

The logo for the National Restaurant Association features a stylized red and blue arc on the right side, resembling a '3' or a swoosh. The text 'NATIONAL RESTAURANT ASSOCIATION' is in blue, with 'RESTAURANT' in a larger, bold font. A small 'TM' trademark symbol is at the end of 'ASSOCIATION'.

NATIONAL
RESTAURANT
ASSOCIATION™

Statement
On behalf of
White Castle System Inc.,
and the
National Restaurant Association

ON: FULL COMMITTEE HEARING: "EXAMINING THE IMPACT OF
OBAMACARE ON JOB CREATORS AND THE ECONOMY"

TO: OVERSIGHT AND GOVERNMENT REFORM COMMITTEE
U.S. HOUSE OF REPRESENTATIVES

BY: JAMIE RICHARDSON
WHITE CASTLE SYSTEM INC.

DATE: JULY 10, 2012

**Statement on Hearing:
“Examining the Impact of Obama Care on Job Creators and the Economy”
Before the
Oversight and Government Reform Committee**

**By
Jamie Richardson,
White Castle System Inc.
Columbus, Ohio**

**On behalf of White Castle System Inc. and the
National Restaurant Association**

July 10, 2012

Chairman Issa, Ranking Member Cummings, and members of the Oversight and Government Reform Committee, thank you for the opportunity to testify before you today on behalf of White Castle and the National Restaurant Association.

My name is Jamie Richardson and I serve as Vice President of Government, Shareholder and Community Relations of White Castle System Incorporated. It is an honor to be able to share with you the impact the Patient Protection and Affordable Care Act (“PPACA”) is having on businesses like White Castle and the restaurant and food service industry in general, particularly on our ability to create jobs.

THE RESTAURANT AND FOOD SERVICE INDUSTRY

The National Restaurant Association is the leading business association for the restaurant and food service industry. Its mission is to help its members, such as White Castle, establish customer loyalty, build rewarding careers, and achieve financial success. The industry is comprised of 970,000 restaurant and foodservice outlets employing 12.9 million people who serve 130 million guests daily. Restaurateurs are job creators. Despite being an industry of predominately small businesses, the restaurant industry is the nation’s second-largest private-sector employer, employing almost 10 percent of the U.S. workforce.

The restaurant and food service industry is unique for several reasons. First and foremost, small businesses dominate the industry—with more than seven out of ten eating and drinking establishments being single-unit operators. The industry also employs a high proportion of part-time, seasonal, and temporary workers. Restaurants are employers of choice, especially for employees looking for flexible work hours.

Our workforce is typically young, with nearly 40 percent under the age of 25. We also have a high average workforce turnover rate relative to other industries—75 percent average

turnover rate in 2008 compared to 49 percent for the overall private sector. In addition, the business model of the restaurant industry produces relatively low profit margins of only four to six percent before taxes, with labor costs being one of the most significant line items for a restaurant.¹

WHITE CASTLE

Currently based in Columbus, Ohio, White Castle first opened its doors in 1921 in Wichita, Kansas. Still, to this day, we are a family-owned, privately held company. White Castle diversified its operations from the beginning to include several divisions that mainly supply its restaurants: bakeries, meat processing plants, manufacturing plants that produce all the fixtures needed to outfit a White Castle store, as well as frozen food plants to supply the grocery market.

The majority of our nearly 10,000 team members work in our 408 restaurant locations, in 12 states. Our culture is one of family, and we proudly began offering health care coverage to our team members in 1924. White Castle offers a rich, full medical health benefit package to all eligible employees – offering anyone who is open to being scheduled for full-time hours, which we currently consider 35 hours per week, health care coverage after 6 months of service.

Team members come to White Castle because of the benefits and stay because it's a family. Our benefits package is one of the main reasons so many team members remain with the company for so long. Twenty-seven percent of our team members have been with us 10 years or more – many starting with the idea of working with us for a few months, and end up making it a career. Recruitment and retention of employees is a top challenge for operators in every segment of the industry. Reducing a restaurant's annual turnover rate in turn reduces the cost of workforce training, which can be a large portion of a restaurant's labor costs. Last year, 57 percent of White Castle's restaurant division workforce left the company and for those positions we had to rehire and retrain, compared to 75 percent average annual turnover rate for the restaurant and food service industry at large.

