

April 8, 2004

U.S. BUSINESS NEWS

Wal-Mart Loses Supercenter Vote

By ANN ZIMMERMAN

Staff Reporter of THE WALL STREET JOURNAL

April 8, 2004; Page B7

For **Wal-Mart Stores Inc.**, California represents a gold rush, the last large untapped market to build its lucrative combination grocery and discount stores.

But citizens of Inglewood, a suburb of Los Angeles, voted by a large margin on Tuesday to block the retailer's proposed 60-acre development, emboldening California's growing opposition to the company's quest to pan for profits in the nation's most populous state.

Wal-Mart, of Bentonville, Ark., has said it hopes to open 40 such supercenters in California in the next three to five years. It already has 133 general-merchandise discount stores in the state.


But several California cities and counties, including Alameda, already have enacted legislation to ban Wal-Mart's huge combination stores, called supercenters. Los Angeles, San Diego and several cities in the Bay Area are considering similar bans as well. The Inglewood vote followed months of controversy over the store, and Wal-Mart took the unusual step of going directly to the voters to circumvent the unfriendly city government.

Although Wal-Mart has long argued that consumers want its low prices, those in Inglewood weren't buying. Nearly 61% of those voting, or 7,049 voters, opposed the development.

Wal-Mart has faced community opposition to its large, sprawling stores for more than a decade, but the fights it faces in California are tougher and have a different tenor. They are less about traffic congestion, suburban sprawl and the impact on local retailers than about Wal-Mart's low wages and employee benefits.

Even Wal-Mart admits the California backlash is fiercer than what it has experienced before. "The unions are much more entrenched here, so it sets a different tone," says Bob McAdam, head of state and local relations for Wal-Mart. "They are experienced politically, have friends they've helped elect and are focused on our company in the way a lot of people aren't."

DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

Indeed, yesterday's defeat may be as much about Wal-Mart's tactics in this particular fight as about its stores. The company was viewed as a multinational, deep-pocketed corporation trying to do an end-run around the local government. It spent almost \$1 million in direct-mail campaigns and going door-to-door to persuade voters to approve a 70-page proposal allowing a development that could have skirted environmental reviews, traffic studies and public hearings.

The opposition also circulated fliers that said voting for Wal-Mart would bring more guns to this high-crime area, although Wal-Mart does not sell guns in California. "We have to be more aggressive to overcome misstatements and information out there," says Mr. McAdam.

In defeating Wal-Mart's plan, Inglewood voters also turned down millions in potential tax revenue and more than 1,200 jobs.

Wal-Mart says that other communities in California have contacted the company, asking it to consider building supercenters there. In early March, Wal-Mart opened its first California supercenter in La Quinta, a town of 30,000 near Palm Springs. That store didn't face any opposition.

In a few months, the Los Angeles City Council is expected to vote to ban stores of more than 100,000 square feet that sell groceries, effectively shutting out Wal-Mart's supercenters. A study commissioned last year by the city concluded that Wal-Mart supercenters would result in a net loss of jobs and force competitors to lower wages.

However, a report issued by Los Angeles County Economic Development Corp. reached a different conclusion. The report, funded by Wal-Mart, said supercenters could save Southern California households an average of \$600 a year, which would be pumped back into the community, creating more jobs than would be lost.

Emek Basker, an economics professor at the University of Missouri, has been studying the issue for the past seven years, and says reality is somewhere in the middle. In a recent study that looked at Wal-Mart's effect on counties over five years, she concluded that about a net of 50 retail jobs are created and 20 wholesale jobs are lost.

"Whether the jobs that are created are better than the ones destroyed, we can't measure," Ms. Basker said.

In 4 p.m. New York Stock Exchange composite trading, Wal-Mart shares fell \$1.04 to \$57.98.

Write to Ann Zimmerman at ann.zimmerman@wsj.com¹

URL for this article:

<http://online.wsj.com/article/0,,SB108132224309476503,00.html>

Hyperlinks in this Article:

(1) <mailto:ann.zimmerman@wsj.com>

Copyright 2004 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our **Subscriber Agreement** and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones

Reprints at 1-800-843-0008 or visit www.djreprints.com.