



SEATTLE CITY COUNCIL
CENTRAL STAFF

Cap on Delivery Service Fees

CB 120379

KARINA BULL, ANALYST

ECONOMIC DEVELOPMENT, TECHNOLOGY, AND CITY LIGHT COMMITTEE

JULY 27, 2022

Policy objective

- Amend SMC 7.30 – Food Delivery Platforms
- Require food delivery platforms to engage in agreed-upon, reasonable, and transparent business transactions when operating in Seattle to protect the interests of consumers and restaurants

Background



Consumer demand for food delivery services is steadily growing

Food delivery platforms charge up to 30% or more for delivery services

Restaurants have narrow profit margins, 10% or lower

Restaurants increasingly rely on food delivery and are struggling to stay in business

Restaurants have limited bargaining power to negotiate affordable delivery fees

Timeline of emergency orders

April 24, 2020

- Mayor issued civil emergency order
- 15% cap on platform fees

June 21, 2021

- Governor rescinded proclamation

November 25, 2020

- Governor issued proclamation
- 15% cap on delivery fees
- 18% cap on all platform fees

Present

- Mayor's civil emergency order will expire upon termination of civil emergency

Trends and recent developments

1. Food delivery platform services have grown eight percent year over year from 2018 through May 2022 and similar growth is expected through 2026
2. Food delivery platform services are becoming a standard business operation for restaurants to meet consumer demand for delivery and address labor shortages
3. Three food delivery platforms earn 96 percent of U.S. meal delivery sales
4. Four cities have enacted laws that permanently cap delivery service fees: Minneapolis, New York City, Philadelphia, San Francisco

Permanent cap on delivery service fees

1. Agreement required for fees related to delivery services
2. Delivery services for no more than 15% of the purchase price of each order
3. Option for restaurant to “opt out” of fee limitations for additional services

Option for restaurant to “opt out”

Restaurants can “opt out” of fee limitations if the food delivery platform:

1. Offers a service package option that includes delivery services for no more than 15% of the purchase price of each order
2. Provides this option, without penalty, within 30 days of the restaurant’s written request
3. Charges higher fees only for services in addition to delivery services (e.g., advertising, business consulting)

Delivery services

“Delivery services” would include the following services from a food delivery platform:

1. Listing the restaurant and making the restaurant discoverable on the food delivery platform’s modalities or platforms; and
2. Facilitating and/or performing delivery of food and/or beverage orders to locations within Seattle city limits

Delivery services would not include other services provided by food delivery platforms to restaurants, including but not limited to advertising services, search engine optimization, business consulting, or credit card processing

Enforcement

1. Consumer Protection Division, Finance and Administrative Services
2. Civil infraction, Class One (max penalty \$250)
3. Civil action (individual or class)
4. Penalty revenue account to support outreach and education to restaurants

Effective date

The legislation would take effect on the **later date** of:

1. Mayor's termination of the civil emergency proclaimed on March 3, 2020; **or**
2. 30 days after Mayor approves the legislation
(or when the legislation takes effect under SMC 1.04.020)

Possible timelines

1. **Council vote 08/02** = effective date between 09/01 – 09/11
2. **Council vote 08/09** = effective date between 09/08 – 09/18
3. **Council vote 08/16** = effective date between 09/15 – 09/25

Questions?