White Castle's annual turnover rate – well below the industry average – is a testament to our ability to recruit and retain great team members through the benefits that are offered and tailored to the needs of our workforce. Year after year, employees name their benefits package (health care coverage and pension) as the reason why they come to work at White Castle, and why they stay.

Team members remain with the company for many years and the restaurants have deep roots in the communities they serve. Generations of customers and employees have shared the same experiences and hospitality. White Castle prides itself on listening to team members and responding to their needs by offering benefits our team members want and use. To help us craft the best benefits package we can, the company conducts an engagement survey that measures team loyalty and what drives that commitment to the company. Wellness incentives such as a

¹ 2012 Restaurant Industry Forecast

non-smoker discount have been incorporated into the health care plan to encourage employees to live a healthy lifestyle and help reduce coverage costs for everyone.

Recently, White Castle eliminated employee co-pays for regular checkups and preventative services to be sure team members are taking full advantage of the benefits they have when they need them. While such a decision may increase company costs in the short term, White Castle sees the greater good of increasing the use of team members' benefits, which in turn lowers long-term costs by identifying and treating illness early.

RESTAURANT INDUSTRY CHALLENGES IMPLEMENTING THE LAW

Under the law, White Castle is considered an "applicable large employer" subject to the Shared Responsibility provision² of the law. The employer mandate, as it's commonly known, requires employers with 50 or more full-time equivalent employees to offer their full-time team members, based on 30 hours of service per week, health care coverage that is "affordable" and of "minimum value," or face potential penalties.

In addition, as an employer of more than 200 full-time employees, White Castle will be subject to the automatic enrollment requirement under the law.³ The law also includes extensive reporting requirements for applicable large employers to provide the Internal Revenue Service with detailed information regarding health plan offerings and each individual to whom it was offered and for how many months.⁴

These are just a few of the requirements within the law that apply to White Castle and other restaurant operators like us. In 2014, we estimate that our current plan costs could increase by over 20 percent. This estimate is dramatically different than what we have started to experience recently, as it appears our focus on wellness and preventive care is having a positive effect - YTD in 2012 our health care costs are trending and estimated to increase less than 3 percent compared with the prior year.

As 2014 and compliance with the employer requirements of the law approaches, our company and other restaurant and food service operators will have to balance the requirements of the law with employee needs and the ever increasing cost of health care coverage. It is becoming more and more difficult to maintain or increase benefits in such an environment.

There are many decisions our company and those across the nation will have to consider. Restaurateurs cannot afford just any cost for health care benefits for their employees. Yet, without controlling costs, the law places requirements on what employers must offer their employees or face penalties, while limiting employers' ability to address the rising cost of coverage with the only lever employers have to use – plan design including premium contribution levels.

² §1513, Shared Responsibility for Employers, PL 111-148 and PL 111-152.

³ §1511, Automatic Enrollment for Employees of Large Employers, PL 111-148 and PL 111-152.

⁴ §1514, Reporting of Employer Health Insurance Coverage, PL 111-148 and PL 111-152.

In addition, if we offer too rich a plan, the federal government will tax the plan at a rate of 40 percent on the value of the plan above \$10,200 for single and \$27,500 for family coverage.⁵ Employer-sponsored health care coverage is like a balloon that is being squeezed on all sides. If you force a constriction in one area, another grows to compensate. In the end, it will be squeezed until the business cannot afford the costs, and tough decisions will have to be made.

IMPACT ON JOBS

The health care law will have an impact on jobs in the restaurant and foodservice industry. The only questions are; how and to what extent? Some of the potential impact will be answered once we know the rules with which to comply in the implementing regulations, and, hence, the impact on our workforce. Many in the industry are worried that our slim profits per employee will not be sufficient to cover the additional cost of more employees accepting our offer of coverage or potential penalties that may apply despite our best efforts to provide the required coverage. The uncertainty created by new regulations has also made many restaurant operators more cautious regarding new opportunities for growth of their restaurants until they see the impact on their current business.

