



Public / Private Partnership Agreements

Food Marketing Institute

April 24, 2007

This document provides an overview and roadmap for establishing public / private partnerships between government agencies/municipalities and the food retail/wholesale sector. It arose from an essential need for government to formally recognize supermarkets as critical businesses both during and after disasters, and therefore, essential to crises management planning.

Sections highlighted with “boxes” are areas needing additional examples, input and information from outside sources...including the Food Safety Committee.

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Intro

Retail supermarkets are an integral part of every community and in times of crisis, government and relief agencies frequently approach supermarkets with requests for assistance and aid in one form or another.

Supermarket executives and owners are very cognizant of this role and in the words of one supermarket executive, “In times of a disaster, it is our goal to be the last store to close and the first store to open, keeping in mind the need for protecting our employees in the process.”

This was certainly evident when one looks back at the retail response to the terrorist attacks in New York on September 11.

(Insert a few statements on the 9/11 response – water, food, equipment and supplies, helping the community, etc. FMI has a video from one of our members (perhaps D’Agostino) that is really great about what NY City retailers did to help out.)

In the horrific aftermath of Hurricane Katrina, business and industry stepped up and filled a critical void, providing food, water and medical supplies to the citizen of the Gulf Coast especially in the city of New Orleans.

The response and recovery efforts of food retailers, wholesalers and industry related organizations were unprecedented. In the immediate aftermath of Katrina, food retailers and wholesalers across America donated \$30 million in financial support for Hurricane Katrina relief and gave \$15 million more in aid, including truckloads of food, bottled water, ice, baby formula, diapers, paper towels, cleaning supplies, disinfectant and personal hygiene items. They used their distribution centers near the disaster areas to collect and deliver materials, dedicating trucks, drivers, transportation executives and other employees to the relief effort.

Retailers collected millions in contributions from customers through fundraising events, auctions and checkout donations at more than 16,000 stores. Most of the contributions went to the American Red Cross Hurricane Katrina Relief Fund and America’s Second Harvest.

“When disaster strikes, Americans pull together to help those in need,” said Tim Hammonds, President & CEO of the Food Marketing Institute (FMI). “This outpouring of care and concern is part of our national character. As these massive humanitarian aid and recovery efforts move forward, FMI will work hard to provide useful information on how food retailers and wholesalers all over this country, and even the world, can play an important role in meeting the needs of those suffering so tragically.”

Statement released by Tim Hammonds – President & CEO the Food Marketing Institute (FMI)

"I believe the majority of FMI members do have disaster plans of some type. Those who do not have their own specific plans do have significant resources available to them either through their wholesaler or through FMI. We have several resources available including a Product Recall manual, a Disaster Recovery manual, and a very detailed planning resource for dealing with Avian Flu should it (or any other novel flu virus) make the jump to human-transmissible form. We also cooperate with GMA to be prepared for helping the industry deal with natural disasters by sharing information and coordinating the relief efforts of suppliers, retailers and relief agencies. In addition, FMI maintains the information sharing network for the total food industry that coordinates with our government security agencies focused on dealing with terrorist activities.

The time, scope and costs depend entirely on how much advance planning and readiness testing each company decides to carry out. It's important, though, to remember that two basic types of plans need to be put in place. The first type is meant to deal with short-term, limited area catastrophic events. These would include floods, fires, hurricanes and even terrorist attacks. These are totally (or almost totally) unexpected, limited in geographic scope and over quickly even though the recovery period might be long.

The second type is the what might be experienced with a novel human influenza outbreak. These are likely to be widely anticipated because they would play out regionally across the globe. But they would last for many months, would impact huge regions affecting almost all sources of supply, and would generate an enormous amount of fear because they course would be so difficult to predict. FMI is working hard to help our member understand how to prepare for both types of disasters.

