



EASTERN MAINE FAIR TRADE

COMMISSION REPORT



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- A. The Commission encourages the Maine Legislature to develop legislation requiring regional communication and cooperation between communities in the planning process.
- B. The Commission encourages local communities to consider regional planning districts to foster regional communication and cooperation and to some extent counter the bargaining power of large commercial interests.

Goal #3 - Governmental entities, local groups and businesses, and private citizens should encourage the retention and development of local business and the retention and development of alternative marketing strategies.

State and local government can encourage existing and potential local businesses, which in turn foster the social cohesiveness of the community and the unique local character of the community. Innovative strategies can be explored to foster the co-existence of large scale retail stores, small and local businesses, and downtown retail areas. However, although governmental entities can help with this goal, the efforts of local groups, local businesses, and citizens are of crucial importance in its accomplishment because the energy and imagination needed to actually develop businesses, co-ops, farmer's markets, and other local marketplaces, etc., can only come from those sources. Consumer education about the hidden costs and hidden impacts of large-scale retail stores is integral to this process.

- A. The Commission encourages state government to adopt a comprehensive procurement policy giving preference to goods and services produced in Maine. In order to avoid potential legal challenges, the legislature could consider taking into account in the procurement process the distance a product has traveled and justify it (appropriately) as part of the state's climate change plan.
- B. The Commission likewise encourages municipal governments to implement a system of local purchasing preferences in procurement.
- C. The Commission encourages local governments to work with local businesses and community groups to launch "Buy Local" campaigns and to explore other ways to support consumer education and local agriculture and manufacturing.

Goal #4 - State government should consider legislation to require large-scale retail enterprises to pay the true costs of operating in Maine.

As we heard at our forums and read in some of the research material, there are clearly significant problems with employment practices in the large-scale retail industry. In addition to coercive and sometimes illegal policies fostered by the emphasis on low prices, large-scale retailers often rely on governmental rather than commercial funding for employee benefits.

- A. The Commission encourages the state government to develop and implement a plan to move toward universal, single payer healthcare.
- B. The Commission encourages the Maine Legislature to pass legislation requiring employers to pay a living wage indexed to the cost of food, housing, gasoline, and heating oil in a given labor market area.



INTRODUCTION

The growth of large-scale retail stores has had a significant impact on the economy, landscape, and character of Eastern Maine. Last fall, PICA (Peace through Interamerican Community Action), a human rights and economic justice group based in Bangor, convened the Eastern Maine Fair Economy Commission, a group of community leaders from business, labor, and academia to encourage and reflect on public comments related to the role of large-scale retail stores in our region and to suggest ways for communities to gain a greater say in determining their own economic future.

The Commission's members included:

- ◆ Cathy Anderson, Dedham. Small business owner (The Briar Patch)
- ◆ Kathleen Bell, Orono. Assistant Professor of Resource Economics and Policy, University of Maine
- ◆ Michael Boland, Bar Harbor. Small business owner (restaurants and Criterion Theater)
- ◆ Valerie Carter, Bangor. Labor Educator, University of Maine
- ◆ Ken Cline, Bar Harbor. Professor of Environmental Law and Policy, College of the Atlantic
- ◆ Judson Esty-Kendall, Orono. Attorney, Pine Tree Legal Assistance
- ◆ Dan Lawson, Bucksport. Labor leader, United Steel Workers
- ◆ Davis Taylor, Bar Harbor. Professor of Economics, College of the Atlantic

In September and October the Commission held public forums in Bucksport, Bangor, and Ellsworth. Nearly 150 people from many different walks of life came forward to offer their stories, concerns, and ideas. This report offers an analysis of what we learned with policy recommendations for state and municipal governments. In reaching these recommendations, we drew on both the testimony given at the forums and on a number of published studies of the social, environmental, and economic impacts of large-scale retail development.

The Commission would like to thank Daphne Loring for her tireless work in helping to organize the community forums, John Buell, Stacy Mitchell, and Bjorn Claeson for their advice and assistance in preparing this report, and the Maine Community Foundation, the Waldo County Community Foundation, and the Washington County Community Foundation for helping to fund this project.

TESTIMONY

Our first public forum, in Bucksport, began with a presentation of that town's recently completed downtown marketing study, which surveyed local business people, residents, and visitors. Survey respondents identified Wal-Mart as their favorite store with five times as many first place votes as the #2 choice. Price was the most important factor influencing consumers' buying decisions, with convenience second. Keeping consumer dollars spent in the local economy was last (sixth) in the list of priorities. Consumers also indicated that they were willing to drive a significant distance to get to large-scale retail stores, yet at the same time they expressed a "love for Bucksport."

