



Plaid Pantries, Inc. • 10025 SW Allen Blvd. • Beaverton, Oregon 97005 • Telephone: 503.646.4246 • Facsimile: 503.646.3071

April 10, 2015

House Committee on Business and Labor

Chair Paul Holvey
Vice-Chair Brent Barton
Representative Margaret Doherty
Representative Paul Evans
Representative Dallas Heard
Representative Jim Weidner

Vice-Chair Bill Kennemer
Representative Greg Barreto
Representative Sal Esquivel
Representative Shemia Fagan
Representative Rob Nosse

Oregon State Capitol
900 Court Street NE
Room 453
Salem, Oregon 97301
Email: matthew.puckett@state.or.us

Dear Chair Holvey, Vice-Chair Barton, Vice-Chair Kennemer, Committee Members:

Plaid Pantries, Inc. owns and operates 108 convenience stores with 750 employees, mostly in the tri-county Portland Metro area. Plaid is also a member of the Oregon Neighborhood Store Association (ONSA), which provides legislative and regulatory representation for Oregon's 2,500 smaller, mostly family-owned and operated convenience food stores.

Plaid and ONSA oppose legislation which would dramatically increase the existing scheduled CPI formula increases in Oregon's minimum wage requirements, or allow local governments to do so in a patchwork of different rates. If enacted, the current proposals for as much as \$12 to \$15 minimum wage rates would cause unprecedented structural changes to Oregon businesses, jobs, and the state's overall economy. The economics, impact, and unintended consequences of such large increases, which have not been enacted elsewhere, need to be studied before Oregon considers adopting such proposed dramatic increases.

The City of SeaTac Washington is often cited as having enacted a \$15 minimum wage in 2013. This is a relatively small municipality with a population of only 27,000, about the size of Redmond, Oregon. Its economy is dominated by activity associated with the international airport, and there are relatively few workers affected by the minimum wage. But even here

there is early anecdotal evidence of low-wage workers losing other employment benefits due to employers attempting to offset the large wage increase.

No states currently have a minimum wage higher than Oregon, with the exception of Washington State, which is at \$9.47 per hour. A number of large cities have recently passed minimum wage increases that eventually step up to the \$12 to \$15 range (Exhibit 1). For example, Seattle is currently at Washington's \$9.47 per hour, stepping up to \$11 in April, on its way to \$15 by 2018. However, as of today, no other states, cities, or counties have reached these high rates, much less had the new rates in effect long enough to measure the effects. These large-scale economic experiments into uncharted territory should be watched carefully before we take action in Oregon.

The only significant municipality that has had a higher minimum wage than Oregon is San Francisco, which enacted a rate of \$10.74 in 2003. The City passed a \$15 minimum wage law to phase in by 2018, but it is not yet in effect. Furthermore, the City of San Francisco is not comparable to Oregon or any of our cities. San Francisco's current minimum wage is well below the proposed \$12 to \$15 rates for Oregon, and can't be used to extrapolate what might happen in our State.

I can, however, speak to the most likely effects on our company and employees. Plaid's individual store profile is a good proxy for other small to medium-sized retail, personal services, and restaurant and lodging businesses, and provides an alarming cautionary warning. These industries provide initial entry-level minimum wage positions, as we do, which are not held by primary family wage-earners raising families. We provide valuable training to mostly unskilled or low-skilled employees. From there, they have the opportunity to move up the career ladder within our company, or at higher-paying positions with other companies.

Exhibit 2 is an overview of our company's economic impact, including wages and benefits for our employees. Our career ladder leads to positions that are held largely by primary family wage-earners. Our Assistant Managers are paid above entry-level rates as they gain experience, and our Store Managers average about \$45,000 per year. Plaid employees are eligible for significant benefits, including matching on retirement savings, tuition reimbursement, and health insurance for themselves and their family. Plaid contributes \$2.3 million annually in health insurance premiums to provide this valuable coverage. The health coverage alone is worth the equivalent of an additional \$2 per hour in pay.

As with any population of small to medium-sized businesses, Plaid convenience stores vary in profitability. At the low end of the scale we have our challenging group of stores... stores that we believe can be improved over time, and which contribute only marginally, or in some cases operate at a loss. Like Plaid's lower sales volume store sample, many businesses find themselves at the slim margin of staying in business or closing up shop.

