Department of Transportation Federal Motor Carrier Safety Administration

Supporting Statement "Property Broker Recordkeeping Requirements" ICR

SUMMARY

- This is a new information collection request (ICR) for the Federal Motor Carrier Safety Administration's (FMCSA) property broker recordkeeping regulations, including the amendments to those regulations proposed in the Notice of Proposed Rulemaking (NPRM) *Transparency in Property Broker Transactions*. There are two information collections (IC).
- IC-1 covers brokered transaction recordkeeping, including the requirement for brokers to keep records of their transactions for three years and make those records available for inspection by FMCSA on demand. As the information covered by IC-1 is already part of the records brokers keep in connection with routine business practices, IC-1 would impose no annual burden hours on brokers, and there are no non-labor costs.
- IC-2 covers disclosure of records to parties involved in a brokered transaction. A broker is obligated to provide transaction records, upon request, to a shipper or motor carrier involved in the transaction. For IC-2, FMCSA estimates a maximum annual burden of 670,000 hours and no non-labor costs.

INTRODUCTION

FMCSA submits this new ICR titled *Property Broker Recordkeeping Requirements* to the Office of Management and Budget (OMB) for approval. The Agency has proposed amendments to its broker recordkeeping regulations in the NPRM titled *Transparency in Property Broker Transactions* (89 FR 91648, Nov. 21, 2024) and this ICR covers the regulations proposed in the NPRM. In developing this rule, the Agency identified that the existing broker recordkeeping regulations were implemented prior to the passage of the Paperwork Reduction Act (PRA) and, in the years since, no ICR has been submitted to cover recordkeeping requirements by brokers of non-household goods property, i.e., general freight. An existing ICR, OMB Control Number 2126-0048, due to expire on July 31, 2027, covers only a subset of property brokers, those engaged in brokerage of household goods (HHG); no changes to that collection are being proposed

This ICR consists of two ICs. The first, IC-1, covers the requirement that brokers keep records of their transactions, including certain specific details, and the requirement that brokers keep those records for a period of three years. These requirements are stated in 49 CFR 371.3(a) and (b), and the NPRM proposes amending both of these paragraphs to modernize and streamline the requirements. The second, IC-2, covers the requirement that brokers provide records on request to the other parties in the brokered transaction, typically the motor carrier and the shipper. This requirement is stated in 49 CFR 371.3(c), and the NPRM also proposes amending that paragraph.

Part A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY.

This information collection request relates to FMCSA's property broker recordkeeping regulations, including the amendments to those regulations proposed in the NPRM *Transparency in Property Broker Transactions*. There are two information collections. The first covers brokered transaction recordkeeping, including the requirement for brokers to keep records of their transactions for three years and make those records available for inspection by FMCSA on demand. The second covers disclosure of records to parties involved in a brokered transaction. A broker is obligated to provide transaction records, upon request, to a shipper or motor carrier involved in the transaction.

FMCSA has authority to regulate certain practices of brokers of property. Congress initially tasked the Interstate Commerce Commission (ICC) with regulating property brokers operating in the motor carrier industry in the Motor Carrier Act of 1935 (Pub. L. 74-255). When Congress partially deregulated the industry through the Motor Carrier Act of 1980 (Pub. L. 96-296), the ICC retained authority to regulate the property brokerage industry consistent with Congress's goal of removing unnecessary restrictions on the free operation of the marketplace. In 1996, pursuant to the ICC Termination Act (Pub. L. 104-88), responsibility for certain transportation regulations was transferred from the ICC to the Department of Transportation (Department). The Department delegated those responsibilities to the Federal Highway Administration (61 FR 54706, Oct. 21, 1996). After FMCSA was created by the Motor Carrier Safety Improvement Act of 1999 (Pub. L. 106-159), the Secretary delegated authority over property broker regulations to the Agency (65 FR 220, Jan. 4, 2000).

Subsequently, as part of the Moving Ahead for Progress in the 21st Century Act (MAP-21), Pub. L. 112-141 (July 6, 2012), Congress revised 49 U.S.C. 13904 to provide that FMCSA's regulations, as applied to brokers, must provide for the protection of motor carriers as well as shippers by motor vehicle (49 U.S.C. 13904(e)).

