

L/bjk

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Order Instituting)
Investigation on the Commission's own)
motion into the operations and)
practices of Mike Amos Galam, an)
individual doing business as Load,)
Lock N Roll,)
Respondent.)

FILED
PUBLIC UTILITIES COMMISSION
MARCH 12, 1998
SAN FRANCISCO OFFICE
1.98-03-012

ORDER INSTITUTING INVESTIGATION
AND ORDER TO SHOW CAUSE

The California Public Utilities Commission [Commission] is the agency responsible for regulation of intrastate transportation of used household goods, personal effects and furniture pursuant to the California Constitution, (Article XII), the Household Goods Carriers Act (Public Utilities Code sections 5101, et seq.), the Commission's Maximum Rate Tariff 4 [MAX 4], and Commission General Orders [G.O.s] 100-L, 136-B, 139-A, 142, and others. These statutes and regulations require, among other things, that household goods carriers: operate only in a responsible manner in the public interest; procure, continue in effect, and maintain on file adequate proof of public liability/property damage, cargo, and workers' compensation insurance; and observe rules and regulations governing the acknowledgement and handling of claims for loss and damage, issuing of estimates, execution and issuance of documents, training and supervision of employees, maintenance of equipment and facilities, and rules pertaining to rates and charges. The California Public Utilities Commission is the

primary agency responsible for enforcement of these and other statutes and regulations governing household goods carriers. These other statutes and regulations include general consumer protection and public safety provisions.

Consumer Services Division Special Agents (Staff) advise us, through the declaration supporting the instigation of this investigatory proceeding, that it has begun an investigation into the business practices of Mike Galam, dba Load Lock N Roll [LLNR], T-165,427, who operates a moving service in the Los Angeles area. Staff's investigation of LLNR found many alleged violations of the Household Goods Carriers Act and Commission rules and regulations, and found complaints from customers of threatening, abusive behavior and alleged assaults upon two of them by LLNR employees.

LICENSE HISTORY

Mike Amos Galam, dba Load Lock N Roll, holds household goods carrier permit number T-165,427. The permit was issued to LLNR on December 13, 1989, pursuant to an application filed on October 26, 1989. The carrier's address is 6820 Santa Monica Blvd., Los Angeles, CA 90038. The permit names Gregory Sprague as the person who has established his knowledge and ability to enable the permittee to engage in business as a household goods carrier (Qualifying Employee).

THE INVESTIGATION

The Staff says that it opened its investigation into LLNR primarily in response to serious customer complaints and allegations received by the Consumer Services Division. The complaints alleged: bait and switch tactics; loss or damage; no informational booklet given; a lack of responsiveness to customer complaints on the part of LLNR; and rude or threatening behavior by LLNR employees. Complainants alleged that unwritten estimates were given from LLNR and then not honored. Following is a summary of staff's allegations.

Inspection of Documents

Staff's review of more than four hundred shipments disclosed a large number of improperly-documented moves in violation of MAX 4 Rules. Deficiencies found include: (1) a preprinted Not To Exceed price of \$10,000 on the Agreement For Service, rendering this provision meaningless; (2) failure to record loading, driving, unloading times; (3) lack of points of origin and destination; (4) improper time computations; (4) failure to issue an Agreement For Service for each move performed; (5) failure to provide shipper information booklets to customers; and (6) failure to obtain customer signatures and acknowledgments of insurance options available. Further, some of these shipments were apparently not accompanied by a receipt showing that the shipper had received the consumer information booklet. If true, we find this especially distressing, as the booklet and contracts, properly and timely executed and issued, are the very documents which we intended for all shippers to receive, sign (or sign for), and rely on prior to any service commencing. As such, they are often the only guarantee that shippers have the opportunity to be informed of their rights and obligations and those of the carrier, and of the rates and charges for transportation and other services, before the move begins and the carrier takes possession of the shipper's personal belongings.

