

November 22, 1999

To: The Secretary,
Washington Utilities and Transportation Commission

In the	}	
Matter Of	}	Docket No. TV-991559
Review of Rules relating to	}	
Motor Carriers of Household Goods	}	
Adopted in Chapter 480-15 WAC	}	

Comments of Edward Mitchell

In September and October of 1998, I filed extensive comments with the WUTC regarding Docket No. TV-971477 Household Goods Rulemaking proceeding.

Unfortunately, only a few of the issues I raised in my filing were addressed in the final rules. Therefore, I am in this proceeding highlighting key issues that have not been addressed. My original comments of September 14th and October 14th, 1998 are re-filed with this new docket.

Background

In July 1998, we experienced a terrible move carried by Red Ball Van and Storage of Woodinville, Washington. The company alleged that the moving van was discovered in their parking lot to have been broken into 4 days prior to delivery to us. Even though the company had 4 days in which to contact us (they had our cellular phone and voice mail number), they failed to report the break-in to *anyone*, including the Woodinville Police Department¹. I spoke with the alleged "owner" of the firm, Lynn Hansen, twice

¹ Specifically, the operations manager of Red Ball Van and Storage said that it was our responsibility to notify the police of the break-in that occurred in the Red Ball parking lot. We did notify King County Police (who provides police services to Woodinville, under contract) the day after the van arrived at our home. As a result of this delay, valuable evidence may have been lost. This theft was reported by us and investigated by Det.

before the moving van arrived at our new home- there was no excuse not to inform us of the break-in and that they were delivering a crime scene to our front door².

The moving van arrived at our new home with the rear door unlocked. This was credibly witnessed by a new neighbor who was not only a former moving van operator, but had once been a contract driver for a Red Ball agent.

The inside of the moving van (photographed upon arrival) was in disarray, numerous items were unsecured and boxes ripped open. The mover failed to provide us with the empty and loaded weight of the van³ and was unable to provide us with an inventory of goods shipped. As we began to identify the first of what was to become thousands of dollars of missing personal property, the driver informed us that their allotted unload time was used up and they left, without assembling furniture or bed frames⁴.

The driver returned the van to Red Ball Van and Storage and vanished. The police eventually made contact with him through a relative but he failed to show up for 3 scheduled interviews. A local moving company at the Spokane destination provided two unload crew helpers. The local company had only a voice mail box for one of the contract unload crew members, and did not know the name for the other crew member.

Red Ball Van and Storage was uncooperative in settling claims and did not reply

Raftis, King County Police Case #98-205218.

² If we had known this, we would have notified the Spokane County Sheriff immediately upon arrival. Not knowing this, we did not file a report until later (Spokane County Sheriff's Office, "August 11, 1998, Report #98-222670").

³ We even made a written request to the company after the move for this information which WUTC regulations allegedly require the mover to provide to the shipper.

⁴ This situation was even more difficult for us, since our own toolbox was one of the missing items.

to our written correspondence. Instead, we resorted to sending all of our correspondence⁵ to the WUTC, the Office of the Attorney General, and the Western Washington Better Business Bureau. Only then did Red Ball respond to inquiries from these agencies, but not to our written requests.

Subsequent to this experience, I conducted extensive research and interviewed dozens of people and learned a great deal about the operation of moving companies in the State of Washington. Traditionally, the moving industry in Washington State has operated as a cartel⁶. Theft and fraud are wide spread in the industry. The internal organization of these businesses, from the national carrier down to the local agent is structured to maximize the potential for fraud⁷. Moving companies, in that they are moving customers away, need not worry about repeat business. Therefore, they do not suffer from reputational effects of poor quality moves. Lacking market protections, under no circumstances should an individual hire a mover based in Washington.

Issues

The rules do not yet address the anonymity of day workers and the common use of cash payments to pay day workers to help with loading and unloading of moving vans. There is nothing wrong with using day workers. The problem is, as we learned in our move, the moving companies did not have full names, or even valid phone numbers or

⁵ A nearly 100 page complaint and claim was filed with Red Ball and each of these organizations. This complaint, detailing numerous irregularities and problems with this move should still be on file at the WUTC.

