

Interview with Nestle's McCloud bottling plant project manager Dave Palais

Mt. Shasta Herald, October 1, 2008

By Tony D'Souza

Dunsmuir, Calif. - The newspaper caught up with Dave Palais, Natural Resources Manager and Nestle's point person for the proposed bottling plant in McCloud, at the Brown Trout Café in Dunsmuir last Thursday. Earlier in the week, Palais had signaled Nestle's intention to go forward with the environmental permitting required at the state and federal levels for the proposed plant, to an often openly hostile audience at the McCloud Community Services District board meeting.

The Nestle bottling plant issue has been going on in McCloud since 2003. The process Nestle proposed last week will take another two to three years. Though Nestle cancelled its original contract with the former logging town this past August, the company intends to conduct studies and write a new Environmental Impact Report in the hopes of opening the long-delayed facility.

Q: What does it feel like to go into a meeting, such as the last McCloud Community Services District board meeting on September 22, where so many in the audience are vocally opposed to the project you represent?

Dave Palais: That's part of my job, to get up there and comment to the community, both to people for and opposed to the project. To talk about what the project involves, the EIR (Environmental Impact Report). I can't take it personally. If I took it personally, I couldn't do it. It's not me they are opposed to, it's the concept. I do my best to explain it's not to our advantage to harm the environment. It's to our advantage to protect the spring. If they would stop to listen, they would hear that it's our objective to protect the environment, protect the spring. That our stated objectives are the same as theirs.

Q: Tell us about yourself and your education and how you became the project manager for Nestle's proposed plant in McCloud.

Dave Palais: I'm originally from Newton, Massachusetts, outside of Boston. I went to college at the University of New Hampshire and graduate school at Arizona State University. I have a Bachelors and PHD in geology. I did post-doctoral work at the University of Michigan in Ann Arbor, looking at mountain ranges in Antarctica. I spent six weeks in Antarctica while working under a U of M professor and sponsored by a National Science Foundation grant, examining the history of Marie Byrd Land, part of the general geologic interest in Antarctica. Then I worked for a couple of years back in Boston at an environmental consulting firm doing real estate assessments, specifically ground water remediation. I moved back to Phoenix and did the same thing. Then I heard about a job with Arrowhead Spring Water with Nestle, a Natural Resource

Manager position managing the existing springs that supplied the plants, looking for new springs to ensure the growth of the business. I was down in Southern California [in that role] from December 1996 to April 2003, until I moved here. I still have responsibility for our bottling operations in the Bay Area. That's why I chose to live in Redding.

Q: Have you been happy working for Nestle?

A: I think we are doing everything that people would expect of a company. People who buy our product are very concerned with environmental issues, they turn to our company because we 'walk the walk'. Nestle was the first food product manufacturing company—bottled water is considered a 'food product'—to have a LEED certified plant. We now have five LEED certified plants, four of them are 'silver rated', and we have five more in queue for certification.

Q: When did you first hear about McCloud?

A: When I was in Southern California I had a counterpart in Northern California. He was contacted by the McCloud General Manager who was making the rounds, making inquiries with bottled water companies. My counterpart came up and looked at the spring, took samples, did some testing. But our business model at the time was not such that we were looking to put a bottling plant in McCloud.

Q: What changed?

A: Growth and increased business and the appearance of that trend continuing. So in late 2002 or so our company called McCloud to see if they still had interest. We learned that they had negotiations with several other companies that had fallen through. When we contacted them, they were talking to a smaller company and they let us know they had a 'non-compete' with that smaller company. We thanked them, told them that if discussions fell through, we'd be interested in talking to them. We were contacted in early 2003 and told that those negotiations had fallen through and that they were at liberty to discuss Nestle bringing in a bottling plant. That's when I moved to Redding and started those negotiations in the spring of 2003.

Q: What were your first impressions of McCloud?

A: This was a small community that had a huge water resource that, if we were able to go through all the environmental permitting, would be a good place to put a water bottling plant. It was a community that was losing its industry and my recommendation to the company was that we should proceed with negotiations and the company agreed to start the environmental permitting process.

Q: Have you been surprised by the opposition to the project?

A: No. Any project like this has people who have very heart-felt feelings on both sides.

Q: Why was the Attorney General so unsatisfied with Nestle's draft EIR that he wrote a letter in July to the Siskiyou County Planning Director calling it, 'fundamentally and basically inadequate'?

A: I can't speak as to why the Attorney General was not satisfied by the draft EIR. The comments in the letter were not unique. If we had moved forward, the County (the Lead Agency) would have had to respond to all comments received. To some of the comments, they may have responded by saying, 'Thank you, the comments are not relevant because there is no "significant impact to the environment".' Like if the comments said that they wanted a building to be yellow and not blue. But if the comments are related to a potentially significant environmental impact, there's a responsibility to respond to them. The real point, the important point, is not that the AG wrote the letter. It's that a large portion of the opposition to the project comes from outside McCloud. Non-permanent residents. I'm not saying that's all of the opposition. Some local residents do oppose it. But a large part of the financial and political influence being used in coming from outside of McCloud. As recently as the 2006 election, that proves that. [McCloud residents then] supported the project 58 and a half percent to 42 and a half. Close to 60/40. That's a wide margin.

Q: Who has the better science on this issue, Nestle or the opposition?

A: I'm not aware of any science that the opposition has. That's not necessarily a fault against them. We (Nwana) as the applicant are the responsible party to show that the project will not have a significant impact to the environment.