Staff also observed that more than 200 of the 400 Shipping Orders and Freight Bills examined failed to show an accurate "Not To Exceed Price," or included a "Fuel Surcharge" in violation of MAX 4. The Not To Exceed Price is an important consumer protection rule pertaining to maximum charges which may be assessed under MAX 4. Staff's investigation reveals that there were disputes as to total charges assessed from some of these moves.

Survey of Customers

Staff says that it mailed a survey to the customers shown on Contracts for Service and carrier claim records they had examined. Surveys were

mailed to LLNR customers in June and July 1997. Staff received responses from 126 customers. Sixty seven [67] indicated satisfaction with their move while fifty nine [59] were not satisfied. Six did not recall receiving the consumer booklet. Fifty two [52] replied they had received verbal estimates. Fifty-nine [59] of the surveyed customers had complaints in at least one of the following areas: loss and damage; verbal estimates; charges exceeding the estimate; no booklet given; threats and rude treatment by LLNR staff and failure to bring at the scheduled time a truck large enough to transport the goods.

Better Business Bureau/Court Records

Staff found eighteen complaints on file in the Los Angeles County Office of the Better Business Bureau [BBB] submitted from April, 1995 to July, 1997. Complaints involved unfulfilled contracts or service. Staff noted nine complaints of record in civil or small claims courts. Complaints cited overcharges, loss and damage, negligence, breach of contract, or assault and battery.

Additional Complaints/Consumer Interviews

The records of the Consumer Services Division, disclosed five additional complaints submitted against LLNR. These complaints included allegations of loss and damage to goods and overcharges. Consumers interviewed complained of "bait and switch" tactics; "holding goods hostage" for additional payments; overcharges on estimated shipments (verbal); rude and abusive behavior from LLNR employees and its owner, Mike Galan; the dispatch of inexperienced crews and inadequate equipment; failure to provide written estimates or agreement for services documents, failure to state accurate "not to exceed" prices or to provide shipper information booklets as required by MAX 4 rules. These and other allegations are detailed further in the declaration in support of issuance of this investigatory proceeding by Staff.

DISCUSSION

After the issuance of operating authority, we exercise continuing oversight of the carrier's fitness. Public Utilities Code section 5285 authorizes the Commission, upon complaint or on the Commission's own initiative, after notice and opportunity to be heard, to suspend, change, or revoke a permit for failure of the carrier to comply with any of the provisions of the Household Goods Carriers Act or with any order, rule, or regulation of the Commission or with any term, condition, or limitation of the permit. Section 5139 gives the Commission power to establish rules for the performance of any service of the character furnished or supplied by household goods carriers.

We require carriers, in MAX 4 (Item 88), to furnish to each prospective shipper a copy of the information contained in Item 470, the booklet entitled Important Information For Persons Moving Household Goods. We further require the carrier to provide this information at the time of first in-person contact between the carrier's personnel and the shipper or shipper's representative. To ensure that this is done, the Tariff also requires the carrier to obtain the shipper's signature showing that the shipper has received this booklet, and to retain such receipts in the carrier's records for three years. When we promulgated MAX 4, we were so concerned that each and every prospective shipper obtain this vital informational booklet at the outset of their dealings with movers, that we mandated that carriers pay one hundred dollars [\$100.00] to the shipper upon completion of each move in which the carrier fails to comply with these requirements in their entirety. The very least we expected to accomplish by this mandate is to ensure that each customer knows the name of the primary agency to which complaints should be addressed for investigation and resolution.

MAX 4 (Item 128) requires the carrier to properly and timely, execute prescribed documents containing specified information so that each is signed by carrier and shipper prior to commencement of any service. These

documents, referred to collectively herein as "contracts", are to contain such information as the scope of service to be provided, the rates and/or charges for those services, information regarding insurance and valuation, number and names of drivers and helpers, equipment to be provided, and rights and obligations of carrier and shipper. Under MAX 4, this "Agreement For Service" is to be provided to the shipper, where possible, no less than three days prior to the date of the move. The Agreement For Service is also to contain a "Not To Exceed Price". All of these provisions are intended as a further guarantee that shippers have an opportunity to be fully informed before relinquishing to the carrier their most personal and valuable possessions. Again, we are concerned by Staff's report that there is no evidence of properly or timely executed contracts among many of the LLNR documents examined.