This is unfortunate, as restaurants are job creators and, in fact, are engines of job growth for the U.S. economy even when many other industries shed jobs. In 2011, the restaurant and food service industry outpaced job growth in the overall economy for the 12th consecutive year. While the rest of the private-sector lost jobs, eating-and-drinking places increased jobs by 19 percent, including through two recessions. This substantial growth occurred despite back-to-back job losses in 2009 and 2010, when the restaurant industry was negatively impacted by the recession.⁶

For White Castle, the uncertainty of the last several years, and associated with the health care law in particular, has impacted our ability to create jobs by postponing expansion plans into new markets for our brand. We have conducted the extensive research necessary to explore expansion into other parts of the country, but have not acted on those plans yet due to the uncertain cost environment. If we were to pursue our expansion plans of breaking into a new market, it would bring 400-500 team member jobs, not to mention the construction and supplier jobs associated with opening a new restaurant. For every \$1 million in restaurant industry sales, 34 jobs are created in the broader economy.

However, we at White Castle cannot proceed with plans for restaurants in new markets right now because of the uncertainty created by PPACA. In the restaurant business, we all manage risk – we do it all the time whenever we launch a new product, pick a new real estate location, or lock into a long-term contract for cleaning supplies – but the uncertainty of the increased costs the health care law brings, not to mention a variety of regulations on other issues, creates a risk that no one can manage against. The result is that the growth that drives job creation in our industry is put on hold, and so are the jobs.

⁵ §9001, Excise Tax on High Cost Employer-Sponsored Health Coverage, PL 111-148 and PL 111-152.

⁶ *2012 Restaurant Industry Forecast*

REGULATORY IMPLEMENTATION

As we witness the implementation of this law by the agencies, the industry has discovered troubling challenges that must to be addressed. While White Castle and the National Restaurant Association would prefer repeal of PPACA, we continue to actively participate in the regulatory process to address these challenges.

As the regulators move forward in writing the rules to implement this law, there are still many unanswered questions. More than two years after PPACA was signed into law, restaurant operators cannot predict how the law will fully impact their businesses as we do not have any formal guidance or rules on what we must do to comply.

Most critical are the rules surrounding the definition of full-time employee; how restaurants will calculate hours of service to determine who is full-time for a workforce with flexible and variable hours; and then determine who must be offered coverage. In addition, many restaurant operators are very concerned about the potential burden of the employer reporting requirements under the law. The statute lays out the requirements in general terms but we need rules or guidance to know the exact timing, form and detailed substance of what we must report to the Internal Revenue Service as applicable large employers.

These are essential questions that must be answered for us to produce an informed budget and for our 2014 health coverage planning that has also already begun for many other restaurant and food service operators. In many cases, it will take 18 months to plan for and set up internal systems or hire outside vendors to comply with the various requirements of the law by January 1, 2014. In addition, the answers to these critical questions are necessary as we plan what and how to communicate with our employees regarding the various required changes to our health care plans and how such changes may impact them and our benefits plan.

It is extremely important for the regulatory agencies to examine the employer provisions of the law as a whole when developing regulatory guidance because they are inextricably linked together and that is how we as employers look at compliance with the law – comprehensively. As we look at all of the employer requirements together, it is clear that they will have significant consequences for us and our ability to maintain flexible work options and affordable health coverage for their employees. Through the National Restaurant Association's regulatory work, we continue to urge that the regulations regarding the employer requirements be issued in tandem, rather than piecemeal, so that restaurateurs may have a comprehensive view of the requirements under the law and take definitive steps towards implementation and compliance.

HEALTH CARE REFORM RESTAURANTS SUPPORT

We must have health care reform that controls costs and in turn makes affordable coverage available to more people. One of the key factors of cost-reduction is informed consumer choice in health care product purchasing.

White Castle and the National Restaurant Association support allowing purchasing of health care coverage across state lines. For many years, the industry has supported health care pooling arrangements that provide small businesses increased options for affordable health care. Pooling statewide or nationwide would work to achieve lower rates for employees' health care coverage.

