IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON IN AND FOR THURSTON COUNTY

WASHINGTON MOVERS

CONFERENCE, a domestic non-profit
corporation; CENTRAL MOVING &

STORAGE, L.L.C., organized under

Washington law; MORRISON MOVING

& STORAGE CO., INC., a domestic
corporation,

Petitioners,

V.

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WASHINGTON UTILITIES &
TRANSPORTATION COMMISSION, an
agency of the State of Washington.

Respondents.

No. 99 2 00038 0

DECLARATION OF JAMES R. TUTTON, JR. IN SUPPORT OF STAY



I, James R. Tutton, Jr., declare:

QUALIFICATIONS & BACKGROUND

- 1. I am competent to be a witness in this proceeding and the facts are based on my personal knowledge.
- 2. I am the executive director of the Washington Movers

 Conference and have acted as such for over nine years. My prior

 experience with the household goods moving industry was gained as a

 career officer in the United States Army. I served in various positions

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with the Department of Defense household goods relocation programs and retired as a Lieutenant Colonel. My final assignment before retirement in 1989 was as Director, Joint Personal Property Shipping Office, Fort Lewis, Washington.

DESCRIPTION OF PARTIES

- 3. The Washington Movers Conference (WMC) is a non-profit corporation organized under the laws of Washington and has existed since 1913. It is composed of 95 privately owned and state certificated (holders of WUTC operating authority permits) household goods moving companies. WMC's Statement of Purpose is Attachment 1. WMC's Code of Ethics is Attachment 2.
- WMC is one of six truck transportation industry conferences affiliated with Washington Trucking Associations (WTA). WMC obtains economic and other benefits by joinder with other truck transportation groups under the umbrella of WTA (e.g., group industrial insurance plans, group health plans, and both legislative and state agency oversight).

5. The Washington Utilities & Transportation Commission (WUTC), and its predecessor agencies, extensively regulated the household goods moving industry in Washington since 1921. The extent and detail of such regulation is shown by regulations currently in effect.

RULES REPEALED - NEW RULES PROPOSED

6. WUTC commenced a rulemaking proceeding in November,
1997 which culminated in adoption of substantially revised household
goods moving regulations effective January 15, 1999.

LOWER MARKET ENTRY STANDARDS - TEMPORARY PERMITS

7. The new rules, if implemented, will have significant adverse impacts upon the industry because statutorily mandated standards for entry into the household goods moving market are removed. Under existing regulations, an applicant for a temporary operating authority (permit) must demonstrate that it is fit and able to perform the proposed service and that issuance of the permit is necessary for satisfying an unmet public need for moving services. WUTC considered an applicant's fitness and the impact of permit issuance on

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existing permit holders. WUTC reviewed each application for a temporary permit under these standards. Entry of a new permittee into a local cartage area would require evidence of an immediate need for new services to the public or evidence of availability of services from existing permittees capable of meeting the public's need. WAC 480-12-033(1). WUTC issued a temporary permit only after it found, after opportunity for an adjudicative hearing, that these criteria were satisfied.

8. Under the proposed regulations, WUTC will issue temporary permits (6 months duration) without adequate consideration of an applicant's fitness or any consideration of impacts upon existing permittees or whether permit issuance is warranted by an urgent public need for new services. WAC 480-15-280.

Notice to holders of existing permits is provided only *after* temporary permits are issued (contrary to former practice). WAC 480-15-310(2). Existing permittees must make a written request to be mailed a copy of the docket. WAC 480-15-310(1). Existing permittees may file written comments within 10 days following publication of the

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docket. WAC 480-15-310(2). Comments may be considered by WTUC without a hearing. WAC 480-15-310(3).

Other than the *ex post facto* opportunity to comment (with no guarantee of an adjudicative hearing), holders of permits are given no meaningful opportunity to present evidence regarding the impact of issuance of temporary permits upon existing permittees' business or whether there is an unmet public need for additional moving services.