MAX 4 (Item 108) contains rules governing the issuance of estimates. Paramount among these requirements is the rule that all estimates shall be in writing upon prescribed forms, and shall be based upon visual inspection of the goods to be moved. The Tariff provides for a maximum allowable charge for estimated shipments. These estimating rules were intended to protect both consumers and competing carriers from the illegitimate practice of deliberate underestimating as a competitive practice by household goods carriers. We note the apparent presence of disturbing patterns from the consumer complaints brought to our attention by Staff, with regard to both the issuance of oral estimates without visual inspection, and charges in excess such of unwritten estimates.

MAX 4 (Item 132) requires carriers to provide a Freight Bill to each shipper, properly executed upon prescribed forms and containing specified information about the shipment, services provided and their rates and charges, units of measurement, helpers and packers, the carrier's signature, and the "Not To Exceed Price". Also required, under this Item and Item 36 of the MAX 4 Tariff, is a legible record of all starting and ending times for each phase of service: packing,

loading, driving, and unloading, and a record of deductions in time, if any. Again, we are concerned that apparently many Freight Bills and other documents that staff reviewed failed to meet this requirement, and we note that there are instances where the amount of carrier time spent performing these services is in dispute by shippers.

Our G.O. 142 (2) (a), requires that household goods carriers have competent, trained, and supervised crews on all household goods moves, and we generally share staff's view that at the very least the mover's crew chief should be trained and experienced and provide adequate supervision of the other crew members. We promulgated G.O. 142 to protect shippers from excessive charges and excessive loss and damages resulting from the use of inexperienced, inefficient crews, , and further to protect the crew itself from on-the-job injuries.

G.O. 142 (1) (b) further requires that, for shipments transported at hourly rates, the carrier shall make a reasonable effort to determine the size of motor vehicle appropriate to provide an adequate transportation service under the particular circumstances of the movement the carrier is requested to perform. This rule provides that if the carrier fails to make such a reasonable effort, or having made it, fails to provide such equipment, the shipper shall not be charged any driving time for excess motor vehicle equipment which is supplied.

MAX 4 (Item 92) also prescribes rules governing the handling of claims for loss or damage. Claims must be filed in writing and must meet the minimum filing requirements contained in Item 92, paragraph 2. Upon receipt of such a claim, carriers are required to acknowledge receipt to the claimant, in writing, within thirty [30] days. Carriers are further required, where possible, to pay, decline to pay, or make a firm compromise settlement offer in writing within 60 days, or to advise the claimant within that time, in writing, of the status of the claim and reasons for the delay. Staff reports to us that several of the claims of which it has knowledge failed to meet the minimum filing requirements under Item

92. We also note the apparent existence of another disturbing pattern among the allegations contained in these consumer complaints: that LLNR appears to employ intimidation and a variety of other tactics to discourage anyone attempting to file or pursue such a claim. LLNR has apparently denied claims solely based upon the fact damage was not noted at delivery, a practice expressly forbidden under section 5241. LLNR customers have said that the movers refused to leave until the customers signed shipping documents which indicated that all items were received without damage, an apparent pressure tactic.

We place tremendous trust in household goods carriers in granting them operating authority, a trust equaled by that of our citizens who tender their most personal and treasured belongings to movers. This carrier's alleged pattern of violations the mistreatment of consumers is serious. The respondent should recognize that the Consumer Services Division's allegations described herein are grave, and if substantiated through hearing may well constitute grounds for revocation of the respondent's operating authority or other appropriate sanctions and remedies.

