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Agent for Allied Van Lines

Pennsylvania Public Utility Commission  
Rosemary Chiavetta  
Secretary  
PO Box 3265  
Harrisburg, PA 17105-3265

December 19, 2013

Dear Secretary Chiavetta,

I am offering comment on the proposed rulemaking, L-2013-2376902, by the PA PUC that was published in the November 23, 2013 PA Bulletin. I would appreciate it if you would forward my comments on to the Commission.

Although I do not disagree with all that they are proposing I do believe that they do not have a full understanding of the household goods industry in Pennsylvania and the effect that these changes will have on the existing carriers.

I think the executive summary is faulty logic, "due to increased competition in this industry...". By eliminating the requirement that an applicant for household goods in use authority prove useful public purpose and public demand or need the PUC is creating additional competition in an industry that has a lot of over capacity nine months out of a year. This proposed change along with the other corollary changes I think are wrong as proposed! Not sure who this is helping. If it can't be a win - win then it won't work in the long run.

The household goods moving industry in PA has about 300 moving companies. Most of these carriers are family run businesses, almost all are classified as small business and most have been in existence for 25 years or more. Almost none of them have access to the capital markets and their business equity is usually in the land that their buildings are on. The PUC has limited PA certificated movers to an operating margin of no lower then 93% otherwise you may not be approved for a rate increase. So the equity movers have built in their businesses has come very slow and over many years.

The Commission is use to dealing with very large utilities such as gas, electric and phone companies. You say we have a low barrier to entry. As a small business try going out and purchasing a new 26" straight truck for \$90,000 or a tractor trailer unit for \$160,000. Oh yeah, throw in the \$12,000 for family health insurance and \$12,000 for workers compensation per employee. As small business owners we need to protect our investments. As proposed, your rule will bring down the small movers in PA. You will soon see UPS, FedEx, Yellow Freight and ABF as the movers in PA.

There already is a rumor that some of the major national moving companies such as SIRVA(Allied Van Lines & North American) and Unigroup (United Van Lines & Mayflower) are interested in setting up authority in our state. The PUC authority that PA movers now hold will become worthless overnight and we will be run out of town by the big national companies. This will not be a winning hand for the current movers or the general public.

In 2003 – 2004 a company that I operate, Keystone Relocation, LLC applied for authority in Centre County. We spent \$50,000 in attorney fees and company time to prepare to prove public demand for our services. It took 20+ months but we prevailed. At that time the Administrative Law Judge saw that Keystone Relocation, LLC had done a good job proving our need for an additional carrier in Centre County. This proposed rule will negatively impact our company and the value of this asset.

Why can't there be a limited number of movers in the state? There are a limited number of banks, limited number of taxi cab medallions in the larger cities, limited number of liquor licenses in our communities.

If your proposed rulemaking is to move forward I think the PA movers need to be given more voice in the changes. In order to protect existing movers such changes must include some provision to protect the value of what we have and I suggest considering the following:

- A. For a period of 5 years no new applications for authority are accepted while existing movers become accustomed to their new statewide authority. Statewide authority all at once for existing movers will be like adding hundreds of new movers. This could be exciting for our industry. Those who do not take advantage of this 5 year window will be on the outside looking in after 5 years because I do believe there could be a large number of new entrants into the household goods industry.
- B. Eliminate the operating margin requirement of 93% or more. Talk about archaic; the market will take care of those who try to get greedy. But super service will bring higher margins to those who earn them. Apple and Microsoft are around 50% operating margin
- C. Insurance of one million is pretty standard, Start it now.

- D. At the end of five years new applicants must have skin in the game through ownership of a commercial moving & storage property in PA where their business is established. Also increase the application fee to make the entrant prove they are serious. This would benefit the state. Also during this five year roll in the state should invest in their enforcement team and start with cracking down on the rogue operators and putting stiffer fines in place for violators that lack authority.

These are ideas to consider before making the proposed rule change. Your desire to increase competition is okay if those with the investment in existing business can also benefit from the changes. Right now you are forgetting about the small family business owner who has spent the best part of their life building a business. This needs to end up being a win-win for all.

Respectfully,



R. Jack McKernan

President

Williamsport Moving Co. Inc. A-0089650

Keystone Relocation, LLC A-0121721

Cc: PA Senator Gene Yaw

Representative Garth Everett

IRRC – Chairman Lutkewitte

PA Moving & Storage Associates

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