

September 14, 1998

To: The Secretary,
Washington Utilities and Transportation Commission

In the }
Matter Of } Docket No. TV-971477
Household Goods Carriers }
Rulemaking }

Comments of Edward Mitchell

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1. Abstract

The household goods carrier industry in the State of Washington is a *cartel* that is immune to the competitive market forces that shape most industries. Under the present rules, carriers lack incentives to improve service, quality, reliability, productivity and efficiency, to reduce costs and to reduce losses due to theft, pilferage and damage. As reported in the literature, the household goods carrier industry is rife with poor customer service, corruption, fraud and a high incidence of theft, pilferage and damage to consumer's property. Innovation in the industry is non-existent. However, by making simple rules changes, including eliminating unnecessary restrictions, the WUTC could foster a competitive market environment that unleashes and rewards carriers that innovate

and improve service, while punishing those that fail to engage in continuous quality improvement.. The existing proposal in Docket No. TV-971477, written largely by the industry itself, is flawed in that it merely tinkers around the edges, preserving the cozy and stagnant cartel we have today. Existing rules enable moving companies to prohibit the entry of new moving companies while keeping consumers uninformed.

2. Background

I am filing comments on Docket No. TV-971477 from the perspective of an individual consumer who recently completed a disastrous move between two cities in Washington, handled by a well known, licensed moving company in the Seattle area. Unlike most consumers, I have had the time, the resources, the skills and the inclination to investigate and learn a tremendous amount about the industry and the regulatory environment within which it operates. I have interviewed nearly three dozen people including current and former industry managers, current and former employees, police officers, numerous victims of moving industry corruption/pilferage/theft, and one pawnshop operator. I have been in contact with the U.S. Air Force's Joint Personal Property Shipping Office, which coordinates the moves of over 60,000 USAF members every year. I have obtained documents from the Household Goods Forwarders Association of America and documents from other sources, including the news media and the U.S. Department of Defense, that present a picture of corruption, fraud, pilferage and lax business practices within the industry. The moving industry is, as U.S. News and World Report suggests, a group of "bandits with a van".

The *fundamental* problem is that the moving industry is largely immune to normal

market forces that apply to almost all other businesses in our economy. Most consumers hire a mover very infrequently and do not understand the process and the risks.

Information about a disastrous move does not get conveyed to future move customers meaning that a mover has no incentive to improve service. And because it is effectively against the law in Washington to start a new moving company, competition is decreasing every year, not increasing, as it should. Under existing rules, says the WUTC, any existing moving company can protest and prohibit the startup of a new competitor (and they do just that).

Lacking meaningful market forces, the industry does not improve its efficiency, productivity, quality, reliability, and security, nor does it implement effective loss prevention programs - and the prices are government regulated so there is no "market competition"¹ or market pressure. The result is a cozy, stagnant industry free of the competitive forces that cause other industries to improve over time and to constantly improve their service to consumers year after year. With prices regulated by the state, rules enabling existing companies to prohibit the starting of new moving businesses, ill informed consumers, and an industry that largely writes the rules, the industry is a traditional *cartel*. A cartel is a group of businesses that cooperate with one another to stifle competitors and a competitive market place.

Consumers enter into a relationship with a mover having almost no knowledge of

¹ From any economic textbook, you will learn that prices are not based on costs of moving; costs are determined by the price. Genuine market forces will cause movers to innovate with productivity and efficiency enhancements that enable them to meet the price demanded by the market, not that which is set by the government in consultation with the movers.

the risks or skills of the mover. By comparison, the U.S. Department of Transportation publishes on-time arrival data for airlines - but there is no where to turn for meaningful data on a vastly more important undertaking like having tens- or hundreds of thousands of dollars of personal property moved. Consumer groups publish annual reviews of automobiles and a variety of services - but there is little data on the HHG carriers (Consumers Union last published a report on movers in 1991, well before the ICC was abolished in 1995 - so the data is useless). The State of Georgia is one of the few governments that publishes an annual report on all movers in the state, providing consumers with access to a number of metrics about the quality of movers.

There are ways to introduce competitive market forces into the household goods carriers marketplace through minimal regulatory changes. My comments will discuss, at length, the specific problems that are common place within the industry and suggest a variety of changes that may be implemented to fix the problems and break the cartel. Such changes could occur by extensive regulation - or they could occur on their own given a regulatory framework that creates a highly competitive market place for household goods carriers together with an accurately informed customer population. The choice is clear – add *substantial* new regulations - or unleash the power of the competitive market place. My comments address the latter – modifying the rules to encourage competition and to inform the consumer.

The Washington Utilities and Transportation Commission is to be commended for its plain language rewrite of the rules concerning the operation of household goods carriers within the State of Washington. However, I am concerned that the major parties represented in this rulemaking proceeding are primarily the industry to be affected by the

regulations. In effect, these "consumer regulations" are written by the industry itself and lack significant input from the consumers the rules are intended to protect. This is evident in the draft released on August 6th, where the only suggested alternatives are those proposed by the Washington Movers Conference. In effect, the foxes are guarding the hen house and meaningful improvements for the consumer will be little more than token gestures. As such, no matter how well intentioned the WUTC, the reality of the "tragedy of the commons" is that few consumers will become involved in this proceeding and will instead quietly put up with the damage inflicted by a cartel operating out of control. The existing proposal is little more than tinkering around the edges when what is needed is wholesale innovation in the regulatory process and the industry. After reading Section 3 of this filing you should ask yourself – "Have our proposed rules really addressed these problems?"

