

HEARING ON OVERSIGHT
OF THE HOUSEHOLD GOODS
MOVING INDUSTRY

BEFORE THE HOUSE COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

JULY 12, 2001

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Mr. Chairman and Members of the Subcommittee, thank you for inviting me to appear before you today on behalf of the Federal Motor Carrier Safety Administration. I am concerned about the number of complaints my agency receives about household goods carriers and appreciate this opportunity to discuss potential solutions with the Highways and Transit Subcommittee.

At the outset, I must stress that most household moves go smoothly. Consumers are well served by registered, legitimate, safe, and efficient household goods carriers. However, we receive letters and complaints from distraught consumers who have their household possessions held hostage for exorbitant, unexpected fees.

A recent FMCSA enforcement case dramatically illustrates what some consumers are experiencing today. A Brooklyn moving company's practice was to accept shipments under non-binding estimates and then, after the furniture and possessions were loaded on a truck and driven away, call customers and tell them the cost of delivery had increased, sometimes as much as 400 percent. The distressed customers, panicked at the prospect of not seeing their goods again, would pay the inflated amounts. FMCSA investigated the company and, finding multiple violations of our regulations, assessed \$45,000 in civil penalties.

FMCSA is taking enforcement action against the most unscrupulous carriers and making progress in assisting consumers. Since 1998, when the Department of Transportation last testified before this Subcommittee on this matter, FMCSA has investigated 32 consumer

complaints against household goods carriers. Thirty have resulted in enforcement actions, including two revocations of authority, one civil injunction, twelve claim notices for fines ranging from \$5,000 to \$45,000, and seven warning letters. Four company officials have been jailed, and three cases are open for possible criminal prosecution. One company has gone out of business.

Today, I look forward to exploring with the Subcommittee new options to reduce household goods complaints. FMCSA knows that there is much work to do. We are looking for opportunities to work with Congress, States, consumer agencies, and others to address this problem.

Regulation of Household Goods Carriers

Until 1996, the Interstate Commerce Commission (ICC) issued and enforced consumer protection regulations to ensure consumers arranging an interstate move received basic information on tariffs, weighing practices, insurance coverage, requirements for delivery, and other matters. When the ICC was terminated in 1996, Congress transferred household goods regulation to the Department of Transportation and explicitly directed that the ICC's dispute resolution functions were to be discontinued. The legislation encouraged consumers to take household goods disputes directly to the courts.

Until August 2000, FMCSA addressed household goods complaints through a task force of employees who handled a broad range of safety and regulatory matters. Today,

FMCSA has two full-time teams devoted to household goods matters: a Consumer Affairs Team and a Household Goods Enforcement Team. Now five full-time employees are focused solely on these issues. We plan to add two additional household goods employees before the year ends, and in the future, as we streamline registration processes, we hope to reassign as much as 10 percent of our insurance and licensing staff to household goods enforcement. This could bring our total household goods personnel level to nine in two years.

We also have expanded the scope of our 24-hour toll-free hotline to receive consumer complaints. Hotline data will help us target problem household goods carriers for enforcement. These are carriers or brokers that demonstrate a significant pattern of noncompliance with our regulations and engage in flagrant or abusive practices that cause economic hardship or emotional trauma. By the end of this year we will establish a National Consumer Complaints Database (NCCD) that also will help identify the worst carriers.

Currently, FMCSA uses several criteria to target our investigations. We look at the number of complaints relative to the size of the carrier, the type of violations, and whether the carrier is properly registered. We determine whether the carrier has adequate insurance for the protection of the public. We also look at hostage shipment allegations and prior compliance and enforcement history of the carrier.

In addition to enforcement, we try to help consumers learn more about household goods transactions so they can make the best choices in selecting and negotiating with a moving company. If consumers are armed with knowledge about their rights and typical business practices they are less likely to be victims of unscrupulous companies.

We are developing a marketing plan to expand the reach of our consumer education information. FMCSA hopes to complete its marketing plan by the end of FY 2001 and initiate it in the first quarter of FY 2002. This plan will include providing additional information and recommendations for consumers on FMCSA's web site, such as news releases on enforcement actions, consumer tips, and household goods (HHG) motor carrier complaint information. We will make improvements to our toll-free hotline and plan to establish a partnership with the American Moving and Storage Association.

FMCSA will also seek out additional partnerships by expanding its public outreach to the American Automobile Association, the American Association of Retired Persons, and State consumer protection agencies.

FMCSA is also seeking additional data about household goods carriers from consumer complaints filed with local Better Business Bureaus. It may be that this data should be included in our complaint database to help us identify problem carriers. ICC investigators routinely made use of Better Business Bureau data during their investigations.

The FMCSA activities listed above are still not enough to deter unscrupulous movers from defrauding large numbers of consumers. More must be done if the public is to be protected satisfactorily.

I assure you that FMCSA will be working to strengthen its efforts on behalf of consumers consistent with our safety mission and seeking additional partnerships to improve the reliability of interstate household goods moves.

I would be pleased to answer any questions you may have.