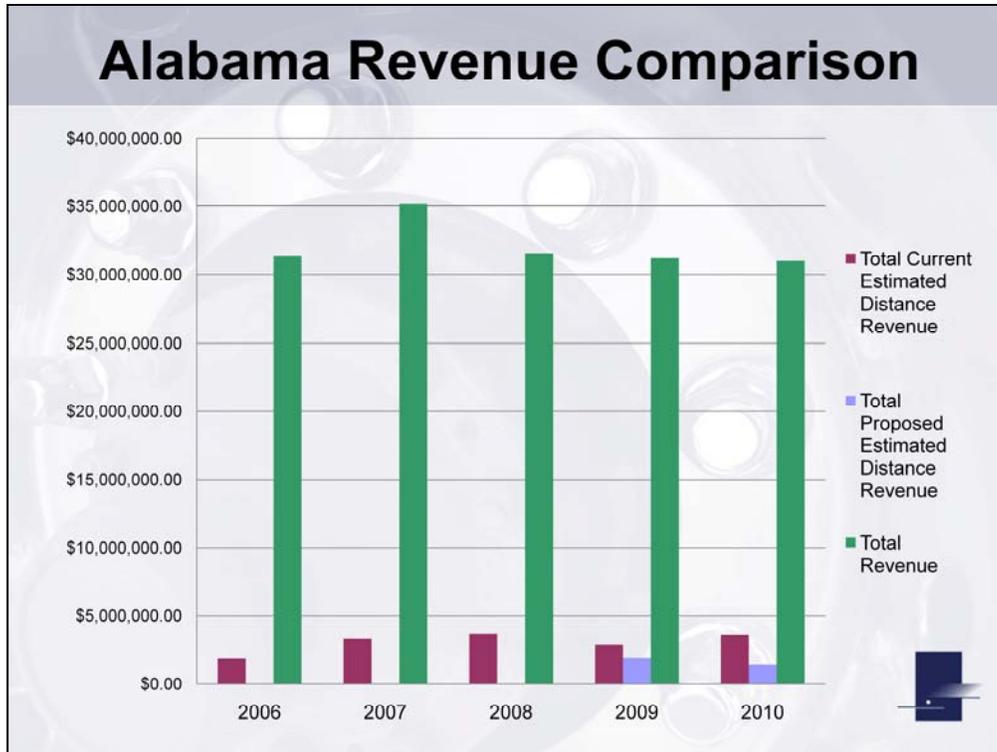
The total fees determined from the new accounts/fleets was compared to the fees reflected in the CH. This provides the revenue gain/(loss) for each jurisdiction. See REVENUE IMPACT worksheet.



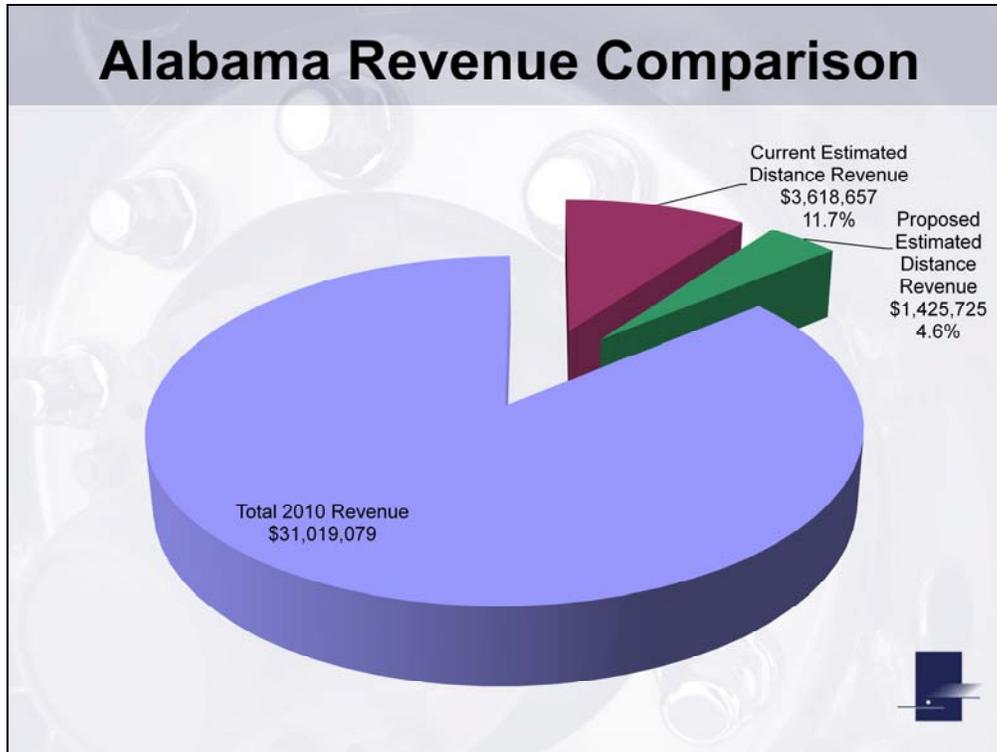
The chart shows the graphic comparison of total revenue for MO (in green), the estimated distance revenue for MO (in purple), and the proposed full reciprocity revenue (in blue). Remember, under the full reciprocity concept, estimated distance revenue is eliminated and a new account/fleet is required to pay fees based on the jurisdiction's estimated distance chart. As you can see when looking at the Total Revenue for MO, currently a little over 8% is from estimated revenue but for MO when this price a little over 4% would be generated for a revenue loss of \$2,780,676.



