



Investigation Report

Lugg, Inc.

TV-200029

**Jacque Hawkins-Jones
Compliance Investigations**

April 2020

Table of Contents

Purpose, Scope, and Authority	3
Executive Summary	4
Background	5
Investigation	6
Lugg – How it Works	6
Lugg – Frequently Asked Questions	7
Terms of Service.....	8
Staff Findings	9
Recommendations	10
Appendices	13

PURPOSE, SCOPE AND AUTHORITY

Purpose

Commission staff (staff) opened this investigation to determine whether Lugg, Inc., (Lugg or Company) advertised, solicited, offered, or entered into one or more agreements to transport household goods within the state of Washington without having first obtained a household goods carrier permit as required by RCW 81.80.075(1).

Staff also opened this investigation to determine whether Lugg displayed on any building, vehicle, or in any manner, any advertisement of, or by circular, letter, newspaper, magazine, poster, card, or telephone directory, advertisements to operate as a common carrier, contract carrier, or temporary carrier for the transportation of property for compensation in this state without first obtaining the necessary permit as required by RCW 81.80.355.

Finally, staff also opened this investigation to determine whether Lugg has operated for the hauling of solid waste for compensation by advertising to provide such service without first obtaining a certificate of convenience and public necessity authorizing it to do so as required by RCW 81.77.040.

Scope

Staff focused its investigation on Lugg's business operations, including the company's Terms of Service, advertising, and documentation related to the Company's website and mobile application (app).

Authority

The Washington Utilities and Transportation Commission (commission), pursuant to RCW 81.04.510, may institute a special proceeding on its own motion to determine whether Lugg has engaged, and is still engaging, in business as a household goods carrier, common carrier, or solid waste collection company within the state of Washington without the authority required by chapters 81.80 and 81.77 RCW.

Staff

Jacque Hawkins-Jones
Compliance Investigations

EXECUTIVE SUMMARY

Staff conducted this investigation to determine whether it should recommend that the commission institute a special proceeding to determine whether Lugg has engaged, and is still engaging, in business as a household goods carrier or common carrier or operating as a solid waste collection company within the state of Washington without the required authority.

Staff's investigation into the business practices of Lugg reveals the Company is engaging in business as both a household goods carrier and common carrier without the required permits and operating as a solid waste collection company without the required certificate of public convenience and necessity based on evidence that Lugg:

- Advertises household goods moves on its website and social media without the necessary permit in violation of RCW 81.80.010(5) and RCW 81.80.075.
- Offers or enters into agreements to transport household goods over the public highways for compensation without the necessary permit in violation of RCW 81.80.010(5) and RCW 81.80.075.
- Advertises to transport property other than household goods by motor vehicle without the necessary permit in violation of RCW 81.80.355.
- Advertises to haul solid waste without a certificate of public convenience and necessity in violation of RCW 81.77.040 and RCW 81.77.090(2).

Recommendation

Staff recommends that the commission institute a special proceeding on its own motion to determine whether Lugg has engaged, and is engaging, in business as a household goods carrier or common carrier or operating as a solid waste collection company without the authority required by chapters 81.80 and 81.77 RCW.

Staff also recommends that the commission assess the following penalties:

- Up to \$5,000 for each of the eight separate violations of RCW 81.80.010(5) and RCW 81.80.075 for advertising household goods moves on the company's website, Facebook, Instagram, Pinterest, Twitter, Craigslist, the Apple Store, and Yelp.
- Up to \$5,000 for each of the two violations of RCW 81.80.010(5) and RCW 81.80.075 for offering or entering into agreements to transport household goods over the public highways for compensation.
- Up to \$1,000 for each of the eight violations of RCW 81.80.355 for advertising to transport property other than household goods on company's website, Facebook, Instagram, Pinterest, Twitter, Craigslist, the Apple Store, and Yelp.
- Up to \$1,000 for each of the three violations of RCW 81.77.040 for

advertising to haul solid waste Lugg's website, Craigslist, and the Apple Store.