It appears that the respondents may have:

1. Allowed employees to threaten and act in an assaultive manner toward consumers, which can constitute a grounds for revocation under Public Utilities Code section 5135;
2. Violated sections 5133 and 5284 of the Public Utilities Code by conducting operations as a corporation without first having secured from the commission an order authorizing the transfer of a household goods carrier permit to the carrier;
3. Violated section 5245 of the Public Utilities Code by giving estimates not in writing or not based upon visual inspection of the goods to be moved, in violation of Item 108 of MAX 4;

4. Violated section 5139 of the Public Utilities Code, Item 36 of MAX 4 and California Business and Professions Code section 17200 through unfair "bait and switch" business practices, to wit: improper computation of the time and rates of moves, adding a five percent fuel surcharge and cash "discounts" not previously disclosed to its customers;
5. Violated sections 5139 and 5241 of the Public Utilities Code and Item 92 of MAX 4 by denying claims solely because the lost or damaged goods were not noted at the time of delivery, and by failing to maintain a claims register or to acknowledge and process loss and damage claims in a timely manner;
6. Violated section 5139 of the Public Utilities Code, Item 128(2)(q) of MAX 4 and section 17200 of the California Business and Professions Code through the device of an unreasonably high preprinted Not To Exceed Price of \$10,000 which has no relevance to services actually performed;
7. Violated section 5139 of the Public Utilities Code and Commission General Order 142 by permitting the use of inadequately trained or supervised crews and by failing to make a reasonable effort to determine the size of motor vehicle equipment appropriate for moving services requested;
8. Violated section 5139 of the Public Utilities Code by failing to show on shipping documents information required by Items 36, 128 and 132 of MAX 4, including a record of all starting and ending times for each phase of service rendered, points of origin and destination, and signatures;
9. Violated section 5139 of the Public Utilities Code and Item 128 of MAX 4 by failing to execute and provide an Agreement For Service to each shipper prior to commencement of any service ;

10. Violated section 5139 of the Public Utilities Code and Item 88 of MAX 4 by failing to furnish to each prospective shipper a copy of the information specified in Item 470 of MAX 4;
11. Violated section 5139 of the Public Utilities Code and Items 128 and 136 of MAX 4 by failing to have shippers acknowledge and execute insurance valuation options.

IT IS ORDERED that:

1. An investigation on the Commission's own motion is instituted into the operations and practices of the respondent, Mike Amos Galam, an individual doing business as Load Lock N Roll. A public hearing on this matter shall be held expeditiously before an Administrative Law Judge (ALJ) at a time and date to be set at the prehearing conference. At the hearing, the respondent shall appear and show cause why his permit should not be revoked for cause and lack of fitness in view of the above listed allegations made by Staff, assuming the allegations are proven at the hearing, and/or whether other sanctions should be imposed by the Commission. The respondent is also placed on notice that he may be fined for violations to the extent provided in the Household Goods Carriers Act, sections 5101 et seq. of the Public Utilities Code.

2. During the pendency of this investigation, it is ordered that Respondent Mike Galam, dba Load Lock N Roll, shall cease and desist from any violations of the Household Goods Carriers Act, including Maximum Rate Tariff 4 and G.O. 142.

3. The Consumer Services Division staff, if it elects to do so, may present additional evidence beyond that described in the declaration issued with this order, either by testimony or through documentation, bearing on the operations of the respondent and their treatment of shippers.

4. Scoping Information: This paragraph suffices for the "preliminary scoping memo" required by Rule 6(c). This enforcement proceeding is adjudicatory, and, absent settlement between staff and the respondent, will be set for evidentiary hearing. A hearing may also be held on any settlement for the purpose of enabling parties to justify that it is in the public interest or to answer questions from the ALJ about settlement terms. A prehearing conference will be scheduled and held within 40 days and hearings will be held as soon as practicable thereafter. Objections to the OII may be filed but must be confined to jurisdictional issues which could nullify any eventual Commission order on the merits of the issues about violations of statutes, rules, regulations or orders.

5. The Executive Director shall cause a copy of this order and the staff declaration to be personally served upon respondent, Mike Amos Galam, dba Load Lock N Roll, 6820 Santa Monica Blvd. Los Angeles, CA 90038. The Executive Director shall also cause a copy of this order and the staff declaration to be sent by first class mail to the respondent's counsel: Martin L. Grayson, Attorney at Law, One World Trade Center Suite 1590, Long Beach, CA 90831-1590.

This order is effective today.

Dated March 12, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners