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Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Comments regarding Tariff 15-C (TV-210812) Docket No. TV-210812 and TV-210535 (consolidated)

Please find the enclosed pages of comments for review and consideration.

Submitted by Larry Nelsen, Hansen Bros Transfer & Storage

SUBJECT: Comments for the June 20, 2023 virtual Workshop and the subsequent UTC Open Meeting on June 29, 2023. **Re: Dockets TV -210535 & TV – 210812**

The underlying theme of my following comments on the proposed changes to Tariff 15-C is that <u>the Household Goods Moving industry is unlike any other UTC regulated industries</u>. When you are a natural gas customer, you are serviced by a monopolistic provider for your geographic area. You cannot opt for Bob's Discount Natural Gas, whose business strategy is undercutting Puget Sound Energy to secure your business, or choose a provider who supplies only the highest quality natural gas at a premium price because that is what you value. Your natural gas is only available from one vendor – this is why the Utilities and Transportation Commission is necessary to protect the consumer.

A Household Goods Mover is far from being a monopolistic player and must compete on a daily basis with competitors, some licensed and some not, offering a range of services of varying quality and reputation at a wide range of prices. For example, a consumer who has expensive antiques or custom-made furniture might reasonably choose a higher priced mover in order to secure a higher level of service versus a recent college graduate who wants their second-hand or Ikea furniture moved at the lowest possible price.

Regardless, the Tariff is what governs the operations of licensed Household Goods Movers. Thus, I respectfully submit the following comments and thoughts regarding the proposed change to Tariff 15-C.

The WA Movers Conference has made numerous prior requests for regularly scheduled meetings with the UTC in advance of the revised tariff being presented. We do appreciate the offer to hold a virtual Workshop on June 20, 2023. This will be a valuable opportunity to work through the elements of the revised tariff that we believe to be misaligned with the actual operating scenarios Household Goods Movers encounter. <u>We look forward to sharing actual business experiences within the context of proposed changes to Tariff 15-C. Our hope is this exercise will shed some light for both parties and allow the concerns of regulated movers to be explained and addressed</u>.

In anticipation of this meeting, some of the items of concern are presented below.

ITEM 10 – DEFINITIONS

Estimate – Supplemental: allows for a supplemental estimate to be prepared for a NON-Binding estimate when the customer-initiated circumstances of a move change in the way from the original written estimate that increases the cost of the move.

Issue – The same exact customer-initiated circumstances occur on every type of move, so if the estimate is Binding and services requested are documented on the original estimate but the customer requests changes to the service, a carrier should be able to provide a Supplemental Estimate for the changes before the services are performed – just like a Non-Binding Estimate. We believe this could have been an oversight since in other parts of the tariff it states a Supplemental Estimate can be written and is in addition to any other type of estimate.

ITEM 50 – OVERTIME

6. Carrier may not charge overtime for accessorial services.

Issue – Please refer back to the ITEM 10 – DEFINITIONS to see all of the services included in accessorial services. If the carrier is performing any of these services, or contracting with 3rd parties like crating companies or crane operators, before, after hours or on weekends, which have been documented and signed by the shipper on the Estimated Cost of Services, why wouldn't overtime be applicable? The costs to the service provider are inherently more expensive, just like the moving services.

ITEM 80 – PAYMENT OF CHARGES

3. States that the carrier can collect for the Non-Binding Estimate and any Supplemental Estimate according to the percentage rules.

Issue – If a carrier has a Binding Estimate but customer-initiated circumstances occur which have been documented by the carrier and signed for on a Supplemental Estimate, the carrier should be entitled to collect the charges.

ITEM 90 – CARRIER LIABILITY

9. b. – Option 2 & 3 – Depreciated Replacement Cost with or without deductible.