The regulation requiring this collection is found at 49 CFR 371.3. It traces back to a broker recordkeeping regulation issued by the ICC in 1980 and, apart from the transfer and redesignation after the ICC was terminated and a minor technical amendment, the regulation has remained substantively unchanged since then. FMCSA now proposes to modernize the requirements and strengthen the portions that relate to protection of shippers and motor carriers. This IC supports the mandate to issue regulations for the protection of shippers and motor carriers.

IC-1: Broker Transaction Recordkeeping

Under 49 U.S.C. 14122, FMCSA may prescribe recordkeeping practices for all brokers under its jurisdiction. FMCSA has used this authority to establish the property broker recordkeeping requirements at 49 CFR 371.3. The *Transparency in Property Broker Transactions* NPRM proposes to modernize 49 CFR 371.3, including revising the details that records must contain.

Under the proposed amendments to 49 CFR 371.3(a), the records would be required to contain the following details:

- The name and address of the consignor (i.e., shipper);
- The name, address, and registration number of the originating motor carrier;
- The bill of lading or freight bill number;
- The amount of compensation received by the broker for each service performed in connection with each shipment, including, but not limited to, freight charges, surcharges, and accessorial fees; the date of payment; and the name of the payer, including any business aliases, if known; and
- Any penalties assessed in connection with each shipment.

Under 49 CFR 371.3(b), brokers are required to keep these records for three years. The NPRM does not propose changing this requirement.

FMCSA does not require brokers to submit this information to the Agency on a scheduled or periodic basis, but rather requires them to create and maintain the records and to produce them upon demand, pursuant to 49 U.S.C. 14122(b).

IC-2: Disclosure of Records to Parties Involved in a Brokered Transaction

Per 49 CFR 371.3(c), FMCSA also requires brokers to provide, on request, a copy of the records required to be kept under this regulation to the other parties to a brokered transaction. This requirement was initially implemented by the ICC to decrease other recordkeeping requirements that were more specific and burdensome. Due to changes in the market for brokered transactions and the requirement to provide for the protection of both shippers and motor carriers, FMCSA is proposing to modernize and revise the existing requirements in 49 CFR 371.3(c). The amended regulation would require brokers to provide, upon request by any party to a brokered transaction, a copy of the transaction record described in 49 CFR 371.3(a). The amended regulation would require records to be provided electronically within 48 hours of the broker's receipt of the request.

2. HOW, BY WHOM, AND FOR WHAT PURPOSE THE INFORMATION IS TO BE USED.

IC-1Broker Transaction Recordkeeping:

FMCSA may inspect and copy records of brokered transactions on demand. Generally, this occurs in connection with an investigation following a complaint about a broker's practices. Any investigation would involve confirming whether a broker is complying with FMCSA's regulations.

IC-2 Disclosure of Records to Parties Involved in a Brokered Transaction:

In keeping with the Agency's mandate to provide for the protection of shippers and motor carriers through its broker regulations, FMCSA also requires brokers to provide any party to a brokered transaction with the records of such transaction upon request. Shippers and motor carriers may use these records to verify transaction data, answer questions regarding charges and

payments made, and provide supporting evidence in the event of disputes. FMCSA is aware that some motor carriers request transaction records from brokers, but FMCSA does not have data about how frequently motor carriers or shippers request records or how frequently brokers provide records in response to these requests.

3. EXTENT OF AUTOMATED INFORMATION COLLECTION.

FMCSA is proposing to require brokers to maintain records in electronic format. As long as the records contain the details required by 49 CFR 371.3(a) and otherwise comply with the Agency's regulation on electronic documents and signatures, *see* 49 CFR 390.32, brokers may choose the recordkeeping system and format that works best for their specific operations. FMCSA believes the majority of brokers, including small businesses, are already using electronic recordkeeping. When brokers are requested to provide documents to FMCSA or parties to the transaction, they must do so electronically.

