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**Testimony Presented by
Warren King, President
Better Business Bureau of Western Pennsylvania
Before the House Labor Relations & Professional Licensure Committees
On Licensure of Construction Trades**

Good afternoon Chairman Sturla, Chairman Adolph, Chairman Belfanti, Chairman DiGirolamo and members of the House Labor Relations & Professional Licensure Committees.

Thank you for allowing your Better Business Bureau (BBB) to address you on Licensure of Construction Trades. My name is Warren King, president of the Better Business Bureau of Western Pennsylvania and Governor of the Northeast Region of the BBB. I took over the president's position in June 2005 after working at the BBB of Upstate NY (Buffalo) since 1985.

The original purpose of the Better Business Bureau, established in the early 1900's and locally in 1931, was to correct advertising abuses. In response to marketplace demand, that mission soon expanded to include monitoring of business performance and providing consumers with vital information on the activities of businesses. The BBB system comprises of 178 offices and branches throughout the US and Canada. Annually, we provide more than 100 million instances of service which consists of over 49 million company reliability reports (inquiries) requested by the public. The BBB system also assists consumers and businesses by providing conciliation services for over 1.1 million marketplace disputes.

There are 2 separate BBBs serving the state of Pennsylvania. One based in Philadelphia which covers the eastern half of Pennsylvania and another in Pittsburgh servicing the western half. BBB services are available 24-7 at www.bbb.org or by contacting your local office. The BBB is a non-profit membership organization with 9,000 businesses that support our efforts. The information in this testimony consists of data from both BBB offices covering the state of Pennsylvania.

While the BBB does not have regulatory authority we work closely with different government agencies. It is not unusual for the Federal Trade Commission, Attorney General, Banking Commission, Public Utility Commission and others to request our data to assist in their investigations. Many law enforcement agencies recognize the BBB as the first line of defense for the consumer and they utilize our information.

As one way of fulfilling its mission to foster marketplace self-regulation, the BBB develops company reliability reports about businesses based within their service territory. We have over 81,000 company reliability reports on businesses (BBB accredited & non-accredited) throughout Pennsylvania with access to over 3 million national reports. BBB company reports are intended to provide consumers with an informative, accurate and unbiased summary of information documented over the past 3 years found in the Bureau's file.

The Bureau's right to develop and issue reports is protected by the First Amendment. We also have a legal right to issue an opinion based on facts as to whether a company does or does not have a "satisfactory record" with the BBB.

In addition, most courts except Pennsylvania and a few other states, have held specifically that BBBs have the right to make fair comment to the public on commercial enterprises, and that BBBs have a 'qualified privilege' to do so.

Pennsylvania law (as interpreted through court orders) states that the standard for overcoming our privilege to make derogatory statements about companies may be overcome where we are negligent (or lacked reasonable care) in making the statements offered. The BBB would ask the legislature for any assistance in changing Pennsylvania law in allowing the BBB and other similar reporting agencies to have qualified privilege like most other states.

During our standard 3 year reporting period (June 2005 - June 2008) the BBBs serving Pennsylvania provided over 9 million company reliability reports on businesses located in the state. These reports provide basic information about the company, history of reportable complaint activity and may included general advice about the industry and contact information for the regulatory agencies which license the businesses. We feel that the information in our company reports assists the public in making an educated and wise buying decision.

During the same 3 year reporting period, we processed over 225,000 complaints filed against businesses (BBB accredited & non-accredited) in Pennsylvania. The average complaint settlement index is 72% which is where the consumers verify that their complaint is resolved or the BBB determines that the company has resolved the issues addressed in the dispute.

The below list represents an example of 20 construction related industries showing the number of company reliability reports provided to the public, unresolved complaints, total complaints and percentage of unresolved complaints compared to the total complaints by type of business during the past 3 years.

Type of Business	Company Reliability Reports	Unresolved Complaints	Total Complaints	% Unresolved
Contractors-General	214,814	844	2168	39%
Remodeling Contractors	192,504	406	1047	39%
Roofing Contractors	238,285	410	1611	26%
Home Builders	137,878	128	881	15%
Plumbing Contractors	119,326	191	1037	18%
Heating Contractors	134,413	114	915	13%
Electrical Contractors	86,862	108	620	17%
Painting Contractors	49,991	123	337	37%
Landscape Contractors	66,485	176	764	23%
Paving Contractors	49,735	219	577	38%
Masonry Contractors	27,831	130	274	47%

Window Contractors	137,263	158	1,724	9%
Swimming Pool Contractors	100,763	79	983	8%
Home Improvements	74,405	97	1,286	8%
Air Conditioning Contractors	42,702	37	233	16%
Fence Contractors	33,225	69	205	34%
Bathroom Remodeling	31,731	58	244	24%
Concrete Contractors	28,476	87	279	31%
Tree Service	26,353	62	224	28%
Floor Laying	22,057	57	152	38%
*Total	1,815,049	3,553	15,561	23%

*The total numbers are exclusive of hundreds of other construction related industries that are in the BBB database.

Unlike some of the associations that are testifying before you today that are made up of only certain types of businesses, the BBB has over 1,000 different industries represented in our database. Historically, the construction trade ranks as the top industry generating BBB activity every year.

All companies are bound to have some dissatisfied customers. The majority of businesses resolve their issues without the BBB or other dispute resolution mechanisms. The consumer turns to the BBB for assistance only after they feel the company has been unresponsive to their concerns. Even then past studies have shown that for every one complaint we receive seven go unreported.

I applaud the House Professional Licensure and Labor Relations Committees recognizing the problem of construction related fraud. It's my humble opinion that what is needed are stronger regulations and laws – just as important is being able to enforce those laws.

In putting together this testimony I polled BBBs in Arkansas, Arizona, California, Florida, Indiana, Louisiana, New Jersey, North Carolina, Virginia, Texas and others whose states have contractor licensing boards. Overwhelmingly their position is that one statewide board be used for all trades. Those states that have boards set up regionally or by county expressed deep concern that too much confusion is caused not only for the public but also for the businesses. There was a mixture of which governing body the Board falls under – most are under the umbrella of similar departments like Business & Professional Regulation.

Many of my counterparts feel as a whole that the boards do a fair job but are overburdened because of the magnitude of complaints and licenses. To have an effective Pennsylvania Contractor Licensing Board it must have the support of the regulatory agencies enforcing the laws, educate the marketplace, have easy public access to current licensing information, be prepared for the onslaught of activity it will create and have the commitment and power to regulate an already problematic industry.

Thank you for inviting your Better Business Bureau to be part of this hearing for Licensure of Construction Trades. I'd be happy to answer any questions you have.