This chart reflects the revenue loss for MO. Note: the full reciprocity will create revenue gains in actual distance from elimination of E1s on renewals, elimination of dropped jurisdictions audit and fees collected through IRP instead of trip permits. As you can see when looking at the Total Revenue for MO, currently a little over 8% of the estimated revenue but if reciprocity were to place a little over 4% would be generated for a revenue loss of \$2,780,676.

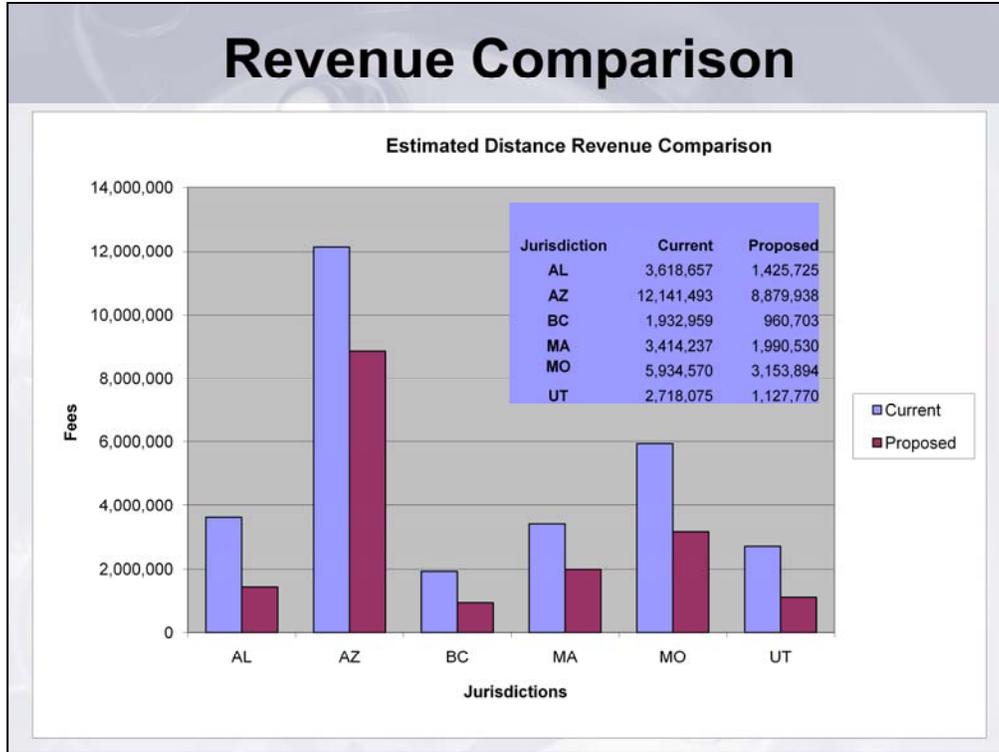


The chart shows the graphic comparison of total revenue for AL (in green), the estimated distance revenue for AL (in purple), and the proposed full reciprocity revenue (in blue). Remember, under the full reciprocity concept, estimated distance revenue is eliminated and a new account/fleet is required to pay fees based on the jurisdiction's estimated distance chart. As you can see when looking at the Total Revenue for MO, currently a little over 8% is from estimated revenue but for MO when this price a little over 4% would be generated for a revenue loss of \$2,780,676.



This chart reflects the revenue loss for AL. Note: with more and more jurisdictions being forced to calculate fees correctly as a result of peer reviews, the percentage of revenue attributable to estimated distance revenue, especially second year estimated, will continue to increase. This further "penalizes" industry by increasing registration fees paid for the privilege of having a jurisdiction in place. An increase in registration fees generated for a revenue loss of \$2,790,576.