3. Corruption in the Household Goods Carrier Industry

Theft, pilferage and corruption are common place in the household goods carrier industry. This occurs because the industry is immune to normal market forces. The result is an industry that lacks incentives to improve quality, reliability, efficiency, productivity, and security and to reduce losses. *But don't take our word for it, the literature is full of similar reports - see:*

*U.S. News and World Report's August 10, 1998 story, "**Bandit movers, hostage freight:***

***What the man with the van didn't tell you"** (see Attachment 1 for a copy of the story).*

According to a document at the web site of House Hold Goods Forwarders Association of

*America, an industry trade group, **losses covered by one insurer in the moving***

*industry average 1 in 4 shipments*²

*According to the United States Air Force Joint Personnel Property Shipping Office, the problems of pilferage in the industry are so great that they counsel Air Force members to photograph and thoroughly document all personal property, and to take numerous precautions when working with household goods carriers.*³

*According to another report at the HHGFAA, “It is more apparent than ever that the carrier that sets the lowest rate may well provide an inferior service. One only need ask the U.S. Army Claims Service to provide a tour through the “American Ensign Wing” of their file room. The low-rate setting carrier often needs to use the lowest-cost agents, and those agents often cannot provide a decent service for the cost. **The introduction of the use of “independent contractors” for the origin and destination crews in order to cut labor costs further exacerbated the need for agents to have a training program for packing/loading personnel.**”*⁴

Numerous media report, including television, newspapers and magazines have covered the scams and the occasional prosecution of moving companies operating beyond the fringe.

*“Moving from your old home to a new place is a traumatic experience for most people. If you are fortunate, and deal with a reputable household goods carrier, the inconvenience should be minimal. **But many times people have problems with***

² “Risk Management: A Powerful Tool to Reduce Claims”, By Bill Rose, http://www.hhgfaa.org/portal/feb_98/feb4.asp

³ See <http://jppsosat.randolph.af.mil>, and specifically, see the “Personal Property Counselor’s Handbook” at <http://jppsosat.randolph.af.mil/ppd/handout/Default.htm>

⁴ “Quality Repairs: Those Were the Days”, by Jack Thompson, see http://www.hhgfaa.org/portal/feb_98/feb3.asp

moving companies in the form of loss, damage or delay, or disputes over the freight charges.”⁵

From the California Public Utilities Commission: “Staff will also work to eliminate the fraudulent or unlawful business practices of passenger and household goods carriers that victimize the public.”⁶

“The Transportation Division of the Illinois Commerce Commission is charged with protecting the public against uninsured motor carriers, unsafe grade crossings and rail operations, unethical and illegal household goods carriers, and unlawful relocation towing.”⁷

The moving industry suffers significant problems. There are ways to address these problems and, as we propose later in this document, proposed solutions could require minimal government regulation. Details of industry problems and proposed solutions make up the remainder of this section. But the main question remains – will regulatory agencies, in the face of overwhelming evidence of corruption, do anything meaningful to protect consumers?

3.1. The Industry Slogan: “We Don’t Care”

After our national name brand moving company arrived at our front door, with no lock on two doors, the contents in disarray and unsecured for travel, and thousands of dollars of our property missing, we telephoned the moving company. One of their

⁵ See "Moving-Problems with a Household Goods Carrier", <http://www.transportlaw.com/aph/hhgoods.htm>

⁶ See State of California, http://www.cpuc.ca.gov/business_plan/sec_9.htm

⁷ See State of Illinois, <http://icc.state.il.us/icc/Trans/Services/>

managers told me and I quote, “*We don’t care*”⁸. “*We don’t care*” might as well be the slogan for the entire moving industry in the United States today.

As a result of this “*We don’t care*” attitude, we investigated the current state of the household goods moving industry. What we have learned is that pilferage is common and expected. But our theft is small potatoes compared to the tales told by the victims of corrupt moving companies, “inside stories” revealed by current and former managers, and current and former employees, and information provided by the police, and documents published by the moving industry itself, and the U.S. government. According to U.S. News and World Report, August 10, 1998 (see Attachment 1), the moving industry may be the worst it has been since the Interstate Commerce Commission was abolished in 1995. Oversight of the industry has waned and corruption has increased dramatically. Corrupt practices range from entire companies operating on the fringes, to amazingly lax security precautions and a “we’ll look the other way” attitude by managers that seem to encourage theft of customer property. *The household goods carriers are operating in an out of control fashion, causing untold harm to of consumers every year.*

3.2. “It’s Basically Like a Lottery”

Based on numerous interviews and literature research, the theft and pilferage of personal property from moving vans is common. Every where we’ve been, we’ve asked

⁸ That experience is not described in this document. A separate 87-page complaint was filed with the WUTC regarding our concerns about the mover. However, it is unlikely that the moving company will suffer any consequences as a result of a disastrous move. Insurance will cover the losses and the mover will continue on with business as usual. No future customer will know that goods were stolen from 3 vans over a 2 week period (and these are only the ones we learned about). In effect, there are no consequences or lost market opportunities as a result of poor performance.

people about their experience while moving and the most common comment is about items missing from moving vans. Indeed, *everyone* who we have met in the past six weeks has had a story to tell regarding either their own move or that of a family member. *Everyone*. As one moving company manager told us, “It’s basically like a lottery – you [meaning the moving industry] take your risks and you just write off a certain a percentage.” He went on to talk about his experience at another company where he said, “theft was going on all the time because they were paying folks \$7.00 per hour and it was so easy to take items.” In discussions with police officers, former industry managers, current employees and former employees, and former customers of moving companies, we have learned that pilferage is just one of many corrupt practices engaged in by many unscrupulous members of the moving industry. Almost all of the issues raised in this report were brought up independently by 2 or *more* sources.

Perhaps many workers in the moving industry are honest, hard workers. The problem is that the systems and policies put in place by the moving industry itself are full of holes, making theft and pilferage from moving vans a perfect crime. The industry could take steps to reduce losses from theft, damage and fraud but has instead figured out how to profit from property losses. We have heard amazing tales of dishonesty and deceit going on every day in many of America’s moving companies. The moving industry in the State of Washington is a cartel that acts to stifle competition, causes substantial harm to consumers, and is immune from conventional market forces that would force the industry to clean up its act.

3.3. Theft and Pilferage

The moving industry does not generally report thefts or pilferage to the police⁹, this according to a local sheriff's deputy, a current manager at a Seattle area moving company and from a former manager at a San Francisco moving company. The industry does not want a public record to be established regarding the extent of theft or pilferage from moving vans. The industry wants you to believe that BrandX Van & Storage will be a wonderful, safe company and will make your move experience the best of all possible worlds.

