

Rural Communities Exploited by Nestlé for Your Bottled Water

By Tara Lohan, AlterNet

Posted on May 30, 2007, Printed on May 30, 2007

<http://www.alternet.org/story/52526/>

Across the country, multinational corporations are targeting hundreds of rural communities to gain control of their most precious resource. By strong-arming small towns with limited economic means, these corporations are part of a growing trend to privatize public water supplies for economic gain in the ballooning bottled water industry.

With sales of over \$35 billion worldwide in the bottled water market, corporations are doing whatever it takes to buy up pristine springs in some of our country's most beautiful places. While the companies reap the profits, the local communities and the environment are paying the price.

One of the biggest and most voracious of the water gobblers is Nestlé which controls one-third of the U.S. market and sells 70 different brand names -- such as Arrowhead, Calistoga, Deer Park, Perrier, Poland Spring and Ice Mountain -- which it draws from 75 springs located all over the country.

Nestlé's latest target is [McCloud](#), located in the shadow of Northern California's snow-capped Mt. Shasta. The town of McCloud has worked hard to try to reinvent itself in recent years. McCloud is a former timber town that is learning how to stand on its own feet again after the lumber companies bottomed out and took off.

The town has less than 1,400 people and a high school of four students. But one thing McCloud does have is an abundance of water -- pristine spring water that comes from Shasta's glaciers and feeds some of the world's best fly-fishing rivers.

The water hasn't just brought outdoors people to the area; it's also brought a new industry that seems strikingly similar to the timber barons who came before -- taking resources, reaping profits and moving on.

Four years ago, residents learned that Nestlé, the world's largest food and beverage company, intended to build a 1 million-square-foot water-bottling facility in McCloud. Without any public input or environmental impact assessment, the multinational was given a 100-year contract to pump 1,600 acre-feet of spring water a year and a seemingly unlimited amount of groundwater.

Although residents were caught off guard by the company's interest, they have been organizing and litigating and educating. As a result, the majority of

residents in McCloud are concerned with Nestlé's project. A survey done in 2005 showed that 77 percent of people were against the contract, and public opinion has shifted even more since then as people have learned the details of the plan.

"There is concern about traffic, air pollution, what is going to happen to our water," said Debra Anderson, head of the [McCloud Watershed Council](#), a citizen group that organized in the wake of the announcement. "What if there is a drought? They have the right to continue to pump. What happens to the town of McCloud, the people in it?"

An Unfair Contract

For Nestlé the deal seems too good to be true. The Ashland Free Press broke down some of the details of the contract:

- A 50-year term, renewable for another 50 years
- The right to take 1,250 gallons per minute of spring water
- The right to take qualified water on an interim basis from district's springs for bulk delivery to other bottling facilities located in Northern California
- The right to construct pipelines and a loading facility
- Use of an unknown quantity of well water for production purposes
- Exclusive rights to one of the town's three springs
- One hundred years of exclusivity, during which time no other beverage business of any type may exist in McCloud
- Use of an undisclosed, perhaps unlimited amount of ground water
- The right to require the McCloud Community Service District to dispose of process wastewater
- The right to require the McCloud Community Service District to design, construct and install one or more ground water production wells on the bottling facility site for Nestlé use as a supply for nonspring water purposes.

As if all that weren't enough, under the terms of the contract, Nestlé will make out handsomely. The McCloud Watershed Council has reported that Nestlé will pay .000087 cents per gallon for the water it takes from McCloud's springs. Its website explains:

In other words, that's only 8.7 cents for 100,000 gallons. Meanwhile, the rest of us who use a fraction of what Nestlé will, pay almost 20 bucks each month, just for water. On the other hand, Nestlé can sell a 16-ounce bottle of the same water for around \$1.29, or \$10.32 per gallon.

It's no wonder that Nestlé wanted to rush the current contract through and is fighting so hard to keep it intact. It's a sweetheart deal for Nestlé but not for McCloud. At a shelf price of \$10.32 per gallon, 1,600 acre-feet would gross \$5,380,451,712. If Nestlé gets one-fifth of what that water sells for, it would make over \$1 billion a year.