BACKGROUND

Company Information

Staff became aware of Lugg's operations in May 2018 after conducting routine searches for non-permitted household goods carriers. Staff's research found an article, published by Y Combinator on December 9, 2015, that interviewed Lugg co-founders Jordan Brown and Eric Kreutzer about the Company's creation.¹ The article noted that Lugg received \$3.8 million as seed money in the summer of 2015.

An earlier article published by TechCrunch, an online publisher that focuses on the technology industry, described Lugg as "your friend with a truck."² The article states that Lugg uses an app to connect people who want to move large purchases with people who have a truck. The article further explained that Lugg charges a base rate of \$30, plus \$0.75 per minute while loading and unloading and \$2 per mile.

On Sept. 12, 2019, staff sent Lugg a letter notifying it that the commission regulates the moving of household goods items and that only permitted household goods carriers may move these items for compensation.³ The letter also explained that any person found operating or advertising as a household goods carrier without the required commission-issued permit is subject to a penalty of \$5,000 per violation.

On Dec. 4, 2019, staff sent Lugg a follow-up letter, again notifying the Company that the commission regulates the moving of household goods items and that only permitted household goods carriers may conduct such moves for compensation.⁴ The letter also again explained that any person found operating or advertising as a household goods carrier without the required commission-issued permit is subject to a penalty of \$5,000 per violation.

On Dec. 23, 2019, staff obtained a quote for a household goods move using the Company's app. The move was between two points in Washington.⁵

On Jan. 17, 2020, staff sent Lugg a follow-up email, again notifying the Company that the commission regulates the moving of household goods items and summarizing the information previously provided to the Company in the September and December letters.⁶ The email said it

¹ A copy of Y Combinator article, dated Dec. 9, 2015, is attached as Appendix A.

² A copy of TechCrunch article, dated Aug. 26, 2015, is attached as Appendix B.

³ A copy of letter to Lugg, dated Sept. 12, 2019, is attached as Appendix C.

⁴ A copy of letter to Lugg, dated Dec. 4, 2019, is attached as Appendix D.

⁵ A copy of quote for a household goods move, dated Dec, 23, 2019, is attached as Appendix E.

⁶ A copy of email to Lugg, dated Jan. 17, 2020, is attached as Appendix F.

was staff's final attempt to communicate before pursuing enforcement action and requested the Company contact staff by January 31.

On Feb. 4, 2020, Jordan Brown emailed staff and stated the Company has stopped accepting any household goods, waste removal or common carrier requests from customers in the state of Washington.⁷ Jordan Brown also stated the Company has stopped advertising on Lugg's Seattle webpage and is currently in the process of becoming compliant with permitting requirements.⁷

On Feb. 7, 2020, staff responded to Jordan Brown's email.⁸ The email notified Lugg that it still listed Seattle as a service area on its website, it still offered household goods moves and waste removal services, and staff was able to obtain an estimate for a household goods move between two points in Washington.⁹ Staff did not receive a response back from the Company.

On Mar. 30, 2019, staff obtained a quote for a household goods move using the Company's website. The move was between two points in Washington.¹⁰

Staff performed a search on the Department of Revenue's website related to Lugg. The search produced a record that states, "Account does not exist or the account has been closed more than 5 years."¹¹ Additionally, Lugg has not registered with the Secretary of State as required by RCW 23.95.505.

INVESTIGATION

Staff researched Lugg's website and found that the company advertises "Two strong Luggers. Every Lugg comes with 2 strong professional luggers who are vetted for a 5-star experience. They will do the impossible to load, haul and deliver your items safely."¹² Lugg's website advertises many types of moves. Some of these moves do not fall under the commission's jurisdiction; however, many do.

Lugg - How It Works

Consumers use Lugg's website or download the Lugg app on their mobile phone and then choose the type of moving service needed, such as a small move. The platform instructs consumers on how Lugg works:

⁷ A copy of email from Jordan Brown, Founder of Lugg, dated Feb. 4, 2020, is attached as Appendix G.