The industry does not need to fix the problem of pilferage because they can profit directly from losses. First, they can afford to pay low wages and let the theft of your goods "tip" the staff. Second, if you purchase moving company insurance, you will be charged exorbitant property insurance rates, which on an annualized basis would reach \$25,000 or more in premiums!¹⁰ We suspect that moving companies siphon a few bucks from the premium before handing the remainder to the third party insurance carrier. Then, when it comes time to make a claim, the moving company does everything possible to

⁹ There is anecdotal evidence that persons moved by corporate funded "corporate moves" might be less likely to experience losses. Our hypothesis is that high loss ratios on corporate moves could result in moving companies losing large contracts (indeed, according to an employee of Ericsson/GE, his company blacklisted Allied Van Lines). When a corporation moves an employee, the relocation coordinator checks with the employee after the move to see if the move went smoothly. Reports of problems could result in the moving company losing its contract for moving services. The result is that losses during corporate relocations may be less than other types of moves. However, according to sources in the U.S. Air Force JPPSO, the U.S. military, acting as a corporate agent hiring outside movers for hundreds of thousands of personnel per year, also suffers extensive losses due to pilferage.

¹⁰ Outrageously high premiums are prima facie evidence of extraordinary losses in the industry.

stall and delay resolution – by erecting large enough hurdles, they hope you will go away and their insurance agencies will not “catch on”. In our situation, our moving company *never* returned phone calls and only talked to us when the correct person happened to answer the phone. Talk about lousy customer service!

3.3.1. Theft and Pilferage is Easy and Profitable

Theft from moving vans is quick and easy for thieves and workers and encouraged by the lax procedures used by the moving industry. The companies hire scores of low paid, anonymous day workers to load and unload your goods (see the industry’s own association web site at http://www.hhgfaa.org/portal/feb_98/feb3.asp for comments on how the use of “independent contractors” has decreased quality). These workers are paid in untraceable cash and are themselves untraceable people¹¹. Truck drivers have keys to your truck during transit, and since industry policy requires truck drivers to pay the day workers out of the driver’s own pocket when a late delivery occurs requiring extra hours of labor, drivers have incentives to take a cut from your property for themselves. The trucks use poor lock and latch mechanisms, making entry easy to the moving van. In effect, the moving companies have set up policies and procedures that nearly guarantee the theft of property from moving vans.

Third-party thieves and contract workers can easily gain access to your property inside the van. The hired workers, who work very hard at difficult physical labor, are typically

¹¹ Our moving company used “contract workers” for the load and unloads, paid in cash. As part of investigating the theft of goods from the moving van, we tried to contact the helpers. However, the only contacts anyone had, including the company that hired them, was a phone number that was answered by a generic voice mail greeting. They did not return our phone calls. They were untraceable people.

paid \$7.00 to \$10.00 per hour, all in unreported cash. Consequently, for some your personal property is a tempting target for theft.

3.4. Using Anonymous Workers to Eliminate Accountability

The industry hides behind anonymity. When the driver and loaders arrive at your origination site, they provide you with first names only. The loaders are paid cash by the driver and are nearly untraceable people, hiding behind a fog of first names. The same happens at the destination with a nameless unload crew. The driver is required to sign off on paper work at both ends of the run but will writes his signature in an illegible scrawl. Through anonymity, unaccountability and procedures that are full of security holes, moving industry theft and pilferage is easy, untraceable, rarely investigated and rarely results in convictions. In essence, theft from moving vans is the perfect crime where everyone, but the customer, profits.

Anonymous workers have no accountability for the success of your move. Imagine if upon arrival, the workers provided you with their full names and their driver's license number? Now you would know exactly who is handling your property. But they don't do that – instead, the workers hide behind anonymity, decreasing the chances that any of them will ever be caught. Yet it is these workers who get a first hand look at your property as they load up the moving van, drooling over desirable items in the load.

Truck drivers are paid better than loaders. However, when a driver arrives late at a delivery, with contract workers sitting idle, the truck driver may owe the workers for their “down time”. By the rules of the industry, according to several insiders, including a former manager, the money to the workers comes straight from the driver's pocket. A driver with a history of unreliable arrivals and missed deliveries is going to fund many

hours of contract labor out of his own wallet. Further, during the drive from point of origination to destination, the driver has the keys to the moving van. Stealing an item or two is a simple matter and, particularly with “garage stuff” like tools, is easily sold to a pawnshop along the route. Would a pawnshop buy goods directly out of a moving van? First, the pawn shop operator might not even know, particularly if the driver parks the van around the corner and then walks in the front door. Even if the shop operator does know, when their yellow pages phone book advertisement says, “Confidential! No Questions Asked!” you can guess that some pawnshops would do a deal regardless of the hazy circumstances.

Pawnshops are required to FAX a list of items purchased each day, to their local Sheriff’s Office and to keep the purchased goods off the sales floor for 30 days. During this 30-day waiting period, the police can check a statewide database of pawned goods. Realistically, the police do not have the time to check the database and for all practical purposes, they don’t check the database at all. Goods may be pawned anywhere along the route. If you wanted to see if a pawnshop has your goods, you’d need to call multiple cities and states and literally hundreds of pawnshops to determine if they have seen your property. My city alone has 33 pawnshops, making it easy for goods to slip into an underground economy. The moving industry and pawnshops are a perfect match, enabling the fluid movement of stolen, hard to trace goods and turning your stuff into cash.

The locks on the moving van are not much protection. Generally, the same universal key opens them all and anyone in the moving company has access to the universal key. You may think that putting your own locks on the moving van could solve the problem with the driver having keys to your property. Think again. According to one source, the

family did just that but it didn't stop the workers from stealing their goods. After a slight delay, this family chose to catch up to and follow their moving van as it left the area. Only a few miles away, they caught up to the van and witnessed – even photographed! – the driver and load crew using bolt cutters to break off the locks of the van, gain entry, and remove items. Even with photographic evidence, it took months to persuade the police and the district attorney to prosecute the case (the entire crew was eventually convicted).