Issue – The $5.00 per pound used to calculate the minimum amount of coverage is too low and misleading to the consumer and should be increased. This same amount has been in place since at least February 2008 with no increase to allow for the increased cost of household goods or possible needed repairs. A consumer can sign up for the $5.00 per pound minimum and naively think they are completely covered when, in reality, in the majority of cases the actual cost of goods moved is much higher. The other scenario is they deceptively sign up for less value, which is determined by the weight, than the actual value of their goods to save money.

For reference sake, all of the major Interstate Van Lines have increased their weight per pound minimum valuation over time from $5.00 per pound to $6.00 per pound, and are now $8.00 per pound. Further, overseas carriers have increased to $15.00 to $20.00 per pound minimums.

ITEM – 101 – STORAGE IN VEHICLE

Issue – We believe the established minimums are too high. If the carrier has available equipment and the means to accommodate the consumer, the minimum should be much lower.

ITEM 102 – SMALL GOODS TRANSPORTATION AND STORAGE

Issue – In the definition of the service, it explains that the consumer will not have access to their goods while in storage. Since the provider is charging by size in many instances, wouldn't it be prudent and legal for a consumer to at least be able to request to verify the size of their goods being stored as well as see where and how the goods are stored since that is how they are being charged? We think this would fall under WAC codes for weights and measures which use the NIST handbook. The example would be buying a cord of wood which legally is determined by size but the consumer would not be able to measure what they purchased. In addition, why can't the carrier provide employees to ensure that any customer can only access their own goods. Multiple storage customers in the same warehouse is the rule, not the exception, and customer access is an integral part of most warehouse operations. Surely the carrier is inventorying and segregating the customer's goods so that they are not commingled with another customer.

The definition also defines the service to include "with the intent to later transport the goods back to the customer's residence". What happens when the customer's residence has changed and is no longer in the carrier's service area or the goods need to be transported via an interstate carrier? Does the storage need to be delivered by the carrier to an off-site location for loading by the interstate carrier? What if the customer can no longer afford the delivery fee or is not comfortable with the service of the carrier and wants to do the pickup from the storage facility on their own or have a competitor of the carrier perform the service at a lower cost? <u>The customer is being locked into a round-trip service before ever using the carrier once.</u>

3. – RETURN OF HOUSEHOLD GOODS

a. A carrier must deliver the goods back to the consumer when requested within 5 business days.

<u>Issue</u> – <u>What is the recourse of the consumer from the carrier if it is not delivered within the 5 days?</u> The consumer could suffer financial damage if the items are not returned within the expected timeline.

b. Consumer is liable for any additional charges of the carrier for any failed return caused by the consumer.

<u>Issue</u> – Since there are no rates or charges governing this service, the consumer is left completely exposed.

4. – RATES AND CHARGES

a. Small Goods Transportation and Storage is exempt from the rates, rules, and charges in Section 2 and Section 3 of this Tariff.

<u>Issue</u> – It seems confusing that if the UTC has all the statistics, formulas and information necessary to inform all licensed movers what they can charge for the countless services they perform, encompassing many more aspects than the Small Goods Transportation Service, then <u>why would the UTC not be able to issue the rates for this small segment of the business to protect the consumers from abuse?</u>

5. – CONTRACTS AND RECORDS

c. xii – Return of goods within 5 business days.

Issue – explained above. No consumer recourse if it is not returned in time.

c. xiii – Carrier can charge additional if consumer does not receive goods.

Issue – Since there are no rates or charges governing this service, the consumer is left completely exposed.

7. – CESSATION OF SERVICE

Carrier can cease operations with 60-day notice to everyone involved.

Issue – If Small Household Good Moving and Storage is such a perilous business model that an entire section must be incorporated into the tariff, should it be required that a large bond or insurance policy be posted to protect the consumer if a provider fails? An example would be a customer that goes overseas for a year and thinks their storage is safe. They get a 60-day notice to vacate. Who pays for moving it out of storage and into a new storage facility plus perhaps having to return to make sure they receive all their goods? What happens if some items are missing or broken?

