

April 8, 2024

Senator Thomas J. Umberg  
Chair, Senate Judiciary Committee  
1021 O Street, Room 3240  
Sacramento, CA 95814

SUBJECT: Senate Bill 1490 (Durazo): Food Delivery – OPPOSE

Senator Umberg and Members of the Senate Judiciary Committee,

I am writing on behalf of the South Orange County Economic Coalition (SOCEC) Board of Directors to express our strong opposition to SB 1490. The bill would require food delivery platforms to disclose to customers the fees that restaurants pay platforms for each order, resulting in the disclosure of highly confidential business information that many restaurants in California have an interest in protecting.

As South Orange County's leading voice of business, the South Orange County Economic Coalition is the driving force advocating for a strong local economy. Our organization covers a region that creates more than \$25 billion in economic activity annually. Therefore, it is our responsibility to advocate on behalf of local businesses for policies that positively impact the market environment in South Orange County and contribute to the prosperity and economic growth of the region.

The bill's goal of protecting California consumers by enabling transparency about prices on food delivery apps is well-intentioned. However, passage of the bill would have unintended consequences which would negatively impact California small businesses. SB 1490 requires food delivery platforms to disclose the fees and commissions that restaurants pay to use delivery services for each customer order. It is imperative, however, that this sensitive information be able to remain confidential for the sake of ensuring free and fair market competition. Further, this requirement does nothing to advance consumer welfare, contrary to the bill's intentions.

SB 1490's disruption of confidentiality would allow large chain restaurants, who possess the ability to negotiate exclusive agreements with different delivery platforms, to observe the fees that their competitors are paying and undercut market competition. Small businesses would be disproportionately affected by this practice, and SB 1490 would threaten the ability for small businesses to compete with large chains. As representatives of thousands of small business restaurants in South Orange County, it is our responsibility to advocate on their behalf for policies that allow them to compete in a free and fair market environment. SB 1490 would undermine this mission and disrupt the market environment of South Orange County.

In 2021, the state legislature passed AB 286 (Gonzalez), a compromise bill which allowed restaurants to voluntarily share their fee amounts with the customer. SB 1490, however, would undermine this freedom and disrupt the compromise policy, which carefully balances transparency and business confidentiality, that the legislature worked hard to achieve. Businesses in our region are diverse, and this diversity plays a crucial role in the prosperity business environment in South Orange County. Part of this diversity includes the unique interests that each business retains, and SB 1490 disregards the unique circumstances and needs of each business.

Passage of SB 1490 would set a dangerous precedent for mandating the disclosure of sensitive business information. Such a precedent will likely have far-reaching and unintended consequences that could negatively impact small businesses across both South Orange County and California as a whole. Therefore, we respectfully urge you to oppose SB 1490.

Thank you for considering our concerns regarding this matter.

Respectfully,

Victoria Hernandez

Executive Director

South Orange County Economic Coalition