In Plaid's case, an increase in the minimum wage to \$12 will add \$33,500 annually to the average store's labor cost. It is not possible to raise prices enough to offset such a large expense increase, so many stores will have to be closed. If this were to go into effect, our projections indicate we would need to close 12 to 15 stores and reduce hours of operation at 30 others, eliminating 130 positions and \$3 million of payroll and benefits.

A \$15 minimum wage would add \$70,000 in labor cost per store on average. If this were to go into effect, our projections indicate we would need to close 18 to 20 stores and reduce hours of operation at 40 others, eliminating 180 positions and \$4 million of payroll and benefits.

It is important to realize that even stores that are only marginally profitable provide over \$150,000 annually in employee pay and benefits. This includes pay and benefits for employees who are well above the minimum wage. Such large minimum wage increases would cause a drastic structural change to our company, and these severe effects would be seen widely in other retail, service, and hospitality businesses.

An increase in the minimum wage to such high proposed levels will eliminate entry-level jobs, as well as higher-level jobs, and will cause many businesses to close. It will increase the already high unemployment among youth and unskilled workers. It will also dramatically compress the pay scale of family breadwinners currently above the minimum wage, reducing their ability to increase their earning power as they gain experience. This will have the unintended consequence of hurting those very employees who are actually primary family wage-earners.

We urge you to maintain the current minimum wage formula and the State's sole authority to establish the wage rate, to keep entry-level jobs, and to protect family wage jobs, employee benefits, and a viable career ladder for employees to grow.

Sincerely,



Chris Girard
CEO, Plaid Pantries, Inc.
Chairman, Oregon Neighborhood Store Association
Exhibits 1 & 2

Local Minimum Wages Hikes

Passed in 2003	Minimum Wage
Santa Fe, NM	\$10.66
San Francisco, CA	\$10.74
Passed in 2012	Minimum Wage
Albuquerque, NM	\$8.60
San Jose, CA	\$10.15
Passed in 2013	Minimum Wage
Bernalillo County, NM	\$8.50
Washington, DC	\$11.50 (by 2016)
Montgomery County, MD	\$11.50 (by 2017)
Prince George's County, MD	\$11.50 (by 2017)
SeaTac, WA	\$15.00
Passed in 2014	Minimum Wage
Las Cruces, NM	\$10.10
Santa Fe County, NM	\$10.66
Mountain View, CA	\$10.30 (by 2015)
Sunnyvale, CA	\$10.30 (by 2015)
San Diego, CA	\$11.50 (by 2017)
Oakland, CA	\$12.25 (by 2015)
Berkeley, CA	\$12.53 (by 2016)
Richmond, CA	\$13.00 (by 2018)
Chicago, IL	\$13.00 (by 2019)
San Francisco, CA	\$15.00 (by 2018)
Seattle, WA	\$15.00 (by 2018-21)
Current Proposals	Proposed Rate
Washington, DC	\$15.00 (by 2019)
Los Angeles, CA – Mayor	\$13.25 (by 2017)
Los Angeles, CA – City Council	\$15.25 (by 2019)
New York, NY	\$13.13 (by 2016)
Portland, ME	\$10.68 (by 2017)
Louisville, KY	\$10.10 (by 2017)

Plaid Pantries, Inc.:

An Oregon Business,

An Oregon Employer,

Contributing to Oregon's Economy

Locations in Oregon & Washington	110
Number of Employees	800
Customers per Day	70,000+
Annual Sales	\$203,000,000
Number of Supplier/Trade Companies	300+

Contributions to The Northwest's Economy in 2014

Employee Payroll	20,600,000
Payroll Taxes, Unemployment, 401k match, Tuition Reimbursement, Worker's Compensation & Social Security Contributions	2,400,000
Employee Health Insurance Contributions (by Plaid Pantry)	2,300,000
Rent Payments to Landlords	6,100,000
Property Taxes and Income Taxes	2,700,000
Services purchased including repairs, banking, insurance, legal and accounting	4,100,000
TOTAL	----- \$38,200,000