⁶ See in particular paragraph 1 of my October 17, 1998 comments (attached), and page 249, number 22, The Economic Way of Thinking, 8th Ed., Paul Heyne, Prentice-Hall, 1997

⁷ See Managerial Economics and Organizational Architecture, James A. Brickley, et al, Irwin-McGraw-Hill, Boston, MA, 1998

addresses of these workers, who were paid in cash. These workers have zero interest in the accountability and the success of the move. This use of low paid anonymous workers⁸ creates economic incentives for theft, which is extremely detrimental to shippers. This issue was described at length in my October 17th, 1998 filing (attached). In the case of our move, the driver had, according to the police, provided the address of a relative. The entire crew, from the driver to the day workers were anonymous and unreachable people, having no valid addresses at which they could be reached. Clearly, such individuals have little vested interest in insuring the quality of the move. The corollary is that an anonymous, unaccountable workforce, in a business that lacks reputational concerns, is ripe for engaging in shirking, theft, misrepresentation and fraud. The use of cash payments also suggests widespread tax evasion by moving industry workers.

The existing pamphlet "Your Rights and Responsibilities as a Moving Company Customer" fails to inform customers of what they need to know to make good decision about selecting a mover. This pamphlet fails completely to advise shippers of the high risks they may expect from having their goods handled by a mover. As I explained in detail in my September 14, 1998 filing (attached), the U.S. military provides significantly more consumer protection information to members of the armed services prior to moving. Why does the WUTC believe that Washington residents need less protection than members of the U.S. military?

In "Item No. 76 -- Bulky Articles and Weight Additives" (August 4, 1999 Docket TV-980092 mailing to stakeholders), the WUTC has specified special handling charges

⁸ While the rules allow moving companies to charge shippers nearly \$40 per hour for labor, these anonymous cash workers were actually paid \$10 per hour. The moving company pockets the excess profits.

for a wide variety of goods. These fees appeared to be based on a "lost opportunity cost" basis to the mover. For example, a pickup truck canopy is assessed not only a customary weight charge, but is then assessed an additional 700 pound penalty to the shipper.

Presumably this is based on an assessment that the space occupied by the canopy is empty and therefore, the mover is requesting special compensation for the lost opportunity costs of shipping empty weight. This judgement, codified in the rules, is arbitrary, and is based on the faulty logic that in all circumstances the space inside the canopy will not be used. Other examples from the rules include a fixed fee assigned to the carriage of doll house, canoes and other common items. Under these rules, apparently, a shipper is prohibited from negotiating a fair fee for transport based on the actual circumstances of the move. The WUTC's rules imply that a central state committee is best qualified to determine the prices charged to each shipper, for all circumstances.

Finally, under the rules, movers have little accountability and responsibility for delivering much of anything to the customer. A customer contracts with a mover to move their personal property across state. As best I can tell, the mover's liability remains unrealistically set to the low value of 60 cents times the weight, in pounds, of goods to the customer. Effectively, movers in the state of Washington have no responsibility to deliver much of much of anything. Movers argue that they sell insurance to the shipper to protect the load. For this insurance policy, they charge rates roughly 50 times greater than household goods insurance policies⁹, providing prima facie evidence of the extraordinary

⁹ For example, a typical homeowner's household goods *annual* insurance policy may run about \$300 to \$400. Moving companies, for the same coverage *lasting only a few days* during the move, typically charge much more. For example, \$400 for a week's worth of moving coverage is 50 times greater than the homeowner's annual insurance policy, providing prima facie evidence that the risk of having goods stolen or destroyed during a

risk that shippers take when hiring a moving company based in Washington.

The rule making process, despite the good intentions of the WUTC, is a de facto sham when over 90% of the comments filed are from movers, their attorneys or industry trade groups. In effect, this is a coddled industry that writes its own rules, and establishes its own tariffs through a lopsided public hearing process. This is an industry that, lacking meaningful market forces, does not improve efficiency, productivity, reliability and security, nor does it implement effective loss prevention programs.

Under no circumstances, as the rules are presently implemented, should any individual in the State of Washington hire a moving company. The system is extraordinarily rigged against individual consumers of moving company "services"¹⁰.

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Attached:

Photocopies of September 14, 1998 and October 17, 1998, Docket TV-971477 comments.

move is 50 times greater than the risk at your house. Or, this is evidence that moving industry is significantly overcharging for insurance coverage.

¹⁰ Corporate shippers, in that they may be repeat customers, are protected to some extent by reputation issues that would impact the moving company. Moving companies can and do lose business from corporate customers when they shirk, steal or defraud the employees of their corporate shippers. Moving companies are largely immune to reputational effects of poor quality moves inflicted upon individual consumers, who are moved away from the moving company's base of operation, and who may only move a few times in their lifetime.

Diskette contains Microsoft Word '97 format files for:

This letter in file "Docket TV991559 Ed Mitchell.doc"

My October 17th, 1998 filing, in file "WUTC Oct 17 1998 Ed Mitchell.doc"

My September 14th, 1998 in file "WUTC Sep 14 1998 Ed Mitchell.doc". This file does not include items that were photocopied and attached to the printed version of these comments.