Moving companies will show you their sturdy Master-lock brand locks attached to each door on the truck. What they won't show you, though, is that the latch mechanism on some vans are flimsy and easily pried off with a pry bar. The lock may be strong and sturdy but the latch the lock attaches too is little more than thin aluminum that is easy to pry apart. The result is that the current lock mechanisms on many vans are little more than a mild irritation to a thief.

3.5. Police Enforcement is almost Non-Existent

As noted, most thefts are not reported to the police. Thefts of low value items are not investigated – the police have many cases to pursue simultaneously and they prioritize their cases. Consequently many police departments do not investigate small value thefts. Instead, they take a report and issue a case number that you can provide to your insurance company to apply for a claim.

In some areas, thefts from a moving van are automatically classified as a generic theft from a vehicle. That category is the catchall category to cover things like thefts of car stereos, tools or cameras from vehicles. It hardly applies to large thefts from moving vans. Yet by policy, many police agencies do not investigate *thefts from vehicles* (for

example, the Spokane County Sheriff's Office). Further, unless the police can get physical evidence such as locating the stolen property, or witnesses to the crime, it is difficult to obtain a conviction. . Once again proving that pilferage and theft from moving vans pays well indeed.

3.6. Pilferage is Just a Tip to the Hired Help

Moving companies do not take pro-active steps to curtail theft. Instead they look the other way and let small losses of your goods subsidize the small cash payments received by the anonymous hired loaders. In effect, the moving companies use pilferage to subsidize their business costs, and then turn over larger losses to their insurance carrier. The result is an institutionalized system that enables moving companies to increase their profit margin by paying low salaries, and using lax security precautions to enable “tipping” of their workers by enabling them to steal your property. They do this because losses do not translate into future lost business.

Reporting a loss during a move can be challenging. Your first difficulty may be determining exactly what was stolen. When thieves break into a house, the losses are obvious items like TVs, VCRs, jewelry, cameras and tangible items whose loss is easy to determine. Moving van thieves are likely to take entire packed boxes. You will have a difficult time remembering every item in each missing box and will likely claim losses for less than you have actually sustained. Further, boxes tend to contain miscellaneous items – and the company may demand excessive amounts of documentation from you to prove that you, in fact, actually owned the item in the first place. The result is a system that encourages theft and discourages making claims.

Insurance companies may be in the dark as to the operation of the moving companies.

Since the insurance companies must often cover the losses from theft and missing property during moves, the insurance companies ought to put pressure on the moving industry to clean up their act. As documented near the end of this article, there are many steps that the moving companies could take to improve accountability and reduce losses due to the theft. Individual customers do not have the leverage (nor the economic incentive) to apply pressure to the industry – but the insurance industry has both the power and the incentive to crack down on slipshod work.

3.7. The “Inventory Game”

Many individuals do not report the theft. Often, it’s only a small number of items, typical of what a single person can grab and carry off the truck. It is not worth the trouble to report the theft; instead, customers just eat the losses. It is also difficult to prove theft (or pilferage), since moving companies may not produce the required inventory of the van contents. Without an inventory, the moving company can argue that the items you think are stolen, were just never loaded on to the moving van in the first place. The police may attempt to interview the original load crew to see if they can remember placing any of the items on to the truck – although these interviews may take place many weeks after the original load. Since that time, the loaders may have loaded or unloaded another 20 or more vans and their memory is going to be hazy. Without proof that the items were ever loaded on to the van, the moving company can make you cross high hurdles to prove ownership. The result is that theft from moving vans is simply not reported and not reimbursed. It is not worth the hassle and attorney’s fees for losses that are usually in the

hundreds or low thousands of dollars¹².

But even an inventory is not a sure-fire way to track your goods either. Moving companies routinely use the inventory against you. First, if your wares are placed in long term storage, moving company employees and contract workers will scan the inventory lists for desirable items and will “borrow” them for corporate or personal use. One former employee described how his company co-sponsored an annual sporting event. At the event, they rolled in several moving vans and parked them in two parallel lines. Between the vans, they hung a tent across the top to block the sun, laid carpet between the vans on the parking lot, and unloaded refrigerators and freezers full of food. Furniture was arranged for people to sit and enjoy the festivities. What they never told anyone was that all of the appliances and furniture had been removed from the long storage crates of their customers. The moving company was using personal property for their own purposes. Another employee described scanning through the inventory list of crates in storage and selecting items for personal use. For example, he said that in one case, a large screen TV was unloaded from long-term storage crates of a military family and put in the company lunchroom. In some cases, moving company employees would “borrow” consumer electronics and use them at their own homes until your goods needed to be removed from storage for delivery to you. One Spokane County Sheriff’s deputy described walking into a moving company warehouse and finding a crate open, and a family’s high quality dining room and living room furniture arranged into a lunch time eating and lounge area,

¹² Having individual consumers filing lawsuits is an inefficient way to corral the industry. As a practical matter, the costs of a lawsuit are prohibitive and not worth the money and time for typical losses. Therefore, most victims do not sue illustrating, again, that movers suffer few consequences for shoddy service.

right in the middle of the warehouse!

Second, moving companies will rig the inventory at the origination site, including omitting a few items that the crew decides they want for themselves. Such items never appear on the inventory, making their pilferage, invisible. Next to some items, the movers may write a string of indecipherable codes that you will not understand. What they are doing is coding that the item is “heavily damaged” at load time. Before arrival at your house, the movers steal the item and say that it was unloaded due to damage in transit and that you should make an insurance claim on the damaged goods.

In still another twist on the inventory game, the mover’s may inadvertently damage the goods during the load of the van and then note the damage on the inventory. But using undecipherable codes, they will indicate that damaged occurred in “storage” not while loading. This is done because the insurance coverage may be different between load, transit and storage. You might, for example, have full replacement coverage for load and transit, but only current value, or even less, coverage for storage. By coding the damage as having occurred in storage, the pay out for claims is reduced.