For the townspeople of McCloud, the contract is not so fruitful. The contract makes no provision for inflation or change in water flow or value over the course of the hundred-year agreement, and Nestlé maintains the rights to the water, but the legal responsibility for the springs remains with the town. "This would leave the people of McCloud holding the legal bag for any environmental violations resulting from Nestlé operations and any resulting lawsuits," the Watershed Council's website says.

The decision to grant the contract was made by a five-person McCloud Service District Board and was announced at a district meeting. "I was shocked that they didn't take the time to come back and discuss the concerns with the community if they were voting on a hundred-year contract," said Anderson. (All members of the board refused to speak with AlterNet or did not return phone calls.)

After the contract was signed in October 2003, residents quickly formed two organizations, the McCloud Watershed Council and Concerned McCloud Citizens, which took Nestlé and the McCloud Community Services District to court because their contract never included an environmental impact report and so violated the California Environmental Quality Act (CEQA).

In March 2005, the Siskiyou County Court ruled in favor of the community groups and the contract was voided. But Nestlé appealed and was victorious in the appellate court, and this round of legal battles ended just last month when the state Supreme Court decided not to hear the case.

But it hasn't all been a loss for concerned community members -- quite the contrary. "We got massive press and a lot of interest from people," said one community member. "Even though we lost, we really gained momentum from that."

Taking on Father Nestlé

Nestlé seems to have its infiltration of rural towns down to a science. The best places are the ones where they can play the jobs card.

"There is a portion of the town that really believes that this is going to somehow help revitalize McCloud and it will bring jobs. This used to be a mill town, so there is a feeling that someone will just come in and take care of us," said Anderson.

In the old days, the McCloud River Lumber Co. was known as "Mother McCloud" and Nestlé has been playing into the town's mythology, offering itself as a kind of "Father Nestlé who can get McCloud back on its feet again.

Nestlé PR rep, Lisa Yarbrough explained, "The McCloud community has suffered through the decline in the local timber industry. The local mill, once the primary community employer, has completely terminated its operations. This proposed water bottling project would provide a means to use the town's abundant renewable natural resource (spring water) to bring back jobs and economic stability to the community."

But, according to Anderson, McCloud is already doing OK on its own and has been in an upswing in the last five years, growing sustainable businesses and feeding off the tourism economy.

And Nestlé is not really the best model of a parent corporation. For over 20 years, it has faced pressure for its aggressive marketing of infant formula in countries with little clean water, which has led to a reduction in breastfeeding and increased risk for infants. According to Global Exchange, the policy "has cost the lives of over 1.5 million infants around the world. But Nestlé's irresponsible attitude towards children doesn't end there. As a leading exporter of cocoa from the Ivory Coast, Nestlé has also been implicated in the ongoing abuse and torture of child cocoa laborers."

And Nestlé own contribution to the local economy in McCloud is questionable. In Mecosta County, Mich., where Nestlé opened a spring water bottling plant a few years ago, locals have yet to see the promised economic rewards.

"We've found that they mostly hire temp workers," says Donald Roy, who is involved with a citizen action group. "They pay many of them \$10 an hour, no benefits, for a temp position, and then they can lay them off and not have to worry about compensation."

Anderson has seen similar things in Northern California, where there are several other bottling plants owned by other companies near McCloud. "Every week the Shasta Herald has ads to work at the bottling plant in Shasta. So obviously they are not jobs that people are running to go get," she said. "If someone from McCloud is really looking for a bottling job, they only have to go 10 minutes to Mount Shasta."

But it is not just the number of jobs that is a concern. "God knows that people need jobs in this area," said Roy of Michigan. "And maybe they need them too in McCloud. I certainly don't want to take a job from someone, but one has to look at the bigger picture and think about sustainable jobs. Is this what you want to see? Back in 1890 to 1920 the timber industry came to Michigan and wiped out this state. I am sure there were plenty of jobs then. They said there was 500

years of timber, and in less than 50 years it was gone. Is that what we want to see again?"

Nestlé has been successful at convincing decision makers in rural communities that a water bottling plant will be their economic savior, but in communities across the country, its promises -- much like the timber industry's -- have not panned out.

