



FEE CAP FIASCO

Estimating the Economic Harm Caused by Government-Imposed Price Controls on Popular Restaurant Food Delivery App Companies

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Summary

At the start of the COVID-19 pandemic, many states, counties, cities, and local communities imposed fee caps (price controls) on third-party restaurant food delivery app companies, limiting the amount they could charge restaurants for their marketing, sales, and delivery services. This made sense in March 2020 and for some time thereafter to ensure people could access food during a national emergency, but most jurisdictions with fee caps have long since removed them.

The exception to this rule is New York City (NYC), which, to our knowledge, is the only U.S. jurisdiction to have left its COVID-era fee caps in place. While detailed public data on the restaurant food delivery industry is scarce, using what public data is available, we estimated the economic harm in dollars to the popular restaurant food delivery app companies—DoorDash, Uber (Uber Eats), and Grubhub—due to the price controls during the past four years. In total, we estimate harm from 2022-2023 due to fee caps on the restaurant food delivery app companies of between \$140.1 million and \$160.8 million within the NYC market alone.

Analysis

Detailed financial information about restaurant food delivery orders by jurisdiction or app, particularly any effects of fee caps, worker minimum pay, or other laws and regulations, is all but

nonexistent in the public domain. That said, we used existing data to estimate the economic impact of fee caps on restaurant food delivery app companies.

- Public estimates of economic harm.** To our knowledge, the only known public estimates of economic harm to a restaurant food delivery app company due to fee caps are €83 million (in 2023) and €130 million (2022) from Grubhub parent Just Eat Takeaway’s (JET) [2023 annual report](#) (p. 16). These figures are for the U.S. and Canada. We used these figures to estimate industry-wide harm due to fee caps.
- Converting Euros to Dollars.** Because Grubhub's parent, JET, is based in Amsterdam, its financial information is reported in Euros. To convert this to dollars, we used [exchange-rates.org](#) to examine varying exchange rates throughout 2022 and 2023 and calculate damage in dollars based on the lowest, average, and highest exchange rates.

TABLE 1: GRUBHUB’S FEE CAP HARM BY YEAR IN \$USD

YEAR	LOW ESTIMATE	AVERAGE ESTIMATE	HIGH ESTIMATE
2023	\$86,876,100	\$89,814,300	\$93,325,200
2022	\$124,748,000	\$136,955,000	\$148,928,000

- Delivery company market share by year.** Data from [Bloomberg Second Measure](#) shows estimates, based on U.S. transaction data, of DoorDash, Uber Eats, and Grubhub (including subsidiaries) from 2019 to the present. Because U.S. market share fluctuates throughout the year, we took the approximate market share for each company at the midpoint of each year for simplicity. Because we only have publicly available estimated harm for 2022-2023 from JET, we focused on those years here.

TABLE 2: DELIVERY APP COMPANY U.S. MARKET SHARE BY YEAR

YEAR	DOORDASH	UBER EATS	GRUBHUB
2023	63.6%	26.1%	10.2%
2022	62.2%	27.7%	10.1%

- Estimating national industry-wide harm from fee caps.** By using the North America (U.S. and Canada) economic harm estimates from the JET (Grubhub) annual report and the U.S. market share estimates from Bloomberg Second Measure, we estimated the harm to DoorDash and Uber Eats delivery businesses for 2022 and 2023 and added them to estimate annual harm. Here, we used \$USD estimates from “low” and “high” exchange rates to calculate a reasonable range of economic harm, which amounted to \$1.2B to 1.5B for 2022 and \$850M to \$914M for 2023 (this slightly lower figure makes sense if fee caps

being lifted over time reduces their overall harm). Thus, using only publicly available information, we estimate that harm during 2022-2023 to the restaurant food delivery app companies due to fee caps totaled \$2.1B to \$2.4B. (This is an underestimate, as we do not measure harm during 2020 and 2021, nor ongoing 2024 harm in NYC, where there is still a fee cap in effect at the time of writing.)

TABLE 3: FEE CAP HARM BY COMPANY BY YEAR, N. AMERICA

YEAR	COMPANY	LOW ESTIMATE	AVERAGE ESTIMATE	HIGH ESTIMATE
2023	DoorDash	\$541,698,035.29	\$560,018,576.47	\$581,910,070.59
	Uber Eats	\$222,300,608.82	\$229,818,944.12	\$238,802,717.65
	Grubhub	\$86,876,100.00	\$89,814,300.00	\$93,325,200.00
	<i>Subtotal</i>	<i>\$850,874,744.12</i>	<i>\$879,651,820.59</i>	<i>\$914,037,988.24</i>
2022	DoorDash	\$768,250,059.41	\$843,425,841.58	\$917,160,554.46
	Uber Eats	\$342,130,653.47	\$375,609,257.43	\$408,446,099.01
	Grubhub	\$124,748,000.00	\$136,955,000.00	\$148,928,000.00
	<i>Subtotal</i>	<i>\$1,235,128,712.87</i>	<i>\$1,355,990,099.01</i>	<i>\$1,474,534,653.47</i>
Grand Total	2022 + 2023	\$2,086,003,456.99	\$2,235,641,919.60	\$2,388,572,641.70

- Proportion of harm due to NYC.** Because NYC is a populous city with “24/7” activity and many restaurant options, it accounts for a meaningful proportion of North American orders for DoorDash, Uber Eats, and Grubhub. Using the above estimates and available geography-specific market share figures from [YipitData](#) (NYC was 7.0% of national in 2022 and 6.3% in 2023), we estimated the harm specifically inside NYC’s legal jurisdiction during 2022-23. We estimate that economic harm, specifically in NYC during 2022-2023, to the restaurant food delivery industry due to fee caps is between \$140.1 million and \$160.8 million.

TABLE 4: INDUSTRYWIDE FEE CAP HARM IN NYC (2022-23)

YEAR	LOW ESTIMATE	AVERAGE ESTIMATE	HIGH ESTIMATE
2023	\$53,605,108.88	\$55,418,064.70	\$57,584,393.26
2022	\$86,459,009.90	\$94,919,306.93	\$103,217,425.74
Grand Total	\$140,064,118.78	\$150,337,371.63	\$160,801,819.00

Discussion

Our analysis, using only publicly available data, shows that fee caps (i.e., government-imposed price controls), whatever their short-term benefits, have come at a large cost to the major companies that comprise the [restaurant food delivery economy](#)—namely, DoorDash, Uber (Uber Eats), and Grubhub. We estimate that they collectively lost between \$140.1 million and \$160.8 million in the NYC market alone during the last two calendar years (2022-2023) when the U.S. was well past an emergency health state. (More speculatively, because we only use 2022-23 data and our estimate does not include economic harm during 2020, 2021, or the first half of 2024, the total harm most likely approaches ~\$300 million in NYC.)

While originally well-intentioned, persistent fee caps in NYC will most likely damage restaurant delivery app companies' financial models in that market (if they already haven't) and have industry-wide negative economic effects on local restaurants, deliverers, and diners. Resilient and dynamic market-based solutions are the most efficient way to create and sustain the most value for the most people in the long term. Individual government interventions like price controls and [minimum pay](#) can solve short-term problems, but they almost always reduce long-term value for [stakeholders](#) and are problematic in combination.

As a related side note, while the capped fees at issue here are often casually considered “delivery fees,” they also cover marketing services within the app (e.g., search result ads, special prices, promotions). But because these fees are calculated as a percentage of the order, the NYC fee cap that is still in place actually limits how much NYC restaurants can spend on marketing services. In reality, in some instances, restaurants would opt to pay *higher fees* for marketing services to compete for customers - if they had the choice.