

Red Robin Gourmet Burgers, Inc. Testimony  
Hearing on Health Care Reform

Red Robin International, Inc. Testimony

Hearing on

Health Care Reform

Subcommittee on Health, Employment, Labor and Pensions  
United States House of Representatives

May 31, 2012

William Streitberger  
Vice President of Human Resources

Red Robin International, Inc.  
6312 s. Fiddler's Green Circle  
Suite 200 North  
Greenwood Village, CO 80111

Chairman Roe, my name is Bill Streitberger and I am the Vice President of Human Resources for Red Robin. Red Robin is a casual dining restaurant chain with more than 460 locations in North America. We were founded in 1969 in Seattle, Washington, and during our more than four decades of history we've expanded to 42 U.S. states and we also have restaurants in two Canadian provinces. We pride ourselves in being "America's Gourmet Burger Expert," and our 24,000 Team Members across the country every day treat our guests with what we at Red Robin call our "Unbridled" spirit, which includes living our values of Honor, Integrity, Constantly Seeking Knowledge and, most importantly, Having Fun.

On behalf of all of my fellow Red Robin Team Members, I want to thank you for the opportunity to appear here today to share our thoughts on the potential impact of health care reform on all of us as employees, our many guests and the communities we serve.

In the many years since our first restaurant began serving guests on the University of Washington campus, despite the many challenges to maintaining a successful and profitable restaurant company, Red Robin has been able to grow our business at a fairly steady pace, opening new restaurants every year, even during the recent weak economic conditions. In fact, in the last two years, even in a recessionary environment that saw a number of restaurant concepts close locations or even go out of business altogether, Red Robin opened more than 30 new company-owned and franchised restaurants, and we have another dozen or so new company-owned restaurant openings planned for this year. This is important to us in a number of ways. First, opening new restaurants allows us to grow our revenues, which in 2011 surpassed \$900 million. Secondly, by expanding into new communities, we can serve even more of our guests, who, by the way, continue to thank us whenever we open our first Red Robin in any neighborhood. But most importantly, opening a new restaurant allows us to add to our growing family of Red Robin Team Members, creating on average approximately 70 new jobs every time we open a new location. This doesn't include the job expansion that takes place at our home office in Greenwood Village, Colorado, as the growing restaurant base creates the need for growth in the corporate support function, and the additional business that we give to nearly 8,700 vendors and other outside entities who we count on for all of the food, supplies, services and oversight we need to develop and run our restaurants.

There's another benefit to a healthy, profitable and growing Red Robin business, and it's manifested in what we give back the communities where we do business. One example of this is the great work of the Red Robin Foundation, an internal resource that was created in the spirit of our "Unbridled" culture. Because of our foundation, many of our Team Members receive support when disaster strikes, help when there's a family emergency and scholarship funds when there's an opportunity to get a college education. In addition, with the support from our corporate giving programs such as our past contributions to National Center for Missing & Exploited Children and the Special Olympics, to the countless local fundraisers that our Team Members organize at our restaurants, we are proud to say that giving back is part of being a good neighbor.

Unfortunately, the rising costs of running our business, including significant and escalating health care costs, make the prospects for continued profitability, job creation and contributions to our communities increasingly difficult. Running restaurants is not a high margin business. Red Robin's net income as a percentage of revenues was less than three percent in each of the last three years. After we've paid our people, our vendors, our landlords, and all of our other expenses including payroll, property and state and federal taxes, we use remaining cash to reinvest in our business, including building new restaurants that create more jobs and support the surrounding communities. When health care and other costs increase, we have fewer resources to reinvest and grow our business. And we can't simply pass along higher costs to our consumers. As you and your constituents know too well, very few Americans have been immune to the intense economic pressures in recent years, and there is little appetite during these difficult times for even marginal increases in retail prices.

In regards to health care specifically, taking care of our Team Members is part of living our values as a company. We have thousands of Team Members who are eligible to participate in our health and welfare benefit plans. In addition to providing these Team Members with health care benefits, we try to be creative to promote the well-being of our people, such as our LiveWell program that not only encourages healthy choices, but also provides channels outside the company such as athletic events and volunteerism to promote a healthy and fulfilling lifestyle. But health care coverage remains an essential component of our Team Member benefits. During the last three years, Red Robin's healthcare costs per employee increased more than 6% every year – a much greater pace than growth in our guest visits or same store sales. Increasing health care costs through mandates that can negatively impact the ability of companies to offer attractive benefits to employees forces companies like Red Robin to decide either to reduce benefits and maintain affordable coverage or accept the burden of increased company contributions – limiting our ability to grow the business, attract talented people to our organization and add to our payrolls. Either way, it's a lose-lose for Red Robin and for our existing, and prospective new Team Members.

We hope you will consider the adverse impact that mandates on health care coverage and costs that are not thoughtful and balanced will have on employers like Red Robin. I know I speak for my many fellow Red Robin Team Members when I say that we are excited about the prospect of opening additional restaurants in new communities, welcoming even more Team Members into our family and serving our communities in the years to come.

Again, thank you for the opportunity to share our views and work with the Committee.