

Two Storm Committee

Testimony by Stan Sorkin, President

Connecticut Food Association

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I am Stan Sorkin, President of the Connecticut Food Association. Thank you very much for the opportunity to address this committee to review the effects of the two storms on Connecticut's neighborhood grocers and discuss ways to improve the situation.

The Connecticut Food Association is the state trade association that conducts programs in public affairs, food safety, research, education and industry relations on behalf of its 240 member companies—food retailers, wholesalers, distributors, and service providers in the state of Connecticut. CFA's members in Connecticut operate approximately 300 retail food stores and 250 pharmacies. Their combined estimated annual sales volume of \$5.7 billion represents 75% of all retail food store sales in Connecticut. CFA's retail membership is composed of independent supermarkets, regional firms, and large multi-store chains employing over 30,000 associates. CFA's 90 associate members include the supplier partners of its retail and wholesale members. Our mission is to foster the growth of the food industry in the state of Connecticut, by proactively initiating new laws, regulations and interfaces that benefit the industry and defending the industry against detrimental regulations and laws negatively affecting members. Our goal is to create a growth oriented economic climate that makes Connecticut more competitive with surrounding states.

As you can imagine, the storm had a major effect on the food industry with store closures, lost retail sales, and lost product being destroyed for food safety. CL&P's performance did little to create an economic climate which would make Connecticut more competitive with surrounding states.

First, we are gratified that Governor Malloy, personally, and his administration after Tropical Storm Irene have recognized the "first responder" role that the grocery industry plays in times of weather related disasters, especially accompanied by major power outages. As such, the administration emphasized that grocery stores should be a priority for power restoration and road access. We question if CL&P heard this message.

The neighborhood grocery store is the prime source of food supply pre and post storm. When the power goes out for a period of time, households are forced to throw out perishable products. When power is restored to their homes, they immediately run to the store to replenish their refrigerators and freezers. Stores must be up and running to meet this demand. Timely and accurate communication must occur at the state and local levels. At the Governor's request, we have written a letter to have a seat at the table at the emergency operations center to gain access to the most up to date information, such as road closures and power restoration progress, so we can communicate it to our members on a timely

basis. My counterparts in NJ and NY have such a seat. We need to close the loop on this request and formalize the food industry's involvement in the emergency management process.

Communications: Let's take a closer look at some of the other communications aspects.

On the positive side:

We are on the state's weather alert update system which allows us to communicate the latest weather reports to our members so they can react accordingly in terms of product supply chain steps and store staffing needs.

The governor's office assigned a specific person, Frank Greene of DCP, to be our industry's contact. He provided a list of key contact numbers both on the state and local levels. He requested and we were able to communicate a status report of open fully, operating on generator only, and stores without power which he communicated to the State Emergency Operations Center and then to CL&P.

On the negative side:

After reporting the information to a central contact point, we were told that the effected stores had to, in addition, contact their local Emergency Operations Center. Why do we need to duplicate communication?

Not all local Emergency Operations Centers had grocery stores on their priority list for power restoration. This needs to be reviewed and rectified.

CL&P's accuracy regarding estimated time of power restoration left much to be desired. Their website information was not specific enough to be useful or just plain wrong. Stores take different steps to protect product based on estimated time of power outages. Does a short term solution become a wasted expense if power does not get restored as initially indicated? In addition, miss-information can lead to supply chain distribution problems. Stores order product from their distributors with a 24 hour lead time based on the estimated time of restoration. If erroneous, this product can sit at a distributor trying up a refrigerated truck until it can actually be shipped.

Road Conditions: Knowledge of the current state of Connecticut's open and closed roads is extremely important in the food distribution process. We need to get food products or dry ice into stores as soon as possible based on road conditions. We are concerned about our driver's safety. Is real-time road closure information available on- line? Based on lead times, can we get advanced notice of projected road closures?

Financial Implications: As a result of CL&P failure during the two storms to restore power on a timely basis, the industry was negatively affected financially and will continue to be negatively affected.

Product Loss: For food safety reasons, stores had to destroy perishable products. Based on typical insurance coverage, only 30% of the cost of the lost product is reimbursed. Geissler's Supermarkets , which had 5 of its 7 stores down for extended periods during the most recent storm, lost \$850,000 in

product of which only \$255,000 was covered by insurance. Stores that self-insure for a specific sum suffered a total loss of the value of lost product up to the threshold amount. To make matters worse, **based on the experience factor caused by CL&P's poor power restoration performance on back to back storms, insurance premiums on future product loss policies will be dramatically higher.**

Incremental Expenses: In addition to product loss, operators experienced increased maintenance costs for repairs and the operation of generators and payroll to protect product. In the case of Stop & Shop, during hurricane Irene, these categories were \$1,000,000 in the 24 effected stores. What state programs are in effect to incentivize the purchase of generators?

Business Interruption Insurance: Policies differ by company. For example, a policy will not cover the first 48 of business closure and then reimburse only 30% of average sales causing a financial loss to a store operator. Will the \$30 million fund established by CL&P be available to the affected business to offset the loss?

Lost Wages: Part-time store employees were not needed during a store's downtime and thus they were without income during the length of a store's closure.

Emergency SNAP (Food Stamp) Benefits: The Department of Social Services should be congratulated for its work in securing incremental emergency SNAP benefits for Connecticut's recipients and helping them replace destroyed foodstuffs during these two storms and working with the industry to insure the demand for extra product availability and store staffing are met. CFA has met with Deputy Commissioner Claudette Beaulieu, reviewed the role of a grocery store in the SNAP program and established a communication process so stores are informed of incremental SNAP funds being released.

In conclusion, we look forward to working with the administration in addressing the issues we raised today. Connecticut's grocery industry must be part of the emergency management process. Our goal is to better serve the residents of Connecticut by being open for business as soon as possible after a weather related problem. With the realization that the grocery store is the heart of a community, a true first responder, and timely communication, we can achieve this goal.