In addition, we are working with our government agencies here in Washington to help them understand the special assistance grocers require during disasters and to suggest issues our members should talk through with their state and local officials in advance. The point we make constantly is that as bad as a disaster might be, if the population does not have ready access to a safe and plentiful food supply, the situation would quickly spiral out of control. That means the food system needs to be a high-priority component of all government planning scenarios."

One of the most important actions after a disaster of any type is the self-analysis and review of what transpired in the thick of the disaster and the determination of what can be done differently or better in the event of future disaster situations.

In the case of Hurricane Katrina, the size and scope of the disaster created many new and challenging situations that companies had not faced in the past nor had plans to address.

Thankfully, most community disaster situations are not on the massive scale of Hurricane Katrina and involve disaster and crisis situations of all levels and types. Therefore, the information contained in this document can be translated to a multitude of situations as we have learned from previous disasters:

Here insert several examples of supermarket involvement during other types of natural and man-made (or intentional) disaster situations:

- Include Acts of Terrorism – NY, Sept 11.
- Earthquakes – California Contact Kathleen Smith – Safeway
- Tornados –Midwest – Contact Dan Kozart with Hy-Vee
- Flooding – Northeast – Contact David Dikes with Shaws and Brian Scanlon with Wegmans
- (I think Food Lion in NC has also done quite a bit with flooding)

- Flooding – Northwest – Contact John Runyan, Associated Grocers, Inc., Seattle and possibly Carol Martinson with SuperValu

More importantly, our government has formally recognized the need for government to partner with private industry to bolster existing crisis plans and preparations.

During Senate Hearings on the governmental response to Hurricane Katrina, Senator Susan Collins (R-ME) stated,

“Not only were businesses able to recover and reconstitute quickly, but they were also able to provide supplies, equipment and food and water to add in the recovery of local communities, something for which they should be commended. We are here today, however, to learn how they were able to respond so quickly and so effectively when government did not. We have much to learn from the private sector and we must do all we can to apply those lessons to the operation of government.”

Senator Joseph Lieberman (D-CT) stated, “These companies really form the backbone of our society and economy and therefore must be prepared in the national interest to respond to crises and we must work with them in government to protect them at all costs.”

There are many excellent examples of supermarkets working with local and state governments establishing proactive agreements to assist government during disaster situations.

However, these appear to be the exception rather than the rule with most agreements and working relationships occurring reactively and in the midst of the disaster. As one disaster preparedness expert stated, “The time to be exchanging business cards is not when you are standing over the bodies of the victims.”

Pandemic Planning

Now we are faced with the possibility of yet another type of crises – one that will affect us in different ways because it will not be localized and it will not be of short duration.

We must prepare for an influenza pandemic.

Pandemic planning has gained the attention of the nation. If – or some say when – a pandemic strikes, the retail food industry will play an integral role in helping the country through the crises, not just by meeting physical needs for food, water, drugs and supplies, but by maintaining a sense of community and continuity.

Retail Impact - The following information is presented from the perspective of major regional supermarket and food companies that have developed outstanding crisis plans for dealing with a pandemic and other disasters.

Retail supermarkets will play a major role in assisting the community in surviving the initial isolationism and the subsequent recovery of their communities during a pandemic event. While each company may approach their planning and preparedness differently,

they must have the foundation for insuring continued operations in virtually any type of crisis situation.

Consumers - Both companies agree that the current retail model will undergo modifications during a pandemic event. Currently, retail supermarkets rely on customers to travel to their stores to make purchases. While many supermarkets have a presence on the Internet, the vast majority of sales are generated in the “brick and mortar” world.

A pandemic will initially create an isolationist mentality that will cause the general public to avoid public gathering places...such as restaurants, malls, shopping complexes and non-essential retail stores. Supermarkets and food store on the other hand, offer consumers in the US the basics of life, such as food, water and prescription medications.

According to the most recent data provided by the Food Marketing Institute, the typical US consumer visits their local supermarket on the average of 2.1 times per week with the average order size being \$27.34. The 34,000 supermarkets and food stores in the US have combined annual sales exceeding \$475 billion. Supermarkets will still have customers in their stores but shopping preferences and buying pattern will change dramatically.