Q: What about Curtis Knight and California Trout?

A: I'm aware that they are collecting some stream flow information. They do have some data, but I'm not aware of any science that they have to refute the statements in the draft EIR.

Q: Will the proposed plant really create 'living wage' jobs? How much will the jobs pay?

A: We came out early in the project, in 2004, and said that the normal way we do our wages is shortly before a plant opens, we do a wage survey and find out what people are getting paid at similar jobs. Fork-lift drivers for example. When the survey comes back, we set our wages in the 'upper half'. People wanted to know what that meant, they wanted a number, a dollar sign. Since we hadn't done the wage survey in McCloud, we went to the State labor agency. We received wages for this part of the state and felt comfortable saying we will set

our wages no lower than \$10 an hour plus benefits. Somebody with more experience will be paid—as any business does—on the basis of their experience.

Q: Will foreign workers be part of the staff at the plant?

A: Normally the way a new plant is opened is there will be a leadership team, a management team, anywhere from 6-10 people—a plant manager, a warehouse manager, a quality manager, etc.—responsible for hiring the rest of the employees from the local labor pool...We can't by law limit our hiring to only McCloud. We are an Equal Opportunity Employer. That means race, creed, sex, everything. People will be hired based on their qualifications and ability to work on a team.

Q: Some in the community complained that the cancelled contract gave McCloud's water away for a pittance. What are your expectations for any new contract?

A: Our expectation is that we will be treated like any other customer. That our rates will be set like any other customer in McCloud. As far as the last contract, we (NWINA and MCSD) both negotiated in good faith. The contract was going to bring a 30% increase to McCloud's annual operating budget, a huge infusion of money at no risk. Nestle was going to pay for all of the infrastructure, and is still going to pay for all of the infrastructure. If you look at how much McCloud currently gets from the sale of its water to all of its customers, the figures from 2006-2007, the amount we were going to pay was more than the total amount that McCloud received in a year (in water revenue) from the other customers for up to the same amount of water. In fiscal 2006/2007, they used 1700 acre feet. 1600 acre feet was our cap. That's how much we were going to pay for regardless of whether we used it or not.

Q: What is the profit margin on bottled water?

A: In general industry-wide, it's about a 10% profit margin.

Q: What about the plastic bottles you'll use?

A: We have the lightest, the least amount of plastic in a half liter bottle on the market. It's our 'eco-shaped' bottle. We are a strong supporter of recycling. Our factories are LEED-certified, so they use recycling. All plastic bottles (sodas, fruit drinks, water, etc.) make up only three tenths of one percent by weight of municipal solid waste, according to the EPA. Our plastic bottles are 100% recyclable.

Q: How many trucks will be servicing the plant? Why not use the railroad?

A: This is something that was addressed in the draft EIR, and will be addressed in the new EIR. We did traffic counts using a CalTrans model. We have to make sure we don't trigger a significant traffic impact...[There will be] probably about 100 trucks a day. The majority going to the Bay Area and Southern California, some going to Portland and Seattle. A small percentage of the rest will go to the East. As far as the railroad, we're always open to it, but rail has some issues with product delivery. If a rail car sits out and it's 15 degrees outside, the bottles freeze and break. Or it can be 115 degrees in the desert. So rail has some delivery or scheduling issues. Our product turns over on a day to day basis. Rail has not historically been good at that.

Q: There have been accusations of bribes and back-room deals with the MCSD board. Can you respond to that?

A: There is no basis for those claims. Everything about the contract was done above board.

Q: But with the cancelled contract, it was presented and voted on during the very same meeting.

A: It was presented publicly a week ahead of time. The process by which the board approved it was totally the board's decision. Nestle had nothing to do with that.

Q: Did the manner in which the first contract was presented and approved later affect the public's perception about the deal?

A: In the years leading up to the contract, there was a lot of discussion and information about the search for a bottling plant. No one was showing up at the meetings. Somebody once told me that 90 percent of life is showing up. I can respect the position people have about being surprised by the contract. But if they weren't paying attention to know that the district was going through this process, it's difficult to understand where the surprise is coming from.

Q: For some, opposition to Nestle's proposed plant has turned to outright anger. Is there anything that can change these people's opinions about the plant?

A: I certainly hope so. I hope they will keep an open mind, keep in mind the long, blue collar history McCloud has that has been lost with the departure of the mill, departure of the factories. I hope that they will look at the science. That we want to protect the environment. That we don't want to hurt McCloud. I hope that with this new process we are starting, that both sides will maintain a level of civility to the debate...Every community has the whole range of the far left to the far right. It's not anything unique. The majority of the people we deal with are in the middle...At the end of the day, we can agree that some people will never agree. But we have to do it with respect.

Q: Why isn't Nestle giving up in McCloud?

A: As a company, we are always looking at all opportunities, such as our current search in the Pacific Northwest, the Seattle area. We see the industry continuing to grow, and we are planning accordingly and McCloud continues to be a part of that plan.

Q: Are the highest levels of Nestle aware of the McCloud issue?

A: Yes, because it's had a lot of attention, media attention, and because it's important to the company.

Q: You must feel pressure coming from both sides, from the people you answer to at Nestle, and from the opposition to the project. How do you deal with that? What do you do for fun?

A: I spend time with my wife. I try not to take it personally. It's not personal. My wife and I ride motorcycles. We have dogs, we play with our dogs. We enjoy the company of friends.

Q: Do you drink tap or bottled water at home?

A: (Laughing) I work for a big water bottling company. What do you think?