# Revenue Comparison



Further graphic illustration of the difference in current revenue resulting from estimated distance (E1s and E2s) and the proposed “replacement” revenue from the full reciprocity concept. Jurisdictions selected represent members of the task force, as well as representatives of each of the IRP regions. As mentioned previously, data is still somewhat incomplete, and does not include all factors that could affect the revenue, but is based on the best information available.

## \$ +’s and –’s

### Revenue Increases

- + New registrants use estimated mileage chart
- + Less staff time required for permit issuance
- + Simplified on-going systems programming
- + Reduced need for on-going training
- + Improved enforcement
- + Expanded trucking operations
- + Reduced paperwork

### Revenue Decreases

- Second year estimates
- Trip permits
- Initial systems programming costs
- Start up training
- Potential fee evasion
- Increased audit reliance
- Decrease in citations

Jay: Key note that there is more to consider than just the revenue analysis.

1. All new registrants are required to register for every jur. – this results in an increase in estimated distance for each jurisdiction
2. Fewer permits = less staff time needed to issue permits
3. Current estimated distance fee calculation is complex
4. Whole webinars dedicated to estimated distance
5. IRP cab card would be similar to IFTA or UCR – easier for LE to understand
6. IRP operations would have flexibility to operate anywhere and anytime
7. Fewer supplements for jur = less staff time
  
8. Lose revenue currently generated from 2<sup>nd</sup> year estimates
9. Lose revenue from IRP registrants which purchase trip permits – revenue would be offset by paying apportioned fees
10. Programming change required
11. Initial training required for staff and LE
12. Always the potential for fee evasion because fraud can't be completely eliminated
13. Audit becomes important compliance tool
14. No citations for not having IRP on cab card

## \$ +’s and –’s

### Revenue Increases Continued...

- Fewer staff needed to administer less complicated Plan
- Eliminates dropped jurisdictions and jurisdiction transactions
- Internet applications and renewals become possible for more jurisdictions and carriers

Jay

- Fewer supplements, fewer permits, less complicated,
- Carrier would have to pay for dropped jur
- Less complicated for carriers. IFTA distance could be used to populate IRP renewal, if fleet makeup is the same.

These costs aren't just those directly to the prorated office, there are also benefits to having a healthy trucking industry

## Transition to FRP

- Similar to Plan rewrite, potentially 2 years from passed ballot to allow for transition.
- Jurisdictions would need time for programming changes, training, and communication
- Initial costs offset with a Plan that is easier to administer, both for jurisdictions and industry

Jay: It is anticipated that up to 2 years may be required for transition.

During the transition phase, there will be costs for systems and training. These costs will be offset by:

- reduced administration,
  - reduced staffing costs,
  - training cost reduction with simpler Plan administration,
  - reduced system complexity
- While most all jurisdictions won't need legislation to allow for a full reciprocity concept, some may require statute changes for enabling legislation or, to adopt Plan language into legislation for those that incorporate plan language into their statutes (no different than any other legislation change).

## Summary

- Task force has examined alternatives and reviewed issues
- Result will be a simpler process with increased operational flexibility
- Further analysis required and underway by task force
- Ultimate goal is to make the Plan more efficient, equitable and fair

Jay: 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 the White Paper, which is available on the IRP website.

The FRP task force believes that the FRP concept is beneficial to the IRP membership and industry.

Everyone is asked to carefully consider the advantages and potential disadvantages of the FRP, especially if asked to consider a ballot proposal.

As mentioned previously, the goal of this concept is to make the Plan more efficient, more equitable and more flexible for its member jurisdictions and registrants

## Next Steps

- White Paper (September 27, 2010)
  - IRP website
  - webinar
- Revenue Model (January 2011)
  - IRP website
  - webinar
- Ballot language (February 2011)
  - webinar (mid February)
- Ballot 2011?

Kim: We have held 2 Webinars counting this one and plan to have a total of 3 that have included or will include the following topics:

-White paper (October webinar). Was recorded and is available on IRP website.

-Revenue Model (this one) – we will continue to work to get complete data from the CH and jurisdictions so that we can present a clearer revenue impact picture to jurisdictions.

-Ballot Language (February 2011).

Task Force is working toward having proposed ballot language for May 2011 Annual Meeting in Pittsburgh.

Jurisdictional input and understanding is essential as we work collectively toward a ballot.

## Questions?



Send comments and questions to:  
[jay.starling@revenue.alabama.gov](mailto:jay.starling@revenue.alabama.gov)

or

contact any task force member:

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

Tim: Open the floor to questions and Invite comments using “chat” feature. If we can’t get to your question, or if you want to submit a question/comment offline, please contact Jay or any task force member. Task force member contact information should be available on the IRP website