Mecosta County's battle with Nestlé has recently detailed in the book "[Thirst: Fighting the Corporate Theft of Our Water](#)." The area is among several that have waged battles against the beverage giant, along with communities in Maine, Florida and Texas.

While Nestlé says that the plant will create 60 new jobs at the factory's start-up, and it may expand over time to as many as 240, community groups believe the information is misleading.

"The figures appear to include temporary construction jobs and out-of-area trucking jobs that do nothing for the local economy," reports the McCloud Watershed Council's website. "This will be one of the world's most modern, automated plants. All you have to do is tour one of the existing local water bottling plants or interview one of their laid off employees. No credible, independent economic impact study has been conducted, so the real number is difficult to find."

Anderson worries that if Nestlé does come to McCloud it will actually hurt the economy. The small town would see a huge influx of diesel trucks, about 400-600 trips a day, on its narrow country roads. And the effects on tourism could be detrimental. The facility alone, 1 million square feet, would be the largest building in Northern California -- dwarfing the town.

Nestlé, which had bought the property where the old mill used to be, will be taking a nationally recognized historic building and turning it into a 23-acre plant with 24 acres of asphalt surrounding it.

The environmental impact of the facility is not known -- let alone for the entire operation, which would involve pumping from the McCloud River as well as access to groundwater.

Environmental implications

The McCloud River is one of the most beloved rivers in the state of California, explains Brian Stranko of the group [California Trout](#), which works to protect the state's wild fish. "It is unique -- it doesn't matter if you like to fish or hike or walk -- it is a really pristine watershed of mixed conifers with amazing wildlife -- some of which is threatened or endangered."

Stranko and his group worry that Nestlé's project in McCloud will adversely affect the watershed and its aquatic species.

The aquifer is volcanic and porous. Aqua-colored glacial melt comes off Mt. Shasta and mixes with ancient groundwater from under the mountain as it bubbles up to the river. The McCloud River, from which Nestlé will be drawing, runs into the Shasta Reservoir 40 miles south. The reservoir is one of the biggest in the state and is a huge component of California's water supply. From there the water collects from several rivers and flows to the Sacramento River, feeding cities, towns and farms in the Sacramento Valley.

The watershed is vast and its reach huge. "Water that starts in Shasta could end up in any other part of the state," Stranko says.

To try to quell fears about the water bottling plant's potential effects on the watershed, a draft Environmental Impact Report was released last summer. The way the process works is that a lead agency is appointed to head the report -- in this case it was Siskiyou County. But the county farms out the work to a private firm that drafts the report with Nestlé. After the report is released, the public has a window of time to comment on it, and it is either redrafted or finalized. After a final version is released, the public has 10 days to comment on it and then it goes to the county planning commission and county supervisors to sign off on.

The county has completed its draft EIR and the public has commented on it. McCloud's draft EIR garnered nearly 4,000 comments -- a lot considering the town has less than 1,400 people -- and for good reason. The EIR was "one of the worst, if not the worst we have seen," said Stranko. "We were shocked by how poor it was. It didn't address some of the environmental concerns, it was not thorough and didn't explain alternatives."

Attorney Marsha Burch, who represents Concerned McCloud Citizens wrote:

In summary, the project description is unstable and incomplete. It is actually unclear what is included in the scope of the environmental review ... In almost every technical area, the draft EIR/EA contains insufficient data and analysis, thus failing to provide adequate information to the public and decision makers ... The general deferral of studies and plethora of unsupported assumptions renders the document utterly insufficient ... The enormous impacts are downplayed, analysis is weak and mitigation measures weaker; the entire document reads like a post-decisional justification for the project.

The official comments from CalTrout's Curtis Knight and the national group Trout Unlimited's Brian Johnson brought up concern with a number of areas. In general they wrote, "It does not contain the necessary data to assess impacts and therefore cannot conclude that the impacts are less than significant ... it is clear that the document has substantive legal and factual flaws."

