



Additional Documents List

Special City Council Meeting

May 13, 2020

Item No.	Agenda Item Description	Distributor	Document
3	Discussion Regarding Regulation of Third Party Food Delivery Services (No Staff Report)	Management Services	City of Los Angeles Motion to Limit Third Party Food Delivery Fees

MOTION

Third-party food delivery companies such as Grubhub, Uber Eats, DoorDash, and Postmates provide residents with delivery from local restaurants. However, these companies charge restaurants commissions that can reach 30 percent, potentially wiping out any profit that a local business might make from a delivery order. With an increasing amount of food delivery business being performed through online third-party services, restaurants must comply with these companies' steep fees or risk losing customers.

The COVID-19 pandemic has forced profound changes on the way residents and businesses access food. As of April 16, 2020, the virus has accounted for 10,496 identified cases and 402 deaths in Los Angeles County. On March 4, 2020, Mayor Eric Garcetti declared a local public health emergency in response to increased spread of COVID-19 across the country. To slow the proliferation of the virus, on March 19, 2020, Governor Gavin Newsom issued a Stay-at-Home order that forced residents to stay sheltered in place outside of essential needs.

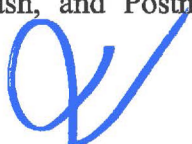
Among other restrictions, the Stay-at-Home order barred restaurants from dine-in service, compelling numerous local food preparation businesses to either close or convert to delivery-only service. With fewer available options for the purchase and sale of meals, food delivery has become an even more essential service for residents and restaurants. Local businesses already in peril of financial collapse due to the COVID-19 pandemic are now reliant on food delivery companies that are charging exorbitant rates to get their food to customers.

Prior to the onset of the COVID-19 pandemic, New York City began to take action to enforce a limit on commissions that third-party food delivery companies can charge to restaurants. On February 27, 2020, New York City Councilman Mark Gjonaj introduced a series of bills that would require such companies to charge restaurants no more than 10 percent commission. These bills have been referred to and are pending in committee.

Other cities have taken legislative steps on food delivery commissions in light of the COVID-19 pandemic. On April 10, 2020, San Francisco Mayor London Breed delivered a Mayoral Proclamation to limit the commission a food delivery company can charge to a restaurant at 15 percent. This order will remain in effect until the end of the City's ongoing Local Emergency Declaration. On April 13, 2020, Santa Cruz City Manager Martin Bernal followed suit by delivering an Executive Order that also limits such commissions at 15 percent.

Residents have also made efforts to reduce the commissions charged by third-party food delivery companies. On April 13, 2020, a class action lawsuit was filed against Grubhub, Uber Eats, DoorDash, and Postmates in Manhattan federal court. The lawsuit alleges that these

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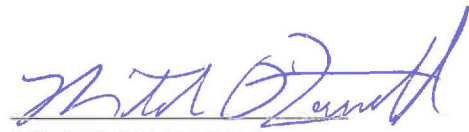


companies violated U.S antitrust law by requiring that restaurants charge delivery customers the same price for meals as dine-in customers while still charging these restaurants delivery commissions of up to 40 percent. The lawsuit is now pending in federal court.

Countless Los Angeles restaurants are in danger of closing due to the COVID-19 pandemic, and the exorbitant rates charged by third-party food delivery companies provide an additional unnecessary obstacle during this profoundly difficult international emergency. Swift action is required to protect our local businesses and residents from economic catastrophe.

I THEREFORE MOVE that the Council request the City Attorney to prepare and present an Ordinance that will make it unlawful for a third-party food delivery service to charge a restaurant a fee per online order for the use of its services that totals more than 15 percent of the purchase price of such online order during the local public health emergency related to COVID-19 as declared by the Mayor.

PRESENTED BY:



MITCH O'FARRELL

Councilmember, 13th District

SECONDED BY:



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