In the first few months of a pandemic event, we can expect an overreaction and irrational behavior on the part of the public due in part to the massive media attention across the globe. But after the initial panic subsides, the public should adjust to the realities of life during a pandemic. Most consumers will probably:

- Avoid dining out
- Use quick service drive up windows more
- Avoid of non-essential retail stores and malls
- Consolidate trips to the store by purchasing much larger quantities of product in fewer visits
- Prefer non-perishable and prepackaged good as opposed to fresh products that are handled by employees in the supermarket
- Want to purchase case quantities of certain items to reduce trips to the store
- Purchase increased quantities of certain HBC/anti-bacterial products
- Stock up on gloves and masks
- Demand that employees who work in the retail sector wear masks and gloves.
Note: Health official are still debating the effectiveness of wearing masks to guard against the spread of the influenza virus
- Demand to see anti-bacterial wipes at the checkout area and strategically placed throughout the store (many stores are already placing anti-bacterial wipes in the shopping cart areas in the front of the stores)
- Scrutinize “Country of Origin” labeling and not purchase items from certain countries with the most significant outbreak of flu illnesses and deaths.

To avoid or reduce human contact, customers will want:

- More self-service checkout lane

- Internet ordering with curbside pickup
- More home delivery of groceries and prescription medicines

Workforce - The impact upon retail operations is clearly evident from the above chart. The Avian Flu, like the Spanish Flu, is projected to have ability to infect and kill young adults as well the usual high-risk groups. Estimates are that 20 to 30% of the workforce in the US will be out at any time.

The Cytokine Storm effect of a pandemic event would severely impact our workforce since it strikes young adults as well as usually high risk groups.

Age in Years	Projected Deaths Based on Current Age In Years Population and Deaths in 1918-19
<5	233,200
5-14	74,553
15-24	214,582
25-34	378,639
35-44	268,602
45-54	43,948
55-65	123,451
>65	426,689
TOTAL	1,763,664

Center for Infectious Disease Research and Policy - University of Minnesota

It is estimated that over 280 employees per 1,000 will become ill with the virus, and more than 28 will die. Approximately, 40 immediate family members per 1,000 employees will perish.

- Take an average supermarket with 150 employees:
 - 28 employees will be ill and out of work at any one time
 - 4 employees will die
 - 6 employees will have family members die (and these employees will be out taking care of the their family during this time)

If you have ever worked in a company when a fellow worker was killed in a traffic accident or died from cancer or other disease, you felt the shock waves through the workplace. Now imagine that happening 4 times during a 12 to 18 month period of time.

Companies can expect workforce shortages that will disrupt normal operations. At any one time, staffing levels for some departments may be as low as 50%. Due to the stress and personal issues within their own lives during the pandemic event, employees can be expected to behave differently than under normal circumstance:

- Some will just refuse to call or show up
- Some will want to work as many hours as they can as a means of providing for their family while protecting their family against exposure

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- Some will come to work even if they show the signs of having the flu
- Some may refuse to seek health care for fear of contracting the flu at the doctor's office
- Some may refuse to perform certain tasks or jobs that involves interaction with customers
- Some may expect the company to provide food and medicine for them and their families

As a matter of survivability for any type of crisis situation, company management should initiate the identification of the critical job functions throughout the organization and within every department and develop a bench of qualified people for those critical functions. i.e.) Some of the critical job functions that have been identified by some supermarket crisis teams:

- Stores – Cashiers, meat cutters, stockers, etc.
- Office Support – Payroll staff, accounts payable staff, IT system and maintenance staff, etc.
- Warehouse/Transportation – Truck drivers, order selectors and loaders

One regional food chain, Alex Lee, Inc., addressed pandemic preparedness using the very best resource possible...its employees. Alex Lee, Inc. is a holding company of several southeastern food/warehousing companies including: Merchants Distributors, Inc. (MDI), a wholesale food and merchandise distributor serving over 600 stores in seven Southeastern states: Lowe's Food Stores, Inc. with over 100 supermarkets and Institution Food House, Inc. (IFH), one of the 13 largest food service distributors to restaurants in the country.