Cal Trout, community groups and residents have a list of concerns about the draft. Nestlé has given the right to pump an unlimited amount of groundwater, but how much and from where is not known; the draft does not analyze the effect that a reduction in the river's water will have on fish, downstream habitats or area wells; and there were no reasonable alternative plans suggested, which is a requirement of CEQA. Residents also feel the studies that were conducted were insufficient. The traffic study that was done for only one day, a Sunday, outside the tourist season; the noise study was for only two weekends; and the ecological study was done over a period of months instead of the years that it would require to fully assess the effect on stream flow and surrounding areas.

Community members are also concerned that the study failed to consider what impact global warming may have on the area over the course of the 100 year contract. Their spring water comes from two small glaciers on the southern side of Mount Shasta. Scientists have studied a much larger glacier on the northern side of the mountain and believe that in anywhere from 25 to 100 years, the glacier will be gone. "But our glacier, being on the southern side with more exposure to the sun and smaller is probably more likely to be gone sooner than that," said Anderson.

The plant will also affect not just the McCloud River but an entire watershed, reducing stream flow to the McCloud River Falls, Squaw Creek, Soda Springs, Big Springs, Muir Springs and Mud Creek -- all places that are important to McCloud's heritage and its future. An estimated 77 percent of Northern California's water comes from that area -- so the impact on communities downstream, many of them agricultural, could be dire.

The project also affects the Native community. "Where they are anticipating taking their water out we have cultural areas, villages and sites that we still use today," said Mark Franco, a headman for the [Winnemem Wintu](#) tribe. "By them tapping into that water and building their facilities there, they are endangering what we have and what we call a traditional cultural property."

The bottling plant would also put fisheries at risk -- a resource that helps sustain many of the area's small businesses and is vital to tribal people who are working to restore salmon populations.

There is also a serious concern that Nestlé is allowed to drill bore holes -- which are sideways holes into the spring that allows more water to come out. "The problem with that is that causes more water to come out than is recharged," said Anderson. "It can cause a subsidence. The water in the aquifer is what's holding the ground up. The other concern, because we are on a fractured system, is that they could tap into something underneath the water -- if they hit a lava tube, we could end up losing our water because it would destroy the aquifer."

Residents expect to hear from the county around July on whether it will be issuing a final EIR or whether it will be redone, although most think there is no

way that the draft could be finalized given the number and scope of the complaints.

Lawyers have even questioned whether the McCloud Service District even has the authority to sell the water -- the project site is not included in the district's service plan.

If it is finalized and approved, Nestlé will likely face another round of lawsuits. "We are hoping that Nestlé will be a real partner in this," said Stranko. "We'd hate to be in court for the next five to ten years on this. But we will if we have to."

Think outside the bottle

McCloud is one small town that is part of a much larger problem with enormous consequences worldwide. "Water is a precious resource that shouldn't be bought or sold," said Gigi Kellert who works for [Corporate Accountability International](#).

Keeping water as a public trust is paramount to maintaining ecologically healthy communities and safe, affordable drinking water for everyone. "The political power of Nestlé is quite significant," said Kellert. "They have been able to negotiate behind closed doors, and we want to expose this."

In McCloud, Nestlé is literally locking up a spring that has been a part of the public commons and a place for people to visit and appreciate. And for the Winnemem Wintu, it is also a sacred place. "We believe this is a public trust issue," said Mark Franco of the tribe. "We have to protect the water, not just for ourselves, but for everyone. That water doesn't belong to us. We don't claim it. How can you mitigate the loss of something like that when they are mitigating your people's history and landscape?"

Across the country, organizations like Corporate Accountability International are [launching initiatives](#) to help people "think outside the bottle" and realize the environmental and social implications of drinking bottled water. They are also urging communities to enact legislation to protect their water resources from corporate abuse and for people to help support rural communities that are challenging multinationals with unlimited financial resources.

The stakes are high. "Companies like Nestlé are threatening local and democratic control of water," said Kellert. "But people are starting to realize that. We are beginning to see a more informed and concerned public. Over and over we hear communities saying, 'Our water is not for sale.'"

Tara Lohan is a managing editor at AlterNet.

2007 Independent Media Institute. All rights reserved.
View this story online at: <http://www.alternet.org/story/52526/>