The survey results highlight some of the reasons large-scale retail stores have been successful, specifically the public perception that prices are lower, selection wider, and the chances of finding a "good deal" much greater. In addition, some of the testimony we heard noted a social aspect of large-scale retail shopping, that consumers can join

with many others in a large marketplace and can compare notes with friends or acquaintances the next day on their shopping successes.

In contrast to Bucksport's survey, most of the testimony we heard emphasized the negative effect a large-scale retail economy has on local communities and individuals and called into question many of the consumer perceptions which have made large-scale stores "successful". Testimony covered a wide range of topics including the effect of large-scale retail on community character, community decision-making, community resources, and on community businesses and labor standards. Strong feelings were expressed that large-scale retail stores, and Wal-Mart in particular, exploit local economies rather than expand them and that it was important to understand the "true" or "hidden" costs of this type of development.

CONSUMER PERCEPTIONS

A number of participants questioned the consumer perception that large-scale retail stores have the best prices and selection. In Bucksport, which has a small Hannaford supermarket, many residents travel to Bangor, Brewer or Ellsworth to shop at the much larger Shop and Save markets there or go to large-scale general retail outlets. They believe that the prices at the Bucksport store are higher. While this may have been true at one time, it apparently no longer is, and food prices are approximately the same in the smaller stores. As another example, an Ellsworth Home Depot employee explained that while he considered his is a very good store, "We don't have everything, and our prices aren't always the best."

The Commission recognizes that to the extent claims of "everyday low prices" are really true, families living from paycheck to paycheck may not be able to afford to think about the long-term costs to local economies and communities that are not reflected in the price tags of items they purchase. For increasing numbers of Mainers, looking for the lowest price, regardless of the social costs, can be a rational and responsible choice for their family budgets. As a Hancock County organic farmer pointed out, "It's hard to talk about local food to someone living from paycheck to paycheck."

Some of the testimony we heard suggested that consumer perception is to some degree fostered by misleading claims, slogans, and practices of large-scale stores, such as "bait and switch" pricing. Participants noted that large-scale stores sometimes employed temporary strategies designed to put competition out of business, only to retract those strategies when that goal was achieved. Fears were expressed that the end result would be consumer selection choices limited to the things that sell well in the national market.

There was also testimony that consumer perceptions can be changed by effective local education. We heard that a campaign by "Belfast First" changed a 60/40 support for Wal-Mart to a 66/33 vote against, and one witness described in detail the "Buy Local" campaign in Portland, which was changing the way consumers in that community shopped, partially through an educational component about local retention of consumer dollars and the hidden costs of transportation and worker benefits.¹

¹ A recent study by the Institute for Local Self-Reliance commissioned by the Friends of Mid-Coast Maine quantified a part of the economic dimension of this issue in the towns of Rockland, Camden and Belfast, Maine. (Institute for Local Self-Reliance. The Economic Impact of Locally Owned Businesses vs. Chains: A Case Study in Midcoast Maine. Portland, ME. Sept. 1, 2003) The study found that a group of representative local businesses in these towns recycled about 45% of their revenue into the local economy (Knox and Waldo Counties), and spent another 9% elsewhere in Maine. In contrast, only 14% of the revenue taken in by a typical large-scale retail store in the Midcoast region is re-spent within the Maine economy. (These figures may significantly understate the difference in local economy impact, as they do not include "multiplier effects" which occur when money paid by a local business to another local business or individual is in turn re-spent locally).

RECOMMENDATIONS

As is common at events of this nature, our participants were long on observations, opinions, and complaints, but much shorter on solutions. Nevertheless, participants suggested several measures that could make it easier for locally owned businesses to thrive and for the citizens of local communities to have a greater say in determining their economic future. Based on the sentiments expressed to us at the forums, the Commission considers these steps to be the basic building blocks for a more fair and balanced approach to our changing local economy.



Some of our specific recommendations require legislative action at the state level and some at the local level. Where possible, we have tried to identify specific existing measure to encourage.

Goal #1 - State and local governments should act in concert to require that the economic, social, and environmental impacts of large-scale retail store developments are considered in the municipal planning and decision making process.