4. EFFORTS TO IDENTIFY DUPLICATION.

FMCSA is the only Federal agency with the authority to regulate recordkeeping practices of property brokers. Therefore, there is no Federal agency duplication. The Agency has identified a potential overlap with FMCSA's ICR for "Practices of Household Goods Brokers" under OMB Control No. 2126-0048. While this previous ICR referenced burdens related to 49 CFR 371.3, which may give the appearance of some degree of duplication, its primary focus is on ICs relating to 49 CFR 371.107, 371.109, 371.111, 371.113, 371.115, and 371.117. The Administrative Procedure Act allows for public comment, which would provide a means to identify any perceived or actual duplication. Comments to the docket on previous FMCSA rulemaking notices have not revealed any duplication of the ICs discussed in this document.

5. EFFORTS TO MINIMIZE THE BURDEN ON SMALL BUSINESSES.

Many brokers subject to 49 CFR part 371 are considered small entities. The main impact of the ICs on these businesses is ensuring that the records they keep comply with the requirements in 49 CFR 371.3(a) and responding to requests for production from FMCSA, shippers, or motor carriers. As the information FMCSA requires is already part of the records brokers keep in the normal course of business, any additional burden would arise only from segregating such information from other information that is not required to be disclosed under the regulation. Businesses not already using electronic recordkeeping would also incur the burden of implementing such systems; however, FMCSA believes that most businesses already keep records electronically. In the Regulatory Flexibility Act section of the *Transparency in Property* Broker Transactions NPRM (RIN 2126-AC63), the Agency concludes that the impact of the provisions associated with the ICs on small brokers would be de minimis. By not specifying requirements for the type of electronic recordkeeping system or format a broker must use, FMCSA has attempted to minimize the burden on small businesses by allowing brokers to select the options that are right for their specific operation. FMCSA anticipates that the electronic recordkeeping requirement will reduce the time burden when a broker receives a request for records by allowing them to automate the process rather than compiling the transaction record manually.

6. IMPACT OF NOT COLLECTING INFORMATION OR COLLECTING LESS FREQUENTLY.

<u>IC-1</u> Broker Transaction Recordkeeping:

If the information is not collected, FMCSA will be hindered in enforcing its broker recordkeeping requirements. FMCSA is aware of significant fraudulent activity in this area and could face impediments to taking all appropriate actions against brokers engaging in such activity. However, the Agency does not routinely review transaction records in the absence of a complaint investigation; therefore, the Agency does not see a need to require submission of such records unless requested.

IC-2 Disclosure of Records to Parties Involved in a Brokered Transaction:

FMCSA is aware that parties to brokered transactions, specifically motor carriers, are often unable to substantiate claims made by freight recipients and brokers about the condition of the loads when delivered because they are unable to obtain relevant transaction records from the brokers. Thus, brokers must create and maintain timely records for each transaction they engage in. However, FMCSA has determined that automatic or scheduled disclosures of this information are unnecessarily burdensome. Therefore, FMCSA only requires brokers to provide the information upon request.

7. SPECIAL CIRCUMSTANCES.

The only special circumstance included in this collection is that, for IC-2, brokers will have 48 hours to provide transaction information to someone who is a party to the transaction, when that party makes a request for the information. The collection is intended to allow the motor carriers and shippers in a brokered transaction to verify transaction data, answer questions regarding charges and payments made, and provide supporting evidence in the event of disputes. The 48-hour requirement will allow them to do so in a timely manner as compared to a longer time period, such as 30 days, when the details of the shipment, other than those recorded by the broker, may no longer be available.

8. COMPLIANCE WITH 5 CFR 1320.8(d).

As provided in 5 CFR 1320.8(d)(3), the Agency is following the procedures specified in 5 CFR 1320.11 for clearance of collections of information in proposed rules. The NPRM for this rule provides notice and solicits comments on this ICR (89 FR 91648, Nov. 21, 2024).

9. PAYMENTS OR GIFTS TO RESPONDENTS.

No payments or gifts will be provided to the respondents.

10. ASSURANCE OF CONFIDENTIALITY.

IC-1 Broker Transaction Recordkeeping:

The Agency does not make any assurances of confidentiality beyond the protection afforded by the Freedom of Information Act (5 U.S.C. 552). However, these documents are not made public and are not routinely requested by others.

IC-2 Disclosure of Records to Parties Involved in a Brokered Transaction:

FMCSA will not receive records under IC-2, as it pertains to disclosures to third parties. Nothing in the Agency's regulations prohibits the parties to a brokered transaction from implementing confidentiality requirements as part of their contractual obligations.