Because each critical job function has many tasks that can be negatively affected by other related issues, Alex Lee, Inc., went directly to the "subject matter experts" when developing their pandemic plan. First, the company contracted with Dr. Michael Osterholm, director of the Center for Infectious Disease Research and Policy (CIDRAP) and professor in the University of Minnesota School of Public Health. Dr. Osterholm educated senior management of the company on the complexities of Avian flu and helped them devise a strategy for developing a preparedness plan. Next, they identified the critical job functions within all of their holding companies and brought together employees from each of those critical functions. These "subject matter experts" received information and education on a pandemic event and were encouraged to explore the "what if" questions pertaining to such an event. The information and insight gained from this process was detailed and invaluable in the development of their pandemic preparedness plan.

In the event of a pandemic or other crisis affecting the workforce, non-essential functions will be suspended (for example, in a supermarket, a cake decorator may be more valuable performing a stocking role or that of a cashier). Employees should be cross-trained to perform multiple tasks and duties as needed. Of course, this is a best practice with

regards to effective utilization of labor but is even more essential during a crisis within the supermarket industry and strongly encouraged.

Businesses who remain viable during a pandemic event or other crisis will be competing for employees making a difficult situation worse. After Hurricane Katrina, the workforce in New Orleans was depleted and businesses were desperate for employee. One fast food chain raised the starting pay to \$10-\$12 per hour and offered a signing bonus of \$6,000. Business recovery and continuity plans should include detailed retention and recruiting components.

While all corporate support departments will be impacted by a pandemic event, few will have a more critical role than the Human Resource Department. Virtually every policy and process dealing with employees will have to be scrutinized using the filter of the pandemic scenario: recruiting, short term disability, absenteeism, emergency assistance, medical benefits, paycheck distribution, Employee Assistance Programs, etc.

During a pandemic event, Human Resource departments will be inundated with requests (and demands) for information, benefits and immediate assistance from employees and their families. Staffing levels in the HR department must be increased to handle the increased workload efficiently so as not to become a bottleneck and point of contention for employees in need. Using the projections for illness/death per 1,000 employees, a company with 5,000 employees can expect to have 1,400 illnesses and 140 deaths reported. Examine your current processes for handling the death of an employee (insurance documentation, benefit distribution, etc.). The clerks who are handling these processes involving death and sadness should receive counseling and evaluation for their own emotional well-being.

Vendors/Suppliers/Services – When developing a disaster and business continuity plan, keep in mind that the workforce issues that are occurring in your company are also occurring in those companies that provide goods and services to your business. Develop alternative sources for essential products such as produce, meat and grocery items.

Establish relationships with service companies and vendors that are willing to be a backup provider for critical services in the event that your primary vendors are not able to meet your needs. Examples of these critical services vary by company but alternative security providers like armored car carriers should be developed in cases.

After Hurricane Katrina, the business community scrambled to reestablish operations and needed security for their employees and stores amid the chaos following the storm. However, local and regional security companies were in the same situation with regards to workforce depletion. Businesses had to obtain protection services from security providers that were outside of the impact area of the storm and that they may not have worked with in the past.

Unfortunately, many supermarkets are uncertain about dealing with the government on crises planning or they are simply unfamiliar with exactly how to approach their local government officials to offer assistance.

This document was created to assist retail supermarkets and food wholesale businesses in approaching their local and state governments with offers to formalize the assistance that is needed and in many cases, already being provided in “crisis mode”.

Public Private Partnerships

When asked about crisis situations, a supermarket executive provided the mantra of the industry, “In the event of a crisis or disaster in the communities we service, our stores are the last to close and the first to open”.