WUTC's practice of authorizing protests and hearings regarding issuance of temporary permits by an interested carrier (WAC 480-12-033) is replaced by the opportunity to comment without opportunity for a hearing.

Issuance of a temporary permit under the proposed rules will automatically occur upon the mere showing that applicant is a "new entrant." WAC 480-15-280(1). The proposed rules do not identify the proper factors to consider in issuance of a temporary permit. Historic policies are totally ignored by the new regulation (WAC 480-15-280). The effect of issuance of one or large numbers of temporary permits

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upon existing permitted carriers is not considered by WUTC under the proposed rules.

Another significant limitation upon WUTC's ability to make an informed finding that issuance of temporary permits is in the public interest is its sole reliance upon the applicant to provide information regarding fitness. WAC 480-15-280(2) and (3). There is no opportunity for presentation of evidence by affected carriers or other interested parties on permit issuance or, for that matter, issues relating to the market impacts of one or many permits. The new regulation says that WUTC "will consider any information provided by . . . other members of the public " WAC 480-15-280(3). This is a disingenuous statement. The "public" doesn't receive notice of the application until after permit issuance under the proposed rules and no hearing is provided to test Only an office review of applicant generated the information. information will occur.

WAC 480-12-033(6) provided that WUTC could cancel a temporary permit if there was no immediate and urgent need for the service

because a permitted carrier was ready, willing and able to provide satisfactory service to the public.

The proposed rules also unduly restrict the grounds upon which a temporary permit may be cancelled. Only if issuance is found to violate the public interest, fraud or misrepresentation is involved, or "cause" as defined by WAC 480-15-320, may a temporary permit be cancelled. The present practice is to cancel a temporary permit if WUTC determined "... that there is no immediate and urgent need for service, [or] that another carrier with authority is ready, willing and able to render satisfactory service to the shipper," WAC 480-12-033(5). Plenary power to cancel temporary permits is replaced by a procedure which requires WUTC to prove cause at an adjudicatory hearing before cancellation can occur.

WUTC anticipates large numbers of new entrants into the market by lowering entry standards. WUTC hopes to promote competition and increase consumer choice by adoption of the proposed rules. WUTC's Small Business Impact Statement for the proposed rules says: "The requirement that the Commission hold a hearing on every protested

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application is eliminated, and the conditions for demonstrating 'public convenience and necessity' are expanded to reflect a consumer perspective, resulting in a higher probability that an application will be approved." Under the proposed rules, approval of applications for new entrants into the market is assured.

LOWER MARKET ENTRY STANDARDS - PERMANENT PERMITS

9. Issuance of temporary permits under the proposed rules leads to virtually assured issuance of a permanent authority (permit) during its six month term. WAC 480-15-280(1). Criteria for issuance of permanent authority (permit) is substantially altered. Applications for permanent authority were formerly mailed (weekly) to all interested persons whose names were on a mailing list. WAC 480-12-045(1). All protests were required to set out specific allegations and be filed within 30 days of notice publication. *Id.*, (2) and (3). If there were no protests, or protests were withdrawn or dismissed, the application would be reviewed and approved. *Id.*, (5). If protests were unresolved, a hearing was conducted, evidence and argument presented, and

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issuance was either approved, conditionally approved, or denied. *Id.*, (5)(c).

Standards for issuance of a permanent authority (permit) require WUTC to find that the applicant is fit and able to perform the proposed moving services and that the proposed services will be required by present or future public convenience and necessity. The proposed rules do not establish a process which enables WUTC to make informed findings regarding applicant fitness and ability or present or future public need for the new proposed moving services. WAC 480-15-330(2) directs WUTC staff to review the application "to determine fitness and current or future public convenience and WAC 480-15-330(5) states that WUTC will consider necessity." information provided by applicant "and other members of the public supporting the proposed service" to determine if the proposed service will "promote a viable yet competitive household goods industry, or fill **WUTC** will also consider whether an unmet need for service." permanent permit issuance will allow more efficient regulation of the household goods moving industry and "provide consumer protection

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through regulation." WAC 480-15-330(5)(a) and (5)(b). WUTC, by past practice, required that evidence be presented at a hearing regarding the availability of other carriers to satisfy a public need for additional moving services.