⁸ A copy of staff's email to Jordan Brown, dated Feb. 7, 2020, is attached as Appendix H.

⁹ A copy of estimate for a household goods move and webpage screenshot of cities Lugg services, dated Feb. 4, 2020, is attached as Appendix I.

¹⁰ A copy of quote for a household goods move, dated March 30, 2019, is attached as Appendix J.

¹¹ A copy of Department of Revenue's website, captured on April 8, 2020, is attached as Appendix K.

¹² A copy of Lugg's website, captured on March 26, 2020, is attached as Appendix L.

Here's how it works

Anything moved in 3 easy steps

1 Request in the app

Set your pickup location and destination, choose the size of vehicle that is right for you, and when you would like us to arrive.

2 Don't lift a finger

We'll take it from here. Two strong Luggers arrive to load your stuff and secure it safely. We'll see you at your destination!

3 Rate and tip

We unload your items and place them right where you want them. Tell us about your experience and tip your Luggers for a job well done.

The consumer provides details about the pick-up and delivery locations and can share special instructions with the assigned Luggers. The consumer also provides details about the items to be moved and indicates their quantities and sizes. Lugg automatically assigns the consumer one or two movers based on the type and size of move selected. Once the consumer has provided these details, Lugg provides the consumer with an estimate.

Lugg advertises store and Craigslist pick-up and delivery, small moves, donation drop-offs, storage moves, and junk removal.

Lugg's Website - Frequently Asked Questions

Lugg's website provides answers to frequently asked questions, and these provide insight into the Company's business model. Following is a portion of the questions and answers:¹³

What is Lugg?

Lugg connects you to a truck and two movers, ready to move your stuff within the hour or up to 30 days from now. We'll move anything for you as long as it fits in a truck.

How much does a Lugg cost?

The price depends on the vehicle you choose, the miles between pick-up and drop-off and the time spent loading and unloading. ...Pricing varies per vehicle and crew size. There is no minimum labor time. If it takes 5 minutes to load, you only pay for 5 minutes.

How do I schedule my Lugg?

¹³ A copy of Lugg's complete FAQ, captured March 30, 2020, is attached as Appendix M.

You can schedule your Lugg through our mobile app or website via lugg.com/book. Simply enter your pick-up location and destination. Set a time that works best for you and tell us what you're moving. Make sure that you complete the whole process up until you receive a text message confirmation that your Lugg is scheduled.

The 4-digit code you receive via text when scheduling online is to verify your phone number. Please enter this on our website next to the phone number field. This 4-digit code is not your booking confirmation.

How many items are included in the price of the Lugg?

A Lugg is whatever can fit into a Lugg Pickup, Lugg Van or Lugg XL. If it can't all fit in the truck you requested, you'll need to request another Lugg to make sure all of your items got moved.

What area does Lugg cover?

You can schedule your move or delivery with Lugg in: San Francisco Bay Area, Silicon Valley, Sacramento, Los Angeles, Orange County, San Diego, Seattle, Portland and Denver.¹⁴

How do I pay for my Lugg?

Paying for your Lugg is simple and easy using your debit or credit card when you schedule your Lugg through our mobile app or website. We do not accept cash for your Lugg.

Can I tip my Luggers?

Tipping is entirely optional, but if you want to reward your movers for a job well done you'll have the opportunity to do so in our app, right after your Lugg is completed. Please make sure if you tipped them in cash to select 'No Tip' in our app or website to prevent a double tip.

Does Lugg move refrigerators, washer & dryers, pianos, and other large items?

Yes, we do! However, in most cases, it requires two Lugg crews to successfully move these items. Please schedule two separate crews during the same pickup window to ensure for a smooth move with these heavier items.

How do I speak with my mover(s)?

Once the Luggers are assigned to your Lugg you have the ability to text or call your Luggers directly about any details or logistics through our mobile app. If you need to work out any details ahead of time, please edit your Lugg in the app or website or email us at support@lugg.com.

Lugg's Terms of Service

¹⁴ A copy of Lugg's website, "Cities we service," captured March 30, 2020, is attached as Appendix N.