Supermarkets, food stores, wholesalers and food manufacturers have served critical roles in the survival of communities immediately after a disaster situation:

- Distributing free water and ice from the back of grocery trucks to provide relief from the sweltering heat in rural North Carolina after a hurricane knocked out power and flooded entire towns.
- Donating baby wipes, disinfectants and bandages to police and firefighters at Ground Zero in New York
- Delivering food, baby formula and medicines to the citizens of New Orleans trapped in the Superdome after Hurricane Katrina.

In major disaster situations, it goes without saying that all businesses and not just food related businesses, stepped up with offerings of support and relief. However, supermarkets and their related distribution networks and suppliers can serve as a particular resource for governmental and public relief agencies that are charged with responding to disaster situations. Supermarkets provide food and medicine, which are essentials to any preparedness and recovery plan.

After Hurricane Katrina, the Senate Committee on Homeland Security and Governmental Affairs conducted hearings on the government’s response during the crisis and issued findings that recommended increasing public/private partnerships to enhance the overall preparedness of governmental disaster agencies.

During her opening statement before the hearings, Senator Susan Collins (R-ME) who chairs the Committee stated,

“Not only were businesses able to recover and reconstitute quickly, but they were also able to provide supplies, equipment and food and water to add in the recovery of local

communities, something for which they should be commended. We are here today, however, to learn how they were able to respond so quickly and so effectively when government did not. We have much to learn from the private sector and we must do all we can to apply those lessons to the operation of government.”

Senator Joseph Lieberman (D-CT), who is the ranking member of the committee stated, “These companies really form the backbone of our society and economy and therefore must be prepared in the national interest to respond to crises and we must work with them in government to protect them at all costs.”

What is a Public/Private Partnership?

Give a brief overview of what this is and what such a partnership “looks like” in real life without going into depth in the partnership agreement itself: Can use Publix in Florida, Safeway in Texas, Wegmans in NY, etc.

Why Establish a Public/Partnership?

Again, speak to Hurricane Katrina and the needs that were filled by private industry to help the community. But also give examples of communities served by supermarkets after a disaster...we have a moral obligation to provide aid to the communities which support our stores and from where our loyal and hardworking employees live.

Also, by establishing a partnership proactively instead of in the midst of the actual crisis, aid can be provided to the community much quicker and more efficiently: Government and supermarkets have each others contact numbers and have already established protocol for activating assistance, Warehouse and distribution channels can already be on alert to “step up” the delivery of food and supplies immediately upon learning of a potential disaster, etc. *We can get many more such examples from the Food Protection Committee*

Examples of Specific Public/Private Partnerships with regards to Supermarket Industry

Florida Emergency Management

- Interview with Florida Director of Emergency Preparedness and Representatives from Publix and Winn-Dixie who deal with disaster preparedness (Have contacted Michael Roberson with Publix about helping set this up.)

- Obtain other specific examples from State Associations (Info from Bill Materia’s group). (Elizabeth Wise of FMI has received such examples...message left for her regarding this information.)

- Obtain other specific examples from the Food Protection Committee

- Examples of pandemic planning – Alex Lee (NC), Wakefern (NJ)

Governmental Logistics Supply Chain

- Dissect plan with regards to how the food industry can provide these services if possible for food, water and medicines
- Point out shortcomings, if any, to food industry involvement in the distribution plans
- FEMA Info http://www.fema.gov/media/fact_sheets/logistic-supply-chain.shtm

FOSAs - Federal Operational Staging Areas

- Temporary facilities at which commodities, equipment and personnel are received and pre-positioned for deployment within one designated state as required
- Generally projected to hold 1 - 2 days of commodities

PODS - Points of Distribution Sites

- Temporary local facilities where commodities are distributed directly to disaster victims. PODs are operated by the affected state.

