



## **TESTIMONY**

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**SENATE COMMITTEE ON COMMERCE, SCIENCE AND  
TRANSPORTATION**

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Thank you Chairman Rockefeller, Ranking Member Hutchison, Senator DeMint and other members of the Committee for the invitation to testify today. My name is Jason Romrell and I serve as President and Chief Legal Officer for Budget Van Lines, a federally licensed, independent household goods transportation broker headquartered in Los Angeles, California. We have been operating as a federally licensed broker under the name Budget Van Lines continuously since 2005. We are one of the nation's largest household goods transportation brokers. We broker approximately 10,000 moves annually and employ approximately 100 people. We take care of our people, providing decent wages, medical insurance coverage and other benefits. As stated in our mission statement, we strive to be the country's best moving broker by working with quality carriers that take care of our customers and their property, by delivering exceptional customer service throughout the entire moving process. We treat our customers and our employees the way we treat our family and friends.

We appreciate the Committee's interest in household goods transportation, ensuring such moves occur safely, efficiently and fairly and exploring ways to improve the experience for consumers. We have been open and cooperatively working with the Committee over the last nine months and have provided the Committee over 500,000 pages of documents to assist in its investigation of the household goods transportation industry.

Let me take a moment to explain what household goods transportation brokers do, as it is often misunderstood. As you know, brokering is a common business model in many industries, from travel to insurance sales to the groceries on the supermarket shelves. Brokering is an effective and common business model because it increases options and saves businesses and consumers time and money. In the interstate moving industry, brokers like us arrange transportation services between customers and qualified household goods motor carriers. We help customers in a variety

of ways, by providing easy access to more transportation options, lower costs and time savings. We help customers navigate a host of complicated and often unfamiliar decisions that must be made when arranging an interstate move. At the same time, we help federally licensed household goods motor carriers operate more efficiently by reducing their marketing costs and helping them connect with customers. We save motor carriers money and time by taking inventories and working with customers through the initial sales cycle. We also help motor carriers operate in a difficult economy by giving them a way to fill empty space on return trips and to fill partial loads. The services we provide create a win-win situation for both consumers and household goods motor carriers.

It is important to note that we are *not* a motor carrier; that is, we do not provide the actual transportation for a shipper's household goods. Acting as a broker, we are not allowed under federal regulations to own, operate or control the motor carriers to whom we broker jobs. We have contractual relationships with household goods motor carriers that are adequately insured and that the Federal Motor Carrier Safety Administration (FMCSA) has granted a license to transport household goods, and these are the only motor carriers we use for moving our customers' shipments. Our company's website and documents very clearly state that we are a federally licensed household goods transportation *broker* and not a motor carrier. Our website's homepage includes a short video explaining exactly how we help consumers arrange moves. We comply with the many federal requirements applicable to household goods transportation brokers, including registration with the FMCSA, obtaining process agents, securing appropriate bonding, and using only properly licensed household goods motor carriers to provide transportation.

It is also noteworthy that our volume has seen significant growth almost every year since 2005, which we attribute to operating our company with a high level of integrity, referrals from past customers and our ability to provide consumers with a variety of quality, reliable motor carriers offering very competitive prices.

Let me explain how household goods brokers provide customers with estimates for interstate moves, since this has been a major focus of the Committee's inquiry. Under Federal regulations, we may provide customers with written binding or non-binding estimates showing the anticipated cost of a move. Whether it's binding or non-binding is the customer's choice. The estimates must be based on either a telephone or a physical survey of the customer's household goods. A physical survey is required if the goods are located within a 50-mile radius of the motor carrier's or agent's location unless the customer has waived the physical survey requirement in writing.

What normally happens when a potential customer contacts us is that the potential customer will fill out a request for a moving quote, then one of our trained and knowledgeable sales representatives will follow up, explaining our role as a broker and how the estimates work (including the binding versus non-binding estimate options). We then conduct a telephone survey to obtain an inventory of the prospect's household goods and other services that are requested or required. This process involves a detailed discussion with the prospect that can last up to two hours depending on the size of the shipment, including time answering questions, explaining the process, reviewing the customer's unique situation and creating the inventory.

