

Testimony of Mr. Donald Rouse Jr
Managing Partner
Rouses Enterprises, LLC
1301 Saint Mary St.
Thibodaux, LA 70301
July 13, 2015

Good afternoon and thank you Chairman Vitter and Members of the Committee. My Name is Donald Rouse and I am a managing partner for Rouses' Enterprises. As a managing partner, it is my responsibility to monitor and manage both operational and logistical operations at all forty-three of our stores in three states, Louisiana, Mississippi, and Alabama.

There are many challenges we face as a company. One of these challenges is on-time delivery of products to our stores. We purchase all of our products from various distributors. The single largest distributor of goods to our stores is Associated Wholesale Grocers from their facility in Pearl River, Louisiana. In addition, we purchase goods from a significant number of distributors and small local and regional businesses providing a large variety of local fresh produce and seafood.

Many of our major distributors haul goods from across the country and are subject to delays both nationally and locally. I believe that there is a need for improvements to the federal transportation infrastructure to improve and modernize our roads and bridges. The time to move produce from the west coast to Louisiana takes three to four days when there is no congestion. Adding congestion and other road construction projects adds additional days to the delivery time.

In many cases, especially with highly perishable items, such as produce, delays to the distribution facility in Pearl River will result in lost sales in our stores if the goods in the warehouse are depleted prior to replenishment arrives. It is entirely possible that our stores could be out of stock on critical items for as many as two to four days.

For the first half of 2015, there were over 468 (10%) inbound delays reported by Associated Wholesale Grocers, our major distributor. The average delay was 2.8 days. Part of this was due to construction delays and part from the changes in transportation regulations, while meant to improve safety, have caused a shortage of qualified drivers. Out of stocks and shortages of goods resulting from the inbound transportation process is estimated to be over one percent in lost sales to Rouses. This represents a significant lost of revenue, profit, and raises cost in labor and other carrying costs.

Once the goods arrive at our various distributors, the goods need to be transported to our stores via tractor and trailers. Many of our stores must be serviced through travel on two lane secondary roads that are difficult to navigate and sometimes dangerous.

Just recently, one of our distributors' trucks suffered a rollover on one of those secondary roads Highway 308 because of the ditches that lined the road. Fortunately, there were no other vehicles involved nor were there any fatalities.

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We also face significant risk if our customers are unable to travel to our stores due to congestion around our stores. I would like to site two specific infrastructure examples:

The first example concerns our store at 701 Baronne Street in New Orleans. Construction caused significant delays for traffic for approximately two years, making it extremely difficult for customers to get to the store. Because of this congestion, the store experienced a 4% loss in business during the construction phase. Fortunately, after the congestion was finished, our business has returned to near normal levels.

The second example is our store located at 4500 Tchoupitoulas Street in the uptown district. The construction has blocked access to at least two of the major surface streets. These streets also feed the piggy-back terminal on the Mississippi River. We have experienced a change in our sales trend, going from positive 1-2% to a negative 6.5% thus far. Construction has been ongoing for 18 months and is continuing and actually ramping up with no firm end date known to Rouses.

Based on these two examples you can see how important it is that infrastructure projects for new store sites be completed prior to finalizing selection for Rouses new store locations.

In summary, Mr. Chairman, our business model requires “Highest Quality” “Lowest Price”. Our customers demand both of the above attributes along with efficient, friendly service, not only within each of our facilities, but also approaching all of our stores. Any delay in delivering the goods and services due to late delivery of goods and congestion on roads leading to our stores negatively affects our ability to properly operate our stores profitably.

“Thank you Mr. Chairman and committee members, for the opportunity to appear before you today. I stand ready to answer to answer any questions you might have.”