

# The New York Times

Copyright © 1999 The New York Times

MONDAY, NOVEMBER 29, 1999

## Now, Brought to You by Coke (or Pepsi): Your City Hall

By VERNE G. KOPYTOFF

HUNTINGTON BEACH, Calif. — Beachgoers who become thirsty while strolling on this surfing town's pier had better like Coke. Every vending machine on and around the pier offers only Coca-Cola beverages.

The selection is just as limited in the city's parks and civic center. As on all municipal property here, there is little evidence that Pepsi, Coke's main competitor, even exists.

In an effort to raise money, Huntington Beach in February sold Coca-Cola exclusive rights to soft drink sales on its property for nearly \$6 million in cash and services the next 10 years.

"That goes a long way in putting grass in the soccer fields for kids and repainting City Hall," said Donald R. Schulte, president of the Public Enterprise Group, a consulting company that helped Huntington Beach negotiate its soft drink deal. "None of it would come from taxpayers."

Nearly a dozen cities across the nation have since approved similar contracts with soft-drink companies. The largest to do so is San Diego, where the city council voted in November to make Pepsi its official soft-drink in exchange for at least \$6.7 million the next 12 years.

Soft-drink companies believe that buying rights to city property is good business for several reasons. In addition to eliminating competition, they hope the access will allow them to build customer loyalty and create a sense of goodwill in the community.

*Soft-drink makers making deals for exclusive access to public property.*

Officials in Huntington Beach, a middle-class city of 200,000 in the Los Angeles suburbs, chose to solicit a soft-drink contract in an effort to increase revenue and make park improvements. A city consultant, who has experience selling sporting event sponsorships, approached the major soft-drink companies with the idea.

Both Pepsi-Cola and the Coca-Cola Bottling Company of Southern California submitted proposals. The city council eventually approved Coca-Cola's proposal, which offered \$300,000 a year in cash and \$300,000 a year for in-kind maintenance.

In exchange for the money, Coca-Cola got exclusive access to sell its soft drinks, bottled water and juices on three miles of city beach, 60 parks and handful of city buildings. The company can install up to 180 vending machines on city property and use Huntington Beach's Surf City logo in its advertising.

Peter Green, the mayor, who prefers to drink tea rather than soft drinks, applauds the deal for helping to balance the city's budget.

Fears that Coca-Cola would flood the city with unattractive advertising have proved to be unfounded, he said. In fact, he added, the agreement prohibits such practices.

"It's not like we now have Coca-Cola Pier," Mayor Green said. "It hasn't been intrusive at all. In fact, I haven't noticed it at all."

Cities are not the first government entities to negotiate soft-drink rights.

School districts, for example, have been selling soft-drink companies exclusive access to school property for at least the last few years.

But bundling all of a city's municipal property for such a contract is a relatively new phenomenon. Negotiating a deal for a large territory is more practical for a soft-drink company than doing

business park-by-park, the soft-drink companies said.

The marriage of big business and government worries some consumer advocates. They complain that sponsorship deals subvert government oversight of corporations that contribute money to the community's budget.

"It's not just the pragmatic problem of a municipality pushing a brand that over-caffeinates and over-sugars children," said Jamie Court, advocacy director for the foundation for Taxpayer and Consumer Rights in Santa Monica, Calif. "It's also the symbol that government can be bought for a small pittance and branded with a cola company's emblem."

Sanctioning a company also raises fears of price gouging. Mr. Court said that eliminating competition on city property could allow soft-drink companies to raise prices.

Whether prices in Huntington Beach have increased since Coca-Cola eliminated its competition is unclear. For a 20-ounce Coke, the company charges \$1.50 at the beach and \$1 at City Hall.

Bob Phillips, spokesman for Coca-Cola Bottling Company of Southern California, based in Los Angeles, said the company always charges fair prices with or without competition and does not have exclusive access to the handful of restaurants on city property.

"People have to remember that city property is only a very small portion of the total land mass of any municipality," Mr. Phillips said. "Yes, at this park, there may only be a machine that carries our products. But you can walk across the street and buy Pepsi from someone else."

How much extra revenue is flowing to Coca-Cola because of the deal is unknown. The company's vending machines at the pier did not muster a single sale over an hour on

a recent cool Friday afternoon, but they will almost certainly attract more business during the summer when the beach is blanketed with thousands of people.

Cities with outdoor activities are particularly attractive targets for soft-drink companies looking for an exclusive contract, said David DeCecco, spokesman for Pepsi-Cola, a unit of PepsiCo, based in Purchase, N.Y. Residents in such places are more likely to visit a park and work up a thirst, he said.

"I don't know if we would get as much out of a city in Saskatchewan as in Southern California," Mr. DeCecco added.

That is not to say that northern cities have no chance to enlist in the soft-drink wars. Pepsi-Cola sponsors Amherst, N.Y., and Lynn, Mass., while Coke is the official soft-drink of East Lansing, Mich.

Some cities, like San Francisco, are philosophically opposed to the notion of exclusive soft-drink contracts.

"San Franciscans tend to be very independent-minded and promoters of small business," said Kandance Bender, spokeswoman for Mayor Willie L. Brown. "I can't imagine that this would be something San Francisco would do."

Mr. Schulte, Huntington Beach's consultant, said that the city may enter into other corporate deals worth millions of dollars a year. One idea is to sell the exclusive right to install automated teller machines on municipal property.

For the most part, residents and visitors were unaware or did not care about the city's contract with Coca-Cola. James Gonzales, a college student who was carrying his surfboard past the vending machines at the pier simply shrugged his shoulders when told about the deal and said: "Coke or Pepsi, what's the difference?"