We recently revised our sales process to include a more detailed inventory process. Our sales representative walks the prospect (over the phone) through their home room-by-room. As each

room is inventoried, the prospective shipper can more easily account for all household goods and is more likely not to skip any rooms. For example, the sales representative can walk the customer through the “Living Room”, then through “Billy’s Room”, then through “Amy’s Room” and so on. After the inventory is complete, industry standard figures are used to assign prescribed weights to the various household goods for arriving at an estimated total shipment weight. Our sales representative then provides a written binding or nonbinding estimate, consistent with applicable federal regulations, to the prospect based on carrier rates for the estimated shipment weight, the distance between origin and destination, as well as additional and accessorial services to be provided. The written estimate includes all inventory items with the same room-by-room headings, making it easier for prospects to review the inventory to ensure more accuracy. We do not perform physical (on-site) surveys, regardless of the carrier scheduled to do the move. Physical survey waivers are included in all our estimates and must be executed and returned to us prior to our acceptance of the job.

It might be helpful to explain the differences between nonbinding and binding estimates, as this is an aspect of the household goods moving industry that is often unknown or misunderstood. A nonbinding estimate is an estimate of the total cost of the move based upon the estimated weight or estimated volume of the customer’s shipment, the services requested, and the carrier’s tariff-based rates, but it is only an estimate. The final cost of a move done pursuant to a nonbinding estimate may be higher or lower as determined by the actual weight (or if requested by the shipper, the actual volume) of the household goods. While the final price of a nonbinding estimate can vary dramatically from the estimated price, federal regulations state that the customer does not have to pay more than 110% of the estimated amount at delivery. This is known as the “110% rule”.

However, the 110% rule does not apply to additional charges not appearing on the nonbinding estimate where: one, the customer requests additional services after the goods are loaded, or two, additional services are required that were not reasonably contemplated in the estimate (for example, required use of a smaller “shuttle truck” to reach the final destination where a larger moving truck will not fit). Also, if the shipper’s actual household goods end up not matching the inventory contained in the nonbinding estimate, Federal regulations allow the motor carrier to prepare a revised estimate for the shipper’s consideration, which then must be in writing and signed by the shipper before loading the shipper’s household goods. The shipper is not required to accept a revised estimate and may cancel the move. Likewise, the motor carrier may agree to accept and transport the shipment under the terms of the original estimate.

A customer may want a nonbinding estimate for many reasons. They may not, for example, want to go through the time-consuming process of completing a detailed inventory, or they may be unsure of the actual pieces or quantity they will end up moving (as would occur if a customer plans to have a garage sale to get rid of many items before a move or they have unknown items in storage), or they are unsure of the number of boxes they may have once their items are packed. The nonbinding estimate provides the customer with a general idea of the cost of the move, but the actual cost is determined at or before delivery based on the shipment’s actual weight or volume.

A binding estimate is an agreement between the customer and the motor carrier that sets the cost of the move based upon a precise inventory and listing of services to be provided. Customers may opt for a binding estimate if they are certain of the amount of goods and number of boxes to be moved. Federal regulations provide that the customer does not have to pay more than the

binding estimate amount at delivery to receive his or her goods at destination. However, Federal regulations allow the motor carrier to collect fees for additional services requested by the shipper after loading that were not on the estimate, or for services that were not reasonably contemplated when the estimate was prepared and are needed in order to complete delivery.

As with the nonbinding estimate, if the shipper's actual household goods do not match the binding estimate's inventory, Federal regulations allow the motor carrier to prepare a revised estimate for the shipper's consideration before loading the shipper's household goods. The shipper is not required to accept a revised estimate and may cancel the move. Likewise, the motor carrier may agree to accept and transport the shipment under the terms of the original estimate.