Comments protesting issuance of a permanent permit "may not cause the application to be set for a hearing." WAC 480-15-340(4). A hearing may be held at the discretion of WUTC. WAC 480-15-350.

There is no guarantee of a hearing for issuance of a permanent permit.

The net result of the proposed rules is to allow WUTC to issue permanent permits without a hearing (even if protested) and ignore statutory requirements by reliance on improper bases for issuance.

11. Many private movers of household goods are participating in the market without obtaining an operating authority (permit) from WUTC. The number of unpermitted movers is unknown but is substantial according to the WUTC. Unpermitted movers operate in violation of WUTC regulatory requirements. Unpermitted movers engage in pricing for their services lower than authorized rates and charges which are illegal tariff discounts. They recognize no territorial

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or route limitations (cartage areas or routes) upon movement of household goods which are imposed by WUTC as conditions of a permit. WUTC's failure to enforce its laws and regulations applicable to household goods movers has caused irreparable harm to WMC's members by allowing entry of unlicensed, uninsured, unbonded, unfit movers into the market. Illegal movers do not follow rates and charges contained in Tariff No. 15 applicable to all permittees. Rate discrimination and unfair competition which stifle competition with permitted movers is allowed to spread by WUTC's failure to enforce its laws and regulations. WUTC has reduced (last December) its enforcement capability by transfer of enforcement personnel to other duties.

The recent reduction in enforcement personnel took place against the backdrop of WUTC's failure to enforce its laws and regulations to illegal household goods movers during the past three years.

During the past three years, I've received an ever increasing number of complaints from WMC members regarding unfair competition

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from illegal unlicensed movers. I made many verbal and written complaints to WUTC requesting enforcement action against named illegal moving operation during the past three years. I complained to Pat Dutton, Program Development, WUTC and Foster Hernandez, Chief Enforcement Officer, WUTC. Out of 25 to 30 complaints made by me, WUTC took enforcement actions in several instances which were not successful. For example, Mike the Mover and Jay the Mover remained in the business of moving household goods without a permit, without following Tariff No. 15, without limitation as to cartage areas or routes, and without regard to WUTC regulations despite WUTC enforcement actions.

Failure of WUTC to fully or adequately enforce its laws and regulations relating to unpermitted movers has caused irreparable harm to members of WMC by permitting illegal unfair competition.

The illegal unpermitted movers (by self-selection) formed an unincorporated association which was allowed to present its views on the proposed rules at the invitation of WUTC. WUTC ignored WMC (made up of legal permitted movers) recommendations and comments

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but gave careful attention to the comments and advice offered by illegal movers.

12. The new lower permit standards will ease entry into the market for new entrants. If the proposed rules are not stayed, an unknown (but large) number of presently unlicensed movers will acquire temporary permits (and, in the next six months, permanent permits). If a stay is not granted, existing permit holders will be damaged by improper issuance of permits which will dilute their market share and cause cut throat competition. Immediate and substantial economic losses will occur.

EXISTING PERMITS WILL BE DEVALUED

13. Lower permit standards which ease market entry will devalue existing permits. Under historic practice, the household goods moving industry has been regulated and operating authorities (permits) have been issued pursuant to statutory policies and standards. Historically, the industry has not been a closed market to new entrants but has been extensively regulated. The process for issuance of new permits led to hearings and appeals with consequent

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costs, delay and uncertain results. This process created a market for permits which exists today. The market for permits will be destroyed if the proposed rules become effective because of virtually unlimited entry.

