



Pennsylvania Food Merchants Association fact checks mayor's false statements on Philadelphia beverage tax

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In response to Mayor Kenney's baseless attacks on Philadelphia businesses and families, the Pennsylvania Food Merchants Association has released the following statement:

"The mayor's approach of attacking Philadelphia families and businesses whose livelihood is threatened by his beverage tax is shameful. It's time for the mayor and members of his administration to stop the personal attacks, and own up to the pain his regressive tax is inflicting on the people of Philadelphia. From day one, we offered to work with the mayor to find a way to fund his initiatives that wouldn't raise prices on working families and cost Philadelphia jobs. He refused, and is now peddling a false narrative to shift the rising tide of discontent with the tax away from himself and onto the city's distributors and retailers. The fact is that his policies have already caused Philadelphians to lose their jobs, and that more jobs are at stake as sales have dropped precipitously in the city. The fact is that Philadelphia supermarkets and corner stores are being forced to reduce employee hours, and are in danger of closing, threatening the City's efforts to bring fresh groceries into food deserts. The fact is that this tax has caused prices to skyrocket on thousands of beverages, which in turn has forced hard-working families to shop outside the city or pay drastically higher prices. The fact is that nearly 60 percent of Philadelphia voters oppose this tax. And the fact is that the mayor could stop the pain right now if he only listened to Philadelphia families and businesses, and repealed this misguided, harmful tax. He needs to stop pointing fingers at others for his actions, and own up to the damage his policies are causing real people. This damage is the fault of the mayor and City Council, no one else."

Fact checking the mayor

Here are some falsehoods the mayor and his administration have been repeating recently, as well as the facts which undercut their claims:

- **CLAIM:** *"They're gouging their own customers."*
FACT: In a [recent op-ed](#), St. Joseph's University economist John Stanton explained that supermarkets were forced to pass the tax onto consumers, because of the way the industry functions and because the tax is so high: "The profit margins are already extremely low in the supermarket business, and this could have a significant impact on the ability to stay in business. A number of city supermarkets have closed in the last few years. This new tax has the potential to exacerbate the situation, and make city food shopping more difficult."
- **CLAIM:** *"Since it is not a sales tax, distributors ... do not have to pass it down to their customers, the dealers."*

FACT: WHY [recently interviewed Andy Pincus](#), who owns Carbonator Rental Services, a Southwest Philadelphia small business that sells syrup to restaurants: “Depending on whether it's his own label or a national brand like Coca-Cola, Pincus charges anywhere from \$60 to \$90 per box [of syrup]. But now, every time he sells one to a customer in Philadelphia, Pincus owes the city \$57.60 in taxes. ‘We're not talking about a couple of bucks on a \$60 item,’ he said. ‘We're talking about \$57.60 on a \$60 item. It's too big not to pass on.’”

- **CLAIM:** *“Jeff Brown and some of those groups out there jacked up prices beyond what the tax calls for. They started collecting the tax four days before the tax went into effect. They've been stockpiling product from June to January. They are charging the tax at point-of-sale, which it was never intended to do. And they're putting the money in their pockets.”*

FACT: Supermarkets don't have the warehouse capacity to stockpile months' worth of beverages, many of which require expensive refrigeration. Many taxed beverages also have expiration dates, which make it impossible to store these beverages for extended periods of time.

Moreover, Jeff Brown has focused his career on providing employment opportunities and second chances for people with prior criminal records, and has expanded grocery access in inner-city urban food deserts. As noted by Larry Platt in a recent [Philadelphia Citizen article](#):

“Sugary drinks, it turns out, only make up 4 percent of Brown's bottom line; he could withstand its 40 percent decline in sales. But, so far, when his customers cross City Line Avenue to get soda, many are also doing *all* their shopping there. So Brown's stores are down 15 percent overall, in a business famous for its tight margins. That's not sustainable, he says; he's already had to cut between 5,000 and 6,000 hours of employment each week, the equivalent of 280 jobs. If things continue, he may have to join PepsiCo and lay off workers. ... Make no mistake, Jeff Brown doesn't just open super markets. He employs our citizens and he posits a way to think about what it means to be part of a community, which is why it's so striking that the Mayor is critical of him.”

- **CLAIM:** *“I didn't think it was possible for the soda industry to be any greedier. They are so committed to stopping this tax from spreading to other cities, that they are not only passing the tax they should be paying onto their customer, they are actually willing to threaten working men and women's jobs rather than marginally reduce their seven figure bonuses.”*

FACT: The mayor's tax of 1.5 cents per ounce has forced supermarkets, corner stores, restaurants and other Philadelphia businesses to drastically raise the price of thousands of drinks. This has caused beverage sales to drop by 40 to 50 percent in just three months. These new sales levels have forced businesses across the city to restructure, resulting in layoffs. The mayor should stop blaming businesses for the effects of his new taxes – effects that we made him well aware of before it was passed. As noted in a [recent article in Bloomberg news](#):

“Canada Dry Delaware Valley -- a local distributor of Canada Dry Ginger Ale, Sunkist, A&W Root Beer, Arizona Iced Tea and Vita Coco -- said business fell 45 percent in Philadelphia in the first five weeks of 2017, compared with the same period last year. Total revenue at Brown's Super Stores, which operates 12 ShopRite and Fresh Grocer supermarkets, fell 15 percent at its six retailers in the city.”

- **CLAIM:** *“If you don't want to buy [taxed beverages], don't buy it, and if you want to go buy it in the suburbs, go buy it.”*

FACT: Actually, the mayor is right on this one. Since his regressive tax was put in place, beverage sales have dropped by up to 50 percent in Philadelphia, and increased by about 20 percent in nearby

suburban communities. Those sales declines are why businesses are being forced to cut hours and lay off employees – and the mayor is encouraging people to continue shopping outside the city, which will only make the problem worse. Or, as a recent [Washington Times editorial noted](#): “If His Honor had not slept through Econ 101, he would have learned that taxes and other costs of doing business are always passed on to consumers. Money grows on trees only at City Hall.”