3.8. “Classic” Fraud

Theft is only one of many problems in the industry. According to both our interviews, and the U.S. News and World Report, August 10, 1998, the industry has many tricks to defraud you.

One of the more classic abuses is to provide a “low ball” estimate of costs. Since most moves are based on the weight of the items, the classic trick is to give an artificially low estimate of the load weight and then give you estimated costs based on the low weight. Ultimately, you pay for the actual weight. But by giving you a low estimate of costs, you

may fall for their sales pitch and sign on to their offer rather than choosing some other company. Then, after weighing the truck, they hit you with the actual costs.

Worse, though, is to have the truck arrive at your house and the driver gets out and states that he had to drive extra miles (or some other excuse) and “I’m not going to unload anything unless you pay me an extra \$1,000 right now.”. By law (depending on where you live), the mover can not charge you more than 10% of the original estimate upon arrival but is required to accept payment within 30 days. But this won’t stop the driver – and the company – from holding your property hostage. If you don’t pay, the driver may haul your load to a local warehouse, unload your goods into storage, and charge you another \$1,500 for unload/re-load, and warehouse fees.

3.9. Making The Industry Accountable

The industry operates in a realm without accountability and immune from normal market forces. Moving is a complex undertaking that most consumers don’t understand, particularly since they rarely move. There is no feedback loop such that bad quality moves result in future lost business – consumers do not have access to the information needed to make a decision. Even more surprising, in the State of Washington, state law effectively prohibits anyone from starting a new moving company! Under existing law (according to WUTC staff), when you apply for a permit to start a new moving company, anyone may file a protest against your business. If it can be shown that someone else (such as an existing mover) can serve the area your moving company would service, then your permit will be denied. The result is that few new companies are starting and the number of moving companies in the state is declining. According to the WUTC, fewer than 150 companies are still active (down from a high of over 4000). When combined

with the lack of informed consumers, there is *no effective competition*. The industry is immune from the market forces that cause other businesses to improve over time. By writing its own rules and regulations, and prohibiting new entrants, the industry is a cartel limiting consumer choice. (It is odd to watch the DoJ sue Microsoft, accusing the software company of stifling consumer choice, while another government (Washington) has set up rules eliminating meaningful competition in the moving industry).

3.10. The Problems

The household goods industry in Washington is a cartel. By regulation, new companies are de facto prohibited from entering the field and increasing competition. Any existing company can protest the startup of a new mover, denying competition. Consumers lack the necessary information to make informed decisions.

The moving industry eliminates accountability by giving worker's first names only and paying everyone in cash. This anonymity is part of a system that makes theft easy and profitable for everyone but the customer. Workers are paid in cash. Income is never reported to the IRS or state income tax authorities.

Thefts are rarely reported; often the amount stolen is not worth the trouble. Break-ins and obvious vandalism to moving vans are not recorded anywhere. The industry does not want a public track record of their loss rates. Moving companies should be required by law to report all thefts to the police.

Companies often choose not to maintain inventories of loaded vans and even where they do they may "rig" the inventory to favor the moving company and their staff (sources: former industry manager, and the USAF JPPSO).

Goods kept in storage, especially long term storage, are opened and "borrowed" by

workers for their personal use (sources: former employees, police officers).

The number of moving companies is restricted in order to protect consumers from competition. Why in the world is our government protecting us from the free market? This looks very much like the moving industry has its hand in the cookie jar and is richly rewarding itself through abuse of the government process.

3.11. Solutions and Innovations Created By Market Forces

If the industry operated in the “real world” of competition and critical consumers, the industry would be introducing improvements, consolidating operations, increasing productivity (yielding lower prices) and engaged in a cycle of continuous improvements, as done by every other business segment. The lack of innovation, the lack of productivity improvements, the continued high losses are all prima facie evidence that the moving industry is cartel. In this section, we suggest some of the innovations that might occur in a “free market” for moving services.

Between homes, your van may be parked in an unfenced parking area, without security lighting, alarms or fencing. For long term storage “on the truck”, why does the moving industry park vans in ordinary, non-secure parking lots? (The obvious answer is because the moving industry has no bona fide competition resulting in market forces driving business to improve over time.) Today, many automobiles have car alarms that make a loud alarm sound if the car is broken in to. Why don't moving vans have similar alarm mechanisms? Such alarms would be affective against many types of thieves.

When drivers are on the road, there is no communications with the driver. In this day and age, a system oriented towards accountability would use cellular telephones or

satellite-based fleet tracking technology to track the location of vehicles and ensure driver accountability. Today, most moving companies have no way of knowing where their trucks are located or even if their trucks are using appropriate routes to reach the destination. Years ago, my grandparents moved from California to Florida. Their moving van disappeared – literally – for five days. No one knew where the van was. Subsequent investigation showed that the driver had stopped at relatives in Mississippi and joined a serious alcohol drinking party, getting drunk for five days. In this day and age, this lack of communications is absurd. The owner of the photocopy center where this report was photocopied described how his moving van disappeared entirely. Weeks later it was found, abandoned along a road in Montana; the driver had stolen the cab and abandoned the van along the roadway.

Realtor lock boxes record the date and time when they are opened at homes for sale. Each realtor is given a unique access code. The code and the date/time are recorded electronically in these inexpensive electronic lock boxes. This provides a detailed record of whom and at what time, entered your home. Why don't moving vans have a similar mechanism to record the date and time of entry? Such mechanisms would be useful both to reduce theft and pilferage and to determine the time of thefts.

Why does the moving industry *routinely* fail to inventory the items placed on to the truck? Indications are that when possible, the moving companies fail to keep track of what goes on the van, in part, because it saves them labor costs, and secondarily to make pilferage considerably simpler. This sloppiness makes it difficult to initially determine what goods are missing, delaying a report to the police and the start of investigations. Presumably there are no penalties for companies that fail to keep inventory records.