11. JUSTIFICATION FOR COLLECTION OF SENSITIVE INFORMATION.

This collection does not involve sensitive information.

12. ESTIMATE OF BURDEN HOURS FOR INFORMATION REQUESTED.

To estimate the annual burden hours for this ICR, FMCSA assumes that brokers will incur all the annual burden hours and associated respondent costs, the potential consumer benefit accrues to shippers and motor carriers only if they request transparency information from the broker, and brokers who do not receive a request for information under 49 CFR 371.3 would not be subject to IC-2.

IC-1:

IC-1 would impose no annual burden hours on brokers, and therefore the associated respondent costs associated with the collection would be zero. This is because the information collection associated with IC-1, i.e., recordkeeping, is an ordinary and customary business practice.¹²

IC-2:

FMCSA estimates the burden hours for IC-2 by separately estimating the burden on the two types of property brokers: HHG brokers and non-HHG, i.e., general freight, brokers. As of December 29, 2023, FMCSA's Licensing and Insurance database listed 28,773 registered brokers. Of those, 1,077 brokers have operating authority for HHG and 28,347 brokers have operating authority for non-HHG, i.e., general freight, brokerage. Combining these authority numbers exceeds the total number of brokers because 651 brokers hold both types of authority. These brokers are included in both the HHG burden estimate and the general freight estimate because they may be required to respond to 49 CFR 371.3(c) requests in both their HHG business and their general freight business. The Agency does not collect data on the number of requests submitted to brokers for information under 49 CFR 371.3 nor the number of transactions performed by broker entities subject to this regulation. For these reasons, FMCSA

¹ "Generally, estimates should not include burden hours for customary and usual business practices". Paperwork Reduction Act Guide. Page 39. Available at: https://www.opm.gov/about-us/open-government/digital-government-strategy/fitara/paperwork-reduction-act-guide.pdf (accessed Jul. 19, 2024).

² Internal Revenue Service. *What Kind of Records Should I Keep*. Available at: https://www.irs.gov/businesses/small-businesses-self-employed/what-kind-of-records-should-i-keep. (accessed Aug. 29, 2024).

³ Custom Reports: Operating Authority Data. Analysis and Information Online, FMCSA. Available at: https://ai.fmcsa.dot.gov/registrationstatistics/CustomReports#OpAuthData (accessed Jul. 19, 2024).

uses publicly available data to estimate an upper range of costs that brokers could incur under IC-2.

IC-2 Hourly Burden on Household Goods Brokers

To estimate the hourly burden that arises when HHG brokers interact with shippers, FMCSA reviewed the Census Bureau's American Community Survey (ACS).⁴ According to the ACS, 8,245,515 people moved interstate in 2022, and FMCSA uses this figure as an estimate of the number of people who move interstate each year. FMCSA estimates that those 8,245,515 individuals that moved across state lines constitute approximately 3,298,206 household moves.⁵ FMCSA estimates HHG brokers, a niche market of brokers, handle about 3 percent of these moves, or 100,000 household moves per year.⁶

FMCSA records indicate that there are 1,077 registered HHG brokers. While HHG brokers must register with FMCSA to arrange the interstate transportation of HHG, FMCSA assumes that there are also non-registered entities that conduct HHG brokerage activities. Agencies are required to account for the burden imposed on the public when calculating their estimates under the PRA. Unregistered entities are considered part of the public and are included in the Agency's assessment of the overall public burden. FMCSA does not know the number of non-registered entities conducting HHG brokerage activities but estimates the number based on FMCSA's conversations with industry experts and information from broker websites. FMCSA estimates a conservative number of non-registered entities that conduct HHG brokerage activities to be 12.2 percent of the number of registered brokers. Per FMCSA records, if there are 1,077 registered HHG brokers, then there are a total of 131 non-registered entities that conduct HHG brokerage activities (1,077 registered brokers × 0.122 = 131.4 unregistered brokers). Thus, the total number of active HHG brokers is 1,208 (1,077 registered brokers + 131 unregistered brokers = 1,208 total brokers).

If there are 100,000 brokered interstate moves per year and approximately 1,208 active HHG brokers, on average each broker handles approximately 83 household moves per year (100,000 interstate moves per year \div 1,208 brokers = 82.78 moves per broker, per year). This estimate reflects the number of completed transactions between HHG brokers and shippers.