Department of Homeland Security/FEMA Private Partnership Initiatives

- Provide overview of known initiatives between DHS/FEMA and private companies
- Interview officials about their future initiative plans including current success stories (if any).
- Use opportunity to address need for including retail supermarkets in Disaster/Pandemic Preparedness Plans for local and/or state governments.

FMI – State Listing of Public/Private Initiatives

- Get with Bill Manteria and his group regarding State Trade group stakeholders and their experiences regarding local and state emergency preparedness public/private initiatives around the country (possibly include a list, by state, of the various initiatives that are underway...if any). Again, Elizabeth Wise of FMI has some information on this but not sure how much or to what level of detail.

Who to Approach Within Local/State Government

- Provide examples of most common agencies to approach locally (emergency management, civil defense, law enforcement, etc.)
- Provide list (or link) to Offices and Agencies of Emergency Management within each state. <http://www.fema.gov/about/contact/statedr.shtm>

How You Can Help Government and Relief Agencies

- Assist in the establishment of an emergency communications network of supermarket and related companies in your state/region.
- Coordinate industry contacts (retailers, wholesales, vendors and manufacturers) for the various states in which you operate
- Educate them on industry-related infrastructure that is available to local and state emergency response agencies that can be invaluable in the event of disaster situations:
 - Stores – access to essentials for sustaining life – food and water
 - Warehousing and Distribution Centers – cross-docking and/or delivering needed food and supplies
 - Supply Chains – internal distribution fleets and external manufacturing supply chain agreements

How local and state agencies can help supermarkets:

- Help companies develop a disaster preparedness and recovery plan
- Review and make recommendations for revising existing plans
- Assist in the testing of existing plans (a very important and often overlooked aspect of disaster preparedness)
- Allow grocers to participate in statewide emergency planning and exercises that will help establish working relationships and prepare companies to deal with and recover from disasters.
- Create agreements that may prevent unplanned “commandeering” of product, fuel, equipment and supplies.
- In the event of emergencies, State Emergency Management agencies may appoint a representative to your company to serve in your Emergency Operations Center.

Supermarkets and Priority Consideration for Services

In order to be an effective partner and participant in the overall post-disaster recovery efforts, supermarkets should be “recognized” as businesses that need priority consideration with regards to:

- Power Grid Prioritization - Grids, which contain hospitals and other critical first responder structures, are given priority by power companies when restoring power after a disaster.

- Access to Emergency Communications – There are specific frequencies and means of communications available to law enforcement and first responders.
- Transportation and Road Closings - Real time and accurate information is vital to the successful delivery of relief supplies.
- Access to Affected Geographic Area – Rather than negotiating with the law enforcement person or agency manning the curfew area, a letter of understanding between FEMA and supermarket companies would insure that trucks with supplies reach the community in a timely fashion.
- Access to Fuel Supplies – In the event that fuel is limited or lines are long, trucks carrying food, ice and supplies should be given priority access to fuel.
- Permits to operate stores with “exceptions” to the Food Code (or State equivalent) provided such actions do not jeopardize public health.
- Protection for premises and employees, such as police and National Guard protection against looters and vandalism.
- Assistance with employee transportation (like getting nurses to hospitals).
- Priority for employee health protections, such as vaccines, drugs, protective equipment (masks, gloves, etc.)

The level of your company’s involvement in public/private partnerships with government and private relief agencies is a business decision that must be debated and decided internally before initiating any communications dialog. Not all retail food stores will be able to participate in disaster relief planning, and some companies may elect to designate only a limited number of stores within a community.

However, regardless of whether you choose to be proactive in your community assistance planning or respond only in the event of a local emergency when asked to do so, your decision could be critical to the immediate survival of your customers, employees, neighbors and friends and impact the reputation of your company.

Again, supermarket managers, owners and operators are very community minded and in times of a disaster strive to be the “last store to close and the first store to open”. A proactive approach to public/private partnerships with government is the next logical step in fulfilling that commitment to our communities.