8. – INFORMATION INCLUDED ON THE BACK OF THE SGS CONTRACT

Please refer to **ITEM 95 – BILLS OF LADING** (for HHG shipments)

2. CONTRACT TERMS AND CONDITIONS OF UNIFORM HHG BILL OF LADING states "The following are the only terms and conditions that can be applied and these must appear as written below on the back of the bill of lading".

Issue – We see no such statement in the requirements of the Small Goods Transportation and Storage Contract. Considering one current company has its own Terms of Use with 7,549 words, Limited Warranty with 6,704 words and Privacy Policy with 3,892 words, all +/-, we feel it would be in the best interest of consumers and much less confusing that the same statement be required in both documents.

SECTIONS 2 & 3 – RATES, RULES AND CHARGES (for HHG Movers)

Issue – The overriding concern to operators which involves many of the items in the tariff is the cap on the rates. It is unnecessary for many reasons.

We believe that instead of just granting a rate increase which was requested a few years ago and then tying increases to the Seattle CPI, the top cap on the tariff should be completely removed.

It's no secret that HHG Moving is a highly competitive industry that provides 100's of options for the consumer to choose from. In addition to the approximately 300 licensed movers in the state, there are; 100's of unlicensed individuals who use old rental trucks & pickups, internet brokers, labor pools to load rental trucks, and "POD-type" moves that consumers load themselves or the rental companies help facilitate labor to load and unload. It is a wide-open field of competition. Yet, ironically, the only segment of all these options prevented from setting their own rates are the legal licensed movers.

Legal, licensed movers are also the only segment of this industry required to perform a survey, produce a list of the items and services discussed, give a written estimate outlining all of the rates for each type of service or supply that will be used, identify the number of crew members and equipment, and cite how many hours, weight or miles were used to determine the estimate – all of which culminates in a total price of the services. Per the Tariff, the Estimated Cost of Services must contain 20 categories, many of which include numerous other items that fully explain the services and costs involved so the prospective consumer is well informed before even scheduling a move.

Consumers are also supplied with the "Consumer Guide to Moving Within the State of WA" which provides a thorough explanation of their rights, including how to choose a mover.

The guide suggests many different ways to choose a mover including reading reviews on the internet. This suggestion points the consumer to another highly competitive market where prospective customers can read about past moves by customers in the Better Business Bureau, Google, Yelp, Angie's List, Bell Hop, Forbes, Consumer Voice, Thumbtack, Task Rabbit, Hire a Helper, neighborhood social media sites, etc., all with reviews, recommendations and lists of licensed and unlicensed movers which they suggest. After visiting many of these sites, consumers are then unexpectedly inundated with pop-up ads for movers regardless of what they were shopping for.

It’s a time consuming and costly endeavor for licensed movers to navigate all these hurdles to generating prospective customers at the top of the sales funnel and converting a small percentage of them to actually request information for a move. And, this is growing even more challenging every day. Then, licensed movers are required by regulations to follow an expensive and time-consuming estimating process (often involving sending a staff member onsite to survey the needs of the consumer), and subsequently supply a formal written estimate to the customer in the hope they are selected to perform services.

With the plentiful amount of information available to the consumer through numerous sources, in addition to an extensive written estimate, one would argue that the consumer should be well informed in advance of making any decision on which licensed company to select for their relocation. If the estimate cost is too high, they probably already have other estimates to compare to and will select a different company with a lower price. Over time, if a carrier’s rates are too high, they will lose market share and either need to adjust their rates or possibly go out of business. Just like every other type of business which sets their own rates, if a business does not know their costs and charges too little or tries to charge too much without the high quality to warrant the rate, they will more than likely go out of business.

Besides competing for leads, which hopefully progress to presenting an estimate for a possible selection to be the chosen mover, each business is competing for both office staff and crew members. The process of always waiting for rate cap increases after the fact for many years (including waiting a year for the proposed CPI adjustment) has cost companies many experienced people because they can find employment in most any other type of industry that can set their own rates and compensation level immediately as the need arises.

Some of the best crew members find an old truck and perform moves illegally or work for interstate HHG drivers to load and unload their shipments which pays them more than they can get from a local company.