Budget's companywide policy is to be open and transparent with customers. In our documents and in our conversations with prospects, we strive to explain the moving process thoroughly and in layman's terms and help customers avoid or minimize additional charges by encouraging them to be as accurate as possible when creating an inventory of the items to be moved. We do not earn and our sales personnel do not receive a commission on additional or adjusted charges assessed by the motor carrier at pick-up or delivery, even when the carrier and the customer agree to a revised estimate. Therefore, there is no incentive whatsoever to underestimate the cost of a particular job.

Budget cares deeply about doing business with integrity. With that in mind, we have implemented numerous internal programs and procedures above and beyond what is required by law to provide accurate estimates and improve the experience of residential customers booking moves with us. We conduct extensive initial and ongoing training with our sales representatives to ensure they are knowledgeable and up-to-date on the moving industry, the applicable regulations and with our internal processes. We strive to train our employees properly and completely so they can better describe the moving experience to prospective customers, explain different estimate options and respond accurately and in plain English to customers' questions.

We also created a Quality Assurance Department that reviews every estimate before it is sent to a carrier, looking for obvious errors and flagging estimates that do not meet quality assurance standards. Sales calls may be recorded to help us quickly identify sales representatives who potentially may cause problems or those who need additional training. We do not permit our sales representatives to estimate jobs based on volume, but only on weight, to avoid the potential abuse of volume-based jobs by motor carriers in the packing and loading process. We forbid sales representatives from underestimating jobs. When a job goes wrong and we provide financial remedies to our customers, our sales representatives do not earn a commission on those jobs.

We have a well-paid large customer service department that answers customers' questions before, during and after a move, and acts as a liaison between the customer and the motor carrier. We do everything in our power to help customers through the moving process, including helping customers deal with the occasional motor carrier the customer believes failed to perform professionally or follow applicable regulations.

Our carrier selection and retention process is selective and goes above and beyond what is required by law. Since 2005 we have terminated relationships with over 580 motor carriers for various reasons, including a lack of quality customer service and regulatory noncompliance. We

created our own software system that checks the Federal licensing status of every motor carrier in our network each day to ensure they have not been placed out of service by the Federal Motor Carrier Safety Administration. If we find a carrier out of service, we suspend all jobs to that carrier immediately and will not book jobs for that carrier until they are back in good standing with the FMCSA.

Before signing a carrier to our network, we consider the history of prior ownership, prior affiliations with other companies, service history, credit history, complaint history, claims-resolution processes and other important business information and practices. Because safety is also important to us, we also check the carrier's FMCSA Compliance, Safety and Accountability (CSA) score and will refuse or subsequently drop a motor carrier if the carrier's CSA score suggests serious ongoing concerns. In fact, the same software program we designed to check every carrier's licensing status on a daily basis also checks every carrier's safety ratings so carriers who are deemed "unsatisfactory" by the FMCSA are flagged for immediate review and disqualification in our system.

If we discover a motor carrier that exhibits an ongoing pattern of unprofessional performance or that fails to comply with Federal regulations, we will suspend or terminate that carrier from our network. We also provide motor carriers with our own Quality Control Guidelines, a checklist of issues to help them conduct business in compliance with the Federal regulations, and to help them avoid or reduce customer complaints. As you can see, we go well beyond our legal requirements. *The only thing the law requires we do is to check that a carrier is licensed and insured.*

Our records indicate that approximately 40% of the estimates we prepare are binding and 60% of our estimates are nonbinding. Customers are free to select whichever estimate type fits their needs. When a motor carrier takes a job based on a nonbinding estimate, it is highly likely that the job will result in a final price that is different from the estimated price. This is the case whether the estimate was supplied by a broker or the carrier itself. The reason for this is that the final charges are calculated from the actual weight or volume of the shipment. For weight-based moves, the final weight of the shipment is obtained using weight tickets from certified commercial scales. If the actual scaled weight of the shipment is off by even one pound from the original estimated weight (a virtual certainty), then under a nonbinding estimate scenario, the motor carrier is obligated under its tariff to charge the customer for the extra weight. However, under the 110% rule, the motor carrier cannot collect more than 110% of the amount from the nonbinding estimate at delivery.

