



November 30, 2021

**Testimony of Montana Williams
Director, State and Local Public Policy
Chamber of Progress**

**Philadelphia City Council
Committee on Commerce & Economic Development**

**Item 210670: An Ordinance amending Chapter 9-5100 of The Philadelphia Code, entitled
"Food Delivery Services," to modify the limitation on fees charged to food service
establishments; all under certain terms and conditions.**

Dear Chair Squilla and members of the committee,

My name is Montana Williams and I am the Director of State & Local Public Policy with the Chamber of Progress. We are a center-left tech industry coalition promoting technology's progressive future; our organization works to ensure that all Americans benefit from technological leaps. Our corporate partners include companies like DoorDash, Grubhub, and UberEats, but our partners do not have a vote on or veto over our positions.

During the pandemic, cities around the country designated food delivery as an essential service. App-based delivery provided a safe and convenient alternative for families to get their meals and provided consumers with security and peace of mind by conducting thorough background checks, secure credit card processing, and exceptional customer service. App services also provided logistical assistance for a network of drivers, and provided smaller, independent, and minority owned restaurants the opportunity to connect with customers and generate business in tough times.

In a well-intentioned effort to protect restaurants, Philadelphia imposed a temporary 15% cap on the fees paid by restaurants to delivery services. We've seen firsthand how these fees have placed a financial burden on families, drivers, and minority owned restaurants.

Fee caps hurt families, drivers, and restaurants. While restaurants might have been paying lower fees, delivery services still had to pay drivers, conduct background checks, and handle customer inquiries. Families ordering local delivery ended up covering restaurants' tabs through higher prices or recovery fees. If the city sets a fee cap of 15%, families will take on even higher expenses. Families will begin to place smaller or less frequent orders, driving down demand, leading to an even greater loss in wages for resident-delivery drivers, and raising prices for customers to compensate across the board.



Cities with fee caps saw chain restaurants thrive and independent restaurants decline. After experts analyzed 14 U.S. cities that implemented temporary or permanent fee caps, studies showed **national chains fared better while independent restaurants fared worse.** The demand for chain favorites in regulated cities was 3.6% higher than in non regulated cities, while independent restaurants were 6.8% lower.¹ These are likely driven by the increase in delivery fees put on consumers and changes in how platforms market independent restaurants.

New delivery fee tiers make fee caps an outdated and unnecessary tool, denying restaurants choices. As a result of feedback from restaurants, services like DoorDash, Grubhub, and Uber Eats now give restaurants the option to choose which service level — and commission rate — they prefer. This gives them the flexibility, control, and power to choose with services they would like to utilize that will ultimately help their business.

If Philadelphia sets the fee cap to 15%, it will eliminate the tools local, minority, and independent restaurants might need to grow.

In the face of these developments, cities that have implemented permanent fee caps are rightly having a change of heart. Though the San Francisco Board of Supervisors recently passed a permanent fee cap of 15%, Mayor London Breed refused to sign it into approval, saying the cap “oversteps what is necessary for the public good.”² We encourage the City of Philadelphia to avoid making the same mistake.

While Philadelphia’s delivery service fee caps are well-intentioned, their adverse consequences for families, restaurants, and drivers are now clear. The city of Philadelphia cannot continue to prioritize restaurants’ bottom lines over consumers. As we emerge from the pandemic, we encourage the City Council to leave the delivery fee cap behind. Thank you.

¹ Zhuoxin Li & Gang Wang, *Regulating Powerful Platforms: Evidence from Commission Fee Caps in On-Demand Services*, (Nov. 2021) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3871514

²Letter from Mayor London N. Breed of San Francisco, <https://sfgov.legistar.com/View.ashx?M=F&ID=9617100&GUID=A4EE06FE-CC62-4BE2-B916-7DC877CD8B8F>