Lugg's Terms of Service is found on the Company's website and notifies consumers, "Your access and use of the Services constitutes your agreement to be bound by these Terms, which establishes a contractual relationship between you and Lugg. If you do not agree to these Terms, you may not access or use the Services."¹⁵ Staff finds that the terms of service violate RCW 81.80.010(5), which states that "Household goods carrier" means a person who transports for compensation, by motor vehicle within this state, or who advertises, solicits, offers, or enters into an agreement to transport household goods was defined by the commission. Lugg does not have the required permit(s) to offer or enter into agreements to transport household goods moves.

Advertising

Staff has found Lugg advertisements on the Company's website, Facebook, Instagram, Pinterest, Twitter, Craigslist, the Apple Store, and Yelp.¹⁶ In these advertisements, Lugg holds itself out as a moving company providing moving services for a price calculated based on information provided by the consumer on their mobile app or website.

Lugg also advertises transporting solid waste for compensation. In its website's Frequently Asked Questions, Lugg states it can assist consumers in taking old furniture to the sidewalk for free, but anything more than that the consumer will "have to schedule a new Lugg to dispose or donate any old items."¹⁷ Lugg advertises junk removal in many of its advertisements. When Lugg picks up junk or trash from the curb for disposal, it acts as a solid waste hauler in violation of RCW 81.77.040.

Staff Findings

Staff finds that Lugg has advertised, solicited, offered, or entered into agreements to transport household goods within the state of Washington without having first obtained a household goods carrier permit from the commission as required by RCW 81.80.075(1).

Staff also finds that Lugg has advertised to transport property other than household goods by motor vehicle without first obtaining a commission-issued permit in violation of RCW 81.80.355.

Further, staff finds that Lugg has advertised to operate for the hauling of solid waste without the required certificate of public convenience and necessity issued by the commission in violation of RCW 81.77.040 and RCW 81.77.090(2).

¹⁵ A copy of Lugg's Terms of Service, printed Feb. 4, 2020, is attached as Appendix O.

¹⁶ Copies of Lugg's advertisements are attached as Appendix P.

¹⁷ See Appendix J for a copy of Lugg's FAQ.

RECOMMENDATIONS

1. **How serious or harmful the violation is to the public.**

Staff believes that Lugg's business practices cause serious harm to the public, to household goods carriers, and solid waste collection companies permitted by the commission.

Lugg's business model requires it to subcontract with other persons or entities for the actual transport of goods. It does not appear that Lugg requires these persons or entities to hold commission-issued permits or certificates. Because the consumer pays Lugg for the move, the independent contractors are not following the laws and rules that require them to provide consumers with written estimates, supplemental estimates, cube sheet inventories, and bills of lading. The consumer also does not receive the Consumer Guide, which outlines consumers' rights and responsibilities related to a move.

Lugg advertises that it uses pickups, vans, and XL vans. Staff could find no information on the maintenance of the mover's vehicles and could not confirm that it requires safety checks for any of the vehicles used in a move, or that it ensures that drivers comply with the Commission's regulations governing driver safety requirements.

Staff found in Lugg's Terms of Service that, by entering into an agreement with the Company, the consumer agrees that Lugg has no responsibility or liability related to any moving or logistics provided by the independent contractor.

Lugg's Terms of Service, Damages, states, "If an item or something that belongs to you is damaged during the extent of a Lugg request, Lugg is in no way responsible or accountable for covering those damages." Yet Lugg also provides an email address, support@lugg.com, for the consumer to file a damage claim.

Importantly, consumers who contract with Lugg:

- Are not informed of their rights and responsibilities related to a move,
- Are not informed of the commission's role in regulation and enforcement, and
- Are not assured of vehicle maintenance or driver fitness.