Currently even concrete issues like the balance between the cost of increased fire and police services necessitated by the construction of a large-scale retail store and the amount of tax revenue the store will generate for the town are generally off the table when municipal governments are making decisions about whether or not to issue permits to build a big new store.⁷

- A.** The Commission encourages the Maine Legislature to pass the "Informed Growth Act" sponsored by Rep. Chris Barstow (D-Gorham). This legislation would trigger an independent comprehensive review of the economic, social, and environmental impacts of any proposed large-scale retail development 75,000 square feet or greater, to be paid for by the developer.
- B.** The Commission encourages municipal governments to pass local ordinances consistent with that legislation that would require economic, social, and environmental impact studies for new retail development over 75,000 square feet at the expense of the developer.
- C.** The Commission encourages municipal governments to emphasize the health of the local economy and the cost of expanded services in addition to conservation goals and the preservation of community character when revising municipal comprehensive plans and ordinances.

Goal #2 - State and local governments should explore mechanisms to regionalize the planning process.

Large-scale retail developments are intended to serve a population well beyond the borders of the particular municipality in which the development is located. Conversely, the economic impact of the development affects much more than the host community. Proposed large-scale retail development in a particular area can cause competition between communities trying to get whatever jobs, tax revenue, and secondary spending that might result from the development and hence a "race to the bottom" in offering incentives that only reduce the anticipated benefit.

⁷ Studies from around the country indicate that the construction of a large retail store tends to result in a net revenue loss for the municipal government in the community where it is built. (Randall Gross, "Understanding the Fiscal Impacts of Land Use in Ohio." Development Economics, August 2004; Tischler and Associates. Fiscal Impact Analysis of Residential and Nonresidential Land Use Prototypes. July, 2002; RKG Associates. Understanding the Tax Base Consequences of Local Economic Development Programs. 2001.)



at Wal-Mart, she went to work for Home Depot where her manager guaranteed her year round full time work with benefits and respected her right to a lunch break.

Nor is the problem of failing to provide workers with health care unique to large national retail chains – a point Rob Brown made at our Bucksport forum. Wal-Mart tops the list of companies whose employees depend on MaineCare for their health insurance. But L.L. Bean and the Maine Medical Center rank high on that list as well.⁵

In Ellsworth, we heard that Wal-Mart is now the third largest employer in Hancock County. Since Wal-Mart came to Ellsworth, the percentage of jobs in retail has shrunk and poverty rates have climbed.⁶ Several participants expressed an opinion about the connection between the loss

of manufacturing jobs in Maine and the rise of the large-scale retail industry. The pressure large retailers can exert on their suppliers is the same pressure that has led to the closure of suppliers in Maine. For example, we were told that Wal-Mart alone has assets greater than the gross domestic product of 155 countries, allowing them to dictate prices and depress wages and opportunities on a global as well as a local scale.

In written testimony submitted to the Commission, Bjorn Claeson of Sweatfree Communities quoted a worker laid off from the now closed Hathaway Shirt factory in Waterville as follows:

“On Monday we were called into the cafeteria and told that we were going to be closed on June 30. The first word out of our mouths was ‘why?’ We found out it was because of Wal-Mart. They asked us to drop the prices in producing a shirt or they would go overseas.”

Hathaway simply couldn't drop its price low enough to compete with offshore factories that paid workers less for a day's work than Hathaway paid its workers per hour.

Today, Wal-Mart buys some of its shirts from Chong-Won Fashions in the Philippines. In January, 2006, Flory Averalo, a worker from that factory, came to Maine to testify about her wages and working conditions. Claeson spoke of her experiences as well:

“Last year Flory, a young woman from the Philippines who sews shirts for Wal-Mart, came to Bangor and told us: *‘My salary is about half of what I need in order to meet my needs. On occasions I have been forced to work as many as 24 hours straight with only an hour or two of break. My factory produces Wal-Mart shirts including the Wal-Mart brands No Boundaries.’*

“Just a couple of weeks ago workers at Flory’s factory struck for higher wages. Earlier, the management distributed leaflets attacking the union and threatened that one of their buyers, US-based Wal-Mart, would pull out their orders if the conflict remained unresolved. When workers attempted to form a picket line, they were violently dispersed by police and security guards.”

According to Claeson, these conditions are the norm rather than the exception in the apparel industry in Asia, Africa, and Latin America that supplies most of the clothing sold in the U.S.

⁵ See “Data Show Wal-Mart Employees in Maine Rely Heavily on Public Assistance,” Institute for Local Self Reliance. June 28, 2005

⁶ Consistent with this testimony Maine Department of Labor data shows that entry-level wages in the Ellsworth area have been stagnant for the past five years.

COMMUNITY CHARACTER

The most common theme we heard at our forums was the concern that communities are losing their identity and individuality with the rise of large-scale retail stores at the same time that issues of community character are becoming increasingly important from an economic standpoint, as Eastern Maine becomes more dependent on tourism.

