

TESTIMONY PRESENTED TO:

The Honorable Scott Wagner, Chair
Senate Local Government Committee

The Honorable John Blake, Chair
Senate Local Government Committee

Committee Members:

The Honorable James Brewster

The Honorable Michele Brooks

The Honorable John Eichelberger

The Honorable Vincent Hughes

The Honorable Scott Hutchinson

The Honorable Wayne Langerholc

The Honorable Scott Martin

The Honorable Thomas McGarrigle

The Honorable Judith Schwank

and The Honorable Senator Anthony Williams, who requested the public hearing

BY:

Grant McLoughlin, Executive Vice-President
The Fresh Grocer



October 17, 2017

Grant McLoughlin, Executive VP
The Fresh Grocer
5000 State Road
Drexel Hill, PA 19026-4609

TESTIMONY ON THE PHILADELPHIA SUGAR SWEETENED BEVERAGE TAX.

Hello, my name is Grant McLoughlin and I am here representing Pat Burns, the Fresh Grocer Company, and over 1300 store level employees. Pat would have liked to have been here today to address the Committee but unfortunately is out of town and asked me to sit in on his behalf.

I have been in this industry for over 45 years, starting as a Co-op Student out of Drexel University in the early 70's with Pathmark Supermarkets and spent over 35 years with that company.

I have been with The Fresh Grocer now for ten years as Executive Vice President overseeing operations for the organization. I also serve on the board of St Joseph's University Academy of Food Marketing and am a former board member of the Philadelphia Alzheimer's Association.

Our company is committed to this community and we have now grown to a total of nine locations (seven Fresh Grocers and two ShopRites). Of those stores, five are within the city limits of Philadelphia, three are in Delaware County, PA, and one is in Wilmington, Delaware. Of our five Philadelphia locations, four were operational prior to January of 2016 and one opened in the last quarter of 2016. It should also be noted that each of our nine locations are wall to wall union operations with eight locations serviced by the UFCW and one by the Teamsters.

At our Fresh Grocer and ShopRite stores, we specialize in providing high-quality perishables in both urban and suburban environments and are committed to understanding the needs, tastes and traditions of the communities in which our stores are located, and make it a priority to offer an assortment of products and services to meet those various needs. Our company is also committed to improving food access and to promoting the health and wellness of our customers, associates and communities.

Being a good corporate citizen is imbedded in our company's mission. It's part of who we are as a company and helps guide the decisions that we make in both the short and long term.

We are invested in our communities and are committed to empowering and supporting our neighbors, community groups, and local institutions – through local hiring, supporting local vendors, incorporating environmentally friendly best practices into our operations, and participating in various philanthropic efforts like volunteerism, hosting food drives for local hunger relief

organizations, donating gift cards and catered goods and making monetary contributions to hundreds of local charities each year.

We have been committed to operating first-class supermarkets in Philadelphia since the opening of the first Fresh Grocer in 2001, which came at a time when national supermarket chains were moving out of the city and into the suburbs.

Much has been done over the years to recognize and incentivize quality supermarket operators to develop new stores in Philadelphia. For example, with the help of local and state government officials like Rep. Dwight Evans and Gov. Ed Rendell, we were able to open two multi-million dollar Fresh Grocer supermarkets in 2009 – one on N. Broad Street in Progress Plaza and one on Chew Ave near La Salle - in what were then considered to be two of Philadelphia's largest food deserts. Shortly after the store openings, Former First Lady Michelle Obama toured our Progress Plaza location, recognizing it as a national example of fresh food access.

We don't want to reverse the progress that we have made to grow the supermarket industry and improve food access and promote economic development in Philadelphia.

The supermarket industry relies on 1-2% sales increases annually just to help offset the ever increasing expenses associated with running a supermarket (ie: utilities, promotions, benefits, wages, technology, etc). In recent months, beverage sales in our Philadelphia stores are down around 60% and our total store sales are down almost 10%.

Many of our Philadelphia customers rely on SNAP benefits to feed their families. Year-to-date, our SNAP sales are down almost 14% in the impacted stores as evidence that the Philadelphia Beverage Tax is forcing those customers to leave the city to avoid a reduction in their purchasing power. Those who cannot leave the city are using their valuable SNAP benefits to purchase Philadelphia Beverage Taxed items, thus reducing their purchasing capabilities.

Compared to last year to date, we have lost over 158,000 customer transactions since the implementation of the Philadelphia Beverage Tax and those customers who have not left are spending less, as our average order size (an important industry metric) is down over 4%.

These declining sales, customer counts and average order sizes have dramatically impacted our current employees' hours and stifled job opportunities and hiring initiatives. Due to the sales loss, in the month of May we used 5,200 less hours in our four like stores than the same month last year. If you assume that an average part-time associate works 18-20 hours per week, this represents a loss of approximately 70 jobs across our four like stores. To further substantiate, historically, we have employed over 880 associates throughout our five Philadelphia locations (and another 575+ outside the city). Unfortunately, those Philadelphia employment numbers are diminishing in recent months as a direct result of the impact of the Philadelphia Beverage Tax. Currently our staffing level at our five Philadelphia supermarket locations is down to less than 800 as of the end of May. If the Philadelphia Beverage Tax continues, this trend will no doubt continue to spread, not only throughout our stores, but throughout all supermarket operators in the city and will represent the loss of hundreds of job opportunities, many of which are entry level positions for high school and college

students supplementing their income to enable them to afford continuing education opportunities. These consequences are devastating as it is our intention to not only continue operating successfully in Philadelphia, but to continue to grow our workforce and provide our associates with better opportunities for forward mobility within our organization.

The damaging impact on our top line has also impacted capital investment plans as we are no longer interested in pursuing additional new stores within the city limits and have even put two planned major renovations (for our LaSalle and Progress Plaza Fresh Grocer stores) on hold.

While we are in full support of the spirit of the legislation to fund Pre K and other initiatives for the children of Philadelphia, we are asking this Committee to please find alternative sources of funding that do not cost the city residents spending power, continues to provide needed entry level job opportunities for the older brothers and sisters of those children benefiting from the current initiatives, and assists in providing a business climate that encourages future investments which would lead to more job growth and access to fresh food.

Thank you for the opportunity to speak today. Let's work together to end this burdensome tax and increase opportunity and investment in the city.