Each of the 95 members of WMC possesses a WUTC permit to operate in intrastate household goods moving industry. Whether acquired by purchase or by application, such permits have an average value between \$18,000.00 and \$25,000.00. A recent sale occurred where a permit was purchased (no other assets involved) for \$40,000.00.

WUTC recognized that its permits have economic value under its historic regulatory system. No study was done by WUTC to determine the economic damages of permit devaluation due to lowering entry standards. Immediate and substantial financial losses to permitted movers by loss of value of their permits will occur if the proposed rules are not stayed.

upon which tariffs are established for household goods carriers. WUTC determined rates and charges and is required to set fair, reasonable, just, and sufficient rates and charges. Fair, reasonable, and just charges are based on the concept of fully allocated costs and a sufficient profit to the company to stay in business. Fully allocated costs means that all costs of providing moving services are allocated to that service. Fully allocated costs are derived from periodic economic studies of regulated (permitted) movers of household goods. A fully allocated cost study provides the WUTC with an objective basis to periodically adjust authorized rates and charges (tariffs) based on actual industry costs in light of inflationary or deflationary factors.

WUTC declined to prepare a fully allocated cost study even though it recognized a need to change the authorized tariff for household goods movers. Instead, with no studies or supporting data, WUTC directed that household goods carriers "may charge no more

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than fifteen percent above the current tariff rates and charges and no less than thirty five percent below the current rates and charges" WAC 480-15-490(2)(b). These rates and charges are referred to as a "banded rate," i.e., a mover may charge within a range from 35% below the present rates and charges to 15% above the present rates and charges contained in Tariff No. 15. For example, the hourly rate for a local move is \$85.05 per hour. The present tariff was established in 1993 by WUTC. According to economic data used by WUTC, a 10% increase in the 1993 tariff is in order. This means that if a fully allocated cost study was done today, a 10% increase in the tariff would be expectable. This, in turn, means that the banded rates as adopted by WUTC are 10% off the desired mark. The proposed tariff upper band is in reality only 5% above a rate that would be just, fair, reasonable, and sufficient. The proposed tariff lower band is in reality 45% below that rate.

The proposed banded rates will cause cut-throat competition within the household goods moving industry. Large well financed moving companies will be able to charge low rates at much less than

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their actual costs. Over time, large companies would drive small less well financed permitted movers out of business by predatory pricing with consequent reduction to consumer choice.

Another effect of the new banded rates will be that all moving companies, to stay competitive, will find it necessary to charge at or near the lower end of the band (45% below a fair, just, reasonable, and sufficient rate). Profits for all movers will necessarily be reduced or eliminated. Without profit, privately owned moving companies will be unable to make necessary investments in equipment, facilities, and personnel. Over time, the quality of service to the public will decline and safety hazards to movers, employees, customers, and the public will increase due to the use of antiquated or ill-maintained equipment. Over time, a number of permit holders will be forced out of business.

A stay of the proposed banded rates is necessary to avoid predatory pricing, the gradual onset of deteriorating service and safety standards, and destructive and unfair competitive practices among moving companies which will ultimately bankrupt many permit holders.

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THE REVISED DEFINITION OF HOUSEHOLD GOODS EXCLUDES CUSTOMER PACKED CONTAINERS FROM REGULATION

The historic definition of "household goods" was broad and 15. included the transportation of customer packed and sealed storage containers within the scope of WUTC regulation. WAC 480-12-400(1). The proposed rule, in its definitions section, excludes transportation of customer packed and sealed storage containers from regulation. WAC 480-15-020(14). There has been no change in market conditions or the law which might justify exclusion of Shurgard or Door-to-Door operations from WUTC regulatory requirements. The effect of exclusion of this business is to deprive regulated movers of household goods from effectively competing for that business. Simply put, shipments of residential goods into storage would be lost to regulated permit holders. Permitted movers stand to lose several million dollars annually if this proposed rule goes into effect.