A witness in Ellsworth lamented that the town might as well change its motto to “Ellsworth – it’s just like where you came from.” Others spoke of their love for Maine and their fear that the Maine they love is vanishing. In Bangor, a witness spoke about the decline of the downtown area in recent decades in connection with the development of the Bangor Mall and associated stores and said that she felt like Bangor was losing its sense of community as a result. Other participants noted that the loss of grocery stores and pharmacies in downtown areas has an inordinate impact on some elderly people and others who do not drive and as a result have trouble accessing the businesses sprawled around the outskirts of their community.

Although we heard that some consumers have come to identify their social network with shopping in large stores, many of our participants lamented the loss of the social and commercial relationships that made for a sense of community in smaller towns. Large-scale retail stores were seen by many forum attendees as disrupting social communities. In the absence of alternatives, malls have become social centers based on consumption. In Ellsworth, Bangor, and Bucksport, we heard people describe how their community used to be not just a place where people searched out the lowest prices, but also a web of personal connections and obligations. A healthy downtown business district provided a focus for these connections. People could walk and do their shopping on foot, whereas now they have to drive. For example, Rob Brown, who grew up in Millinocket, remembered how his grandfather always bought what he needed locally because he felt an obligation to support his neighbors. He explained that people no longer feel that kind of obligation: “We are going from being a nation of producers to a nation of sales clerks. That changes how people view the economy.”

COMMUNITY DECISION MAKING

Many participants felt like they lacked a voice in shaping their communities’ economic future. The current process of approving large retail developments, involving municipal planning boards and the State Departments of Environmental Protection and Transportation, does not require communities to examine questions of economic and social impact. A witness from Seal Cove explained that if a large-scale retail business wanted to locate in a place that did not give rise to specific environmental or land use concerns, it couldn’t be stopped under current land use laws. It was noted that many key decisions are made at the municipal level, although dealing with the impacts of large-scale retail development may require a regional perspective. Several participants pointed out the need for stronger legal frameworks surrounding the land use approval process.

In Bucksport and Bangor we heard about communities around the country, from Homer, Alaska to Greenfield, Massachusetts that have passed policies requiring developers to pay for studies of the social and economic impacts of any proposed large retail stores on the community. These studies have helped to expand the debate about retail development and have put local officials in a better position to take into account factors like the impact of a proposed development on jobs, wages, and tax revenues when making permit decisions.

In Bangor, City Councilor Geoff Gratwick (speaking only for himself and not in an official capacity) spoke of the importance of being proactive in establishing policies that give communities more say in determining what kind of de-



velopment they want rather than waiting to respond to a particular proposal after the permit applications have already been filed. He also spoke of the importance of looking at these issues from a regional perspective in order to avoid a situation where one town is pitted against another.

COMMUNITY RESOURCES

The price tag of an item at a big-box store, or at any store, does not represent the full cost of that item to the community and region where the store is located, including environmental costs. We heard many people express concern at our forums about the use of fossil fuels to move goods from distant producers to local markets.

In addition, we heard about the costs to the State when low wages and lack of benefits at large-scale retail stores force their employees to rely on food stamps and Medicaid, costs that consumers end up paying later through taxes. There are financial impacts when large-scale retail developments require road and utility construction and additional police and fire protection and when local businesses close due to the competition from large retailers. We heard that the average Wal-Mart costs \$400,000 a year in public costs and that more than half of Wal-Mart's female employees qualify for public assistance. Several participants stressed the importance of educating consumers about this bigger economic picture.

COMMUNITY BUSINESSES

Among the most valuable resources available to strengthen local economies are the skills, energy and creativity of Maine people, especially the local small business community. In the words of one witness, "Local businesses here deserve a Nobel prize for surviving." But all of these resources are somewhat disconnected from each other and from other community members. One challenge is to find better ways for communities to work together to develop and support their own economies.



Even when a town's residents say they want a local store, they do not always support it sufficiently with their purchasing dollars. The town of Orono blocked a developer's plans to build a Rite Aid downtown, then starting looking for someone to open a locally owned pharmacy. Julie Aghamoosa and her husband came from Texas to open Orono Pharmacy, but now they are struggling. Many aspects of running a pharmacy in Maine are difficult now, including low Medicaid reimbursement rates, delays in state payments, and dealing with Anthem and other big insurers, but she said that they expected a lot more local support.

Gathering and publishing information about the prices and local availability of a range of consumer goods was suggested as a way to ensure that consumers base their decisions on accurate information. A general lack of good consumer education contributes to this problem. As noted above, we heard testimony that Portland's "Buy Local" program included local businesses investing in an educational campaign to help people understand the contribution small businesses make to the local economy.

