

**CITY OF BETHLEHEM**  
**City Council Memorandum**

**SUBJECT:** Online Food Delivery Application Business Practices and Protection of Independently Owned Local Restaurants, Food Establishments, and Their Workers

**TO:** Members of City Council

**FROM:** J. William Reynolds, Member of Council

**DATE:** April 30, 2020

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Dear Colleagues,

Independently owned local restaurants and food service establishments are a key part of our City's social and economic fabric. Many of these establishments are facing an existential threat to their survival during the COVID-19 health and financial crises. At the same time these businesses are fighting for their economic survival, along with their employees and workers, they are increasingly being subjected to the unreasonable and harmful business practices of online food delivery companies and applications ("food delivery apps"). Moreover, these same food delivery apps often subject consumers to opaque fees and other costs. Recently, several cities, including New York and San Francisco, have begun the process of investigating and/or regulating food delivery apps in order to protect restaurants, workers, and consumers.

Attached is a proposed resolution urging the Pennsylvania General Assembly and the United States Congress to investigate the business practices of food delivery apps that threaten the economic survival of independently owned local restaurants and food service establishments during the COVID-19 crisis.

The resolution also encourages the Mayor and his Administration to investigate food delivery app business practices in the City of Bethlehem, consider potential regulatory measures to protect their workers, and to investigate the feasibility and advisability of establishing a licensing system to ensure that food delivery apps comply with any applicable local, state, and federal laws designed to protect vulnerable food service establishments, their workers, and consumers from harmful and opaque business practices.

I would ask the Members of Council to consider the attached proposed resolution at the City Council meeting on Tuesday, May 5, 2020.



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J. William Reynolds, Member of City Council

CC: Mayor

## RESOLUTION NO. 2020-

### **Resolution Urging The City of Bethlehem, the Pennsylvania General Assembly, and the United States Congress to Investigate and Address Business Practices of Online Food Service Delivery Applications that Threaten the Economic Health and Survival of Independently Owned Local Restaurants and the Livelihood of Their Workers During the COVID-19 Crisis**

WHEREAS, independently owned local restaurants and food service establishments in the City of Bethlehem are key employers and a part of the essential social fabric of our vibrant City and its diverse communities;

WHEREAS, many local restaurants are facing an existential threat to their survival during the COVID-19 health and financial crises as they have been legally forced to close for months due to stay-at-home orders from local and state government. These vital businesses and their workers are sacrificing their livelihoods to protect the health and welfare of our City and the wider community;

WHEREAS, while some restaurants have been able to transition to delivery and/or take out models, the loss of dine-in services has been devastating to many of these businesses because takeout and delivery sales often represent only a fraction of their pre-COVID-19 revenues. Moreover, the profit margin on takeout and delivery orders are often extremely small, sometimes in single-digit percentages;

WHEREAS, third-party food delivery services that offer websites, mobile applications, or other internet services that offer or arrange for the sale, delivery, or pickup of food or beverages prepared by food service establishments (“food delivery apps”) have proliferated in the United States, including in the City of Bethlehem;

WHEREAS, these food delivery apps often have tremendous market power and the ability to force onerous and unfair business terms on struggling restaurants, and by extension, their workers, including unreasonable per-order delivery fees and commissions and extracting tip percentages from low-paid delivery workers. It has been established that high fees and commissions charged to restaurants, often in the 15 to 30 percent range, cut into restaurants’ minimal per-order profit margins and make many orders virtually unprofitable, thereby threatening their economic survival and the income of their delivery people and workers. These threats are especially salient during the current COVID-19 financial and health crises; and

WHEREAS, these harmful business practices are often combined with opaque fees and other business terms that affect financially struggling consumers purchasing food. After investigating these business practices, cities such as New York and San Francisco have begun the process of regulating food delivery apps in order to protect restaurants and consumers, including such measures as establishing licensing structures and regulating fees, commissions, tipping practices, and disclosures.

NOW THEREFORE BE IT:

RESOLVED, that the City Council of the City of Bethlehem urges the Pennsylvania General Assembly and the United States Congress to investigate the business practices of food delivery apps that threaten the economic survival of independently owned local restaurants and food service establishments and their workers during the unprecedented national health and economic crises caused by the COVID-19 pandemic; and

