

## Testimony before the Senate Committee Hearing on Philly Beverage Tax

Our company, Carbonator Rental Service has been owned by my family since January, 1955. My Father worked here until age 93, and passed away two weeks after the last day he worked in 2011. During that time, we have never had to lay off an employee for lack of work. We provide fountain post mix soda equipment and related supplies including syrups, juices, bar mixes and gasses to over 1000 establishments in the tri state area.

We have paid union wages since the 1950s, plus a generous benefits package that includes paid sick leave and vacation, company paid health insurance, retirement plan plus disability and life insurance. Since the imposition of the Beverage Tax this year, our drivers are being yelled at by our customers who are venting their frustrations with this tax to our drivers.

Year to date in 2017, our syrup business is down from 2016 over 22%. This lower volume has resulted in our reducing our work force by 10%, through attrition, that is, not replacing employees who have left the company. The next work force reduction will likely be the first layoff for lack of work in the history of the company. Many of our accounts in Philadelphia are buying less syrup because they are selling less soda. Some accounts have decided to terminate service with us completely, resulting in a loss of 100% of their volume.

We are distributors for the Coca-Cola company, plus we manufacture private label syrups. We sell a box of private label fountain syrup for \$60. The Philly Beverage Tax on that \$60 box of syrup is \$57.60. This box of syrup concentrate is combined one part of concentrate 5 parts of the retailers water, so the tax we are paying is mostly a tax on the customer's carbonated water, which we do not supply. We pay union wages to load that box of syrup on a \$75000 delivery vehicle, then pay a union CDL driver to deliver this box of syrup, often extending credit to our customer. We remit the \$57.60 Philly Beverage Tax on this box to the city of Philadelphia on the 20<sup>th</sup> of the month following the month it was delivered, often before we have been paid for the box or the tax on the box. We are laying out the money for this tax in advance in many instances which has negatively affected our cash flow. Before the first tax dollar was collected, we had to pay over \$5000 for a software upgrade to accommodate this tax. It is for these reasons that it is impossible for us to absorb this tax or any part of it, and remain in business. We do business in an extremely competitive environment. Despite this extremely competitive environment, no syrup distributor who serves the Philadelphia market has chosen to gain a competitive advantage by absorbing any part of this tax., for the same economic reasons that I have cited.

Some City Council members understand how this tax has hurt us, unfortunately, most do not realize the impact this tax has on our family owned business. We want to continue to offer good paying jobs with benefits to the good hard working citizens of Philadelphia. We are not able to grow our business because of this tax, which has specifically targeted our business.