We learned that Wal-Mart is now the nation's largest grocer and that other large retailers, such as Target, have growing grocery sections.² At our forum in Bucksport, Laura Millay, an organic farm in Penobscot, said that for

² While some regional supermarket chains such as Hannaford's and Shaw's devote a certain amount of shelf space to local produce in the summer months, the large retail chains that have expanded into grocery sales have centralized purchasing systems and tend to buy only from very large producers. (Michael Pollan. "Mass Natural." *The New York Times Magazine*. June 4, 2006.)

small farms in Maine, the growing role of large-scale retail stores in the grocery industry is a continuation of a bad trend that has been making it harder and harder for small farms to compete with large corporate plantations. "As long as we're talking about price, we're always going to lose. There are a lot more costs than people see."

However, if the topic of conversation can be shifted to quality, the local producers often win out. For some small farms, the growing demand for organic food has provided an opportunity to compete and survive by producing food for customers who are willing to pay more for healthy food produced under environmentally responsible conditions.³

Local farms, as with local businesses, have experimented with alternative marketing strategies. For example, King Hill Farm in Penobscot has had some success in improving access to local organic food for working families through an innovative program called Union Supported Agriculture (USA), based on the Community Supported Agriculture model, which builds direct relationships between farmers and consumers. Consumers buy "shares" in a local farm and are provided a steady supply of produce at a below market rate (because there are no wholesalers or retailers to be paid). In many cases consumers can barter farm work for some or all of the cost of their share. Farmers in turn are guaranteed a steady, reliable market for their produce. The USA program works by partnering with unions throughout Eastern Maine who sign their members up to buy farm shares.

Julie Beckford, an organic farmer from Clifton, pointed out that farmers' markets and food co-ops can provide an outlet for some farm produce, help to build a sense of community by serving as gathering places, and help consumers build relationships with the people who grow and make their food.

LABOR STANDARDS

One marked difference between small and large retailers is that the owners of small businesses tend to have a personal relationship with their employees and are in a position to make immediate changes to their practices and policies in order to help those employees, whereas managers at large retailers oversee a large and constantly changing workforce and are not in a position to make policy. Beth Fendl, former owner of the Riverside Café in Ellsworth, spoke of working without pay during major street renovations in order to keep her employees on the payroll. Even the most compassionate manager at a Wal-Mart or Target store wouldn't be in a position to make that kind of choice.

Mona Braun described struggling to get by on the income from her Wal-Mart job. She worked 30-45 hours a week at the snack bar and the cash register and was routinely denied a lunch break. Although she should have qualified for benefits, her manager threatened to cut her hours if she didn't sign a waiver saying that she didn't want health care.⁴ Not all large national retailers follow the same policies. This same worker explained that after quitting her job

³ While more and more of the conventional produce at U.S. supermarkets is coming from place like China, Mexico, Chile, and Brazil, roughly 90% of the organic food consumed in the U.S. is produced domestically. (Pollan, *ibid.*) Changes are coming to the organic food market, though. This summer Wal-Mart announced its plan to begin selling organic produce. Wal-Mart intends to buy much of the organic food it sells from China, where farm labor is cheaper and organic certification standards are less stringent than they are in the U.S. Most of Wal-Mart's organic dairy products will be produced domestically, but will come from "factory farms" where animals are kept in cramped quarters with no access to natural pastures and as many as 100,000 cows are milked at a time – a far cry from the conditions most consumers assume organic milk is produced under. However, only the savviest consumers will know the difference, and so Wal-Mart is expected to cut into the market share of health food stores and farmers' markets. (Mark Alan Castel. *Wal-Mart Rolls Out Organic Products: Market Expansion or Market Delusion?* Cornucopia, WI: The Cornucopia Institute, September 27, 2006.)

⁴ Published reports from around the country suggest that Braun is not alone. In September, 2005 a court in California forced Wal-Mart to pay \$172 million to workers who were denied lunch breaks, and in October, 2006 a Pennsylvania court found the company guilty of denying workers' lunch breaks. (Amy Joyce, "Wal-Mart Workers Win Wage Suit," *The Washington Post*, October 13, 2006.) A few days after the forum in Ellsworth, *The New York Times* reported that Wal-Mart was planning to increase its reliance on part time workers in order to cut its payroll and benefit costs. (Steven Greenhouse and Richard Barbaro, "Wal-Mart to Add Wage Caps and Part-Timers," *The New York Times*, October 2, 2006.)