



April 16, 2021

Privacy and Consumer Protection Committee
Room 162, Legislative Office Building
1020 N Street
Sacramento, CA 95814

RE: Assembly Bill 286 - Imposing Price Controls on Third-Party Delivery Services

Dear Assembly Members:

The undersigned community stakeholders would like to express our concerns regarding [Assembly Bill 286](#) (AB 286) currently under consideration by members of the Assembly Privacy and Consumer Protection Committee. It is our consensus that statewide price controls will have adverse effects on the entire supply chain of restaurants, delivery personnel and consumers.

As the draft legislation explains, California's restaurant industry has faced unprecedented financial obstacles as a result of the public health emergency. Over the last year, third-party delivery platforms have provided an invaluable service for restaurants because of pandemic-related restrictions on dining.

Restaurants have a choice. They have the option of providing delivery on their own, just as many pizza and other establishments have done for decades. But many, after looking at the investments required, have opted instead to work with third-party food delivery services. Commissions, which are agreed upon by the third-party delivery services and restaurants, help pay for this service and cover costs, such as driver pay, insurance, background checks, marketing and advertising, 24/7 customer service, credit card processing fees and other programs that restaurants select. Studies have even shown that restaurants collaborating with third-party delivery platforms are up to eight times more likely to have remained open during the COVID-19 pandemic compared to U.S. restaurants as a whole.

Third-party delivery services have helped bridge the gap between restaurants and customers and provided a dependable revenue stream for them and their workers during the pandemic. Nevertheless, price controls championed by California State Assemblywoman Lorena Gonzalez (D-San Diego) are asking these companies to continue providing a necessary service for restaurants while cutting the means to pay for the service.

Without adequate compensation, third-party delivery platforms could reduce or cut service areas entirely, or be forced to raise consumer prices, each of which will harm local constituents. Moreover, if prices for consumers go up, demand and use of the platforms will surely go down, which could trigger a cascade of negative impacts, including fewer income-earning opportunities for delivery drivers, lost revenue for restaurants and lost sales tax revenue for state and local government.

To make matters worse, this type of price control legislation would disproportionately harm smaller restaurants and the businesses that policymakers deem most vulnerable. Price controls limit the options of small businesses to compete against larger businesses and franchises that can absorb the costs of delivery and spend significantly on advertising and marketing.

Moreover, Section One of AB 286 provides several declarations to justify legislative action on a statewide policy, one of which asserts that there is an “imbalance in negotiating power with smaller restaurants” and these platforms. That is simply not true. There are already several providers in the marketplace that offer their own set of products and services, at different price points, which allow restaurants the opportunity to select the right choice for them.

It is laudable that elected officials are eager to support local restaurants. However, the notion that third-party delivery companies are “capitalizing on the COVID-19 crisis by charging restaurants higher fees and charges despite lower overall restaurant revenues” is hyperbolic and misleading. There is no proof that commissions have increased due to the pandemic. Additionally, many of these companies have provided tens of millions of dollars in grants or direct relief to support delivery personnel and restaurants during the pandemic.

The establishment of a price control scheme for contracts between private third-party delivery platforms and restaurants proposed under AB 286 would only sever an important lifeline for California restaurants, especially independent, mom-and-pop businesses.

Thank you for your time and consideration regarding this important issue.

Sincerely,

Jeffrey Mazzella
President
Center for Individual Freedom

Mario H. Lopez
President
Hispanic Leadership Fund

Steve Pociask
President / CEO
American Consumer Institute

Karen Kerrigan
President & CEO
Small Business & Entrepreneurship Council

Matthew Kandrach
President
Consumer Action for a Strong Economy