Boxes provided by the moving company should *not* have spaces for “room” and “contents”. Labeling the box location or contents is an open invitation to pilferage by shady characters working in the moving industry. Why make it easy for the thieves? This is *outrageous* that the industry continues to encourage this open invitation for thieves and employees to quickly locate items of value.

Insurance companies need to demand improvements from their moving industry customers to control losses. Improvements would reduce insurance company losses and improve customer service. Most of us, as individuals, rarely move. As individuals, we do not have the knowledge, the economic interest, or the leverage to force changes in the industry. The best hope is for the insurance carriers to clamp down hard on the moving companies and for government to establish rules and regulations that encourage competition not kill it.

Government must enable the free market to flourish. Government regulations should encourage the creation of new moving companies and the adoption of modern operations management principles. Such steps would cause market forces to punish companies that consider pilferage as “business as usual”. The alternative will otherwise be a return to significantly increased government regulation, oversight and enforcement over the industry.

Moving van security is poor. As observed by merely looking at many moving vans, some companies operate vans with remarkably weak latch mechanisms, enabling anyone to easily pry open a door. Why is the moving industry using vans with doors that have easy to break latches?

Goods placed in storage by the moving company are not secure. When the truck arrives at

the storage warehouse, movers are hired to unload the truck and place goods into large crates, for storage. Forklifts are used to move the crates to storage locations in the warehouse. This process adds extra handling and extra risks for theft and breakage. Once stored in crates in the warehouse, your goods are not safe. As noted earlier, it is common practice for the hired help to “borrow” personal property that is supposed to be in storage. Forklift accidents do occur and entire crates are dropped to the floor. Why are moving companies not using inter-modal containerized cargo systems like the freight industry does for transferring cargo between trains, ships and flat bed trucks? Moving companies ought to be loading up a cargo container at your house. If it’s a short move, the goods could be carried on that cargo container and truck directly to your new home. For storage, a crane could lift the entire cargo container off the truck and place in warehouse storage. The use of standardized containers could also facilitate intermodal delivery of property over long distances via railroad, possibly yielding lower costs of transport than driving an 18-wheel truck across the country. Very few companies offer containerized services for domestic moves.

The moving industry ought to introduce “key escrow” authentication systems, for gaining access to the van doors. Such systems would be similar to data encryption standards developed for use in Internet commerce. An individual driver should not have access to your property while on the road. A “key escrow” system would make access codes available to those who need access, and would record time and date of entry.

There are many steps that the moving industry could take to improve productivity, quality, reliability and loss control. But, as noted repeatedly, the industry has no

incentives to improve their services because they are immune from market forces.

Consequently, no moving company will fix the problems I have identified nor introduce any of the innovations I have suggested. In any other industry, the effect of competition would spurn innovation, service improvements and higher quality.

3.12. Government Regulation and Consumer Information

The moving industry has not shown itself responsible for the care and safety of its customers' property. The industry operates in a shady ethical morass, free of market forces. As noted, US News and World Report stated that the problems of the moving industry have gotten much worse since 1995. In August 1998, the federal government was holding hearings on the problems and abuses of the moving industry. Most people move very seldom and lack adequate experience or knowledge to make intelligent decisions about their moving company selection. Most of us are not aware of the level of fraud, theft, pilferage and corruption that goes on in the industry and are unable to protect ourselves. Bad moves do not translate into less business for moving companies because there is no feedback loop. State law current prohibits new companies from entering the market - *The result is a cartel that is immune to market forces.*

It is imperative that government regulatory bodies closely examine the household goods industry, particularly since the abolishment of the Interstate Commerce Commission in 1995. Many simple steps could be legislated to reduce the losses from pilferage. For example, all employees and contract workers should be required to provide their full name to customers at the origination and destination homes. This anonymity loophole must be closed and could be by simply having the load and unload crew sign their names to the freight bill, as is apparently required already of the driver.

Penalties for failure to abide by existing laws must be substantial. Without penalties and without enforcement, moving companies will continue to omit inventories, fail to provide proper receipts, jack up shipping rates and hold customers' property hostage. (When I told our moving company about the rules they had apparently violated, they openly agreed but said, "The WUTC doesn't care; they won't do anything".) Moving industry workers will continue to "tip themselves" by helping themselves to customer property..

Carriers do not report known theft, pilferage or vandalism to any agency. We know far more about on time arrivals of airlines than we know about the movement of a person's entire assets. In effect, the U.S. Department of Transportation provides more documentation on transactions involving a few hundred dollars (airline tickets) than it does on the movement of personal property worth tens or hundreds of thousands of dollars. Consumer groups do not appear to rate moving companies often enough to be useful (Consumers Union's last rating is from 1991, prior to the abolishment of the ICC.) The U.S. Department of Transportation, the Federal Trade Commission or the Federal Highway Administration should collect statistics on carrier losses and publish these statistics just as it does for airlines. *The U.S. military maintains large databases and produces frequent reports on the problems that service members have with third party household goods carriers. This data, already in the government's hands, should be made available to the public.*

Consumer guides do not provide basic information that consumers need to know – that theft and pilferage is widespread and consumers must take drastic steps to protect themselves.

3.13. Summary

Moving is not like other consumer products or services - consumers seldom purchase moving services because either they rarely move or because the move is handled via a corporate relocation team.

Moving is a high cost service with high loss potential. But consumers do not well understand the issues and risks associated with moving, largely because most consumers seldom move.

Unlike cars and a host of other products and services, we don't have consumer agencies providing ratings of quality, reliability, incidence of theft and pilferage and a host of other metrics, for moving companies.

Household goods carriers are immune to competition as new competitors are prohibited from entering the field.

Since consumers seldom move, a bad quality move does not translate into fewer future sales for the carrier as the state of past moves does not propagate to future customers. Consequently, carriers have little or no incentive to improve their quality of service, their reliability of service, to reduce losses or to improve efficiencies and productivity (since price is largely regulated for in-state moves).