Unfortunately, the health care law also limits the use and flexibility of Health Savings Accounts (HSA), Health Reimbursement Arrangements (HRAs), and Flexible Spending Accounts (FSAs). No longer can over-the-counter medicines be reimbursed by these cost-reduction tools without a prescription by a doctor. We support expansion of the flexibility in use and contribution amounts of these accounts as a means to give consumers the ability to control and reduce their own health care costs.

We also support health insurance coverage portability options that place control of health care decisions in the individual consumers' hands. To provide coverage to a mobile workforce, allow uninterrupted coverage, and extend coverage to the uninsured, tax laws and insurance regulations should permit employees to take their coverage with them when they change jobs. Given that restaurant employees change jobs more often than other workers, such an option would be of great benefit to them.

CONCLUSION

The law cannot stand as is. We support repeal of this law and the development of health care reform that promotes an affordable health insurance system that functions well for low-profit per employee, labor-intensive, industries, such as the restaurant and food service industry.

Restaurants like White Castle, and the industry at large, need reform that addresses the unsustainable increasing costs in coverage restaurant and food service operators face each year. Our goal is to lower the cost of employer provided, and employee accessed, health insurance. We must find solutions that will allow restaurant and food service operators to provide better health care coverage options to their team members without excessive costs and regulatory burdens that threaten their businesses. The restaurant and food service industry wants health care reform that helps us create jobs and grow the national economy, but this law was not the solution.

Thank you again for this opportunity to testify today regarding the impact of the health care law on job creators such as White Castle and the restaurant and food service industry broadly. White Castle and the National Restaurant Association look forward to working with Congress and the Administration to enact laws that address the increasing cost of health care coverage so that restaurant operators may offer their employees health benefits that are affordable for both, and continue to be an engine of job creation for the U.S. economy.

Committee on Oversight and Government Reform
Witness Disclosure Requirement - "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: Jamie T. Richardson, White Castle System, Inc.

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2009. Include the source and amount of each grant or contract.

- Not a recipient of any federal grants or contracts.

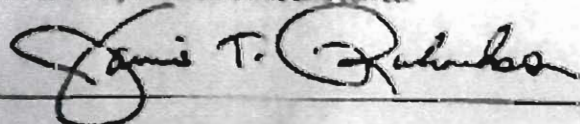
2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

- National Restaurant Association
- White Castle is a member of the National Restaurant Association and supports its efforts on behalf of the restaurant industry.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2009, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

I certify that the above information is true and correct.

Signature



Date:

July 5, 2012

Jamie T. Richardson



White Castle System, Inc.

Vice President, Government and Shareholder Relations and Assistant Secretary

June, 2008 – Present

Lead advocacy and brand reputation building efforts for White Castle and its business divisions. Oversee all public relations efforts and family based philanthropy initiatives. Serve as Secretary for the Ingram-White Castle Foundation. Responsible for working with ownership to create best business practices and good governance as well as development of 5th generation shareholders. Key contact with CBS in shaping White Castle participation in network hit show, “Undercover Boss”.

In Government Relations arena, meet frequently with members of Congress, the Ohio Assembly and Ohio Senate to discuss issues and the impact of federal and state laws / regulations on the White Castle business. Have provided testimony to the Ohio General Assembly on behalf of the Ohio Restaurant Association. Have created “Legislative Forecast” tracking mechanism to thoughtfully and thoroughly evaluate impact of legal and regulatory activity on White Castle, our team members and communities where we do business. Chair White Castle Political Action Committee and lead grassroots efforts.

Director of Marketing

June, 2000 – May, 2008

Responsible for leading creation and development of all marketing plans, efforts, initiatives and investment for over 400 White Castle restaurants. Direct responsibility for brand vitality and growth as well as stewardship of \$20 million budget. Key role in creating development and growth opportunities for 12 team members in the marketing department. Responsible for managing relationship with White Castle’s advertising agency. Took lead role on negotiations with New Line Studios on “Harold and Kumar Go to White Castle” film. Other roles include serving as leader of multi-disciplinary Product Development Team, crisis management, as well as serving on White Castle’s policy committee and long range planning committee. Chaired “Family Vision” task force which led to establishment of “Vision, Values and Guiding Principles” for entire White Castle organization.