The proposal of granting the 12.1% increase and adjusting to the Seattle CPI in the future assumes the rates will be correct after the increase. The rates have been restricted for an extended amount of time compared to market conditions. That assumption also does not take into consideration many items that affect the operations of a moving company that are not reflected in the CPI.

To name a few items –

The Federal Government, DOT, put a restriction on the number of hours a truck driver can work, thus reducing the capacity to complete a job within a day in some instances. An intrastate move that would have been completed in a day, so the mover could schedule another move the next day, might mean the driver has to drive the remaining few hours to return on the 2nd day. It reduces the mover's capacity and costs the driver or crew the better part of a day in pay. It also might result in out-of-area lodging & meal costs.

The labor market is very tight for movers, partly due to restricted rates, and partly because the UTC rules require moving companies to utilize background checked labor (which we totally agree with). As such, Intrastate moves now usually require sending qualified helpers along with the driver. Background checked workers are typically unavailable in remote areas and hiring from other licensed movers isn't possible like in years past since they don't have enough labor to cover their own local work. This adds a huge amount of additional expense to the mover with no commensurate compensation.

The expense of replacing specialized trucks and equipment have far exceeded the small increases in local CPI. Now with legislation to limit greenhouse gases in the not-too-distant future, movers will need to be able to budget for expensive upgrades since the large majority of their equipment is diesel powered, which will need to be phased out. As an example, a new cab and chassis with no specialized moving van body now costs about $95,000 or more depending on options. An electric cab and chassis which would replace that truck now costs $400,000 plus a $50,000 charging system that would need to be installed at the mover's location. Even with the time between now and when upgrades will be needed, the huge difference in price will not come close to being equivalent to what it is now. That increased cost will not be reflected in a CPI either.

The cost of packing material has exploded with the rise of ecommerce. This is one of the large day-to-day expenses of movers. The CPI did not come close to mirroring those increases. The WMC petitioned to receive an increase but in the meantime, movers simply had to make up the difference.

CPI increases do not keep pace with commercial building expenses which movers need for offices, SIT, material storage, etc. Checking two warehouses, the property tax from 2019 to current jumped 59.6% on one and jumped 25.25% from 2020 to current on the other. Not even close to the CPI for the area.

Commercial insurance increases are not included in the CPI but are a large expense.

2022 premium vs 2023 all increased – Crime – 105%, General Liability 175%, Auto (with 13 less units) 123%, Umbrella 144% = Total 131%

The increased traffic congestion in metropolitan areas, seasonal or construction delays, weather causing snow closures or flooding, avalanche blasting or detours, all have a large impact on the amount of time needed to be added to mileage rated shipments in order for a company to be able to determine if the regulated rates are sufficient to operate profitably.

These are just some of the many items that directly affect movers which need immediate adjustments. In all other areas of the economy, businesses are able to make these adjustments whenever they feel necessary. Movers have the ability to know their costs and their particular expenses and are able to set their own rates for the following business lines:

- Office moving, Panel installation, Industrial moving, and Heavy equipment moving. which all include large amounts of labor, specialized moving equipment, specialized trucks, overtime, etc.
- Overseas origin services which include – container hauling from the steamship line pier, travel time to the residence, prepping the residence, packing of loose items, cartons and padding for packing, inventories, paper pad wrapping of all furniture, loading into overseas containers or liftvans, warehouse labor to bulkhead shipment or seal liftvans plus the cost of warehouse space to perform some of these services.
- Overseas destination services which consist of receiving steel container or liftvans, travel time, prepping residence, unloading, checking inventories,

unwrapping, placing in rooms, disposal of wrapping materials and unloading of liftvans.