The bottom line is that household goods carriers are immune to normal market forces. This could be fixed through a few simple mechanisms: (1) strengthen the consumer guides; (2) adopt rules and regulations that encourage competition rather than prohibiting competition; (3) collect and publish loss data on companies as a way of spurning new innovations to improve quality to consumers; (4) at the Federal level, data already produced by the U.S. military

on the quality of movers should be converted into Internet web-based formats for viewing by anyone.

Regulations must be changed to add teeth to existing consumer guides, rather than coddling an industry cartel that has eliminated the pressures of a competitive market.

Through collection, analysis and dissemination of already existing data, market forces can be applied to the carriers without the need for substantial new regulations. In our modern era, an approach that minimizes regulations, encourages competition and maximizes information flow to consumers is a cost-effective approach to letting the free market fix the problems of household goods carriers. The alternative is to over regulate and choke the industry into submission. Which path does the household goods carrier industry which to follow?

4. Specific Comments on Docket No. TV 971477

My comments are in reference to the August 6th draft and are made from the perspective that:

The moving industry suffers from corruption and excessive losses or damage to consumers' property.

The moving industry does not innovate nor continuously improve. Prices are regulated and constant and service quality is degenerating.

Consumers are harmed by the state of the industry.

The best way to address these problems is to create a regulatory framework than enables competition to flourish, and to provide sufficient information to consumers so that natural market forces can drive corrupt operators either to improve or to go out of business.

4.1. WAC 480-15-210 (3)

“Permanent authority with no expiration date or renewal requirement when the applicant is fit, willing and able to provide service, when granting that service is in the public interest, and when the proposed services is needed to meet the current or future public convenience and necessity.”

I am concerned about two issues raised by this paragraph. The first issue is that the permit is issued forever, without expiration date. Most licenses for other services expire and require an application for renewal, or require on-going competency training. For example, a holder of Washington State Department of Social and Health Services “First Responder” certificate must undergo 15 hours of training each year and then may apply for renewal at the end of 3 years. Second, the last part of this rule suggests that a state central planning committee is able to determine how much moving service we need. According to WUTC staff, this and other rules enable an existing moving company to oppose the startup of a new moving company. The existing company can argue that it already meets the “current or future” public need for moving services in a given area. Consequently, under the existing rules, the Commission is forced to deny virtually all applications for moving companies. The consequence of this is that the number of moving companies in the State is decreasing over time, and eliminating competition. Why is the government protecting moving companies from the forces of competition? I urge the commission to modify this rule to issue permits with an expiration date (such as 5 years), and to strike all after the words “and able to provide service.”

Similarly, WAC 480-15-240 and WAC 480-15-250 both contain wording

enabling competitors to challenge the entry of a new moving company into the market. If I wish to start a moving company and offer higher quality service, with fleet tracking of my vehicles, two-way communications with my drivers, reduced losses through improved security measures and bonus programs, why can't I? My service would be an improvement over the existing companies – yet under the rules, my application for a permit would be denied because the other companies would fear my better services. Thus my better services are prohibited and the customer is unable to benefit. All references enabling other moving companies to oppose a permit on the basis that “the proposed service is needed to meet the current or future public convenience” must be stricken.

4.2. WAC 480-15-480 Annual Reports and Regulatory Fees

To enable market forces to drive an improvement in the quality of moving services, the annual report should also include a ratio (or percentage) giving the number of claims for losses, and the number of claims for damages to the total number of shipments handled during the year. For example, if there were 10 claims for losses out of 100 shipments, then this must be reported as 1 loss per 10 loads (or as 10% losses). I considered suggesting that moving companies make this information available to potential customers; however, as we learned from our experience, moving company employee's lie and would tell the customer they have zero losses. Therefore, this information must be presented to the state since the state has the power to inspect the books of a carrier. Such a threat to inspect the books would help to ensure that the revealed losses are accurately reported. As noted elsewhere in this filing, the U.S. Department of Transportation provides a public report of airline on-time performance. There is ample precedent to giving consumers access to the type of information that

enables them to make an informed decision.

The State of Georgia presently publishes complaint data on the Internet, giving consumers access to the information they need to understand the quality of their mover. For an example, see the annual Household Consumer Service Report Card at <http://www.psc.state.ga.us/transportation/report.htm>. This report presents, for every licensed moving company in the state: the number of persons who have made a complaint, the number of damage and loss claims, the number of complaints about the service quality, the number of complaints about rates and charges, and the total number of moves handled by the carrier. The State of Georgia is to be commended for publishing this data and enabling consumers to use market forces to clean up bad carriers. I urge the Washington Utilities and Transportation Commission to produce a similar report for the citizens of Washington.

4.3. WAC 480-15-490 Tariff and Rates, General

The Washington Movers Conference has proposed alternate language allowing carriers to charge rates with a range of + or – 10% of current tariff rates. This proposed wording adds possibilities for competition to emerge in the existing stagnant industry. But why just + or – 10%? That is a very narrow range within which to offer competitive service. Further, without opening the market to full competition and providing necessary information to consumers regarding loss and complaint information, by carrier, this pricing scheme is likely to cause an increase in losses! And that is a conclusion of the industry trade association, the Household Goods Forwarders Association of America. As noted in the introduction to this filing, the industry trade association itself states that “The

low-rate setting carrier often needs to use the lowest-cost agents, and those agents often cannot provide a decent service for the cost. The introduction of the use of “independent contractors” for the origin and destination crews in order to cut cost labor costs further exacerbated the need for agents to have a training program for packing/loading personnel”.¹³ If the Commission proceeds down this path without opening the market to competition, without informing the public of the quality of carrier services and the extent of losses and complaints – the moving industry will cause untold harm to Washington consumers. It is imperative that the WUTC do everything possible to create a completely open, competitive market, and to provide consumers with essential information on carrier quality so that consumers can make informed decisions and let the market destroy incompetent movers.