Assistant Director of Marketing

September, 1999 – May, 2000

Management of Regional Marketing teams and Communication teams within White Castle marketing department. Key role in working with Church’s Chicken through White Castle’s role as franchisee.

Regional Marketing Manager

September, 1998 – August, 1999

Management of regional marketing team as well as duties for Detroit, New Jersey, New York, and Philadelphia regions, managing local advertising efforts and programs.

J. Walter Thompson Advertising Agency

Partner, Management Supervisor

Client: Domino's Pizza

August, 1996 – August, 1998

Orchestrated launch of JWT Account Team presence in Domino's Central Region. Full managerial and bottom line responsibilities. (From staffing to managing relationship with Domino's regional executive team.) Region included 32 DMA's with billings close to \$9 million. Account team of four people.

Account Supervisor

Clients: White Castle, Carhartt, Akzo Nobel, Inc.

October, 1992 – July, 1996

Fundamental role in crafting successful brand strategies, forging strong client relationships, and developing fully integrated communications programs. Leader of Account Team and key agency contact. Grew billings for all three brands.

Account Rep. / Field Account Supervisor

Client: Speedy Muffler King

January, 1988 – December, 1991

Established field office presence in Speedy's Northeast Region in Boston, MA. Difficult client in an extremely competitive retail environment. Responsible for agency's local store marketing efforts as well as sell-in of plans for key markets.

Management Trainee

July, 1987 – December, 1987

One of two selected from field of 350 for intensive exposure to all agency disciplines.

Other Relevant Experience

Adjunct Professor – Ohio Dominican University

2006 - 2008

Taught several sections of "Introduction to Marketing" and "International Marketing" to Ohio Dominican University undergraduate students in LEAD program at ODU Easton Campus.

International Marketing Manager – Wolverine World Wide

January, 1992 – October, 1992

Successfully launched Wolverine Wilderness Footwear brand in 8 European countries. Duties included crafting of advertising support programs and sell-in to international distributor network.

Congressional Internship Washington D.C. – Congressman Carl Purcell

June, 1986-August 1986

Responsible for legislative correspondence and supporting constituent relations as well as legislative research on key votes. (specific emphasis on binary munitions and chemical weapons.)

Boy's Nation Delegate

Summer 1983

One of two "Senators" selected from the state of Michigan to attend American Legion Boy's Nation program in Washington, D.C.

Education

Ohio Dominican University – Columbus, OH

Master of Business Administration, December, 2005 4.0 G.P.A

Siena Heights University - Adrian, MI

Bachelor of Arts in Business Administration, Class of '87, 3.89 G.P.A. - Magna Cum Laude. Named the "Outstanding Male Student", 1987. Earned Bachelor's degree in three years. Achieved letters in Cross Country, Indoor Track and Outdoor Track. Captain of the Cross Country team, senior season.

Current Professional And Community Service Involvement

Board of Trustees- Ohio Restaurant Association, Chair, Government Affairs Committee

Board of Trustees – National Council of Chain Restaurants

Board of Trustees – Family Enterprise USA, Vice Chair

Board of Trustees – Siena Heights University, Chair, Advancement Committee

Board of Trustees – Kiwanis Club of Columbus – Club President, 2011-12

Board of Trustees – YMCA of Central Ohio

Board of Trustees – Catholic Foundation – Chair, Awareness Committee

Board of Trustees- American Red Cross of Greater Columbus, Chairman of Board

Honors and Recognition

National Council of Chain Restaurants – Grassroots Excellence Award - 2011

American Red Cross of Greater Columbus "Fundraiser of the Year" – 2011

American Red Cross of Greater Columbus "Fundraiser of the Year" – 2010

Siena Heights University – Outstanding Alumni Award – 2010

Boy Scouts of America – Cubmaster of the Year, Muskingum Valley Council - 2009

Personal

Married with five children, enjoy running, reading, collecting and listening to classic vinyl LPs, spending time with family.