Motor carriers are not required by Federal regulations to, and as a matter of practice generally do not, provide us information on price increases (from the original estimate) that occur at the beginning or end of a customer's move. However, in an effort to be cooperative with the Committee, our evaluation of customer complaints on file gives us an indication that approximately 15-25% of our nonbinding estimates result in a price increase to the customer beyond the 110% rule. Reasons for these price increases vary. Budget Van Lines agrees that unfair and unexpected price increases in the household goods transportation industry can sometimes create situations where consumers are treated unfairly. Changes to the regulatory scheme should be considered if such changes could reduce the frequency of customer complaints where the price of a move based on a nonbinding estimate increases above 110%.

While we have spent considerable time and effort improving our internal processes, admittedly we still can and continually strive to do better. We routinely evaluate and reevaluate every aspect of our operations and continue to make refinements to our operations. Within the last two years, we have revised and improved our estimates for more clarity, striving for estimates in plain-English and with no confusing legal fine print. We have implemented better and more consistent training of our sales and customer service teams, which continues to be an ongoing activity. Even though our customer service department is a demanding, challenging job, we offer competitive wages and full medical, dental and vision benefits to customer service employees. Our QA department screens each and every estimate for obvious errors and omissions and helps us continually evaluate performance of our sales representatives and focus ongoing training where it is needed most. We are constantly on the lookout for quality carriers to add to our network of licensed motor carriers. We are diligent in working with carriers, helping them appreciate quality customer service, providing them with regulatory updates, and encouraging them to embrace not just regulatory compliance but best practices.

It is no secret the household goods transportation industry is a difficult industry. The tasks of assembling, packing, lifting, stacking, storing, reloading, unloading, lifting, unpacking and reassembling used furniture and other household goods is physically demanding both on the laborers as well as on the property being moved. In most cases, the movers (the people actually loading the truck) are not the same people who prepared the estimate, so whether it comes from a broker or a carrier, from a telephone or in-person survey, price changes and adjustments are not that unusual. In fact, they are common. And it is not just the household goods moving industry where price adjustments happen.

The nature of the moving industry, and customers' desire for written estimates, are factors that contribute to the pricing concerns raised by this Committee. We continue to do our part to improve our processes and our customers' experiences, but there may be industry-wide solutions worth considering. Our proposals and suggestions include the following:

Requirements for Brokers and Carriers:

Consider whether to require brokers to provide estimates based only on weight, since shipments moved pursuant to volume-based estimates can be manipulated upward by carriers in the packing and loading process;

Require brokers and carriers to send the shipper's survey-based inventory to customers separate from all other paperwork, along with a simple explanation that the inventory is the basis for the estimate and any changes to the inventory may result in a revised estimate and additional fees on the day of the move;

Require motor carriers to price overages based on the price-per-pound quoted in the estimate instead of allowing the motor carrier to use a higher price-per-pound, even if that higher rate is allowed under the motor carrier's tariff.

Require brokers and carriers to notify customers that they may review and revise their estimate's inventory of items up to 48 hours before the scheduled pick-up time, giving customers time to see how such changes will affect the estimated cost;

Prohibit brokers, motor carriers and their employees from profiting from price adjustments before, during or after a move that do not meet regulatory requirements (in such cases, the FMCSA could “claw-back” those profits and return them to the consumer, along with other appropriate penalties assessed against the offending entity);

Require brokers and carriers to publish on their websites, visible to consumers, the percentage of their loads booked during a specified period that resulted in a known price increase, the range of those increases, and average or median increases (similar to airlines reporting their percentage of on-time departures);

In relation to the above suggestion, also require motor carriers using a broker to book jobs to promptly provide the broker with data regarding price increases;

Mandate the inclusion of a prominent warning on the Bill of Lading and on any revised written estimate above the shipper’s signature lines warning shippers not to sign documents with any blanks (except those blanks that are necessary to be blank and are authorized by Federal regulations);