4.4. WAC 480-15-620 What Information must I provide to each shipper?

Washington requests that movers provide shippers with a copy of a brochure labeled “Rights and Responsibilities as a moving company customer” (hereafter referred to as “The consumer guide”). When I compare the guidelines provided to shippers by moving companies in Washington State with the guidelines that the U.S. Air Force uses to counsel its members prior to a move, it is apparent that the USAF believes its members need more information than does the State of Washington. Why does the State of Washington believe consumers in Washington require *less information* than what the U.S. military has determined as necessary, based on having moved more people per year

¹³ Previously cited “Quality Repairs: Those Were the Days”, published by the HHGFAA.

than any other organization? The “consumer guide” could incorporate much additional information to benefit consumers and is discussed in this section. For example, the manual provided to persons moved by the US Air Force directs Air Force members to check the inventory codes themselves to ensure they are accurate. Upon arrival at the destination, the Air Force recommends that boxes containing items likely to be pilfered should be examined immediately in the presence of the driver.

4.5. WUTC Should Include Its Internet URL

To bring the consumer guide up to contemporary standards, the WUTC should include its Internet address in the brochure copy. The WUTC web site provides additional information of interest to consumers and may be more up to date than the printed brochure. Providing the URL would enhance the intent of WAC 480-15-620 (2) where the WUTC reserves a right to add information or to present information in other media formats.

4.6. WAC 480-15-480 Annual Reports and Regulatory Fees

The annual report should include a record of losses and claims per move as a percentage. By providing a percentage only, consumers could will access to an indicator of service quality yet the mover need not reveal internal financial information or information about specific customers. Household goods carriers are required to provide the percentage of claims figure to any customer who asks. (Also see previous discussion on this issue and the example report published by the State of Georgia. Indeed, the WUTC report should include the same information as presented by Georgia)

4.7. The Consumer Guide Booklet

If the Air Force believes this is necessary for military personnel, why does the State of Washington believe that civilians' moves are going to be better and require less information for the shipper? The title of the brochure does not say "Some of your Rights and Responsibilities" but implies that the text represents "Your Rights and Responsibilities". Therefore, the brochure should either be complete and discuss a wider range of issues regarding household moves, or it should be re-titled to reflect that it covers just "Some of your Rights".

From the State of Illinois Consumer Guide for persons who are moving:

*If you're among the thousands of people who will move from one home to another in Illinois this year, this pamphlet is for you. Take a few minutes to read it and learn how to evaluate a moving company, how to choose a reputable mover, how moving charges are determined, what an "estimate" really is, **how to protect yourself against (and minimize the risk of) loss or damage to your property**, and other information that can help you be an informed consumer BEFORE, DURING and AFTER your household move.*

As indicated by the words I have marked in boldface, above, the key is to adequately inform the consumer of the genuine risk of losses and damage.

4.7.1. Section C.5 of the consumers guide

Add the following wording, proposed as "Section 5.5":

5.5. Moving may increase the risk of damage and loss to your property.

You are entitled to ask your mover to tell you the percent of shipments they handle each year that experience losses and damages to help you make an informed decision about the quality of the mover.

Add wording to Section 11:

After the sentence “You should sign the bill of lading before transportation begins, and sign it again as a receipt upon delivery of the goods at your destination.” Add “Your driver should also sign the bill of lading acknowledging that he has delivered the goods to the destination.”

4.7.2. Other Topics For the Consumer Guide

If you pack your own goods, do not label the boxes with their contents. Protect your property from theft by using numbers to code the contents so that only you know what is inside. (Note: Current industry practice is to provide boxes with areas labeled “Contents” and “Locations”. Writing the contents of a box or even the room name on the outside of a box is an open invitation to theft. This is one of many examples of how the industry does not pro-actively combat theft and pilferage.)

If you pack your own goods, produce your own inventory of what you have placed inside your cartons. A detailed inventory of the carton contents will help determine what was lost if your boxes do not arrive at the destination.

Moving is a stressful experience during which your property may become damaged or lost. Before packing, go through your entire house and video tape or photograph every room, desk drawer, bookshelf, and clothes drawer. Produce a detailed record of everything you have. You will need this information if you need to make a claim for lost or damaged items.

Ensure that when the driver signs your freight bill that the driver’s signature is legible.

Ask that the loaders also sign their full names to your freight bill. You are entitled to

know who is handling your property.

Your moving company should produce an inventory of the cartons and other items that are loaded on the truck, for all moves longer than 35 miles. Carefully inspect the inventory and cross reference and check all coded entries made on the inventory. Consider photographing or video taping the load and unload process to provide documentation, if you need to make a claim, that your property was loaded on the truck as claimed.

If you have movers handle your goods in storage, ask them to use a separate container that can be lifted off the truck. If they say they can't do that, tell them they need to get with the times. Container Concepts in Texas can do this as can a Canadian moving company that has been using cargo containers since 1974. Your goods are loaded into steel containers once, then locked in place. A crane moves the container into the warehouse and you don't need to risk further damage and pay exorbitant load/unload fees by having your goods move by hand yet again.

5. Conclusion

Today's moving industry is a cartel that restricts competition. Corruption and pilferage are common. As noted earlier, don't just take our word for this – we have cited numerous sources that detail the problems.

Today's regulations are structured to coddle the industry rather than to create a highly competitive market of carriers who continuously introduce innovations and service improvements.

Consumers lack the necessary information to create a market feedback system that

would force carriers to improve their service – or otherwise go out of business.

We have suggested numerous innovations that could be added by carriers and would be added if there was any semblance of a market economy pushing them forward.

If the proposed rules do not enable an open and competitive market while providing sufficient information to consumers to make informed choices, then the regulations have failed. Consumers will continue to be ripped off. The moving industry will continue to get fat and lazy off the spoils of their captive customers. The moving industry cartel must be broken and competition allowed to flourish.

The decision is up to you – create a competitive market with the distribution of information to an informed consumer base – or continue to muddle through an industry that has no need to strive for excellence. Until these problems are addressed, I and a great many other Washington citizens will never again allow the criminals of the moving industry to touch our personal property.

Submitted by:

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