

Senate Local Government Committee
Public Hearing: Philadelphia Beverage Tax
June 23, 2017

Testimony of Danny Grace, Teamsters Local 830

Good afternoon, Senators. Thank you for allowing me to testify here today before this important committee. My name is Daniel H. Grace, Secretary-Treasurer of Teamsters Local 830 in Philadelphia. Since this onerous, discriminatory tax on the beverage industry was first proposed by Former Mayor Michael Nutter – then known as the “Soda Tax” - Teamsters Local 830 has fought hard against it with a broad coalition of partners, including the beverage industry, supermarket chains, small business owners, consumers, consumer advocates, the faith-based community and elected officials alike.

Now known as the “Sweetened Beverage Tax” or simply the “Beverage Tax”, this regressive levy on both sugar-sweetened and artificially-sweetened diet beverages sold in Philadelphia is patently unfair to Teamsters Local 830 members who rely on a healthy beverage industry for their livelihoods, and especially to low-income citizens, single mothers and minorities, the very population that the tax is supposed to be benefitting.

The definition of a regressive tax is one that disproportionately affects the very people who can least afford to pay it. The city’s poor don’t have the financial means to absorb a tax that has more than doubled the costs of their favorite sodas, juices, iced teas, sports drinks, flavored milks and countless other beverages. The tax has been applied to virtually every beverage sold in the city. The working poor also don’t have the ability to drive to the nearby suburbs or South Jersey to buy their beverages and avoid the outrageous tax, like many other city residents are doing. This situation – which the Teamsters predicted – has forced many low income Philadelphians to forego sweetened drinks altogether or purchase them through the many illegal black market operations that have sprung up across the city. We have seen evidence of people purchasing hundreds of cases of sweetened drinks in nearby suburban areas such as Upper Darby in Delaware County, loading them in unmarked vans, and driving them into Philadelphia to be sold out of nondescript warehouses or right out of the vans.

The Kenney administration's stated assumption that lost sweetened beverage sales would simply be filled in with increased sales of water and other non-sweetened drinks has been proven false. Consumers don't behave that way. Consumers can make the choice today to abandon sweetened beverages for water and other non-sweetened drinks, but they haven't done so nor will they.

As a direct result of the beverage tax, there has been a huge drop-off in sales of sweetened beverages in the city, just as we predicted. The damage the tax has already done to our union has been significant. As of this moment, 155 of our union brothers and sisters have been laid-off - 80 members at Pepsi, 40 at Coke and 35 at Canada Dry. And these are family-sustaining jobs we're talking about.

The beverage tax has caused a disastrous domino effect within Teamsters Local 830. The tax has resulted in drastically fewer products being sold in the city, which means less trucks needed for deliveries, which means less Teamsters drivers needed. Fewer delivery trucks on the roads means less need for Teamsters' mechanics to maintain and repair the trucks. Less products being sold also means less need for Teamsters' production and warehouse personnel. And decreased sales of beverages means less need for Teamsters' merchandisers in corner convenience stores and supermarkets.

Job losses as a result of the beverage tax have not been relegated just to Teamsters Local 830 and the beverage companies. Supermarkets, convenience stores, Mom and Pop shops, restaurants and fast food chains in the city have had to lay off employees due to dramatically slumping beverage sales.

Listen to these sobering statistics: Since January 1st, 2017, overall sales of sweetened beverages in Philadelphia are **down 43%**. Conversely, sales of sweetened beverages within a five mile radius of Philadelphia's border are **up 19% to 20%**. The take-home pay of Teamster Local 830's commissioned drivers and sales people are **down a staggering 50%**. The take-home pay of our union's production workers, warehouse workers, and drivers who are paid by the hour is **down 15%**. The beverage tax has decimated our union, just as we feared.

Teamsters Local 830 also predicted that the beverage tax would not generate nearly the revenue the city had projected and it appears we were right once again. According to recent media reports, the city brought in about \$6.5 million in beverage tax revenue in April, which is a significant 7% drop from March when tax revenue hit \$7 million. The Kenney administration had also projected that the tax would bring in a combined \$46 million during May and June. There is zero chance of that happening and the city has acknowledged as much.

Finally, I must profess our profound disappointment over the Commonwealth Court's recent decision, affirming the shaky legality of the beverage tax. I'm not an attorney, but I understand this much: government cannot tax the same product twice, yet that's exactly what Philadelphia has done with the beverage tax. We are encouraged that our anti-tax coalition partners quickly committed to taking this legal fight to the State Supreme Court. Teamsters Local 830 agrees with Commonwealth Court Judge Anne E. Covey that the tax is illegal. She wrote in the Minority opinion that (quote) **"While I acknowledge that the Philadelphia Beverage Tax does not appear to be duplicative of the Sales Tax because it is not explicitly labeled a retail sales tax, the majority ignores that the Philadelphia Beverage Tax is only triggered when there is a retail sale involved."** (end quote). The irony also was not lost on us that the Commonwealth Court's decision came on the same day that the Kenney administration admitted that revenues from the tax have been woefully short of their stated projections. The beverage tax is a failure and has been ruinous to Teamsters Local 830, the beverage industry and many local businesses. It needs to be repealed.

Finally, I wish to thank the members of this State Senate committee for hosting this timely and important hearing and for casting a critical eye at Philadelphia's regressive and discriminatory beverage tax. Your intervention is greatly appreciated. Thank you.