Require brokers and carriers to report to the FMCSA and display on their websites the number of household goods shipments they booked/carried each month, so consumers are able to evaluate complaint ratios versus gross complaint numbers posted by the FMCSA (a broker or carrier with 10,000 jobs and 200 complaints may be providing far better service than a broker or carrier with 1,000 jobs and 40 complaints);

#### Federal Motor Carrier Safety Administration:

Require the FMCSA to focus more attention on the enforcement of household goods brokers and carriers;

Require the FMCSA to create a short, easily readable, summary consumer education document with key information necessary for consumers to make informed decisions when considering interstate moves;

Require the FMCSA to create a more accessible, user-friendly online resource where shippers can evaluate brokers’ and carriers’ performance and job histories, including the previous suggestion that brokers and carriers report total jobs booked/carried so complaint ratios can be provided to consumers with accuracy and reliability;

Encourage or require more expeditious, responsive, and aggressive license revocation processes for brokers and carriers who clearly violate Federal regulations, thereby protecting consumers from rogue movers and automatically preventing brokers from using rogue movers;

Encourage the FMCSA to create standard volume measurements for common household items, thereby bringing some uniformity to the inventory process;

Require the FMCSA to deny licensing to individuals or businesses who have been implicated in regulatory violations previously, including the transfer or sale of existing businesses already licensed, if the new owners have an adverse or negative history in the moving industry;

Related to the preceding point, because we believe that many rouge movers giving the moving industry a bad name are run by individuals who pay others to take record-ownership of the company to circumvent close FMCSA scrutiny and to obtain or retain carrier authority (straw-man strategies), require the FMCSA to conduct interviews of new applicants or restrict the free transfer of motor carrier authority already assigned to an existing company, thereby reducing or eliminating straw-man strategies.

If the FMCSA cannot or will not engage in faster and more aggressive license revocations, require the FMCSA to share with brokers its data on motor carriers so brokers can ensure they are not working with known problem-carriers.

We are aware that the Committee has been looking not only at post-estimate price increases but also at alleged “hostage” situations, where a carrier holds a consumer’s goods until the consumer pays fees in excess of the agreed-upon estimate. Budget does not tolerate true hostage situations and believes that motor carriers engaging in true hostage situations should have their licenses revoked and be subjected to civil and criminal penalties. True hostage situations are not good for consumers or the household goods transportation industry.

If we become aware of an alleged hostage situation involving one of our customers, we endeavor to engage directly with the motor carrier and use our influence to encourage the carrier to make things right with the customer by delivering the customer’s goods as promised in the applicable estimate and to comply with Federal regulations. Motor carriers that show a clear disregard for Federal regulations by willingly and knowingly creating true hostage situations are terminated from our network and will be reported to the FMCSA.

Nevertheless, we have encountered instances where alleged hostage situations were determined, after careful investigation, to be cases of honest misunderstandings between the parties. For example, when the goods to be moved or the services necessary to carry out the move are more than originally estimated, customers often sign a revised estimate before the carrier loads their property, agreeing to the additional charges. This scenario is permitted by Federal regulation allowing motor carriers to make necessary adjustments when a shipper’s situation has changed.

In cases where a customer refuses to pay additional charges pursuant to a signed revised written estimate, and subsequently lodges a complaint with us, we step in and endeavor to help the customer understand the estimate, the regulations and the circumstances warranting the additional charges. No matter what we do or say, we do not control the motor carrier, which is why more aggressive and prompt enforcement by the FMCSA would benefit brokers and consumers alike. Regardless of the circumstances, we strive to have motor carriers in our network deliver our customers’ goods without further delay and have those carriers paid the appropriate, lawful amount due them. From our analysis of complaints filed against us, only a few hostage allegations turned out to be true hostage situations.

Thank you for the opportunity to testify today and we look forward to working with the Committee on ways to improve the household goods customer experience. I welcome any questions you may have.