- Distribution of products includes calculations of storage space required for that product, warehouse handling time to receive and catalog into inventory software, put into racks, retrieve when needed, load trucks, travel time, deliver, install, debris removal and disposal costs.
- Military storage services which include – travel, packing labor, materials, inventory, move back to warehouse, warehouse handling to store away, warehouse costs, rent, insurance, taxes, utilities, inspections, maintenance, etc.
- General freight pick-up and deliveries which include type of truck, size, liftgate needed, weight to be hauled, dock to dock or ground level, mileage, traffic congestion leading to travel time, etc.

Among these examples of movers knowing their expenses compared to the market conditions and setting their own rates accordingly, there have not been any skyrocketing prices or gouging that we are aware of. Because just like every other business, if your rates are too high, nobody will hire you to handle their moving needs.

If you do have the expertise and specialized equipment to perform someone's particular job, then the company and their experienced crews should be able to be justly compensated since that is what someone is willing to pay for that level of service – just like any other type of business.

The issue with any increase tied to the Greater Seattle CPI doesn't take into consideration the cost differential in areas across the state. Granting price increases in low cost areas based on the highest cost areas (Seattle) unfairly allows the low cost areas greater pricing latitude versus the Seattle area movers. For example - the cost of living in Seattle is 29.8% higher than in Spokane and 27.7% higher than the Tri-Cities area of the state. Even charging the maximum rate does not make up the difference in those areas receiving a large increase in the future every year and the Seattle market again just staying flat and getting an increase a year late.

The huge differences in cost of living stands out in all of the rates. Of the many, a glaring example would be the mileage rated shipments and all the accessorial services.

For example -

A 15,000-pound shipment from Spokane Int'l Airport west of downtown to Richland WA is 144 miles which travels on US 395 a 4-lane divided highway over level terrain.

The same 15,000-pound shipment traveling from north Seattle to Yakima is 143 miles traveling on I–5 through downtown traffic, on I–90 over Snoqualmie (3,000-foot elevation) Pass and I–82 over Manastash Ridge, a 2,672 foot mountain pass.

The cost of the crew and expenses are almost 30% lower on either end of the 1st shipment.

The 2nd shipment has to grind up and back over 2 mountain passes burning up additional time and additional fuel but the rates are exactly the same.

Example of the Seattle labor market –

For a move over 3 hours for a truck and driver maximum rate - $96.70 per hour.

Maximum labor rate for the driver - $84.03

That means we receive $12.67 per hour for anything from a $50,000 pack truck to a $250,000 fully equipped tractor trailer.

King County Prevailing wage

Drivers 2019 - $53.46 per hour   2023 - $72.45 per hour – increase 135%

Seattle minimum wage – 2022 to 2023 up 8.1% Jan 1

WA mid-level manager up 24.2% Jan 1

Our people are just as skilled as other trades but we are not able to make timely adjustments to save some of the best in the business since they can pick from other types of businesses that are all looking for good individuals. Like mentioned above, we arrive at a job in a $50,000 to $250,000 piece of equipment for $96.70 per hour.

Here is a list of some of our vendors and their hourly rates that arrive with 1 person in a small van or pickup –

- Fire sprinkler technician- $170
- Mobile Fleet Repairman $135
- Freightliner Repairman $173
- Electrician $180
- Electrician helper $95
- HVAC $150
- HVAC helper $90
- Fire Alarm tester $120

We hope this helps demonstrate the huge disparity in how movers' rates have been artificially suppressed for too long compared to all of the other types of businesses. These other businesses attract away our best people since they have the ability to independently run their business, make adjustments when needed, and set their own rates.

Perhaps if we knew what formulas and benchmarks the UTC is using to establish the time involved, fuel consumption, specialized equipment needed, depreciation of equipment, lead generation costs, sales expenses, etc. for each item and category we would be able to see how some of the rates were constructed. Or like we have suggested, allow each mover to establish their own rates, leaving the minimums in place. <u>This would help to avoid more movers going out of business due to the inability to charge sufficient rates to cover their costs while still ensuring consumers have the valuable protection of the Rules and Regulations of the UTC.</u>

Thank you for your consideration,

Larry Nelsen

Hansen Bros. Transfer & Storage