According to industry reports, approximately 99 percent of agreements made between brokers and shippers are completed, wherein a broker arranges transportation of shippers' HHG and delivery is completed. The remaining 1 percent cancel their agreements and brokers do not arrange for delivery of the HHG.

⁴ About 8.2 million People Moved Between States in 2022. U.S. Census Bureau. Available at: https://www.census.gov/library/stories/2023/11/state-to-state-migration.html (accessed Jul. 19, 2024).

⁵ According to the ACS, the average household size is 2.5 people. FMCSA calculates an estimate for the number of household moves by dividing the number of people that have moved across state lines by the average household size. Therefore, FMCSA estimates 3,298,208 household moves (8,245,515 ÷ 2.5).

⁶ 3% of 3,298,206 is 98,946. FMCSA rounds upwards to 100,000. This estimate is consistent with the burden hours for the related HHG ICR i.e., PRA 2126-0048.

⁷ Digital.Gov. A Guide to the Paperwork Reduction Act. Available at: https://pra.digital.gov/burden/ (accessed Jul. 29, 2024).

FMCSA rounds the 99 percent to 100 percent, as agreement cancellations at the margin are too small a population to account for within this ICR. Thus, FMCSA slightly overestimates the number of agreements that are finalized. FMCSA believes the average frequency of requests under 49 CFR 371.3 would be up to 5 percent of all contracts performed, or 4 contracts per broker (83 contracts \times 0.05 = 4.15 contracts). FMCSA estimates that an office clerk could spend up to 2 minutes per request to submit documentation to a motor carrier or shipper. Therefore, FMCSA estimates that annual burden hours for all HHG brokers would be up to 161 hours (1,208 HHG brokers \times 4 requests per broker \times 2/60 hours per request = 161.1 hours).

IC-2 Hourly Burden on Non-HHG (General Freight) Brokers

FMCSA records indicate that there are 28,347 registered non-HHG property brokers. While non-HHG property brokers also need to register with FMCSA to arrange the interstate transportation of property, FMCSA assumes that there are also non-registered entities that conduct property brokerage activities. FMCSA does not know the number of non-registered entities conducting property brokerage activities but similarly estimates the number based on FMCSA's conversations with industry experts and information from broker websites. FMCSA continues to assume a conservative number of non-registered entities that conduct property brokerage activities to be 12.2 percent of the number of registered brokers, as these sources do not differentiate between property and HHG brokerage. Per FMCSA records, if there are 28,347 registered non-HHG property brokers, then there are a total of 3,458 non-registered entities that conduct non-HHG property brokerage activities (28,347 registered brokers × 0.122 = 3,458.3 unregistered brokers). Thus, the total number of active non-HHG property brokers is 31,805 (28,347 registered brokers + 3,458 unregistered brokers = 31,805 total brokers).

FMCSA lacks data on the number of transactions incurred in the brokerage freight industry over any given year. The property freight industry involves numerous players of varying sizes and a vast array of cargo types. Much of the transactional data for this industry has been considered proprietary and is generally not disclosed. FMCSA understands that one of the largest property load boards posts approximately 400 million loads annually. While recognizing that this figure likely represents only a portion of all brokered loads, the Agency believes that most loads brokered outside this platform likely involve repeat business between established parties who are less likely to request information under 49 CFR 371.3.

FMCSA finds no material difference in the anticipated frequency of requests for information from HHG brokers and non-HHG brokers. As such, the agency maintains its assumption of a 5% request rate under 49 CFR 371.3 for both types of brokers. This aligns with industry feedback suggesting that requests for information under 49 CFR 371.3 are infrequent. Consequently, FMCSA projects a maximum of 20 million requests under 49 CFR 371.3 annually (400 million loads \times 0.05 likelihood of request = 20 million requests). Based on these estimates, FMCSA projects a total annual burden of approximately 666,667 hours for property brokers related to IC-2. This calculation assumes an average of 2 minutes per agreement to fulfill the information request (20,000,000 agreements \times 2/60 hours per agreement = 666,667 hours).

The labor categories and wage rates in Table 1 below are used to calculate the cost burden.

