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Once-cozy company town divided on plan to sell water to Nestlé

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McCLOUD, Calif. (AP) - The snowcapped crown of Mount Shasta looms over this old lumber town like a promotion for spring water.

That's fitting: The communities that circle the base of the volcano are already home to two major bottling plants, and a third is on the way.

But that third project, planned by Nestlé, has roiled McCloud. Elected officials struck a 100-year deal to sell the company more than a half billion gallons of water annually for about \$300,000 a year.

When the contract was signed, it was billed as the way to bring back industry and jobs after the town's sawmill went silent last year. It didn't take long for those who felt left out of the process to raise their voices in protest.

"I've been contracting since 1976 and this is the dumbest deal I've ever seen anybody enter into, period," said Brian Stewart, a home designer and builder.

If it had happened a century earlier, he said, "you would be witnessing a tarring and feathering."

Residents of a company town where lumber mill workers fondly referred to their employer as "Mother McCloud" are divided on the deal. Some insist they need the economic infusion while others deride "Mr. Nestlé," a Swiss multinational that is the world's largest food and beverage company.

The conflict highlights how large beverage companies, hungry for easy profits in bottled water, have tapped a source in small-town America and how some communities are resisting the temptation to sell their public resources.

Officials at the McCloud Community Services District, which provides water, sewer and garbage service in the unincorporated town of about 1,300, never anticipated such a controversy when they agreed to let Nestlé draw from mountain springs that bubble up in the forest above town.

Catherine Young, head of the district's board, said she feels betrayed by townspeople who have snubbed her since the deal was signed in October 2003. She doesn't understand the fuss.

"One side of the street doesn't care for what the other side of the street is doing, so they're battling each other," said the lifelong resident and part-time logging truck driver.

Among concerns of opponents is that they were never asked if McCloud should make the economic transition to water from wood -- the industry that gave birth to the town more than a century ago.

At one time, the McCloud River Lumber Co. owned everything from the houses to the hospital to the dance hall. Steam from the mill warmed homes. Groceries and clothing bought at the company store were deducted from wages.

"You name it, we had it," said Alice DeBon, who runs a bed and breakfast in a home that belonged to the mill owner. "We had a roller rink, a theater. They bought a Christmas gift for every kid up through senior year of high school. It was Mother McCloud. They were good for the town."

The population peaked in 1960 at 2,140, according to U.S. Census figures. Some five years later the homes were sold to residents and the lumber mill changed hands. It was periodically shut down, sold and reopened over the years. It closed for good last year after its final incarnation as California Cedar Products Co., churning out wood for pencils.

Now, McCloud's population is aging and many homeowners are part-timers with a weekend view of 14,162-foot Mount Shasta in the southern Cascades.

Tourism has replaced some of timber's dollars. Old dining rail cars were converted to a dinner train that chugs over the flank of Shasta while a four-course meal is served. The McCloud River is legendary for fly fishing and the mountain is popular with skiers.

Before the lumber business dried up, other bottlers scouted the town. The district even considered going into the water business itself before concluding it would be too risky competing with corporations such as Coke and Pepsi.

Sales of bottled water have exploded in the United States over the past decade, outpacing beer, coffee, milk and trailing only soft drinks in volume, according to the Beverage Marketing Corp. As the fastest-growing segment of the drink industry, production grew by 7.5 percent in volume and recorded \$8.3 billion in wholesale sales last year.

Nestlé Waters of North America Inc., based in Greenwich, Conn., dominates the market, with a third of all sales in the United States last year from its portfolio of regional, national and international brands that include Arrowhead, Calistoga, Poland Spring, Perrier and Pellegrino.

Nestlé began negotiating with the district soon after the mill closed, eventually agreeing to build a \$120 million Arrowhead plant that is expected to open in 2006 and eventually employ 240 workers.

Once the company starts bottling water, the town will receive about \$300,000 a year for giving Nestlé the exclusive rights to 1,600 acre-feet, or about 521 million gallons, from its three mountain springs, said David Palais, a geologist for Nestlé. The figure grows to \$400,000 after 10 years. Struggling Siskiyou County, which borders Oregon, is expected to get \$1 million in property tax revenue.

Pete Kampa, the district's general manager, said the deal is better than what neighboring towns got when Crystal Geyser and Dannon bought private springs for their bottling operations. Until century-old redwood pipes were replaced last year, Nestlé's share of water was roughly equivalent to what leaked as the old pipes carried water three miles to town.

Bob Wieder, a resident and Nestlé supporter, said the town should capitalize on overflow that would otherwise go downstream, where someone else would have cashed in.

"They're selling our water after it leaves us, so why can't we sell it before it gets there?" Wieder asked.

While the negotiations with Nestlé were closed, the district said board meetings on the issue were posted, public comment was taken on the deal, and the local newspaper reported the debate. Still, by the time many people became aware of it or got involved, it was too late.

"People were caught off guard," said Diane Lowe, a part-time resident from the San Francisco Bay area who, with three other women, formed a protest group called McCloud Water Commons.

Together, they researched the contract and pored over the minutes of the meetings. Heartened by word that activists in Michigan and Wisconsin had successfully challenged Nestlé, they organized a forum two weeks ago that drew about 200 people to analyze and criticize the deal.

Some opponents questioned whether a provision letting Nestlé drill wells would dry up aquifers. Others voiced concern about the bottom line, the 300 trucks a day that might rumble through town, and whether the new jobs will pay well enough to support a family.

With the project going through state and federal environmental reviews, opponents are trying to figure out if there's anything they can do to stop the project or renegotiate the deal.

Meanwhile, both sides fear the conflict may have permanently disrupted the harmony that once existed here, while others worry that without industry and jobs, McCloud will not support the life it has.

Nestlé supporters Penny Heil and Mike Rorke, who run a jewelry store, talk about a simple place where traffic is so tame and courteous that kids can play in the streets and dogs wander undisturbed. They display a card they got through the mail simply addressed to Mike and Penny, McCloud CA. No last names, no address.

"We're in a phenomenally gorgeous spot and we want it to stay that way. But yet we don't want the damn town to die, excuse me," Heil said. "It's going to be a real peaceful town if no one lives in it."

On the Net:

<http://mccloudarrowheadproject.org>