CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 15, 2000

H.R. 4441

Motor Carrier Fuel Cost Equity Act of 2000

As ordered reported by the House Committee on Transportation and Infrastructure on July 19, 2000

Sixty days following enactment, H.R. 4441 would require motor carriers, brokers, and freight forwarders to include a fuel surcharge in their transportation services contracts under certain circumstances. The bill would require those contracts to contain a specified fuel surcharge, until September 30, 2003, if the average retail price of diesel fuel exceeds a specified benchmark price. CBO estimates that implementing H.R. 4441 would not have a significant impact on the federal budget because it would not expand the regulatory or enforcement authorities of federal agencies. H.R. 4441 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 4441 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no significant costs on state, local, or tribal governments.

H.R. 4441 would impose private-sector mandates, as defined by UMRA, on certain motor carriers, brokers, and freight forwarders that regularly provide transportation service. CBO cannot estimate the cost of the mandates because information on existing financial and business arrangements among shippers, motor carriers, brokers, freight forwarders, and independent truckers is not available.

The bill would require motor carriers, brokers, and freight forwarders to assess a surcharge or other fuel cost adjustment in any new contract or agreement with shippers. The fuel cost adjustment would be based on either a calculation specified in H.R. 4441 or a privately negotiated formula. According to information from industry sources, the administrative cost to assess the fuel adjustment would be small, particularly because this is now commonly done.

H.R. 4441 also would require motor carriers, brokers, and freight forwarders to pass on any fuel adjustment to independent truckers who they hire to transport the freight and are responsible for purchasing the fuel. In addition, the bill would require motor carriers, brokers, and freight forwarders to disclose in writing to the independent truckers the amount of that fuel adjustment collected from the shipper. Industry sources indicate that the cost of disclosure would be small. CBO cannot, however, estimate the amount of the fuel adjustment that would be required to be passed on to the independent truckers because information on existing financial and business arrangements among shippers, motor carriers, brokers, freight forwarders, and independent truckers is not available. As a result, we cannot determine whether the total costs of private-sector mandates imposed by H.R. 4441 would exceed the annual threshold established by UMRA ($109 million in 2000, adjusted annually for inflation).

The CBO staff contacts are James O'Keeffe (for federal costs), and Jean Wooster (for the private-sector impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.