WUTC POWER TO WAIVE RULES

WUTC claims that it has the power to waive any of its rules, in its absolute discretion. WAC 480-15-030. A state agency does not

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possess equity powers of a court. The potential for mischief by the exercise of unbridled power is great but impossible to predict. There is a need to stay all possible exercise of such broad, far reaching authority because of its possible pernicious effects upon the regulated industry.

ANTICIPATED HARM

17. The proposed rules are an entirely new chapter of regulations intended to completely replace existing regulations applicable to the household goods moving industry. Because of the comprehensive and integrated revision, it makes little sense to select only those regulations dealing with lower standards for permit issuance, banded tariff rates, exclusion of customer packed containers of household goods, and waiver for stay. The remaining unchallenged proposed rules do not mesh with existing rules on a selective basis. The entire proposal package ought to be stayed.

The following regulations must, in any event, be stayed to avoid serious damage and irreparable harm to state certificated (permitted) carriers:

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James R. Tutton, Jr

PURPOSE

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STATE OF WASH
UTILL AND TRAM

The purpose of the Washington Movers Conference shall be:

In every lawful manner to contribute to the growth, prosperity and welfare of the household goods moving and storage industry; to consider and deal with the common problems of the industry; to secure cooperation and better business relations among it's members; and to promote activities that will enable it to conduct itself with the greatest economy and efficiency.

To improve the quality of moving and storage service and to promote public trust in the moving and storage industry in the State of Washington.

To promote industry unity and to foster friendship and mutual goodwill among members of the moving industry.

To aid, assist and cooperate with the various state and federal administrators and regulatory bodies.

To secure freedom from unlawful or unjust exactions, and to promote the common business interests of the moving industry.

To cooperate with other industries and organizations.

To afford due consideration to and expression of opinion upon questions affecting the movize g and storage industry.

To act as agent for it's members in compiling and publishing tariffs and/or schedules of rates, charges and classifications for the storage of household goods, and to arrange for and make appearances before state regulatory bodies on behalf of it's members regarding rate or tariff questions or other matters which it's members are or may be interested, and to sponsor and fund cost operation studies of representative members for the purpose of developing reliable and uniform data for use in connection with any proceedings or applications involving intrastate or interstate rates.

To do anything necessary and proper for the accomplishment of any of the objectives herein set forth and for the accomplishment of such other objectives as may be recognized as proper and lawful for trade associations generally, all of which shall be consistent with the public interest, as well as with that of the industry.



WASHINGTON MOVERS CONFERENCE

"Code of Ethics"

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WE, the members of the Washington Movers Conference, stand united in our sincere beliefs that honest, ethical, efficient and quality services to the public are the ultimate goals of this organization. Whereupon we, engaged in the transporting and storage of household goods, pledge ourselves to uphold and advance the following ideals and principles:

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TO consistently offer and provide the most efficient and reliable moving and storage services available, while adhering strictly to a policy of truth, honesty, integrity and fairness in all business transactions.

TO strictly adhere to all State laws, rules, regulations and applicable tariffs governing moving and storage operations within Washington State.

TO be conscious and considerate of consumer needs and to continually promote the progress, fraternity, education and dignity of our industry so that the public will be better served.

TO promote the elimination of fraud, deceit, misrepresentation and unethical practices within the industry and to engage in formal disciplinary review of any and all members involved in such practices.

TO afford all members and applicants maximum due process in the administration of Conference affairs, to promote competitive practices and to eliminate unlawful restraint of trade within the industry.

TO maintain the highest concern for the health, welfare and safety of our employees, while recognizing their needs as both human beings and individuals.

TO faithfully fulfill all obligations of membership, including the timely payment of all charges for membership affiliation and services.

TO protect free enterprise in a democratic society and to foster the commercial viability of the small business component of our industry.

AND to adhere to the Conference Bylaws and these Code of Ethics as adopted by the governing Board of the Washington Movers Conference.