2. **Whether the violation is intentional.**

Staff has informed Lugg numerous times that it operates as a household goods carrier because it provides estimates to the consumer and collects money from the consumer for the move. Lugg has repeatedly ignored staff's guidance. Staff has also informed Lugg that it must have a permit or certificate of public convenience and necessity to transport property other than household goods over state roads. Lugg has also failed to register with the Secretary of State or obtain a Washington Unified Business Identifier, which could be construed as an attempt to evade commission regulation.

On Feb. 4, 2020, Lugg stated it has stopped accepting any household goods, waste removal, or common carrier requests from customers in the state of Washington and that it has stopped advertising on its Seattle webpage. As of March 26, 2020, staff found the Company still provides estimates for household goods moves between two points in Washington and still advertises Seattle as an area where its services are available.

3. Whether the company self-reported the violations.

Lugg did not inquire about obtaining any permit or certificate from the commission. When the company was notified by commission staff that it could not operate as a household goods carrier until it obtained a commission-issued permit, it continued to operate in the state of Washington.

4. Whether the company was cooperative and responsive.

Staff has found the company to be uncooperative and non-responsive. The Company does not list a physical address on its webpage, and provides only a generic email address for support, job openings, or business partners. Staff received only one response back from the Company after sending numerous cease and desist letters.¹⁸ At no time did the Company contact staff to discuss its non-permitted status or inquire about the role of the commission. Lugg appears to have no intention of seeking the required permits or certificate.

5. Whether the company promptly corrected the violations and remedied the impacts. Lugg continues to operate as a household goods carrier, common carrier, and solid waste collection company in the state of Washington without the necessary authority from the commission. It has not remedied any of its violations.

6. The likelihood of recurrence.

Staff believes that the Company will continue to operate, using its current business practices as described in this report.

7. The company's past performance regarding compliance, violations and penalties.

The company has received at least two letters and two email communications from Staff, all of which have informed the Company it is operating as a household goods mover. The Company has not changed its business practices or obtained the required permits to legally operate as a household goods carrier, common carrier, or solid waste collection company in the state of Washington.

8. The company's existing compliance program.

Staff is not aware of any compliance program.

¹⁸ See Appendix G for a copy of Jordan Brown's email.

9. The size of the company.

Lugg has failed to apply for the required permits to operate in the state of Washington and is not regulated by the commission. As such, the Company does not file annual reports with the commission. In addition, Lugg is not registered with the Department of Revenue, so staff was unable to determine the Company's gross revenue.

In addition, the legislature set out two specific factors that must be considered when imposing penalties under RCW 81.80.075.

1. The carrier's willingness to comply with the requirements of RCW 81.80.070 and the commission's administrative rules governing household goods carriers.

As discussed above, Lugg has not shown an ability or willingness to comply with applicable law.

2. The carrier's history of compliance with chapter 81.80 RCW.

Again, as discussed above, Lugg has a history of non-compliance with the provisions of Title 81 RCW.

Staff Recommendations

Staff recommends that the commission institute a special proceeding on its own motion to determine whether Lugg has engaged, and is still engaging, in business as a household goods carrier, common carrier, and solid waste collection company within the state of Washington without the authority required by RCW 81.80.075(1), RCW 81.80.355, and RCW 81.77.040.

Staff recommends that the commission issue a formal complaint against Lugg, Inc., and recommends the commission assess penalties as follows:

- Up to \$5,000 for each of the eight separate violations of RCW 81.80.010(5) and RCW 81.80.075 for advertising household goods moves on the Company's website, Facebook, Instagram, Pinterest, Twitter, Craigslist, the Apple Store, and Yelp.
- Up to \$5,000 for each of the two violations of RCW 81.80.010(5) and RCW 81.80.075 for offering or entering into an agreement to transport household goods over the public highways for compensation.
- Up to \$1,000 for each of the eight violations of RCW 81.80.355 for advertising to transport property other than household goods on the Company's website, Facebook, Instagram, Twitter, Craigslist, Pinterest, the Apple Store, and Yelp.
- Up to \$1,000 for each of the three violations of RCW 81.77.040 for advertising to haul solid waste on Lugg's website, Craigslist, its Seattle Yelp page, and the Apple

Store.