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## **New Oxford Economics Study Finds Beverage Tax Cost Local Jobs and Inflicted Economic Damage**

A new [study](#) released by leading economic analysis firm Oxford Economics found that Philadelphia's beverage tax has cost local blue-collar jobs in retail, bottling and trucking and logistics and inflicted tens of millions of dollars of economic pain on local businesses.

The study, conducted in partnership with the American Beverage Association and entitled "The Economic Impact of Philadelphia's Beverage Tax," found the tax resulted in a "decline in Philadelphia employment of 1,192 jobs, with \$80 million reduction in GDP, and a \$54 million decline in labor income" since taking effect last year.

The economic damage was focused on the retail sector, where 70 percent of job losses were concentrated.

The Oxford Economics study found that beverage sales at Philadelphia supermarkets fell 24 percent and increased 14 percent in surrounding areas. Sales of non-beverage items declined 7 percent, signaling that consumers are shifting entire grocery buying trips outside the city to avoid the tax. The study also tracked a sizable uptick in the sale of powdered drink mixes, which were exempt from the beverage tax.

"Our research shows that Philadelphia's beverage tax is having a specific negative economic impact on Philadelphia's economy," said Hamilton Galloway, Head of U.S. Consultancy for Oxford Economics. "Beyond the loss to bottlers and distributors, the effects are concentrated throughout Philadelphia's grocery retailers, who have experienced sales declines as shoppers shift their buying habits outside of the city to nearby communities."

These findings bolster reports from local Philadelphia retailers, which have been forced to reduce employee hours and cut jobs in the face of declining sales due to the beverage tax.

"Philadelphia's beverage tax has punished local grocery stores that operate in underprivileged neighborhoods, making four of my seven Philadelphia stores unprofitable," said Jeff Brown, a prominent local supermarket owner who has opened ShopRites and Fresh Grocers in neighborhoods classified as food deserts. "Each of my stores employ 200 to 300 local people, often creating opportunities for returning citizens. I'm very concerned that I may be forced to close at least one of my unprofitable stores, reversing years of progress in overcoming food deserts in Philadelphia."

The Oxford Economics report comes on the heels of the [repeal of the Chicago area beverage tax in Cook County](#), which also hurt local stores and residents. [Research](#) shows that another

local beverage tax in Berkeley has resulted in an increase in total beverage calorie consumption.

Oxford Economics was founded in 1981 by members of Oxford University's business college to provide economic consulting and forecasting services to companies and government agencies around the world.

### **Top Findings From Oxford Economics**

- **Local Workers And Job Creators Experienced Economic Loss.** The Philadelphia beverage tax resulted in an employment decline of 1,192 workers, \$80 million in lost GDP and \$54 million less in labor income. These job losses broke out to roughly 70 percent from reduced non-beverage grocery retail, 25 percent from beverage trade and transport margins and 5 percent from bottling.
- **Consumers Are Traveling Outside Philadelphia City Limits To Avoid The Beverage Tax.** Grocery sales declined in Philadelphia and increased in the surrounding region, indicating consumers are traveling outside the city to avoid the tax. Same-store supermarket beverage sales in Philadelphia fell by 24 percent, while those outside Philadelphia increased by 14 percent. Sales of non-beverage items in Philadelphia supermarkets declined by a remarkable 7 percent. Bottlers' sales in Philadelphia fell by roughly 29 percent, corroborating the patterns seen in the supermarket data.
- **Drink Mixes And Powders, Which Are Not Subject To The Tax, Saw An Increase In Sales.** The purchase of drink powders, which are not subject to the tax, showed significant increases. Sales of drink mixes increased by 29 percent in Philadelphia and instant tea mixes by 32 percent, while sales outside the city increased by only 2 and 3 percent, respectively.

### **Oxford Economics Methodology**

Oxford Economics analyzed two separate proprietary datasets as well as public tax receipt data from the City of Philadelphia for context. The datasets included wholesale sales of the three largest bottlers in Philadelphia and same-store supermarket sales data for Philadelphia-area supermarkets provided by Information Resources, Inc. (IRI). By comparing these datasets over the same time period (January to mid-April) in 2016 and 2017, Oxford Economics was able to evaluate the direct economic consequences of the tax and its serious ripple effects.

The study can be accessed at <https://goo.gl/hb3C7K>.

An infographic has also been attached that highlights the study's key findings.