



September 17, 2021

Governor Gavin Newsom  
State Capitol  
Sacramento, CA 95814

**Re: AB 701 (Gonzalez) – Request for Veto**

Dear Governor Newsom:

On behalf of the California Retailers Association and a coalition of manufacturers, retailers, farmers, truckers, and businesses which are part of California's supply chain; we respectfully request your veto of Assembly Bill 701 (Gonzalez). While we appreciate the author's commitment to workplace safety, AB 701 is an overly broad bill, targeted at one company, at the expense of every business and industry, large or small, engaged in California's supply chain.

California has some of the strictest workplace laws in the United States and we should first look to empower regulatory bodies with the tools they need to promote workplace safety. Ultimately, AB 701 is drastic legislation that will have unintended consequences for all California consumers and workers and will have a negative impact on California's COVID recovery.

AB 701 will result in substantial harm to consumers, the warehousing industry, and the many well-paying jobs associated with this sector. The bill is unnecessary, as the specific complaints made by the sponsors are already enforceable under existing occupational regulatory standards, including the General Duty clause as well as the existing standard on repetitive motion injury (RMI). Rather than address alleged deficiencies in existing standards or enforcement, this bill chooses a much costlier and more severe option: shifting enforcement for workplace injuries in warehouses from CalOSHA to private attorneys via the Private Attorneys General Act (PAGA). It further burdens warehouse employers by creating a rebuttable presumption of retaliation that will add substantial cost and complexity to employee management. Combined with the challenges of the current business climate in California and the threat of other costly new requirements such as the South Coast AQMD's new "indirect source rule", this bill will discourage expansion of the booming warehouse industry in California to the detriment of workers and consumers.

This measure is founded on a presumption that numeric performance metrics used by warehouse employers are an unfair or oppressive method of measuring employee performance. In any industry, employees must meet performance standards. In warehousing, numeric metrics have the advantage of objectivity and can be among the fairest standards available for evaluating employee performance. AB 701 discourages the use of warehouse production metrics by installing a vague and unknowable standard into the Labor Code. Under this bill, employers who use such metrics must decide either what arbitrary standards are least likely to attract litigation or use the only real "safe harbor" in this bill and drop production metrics altogether.

Either choice will have significant impacts on fair employee evaluations and cause a subsequent ripple effect across California's supply chain. At a time when dozens of container ships sit idle off the California coast waiting to enter the port and supply chain, managers must deal multiple challenges including shortages of truckers and available containers. Now is not the time to constrain warehouse productivity and flexibility. This measure will harm our ability to put goods on store shelves in a timely manner and increase costs for consumer products, at a time when inflation is already impacting family budgets for goods that Californians depend on.

The California supply chain is still struggling from the effects of the COVID pandemic. Manufacturers, farmers, truckers, retailers, grocers, and consumers alike continue to deal with supply-chain bottlenecks, goods shortages, and price increases. AB 701 will raise costs on warehousing which will create further challenges to putting goods on store shelves, food on tables and could impact the availability of COVID testing, medications, and other essential products.

Finally, the uncertainty and costs created by AB 701 will result in the loss of warehouse distribution center jobs to states that otherwise would have located here. As you are aware, warehousing and distribution centers provide quality jobs in regions of our state that have been hit hard by the loss of manufacturing and "offshoring". Warehouse jobs do not require a college degree and offer many opportunities for advancement. Just this past year, wages in the transportation and warehousing sector have grown by nearly 20 percent. The timing of this measure could not be worse and will result in these quality jobs going out of state, in stark contrast to your mission that "all regions rise together."

The California Retailers Association, along with our coalition partners, welcome to the opportunity to work with you and the author to protect our warehouse and supply chain workers through the regulatory bodies who already have the authority to do so, but AB 701 is not the way to accomplish this goal.

On behalf of CRA and the coalition listed, we strongly urge your veto of this legislation.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rachel Michelin".

Rachel Michelin  
President  
California Retailers Association

**On behalf of:**

Asian Industry B2B  
Burbank Chamber of Commerce  
California Auto Care Association  
California Automotive Wholesalers' Association  
California Business Properties Association  
California Hispanic Chambers of Commerce  
California Food Producers  
California Manufacturer and Technology Association  
California Retailers Association  
Central Coast Taxpayers Association  
Costa Mesa Chamber of Commerce  
Economic Development Coalition  
Elk Grove Chamber of Commerce  
Family Business Association of California  
Far West Equipment Association  
Fresno County Farm Bureau  
Gateway Chambers Alliance  
Greater Los Angeles Hospitality Association  
Greater Riverside Chamber of Commerce  
Hollywood Chamber of Commerce  
Inland Empire Economic Partnership  
International Council of Shopping Centers  
La Verne Chamber of Commerce  
Lake Elsinore Valley Chamber of Commerce

Los Angeles Area Chamber of Commerce  
Los Angeles County Business Federation  
Menifee Valley Chamber of Commerce  
Monterey County Farm Bureau  
Murrieta Temecula Group  
Murrieta/ Wildomar Chamber of Commerce  
NAIOP, the Commercial Real Estate Development Association  
Napa County Farm Bureau  
Orange County Business Council  
Pleasanton Chamber of Commerce  
Regional Hispanic Chamber of Commerce  
Sacramento County Farm Bureau  
San Joaquin County Farm Bureau  
San Luis Obispo County Farm Bureau  
San Ramon Chamber of Commerce  
Santa Ana Chamber of Commerce  
Southwest California Legislative Council  
Southwest Riverside County Association of Realtors  
Taiwan Hotel & Motel Association of Southern California  
Temecula Valley Chamber of Commerce  
Tulare County Farm Bureau  
United Chambers of Commerce  
Vacaville Chamber of Commerce  
Valley Industry and Commerce Association

Long Beach Area Chamber of Commerce