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WAL-MART SETTLES COMPLAINT ACCUSED OF BELOW-COST PRICES; [FIRST Edition]

Mike Ivey *The Capital Times*. **Madison Capital Times**. Madison, Wis.: Aug 14, 2001. pg. 2.A

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Section: LOCAL/STATE

Publication title: *Madison Capital Times*. Madison, Wis.: Aug 14, 2001. pg. 2.A

Source type: Newspaper

ISSN/ISBN: 07494068

ProQuest document ID: 77545577

Text Word Count 418

Document URL: <http://proquest.umi.com/pqdweb?did=77545577&sid=1&Fmt=3&clie ntlId=47636&RQT=309&VName=PQD>

Abstract (Document Summary)

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Wal-Mart also will make a \$15,000 donation to a high school consumer education contest, Wisconsin's Lifesmart Program, a program for high school students under the auspices of the National Consumer League. That figures represents roughly the cost of the state investigation, [Bill Oemichen] said.

The state charged Wal-Mart last year with cutting prices at stores in Beloit, Oshkosh, Racine, Tomah and West Bend to illegally take business from competitors. In the complaint, state officials said a 100-ounce container of Liquid Tide that cost Wal-Mart \$6.51 was sold for \$4.54 and \$4.88 at the Beloit store, \$4.88 at Oshkosh and \$5.18 at Tomah.

Full Text (418 words)

Copyright Madison Capital Times Aug 14, 2001

In the first settlement of its kind, Wal-Mart Stores Inc. has agreed to follow a Wisconsin law that prohibits retailers from selling items below cost to drive out the competition.

The agreement, announced Monday by state officials and the Arkansas-based company, settles a complaint filed last year alleging that the retail giant violated Wisconsin's Unfair Sales Act.

A Depression-era reform, the law is designed to protect small retailers from predatory pricing by larger competitors.

The company - which operates 74 Wal-Mart stores and Sam's Clubs in Wisconsin, and employs nearly 21,000 in the state - did not admit any wrongdoing in the settlement and will not pay a penalty.

But if the company violates the agreement over the next year, it could pay double and triple the regular fines.

Bill Oemichen, lead negotiator for the state Department of Agriculture, Trade and Consumer Protection, said the settlement breaks new ground in terms of retail regulation. While the company will pay no fines, Oemichen said the settlement represents far more than a wrist slap.

"Absolutely," he said. "We're the only state in the country to investigate predatory pricing by Wal-Mart and define what the penalties would be."

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Wal-Mart has consistently denied it was trying to drive out competition by pricing items below cost. Under the act, retail firms may price items below cost for a variety of reasons as long as there is no anti-competitive intent or effect.

"At all times, our pricing was fair, but aggressively pro- consumer," said Dave Jackson, Wal-Mart senior vice president and manager of the division that includes Wisconsin. "We believe in everyday low prices and fair competition."

Jackson said Wal-Mart had taken steps to improve its record- keeping and has agreed to a penalty process if the company is found in the future to have violated the act.

With profits of \$6.3 billion last year, Wal-Mart is the largest retailer in the world.

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