

MOTION BY SUPERVISORS HILDA L. SOLIS
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Capping Fees for Third-Party Delivery Service Platforms in Unincorporated Communities

On March 4, 2020, Governor Gavin Newsom proclaimed a State of Emergency in California as a result of the novel coronavirus (COVID-19) global pandemic. In tandem with the statewide emergency, the County issued a “Safer at Home” Order requiring all residents to stay at home or their place of residence, unless performing certain essential activities. On May 29, Governor Newsom approved a variance for Los Angeles County to reopen various parts of its economy, including restaurants which can now operate for dine-in at 60% capacity while following the County’s public health guidelines.

However, despite being allowed to reopen for dine-in operations, restaurants and food establishments across Los Angeles County will still be struggling to survive. Many of these establishments utilize third-party delivery platforms such as Postmates, Door Dash, Grub Hub, and Uber Eats to meet their delivery needs, and these companies have experienced a surge in demand during the COVID-19 pandemic.

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These third-party delivery platforms typically charge fees or commissions for their services. While each service agreement or commission model varies, restaurants and other food establishments are often charged as much as 30% of the purchase price per order for services from third-party delivery platforms. Restaurants, particularly small, independently-owned, family-owned, or minority-owned businesses, must accept the steep fees or risk danger of closing due to lack of business. Many restaurants have limited bargaining power to negotiate lower fees with third-party platforms due to the limited number of companies that provide such services which keep these restaurants in operation.

Many third-party delivery platforms employ vulnerable workers that have found work opportunities as delivery drivers to financially support themselves and their families. These third-party delivery platforms could further undermine these vulnerable workers if the companies reduce compensation to the delivery drivers as a result of capping delivery fees and the imposition of additional fees.

WE, THEREFORE, MOVE that the Board of Supervisors direct the Chief Executive Officer, in consultation and collaboration with the County Counsel, the Department of Consumer and Business Affairs, the Department of Workforce Development, Aging and Community Services and other relevant Departments, and after considering feedback from labor and business representatives, and members of the County's Economic Resiliency Task Force representing Restaurants, Small Business, and Labor, to report back prior to the July 7th Board of Supervisors meeting with Draft Ordinance language to cap fees for third-party delivery platforms charged to food establishments located within

the unincorporated areas of the County of Los Angeles. The Draft Ordinance, at a minimum, should investigate the following:

1. A cap on the commission fees that third-party food delivery services charge on the purchase price of the order;
2. A cap on any additional fees charged by a third-party food delivery platform beyond those fees charged for delivery of each order;
3. A fee that can be imposed on third-party food delivery platforms for all deliveries to create a Countywide fund that could be used for assisting certain food establishments and their workers as well as for economic development activities; and
4. Prohibiting third-party food delivery platforms from reducing compensation paid to delivery service drivers or garnishing any of the gratuities paid to delivery service drivers as a result of any caps or fees implemented.

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