

Date Received: October 14, 1998

Docket No.: TV-971477

Company: Amends WAC 480-12, Relating to Household Goods Movers

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10-14-98
GENE EKHARDT
DUM McHAIR
Pat Dutton met w/
+ discussed this letter.
No further response needed
JL
TV-971477

October 14, 1998

Ms Pat Dutton, Program Development
Transportation Division
Washington Utilities and Transportation Commission
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Olympia, WA 98504-7250

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Dear Pat,

From our recent meeting with the Legislative Transportation Staff regarding the Household Goods Rulemaking, Docket No. TV-971477, I am honoring your request for cost data information.

As you are aware, the Commission staff is proposing a minimum-maximum household goods Tariff structure which would provide:

- A. A maximum rate of 15% above the current Tariff No. 15 rates.
- B. A minimum rate of 35% below the current Tariff No. 15 rates.

Using the percentages recommended, as an example, from the proposed rate structure could provide the following band of hourly rates based on the current Tariff No. 15, ITEM 82, which have been in effect since 1994 based upon 1993 rate study data:

<u>35% Discount</u>	<u>15% Discount</u>	<u>Current Rate</u>	<u>15% Greater</u>
\$55.28	\$72.29	\$85.05	\$97.81
Less \$29.77/hour	Less \$12.76/hour	No change	Plus \$12.76/hour

A cursory sampling of today's costs from the same household goods carriers used in the 1993 Tariff No. 15 rate study show the following:

	<u>1998</u>	<u>1993</u>
	<u>2-Men & Truck</u>	<u>2-Men & Truck</u>
Average loaded hourly wages for packers, loaders, drivers: (Hourly rate + taxes + benefits)	\$42.00	\$39.00
Average vehicle cost per hour: (Prorated vehicle cost + fuel + maintenance + fees)	\$17.00	\$15.00
Average relocation sales cost: (Prorated sales commission/salary + benefits + advertising)	\$14.00	\$12.00
Average company overhead costs: (Prorated owners, admin, dispatch, facilities & equipment)	\$9.00	\$8.00
Profit margin:	<u>\$5.00</u>	<u>\$5.00</u>
Total/hour:	\$87.00	\$79.00

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This sampling from 1993 to 1998 represents an average escalation in costs to permitted household goods carriers of 9%.

Using the above average costs, it would not seem prudent to put in place a minimum-maximum rate structure with such wide parameters, 35% below the base and 15% above. The impact of such a wide range in rates will be two fold. First, to the industry, and ultimately the consumer, will be the deterioration of the household goods industry and the service it provides because of:

- A. A change from a trained, steady work force to the increased use of untrained intermittent, temporary labor,
- B. A delay in the normal replacement of motor vehicles and equipment,
- C. A concern for the safety of the moving company's personnel and that of the public with the potential for unsafe vehicles on the roadways,
- D. The proper protective packing and handling of the consumers household goods.

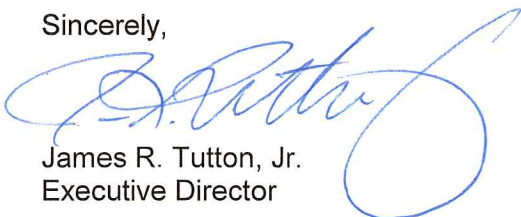
Second, there will certainly be increased costs to the Commission because of the necessary reviews needed based on an increase in consumer complaints because of poor service, consumer misunderstanding of "binding estimates" particularly when last minute changes are needed on the day of the scheduled move, and/or claims for loss and damage.

Further, the Commission staff's use of data from the States's Office of State Procurement, Department of General Administration, as their determination for the establishment of the wide range in the banded rate structure is unrealistic. During calendar year 1997, there were just 133 state employee residential relocations completed representing less than 1/3 of 1% of the approximate total of 49,000 residential relocations handled by permitted household carriers. State statute, RCW 81.28.080 Published rates to be charged - Exceptions, states: "*Common carriers subject to the provisions of this title may carry, store or handle, free or at reduced rates, property for the United States, state, county or municipal governments,*" Household goods carriers do honor this statute at a threshold they are comfortable with on an extremely limited basis based upon their businesses work schedule.

We have been told on numerous occasions the proposed range in the banded rates is only temporary until such time as the Commission staff can complete an adequate review of carriers costs. And this should include the costs of both currently permitted carriers and those electing to obtain a household goods permit through the proposed ease of entry standards, to determine adequately what the range should be, if any. Presently, I have the concurrence of the WMC Board of Directors to concur in a banded rates range of 10% below and 10% above the current base rate with the elimination of the proposed rule allowing the optional use of Binding Estimates. However, I firmly believe I can get the approval needed if there was mutual agreement on a range of 15% below and 15% above.

In closing, I would like to make reference to the comments of Mr. Kenneth Crowe, Aark Moving Company, a potential applicant for a household goods permit, during the last Open Hearing before the Commissioners. Mr. Crowe testified to the effect that he did not think his company could effectively operate at discounted rates as low as \$55.28 per hour for hourly rated moves (35% discount). To this end, the use of banded rates as proposed by the Commission staff will cause the failure of new household goods moving companies with inexperienced leadership.

Sincerely,



James R. Tutton, Jr.
Executive Director

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