Table 1. Wage, Time, and Labor Costs (in 2023)

Occupation	BLS Occupation Code	NAICS Occupational Designation	Median Base Wage	Fringe Benefits Rate	Overhead Rate	Median Base Wage + Fringe Benefits + Overhead
Office Clerks, General*	43-9061	Cross-industry	\$19.46	48.2%	21%	\$33

^{*} DOL, BLS. Occupational Employment and Wage Statistics (OEWS). National. May 2023. 43-9061 Office Clerks, General. Available at: https://www.bls.gov/oes/current/oes439061.htm (accessed Jul. 18, 2024).

Table 2. Annual Number of Responses

Annual Number of Responses for HHG Brokers	Annual Number of Responses for Property Brokers (Excluding HHG)	Annual Number of Responses for All Brokers
4,832	20,000,000	20,004,832

Table 3. Total Annual Burden Hours and Total Costs

Loaded Hourly Wage of Office Clerk	Annual Burden Hours for HHG Brokers	Annual Burden Hours for Property Brokers (Excluding HHG)	Total Annual Burden Hours*	Total Annual Salary Costs for Completing Requests under 49 CFR 371.3
\$33	161	666,667	670,000	\$22,110,000

^{*} Total Annual Burden Hours = Annual Burden Hours for HHG Brokers + Annual Burden Hours for Property Brokers (Excluding HHG), i.e., 666,828 = 161 + 666,667. To avoid overstating the precision of these estimates, the calculated burden hours of 666,828 have been rounded up to 670,000. This approach better reflects the inherent uncertainty in the data.

IC-1 Summary

The first IC would impose no annual burden hours on brokers. This is because the information being collected is ordinarily collected for customary business practices and no additional burden is being imposed. Therefore, the associated respondent costs associated with IC-1 is zero.

IC-2 Summary

Estimated Annual Number of Respondents: 8 32,362 Estimated Annual Number of Responses: 20,004,832

Estimated Annual Burden Hours: 670,000

Estimated Annual Burden Hour Cost: \$22,110,000

⁸ The Agency determined that approximately 651 brokers hold authority for both Household Goods (HHG) and non-HHG freight. By combining the total number of HHG (1,208) and non-HHG (31,805) brokers and then subtracting the number of brokers with dual authority, the Agency calculated a total of 32,362 brokers. This adjustment prevents double-counting of brokers.

13. ESTIMATE OF TOTAL ANNUAL COSTS TO RESPONDENTS.

There are no non-labor costs to the respondents, such as start-up costs or operation and maintenance costs, to be reported. Electronic recordkeeping is a standard practice in many brokered freight transactions, offering several advantages over traditional paper records. These advantages include faster retrieval of information, the ability to easily backup or copy data and significantly lower maintenance costs compared to paper records. The widespread use of electronic load boards and the observations of FMCSA investigators further demonstrate the prevalence of electronic recordkeeping in the industry. FMCSA does not separately account for start-up, operation and maintenance, and record keeping costs within this ICR because these costs do not exceed routine broker business practices. Per the proposed regulations, that all contacts and disclosures will be made electronically; therefore there are no mailing costs.

14. ESTIMATE OF COSTS TO THE FEDERAL GOVERNMENT.

The cost to the Federal government is minimal because FMCSA does not receive or process the IC. In rare circumstances, FMCSA may notify an individual broker of its regulatory obligation to comply with an information request under 49 CFR 371.3 in response to a complaint.

15. EXPLANATION OF PROGRAM CHANGES OR ADJUSTMENTS.

This is a new ICR, so this requirement is not applicable.

16. PUBLICATION OF RESULTS OF DATA COLLECTION.

The results of this data collection will not be published.

17. APPROVAL FOR NOT DISPLAYING THE EXPIRATION DATE OF OMB APPROVAL.

This ICR does not involve the use of any forms on which an expiration date would normally be displayed. The expiration date of the IC will be publicly available on reginfo.gov.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT.

There are no exceptions to the certification statement.

⁹ MCCi. "The Dollars and Cents of Paper vs. Digital." 2024. https://mccinnovations.com/insights/blog/the-cost-of-paper-vs-

digital/#:~:text=Comparing%20%240.0159%20to%20store%20a,storage%20costs%2057.6%20times%20more (accessed Apr. 25, 2024)