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War on the Water Front

As the thirst for bottled water grows, a battle is brewing over precious resources—and profits

By JYOTI THOTTAM

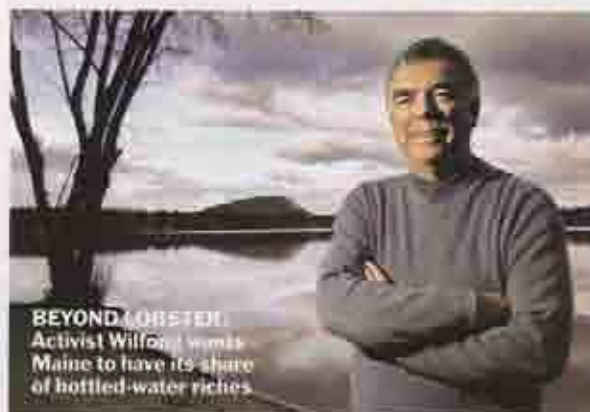
IN A STATE BETTER KNOWN FOR ITS lobster rolls and rugged landscape, James Wilfong has a radical new vision for Maine's future. On his trips abroad as a Small Business Administration official in the 1990s, Wilfong came to realize that in many places water was worth fighting for. "The light went off in my head," he says. "Water is Maine's oil in this century."

Maine has only 1.3 million people but at least 25 trillion gallons of drinkable water in its lakes and aquifers. Wilfong, a former state legislator, wants to turn that resource into cold cash. So he proposed a tax on large bottled-water operations that is set for a ballot referendum next year. Maine is one of several states where activists are challenging the \$10 billion U.S. bottled-water industry. Declares Wilfong: "We're just saying. This water is not free."

Fueling demand for the natural resource is water's continuing transformation from a necessity to a commercialized, globalized product. India's largest brand, Bisleri, ships water from a spring in Chateaugay, N.Y., to markets as far away as Houston. In the growing luxury market, water can cost as much as wine. Some critics of the industry see an unfortunate irony in the fact that a billion people in the world don't have access to safe drinking water. "We are not against bottled water for humanitarian reasons," says Terry Swier, president of Michigan Citizens for Water Conservation. "But we are against defin-

ing and promoting water as merchandise."

Nestlé, with six of the top 10 brands and more than \$2.2 billion in bottled-water sales, is the largest bottled-water company in the U.S., and it's at the center of a water war on several fronts. As owner of Poland Spring, which uses 500 million gallons of Maine water a year, Nestlé could owe \$96



million in tax each year if Wilfong's proposal is passed. "His mission is misguided," says Kim Jeffery, CEO of Nestlé North America, which now pays only for the land where the springs are found. In response to a new tax, he says, Nestlé would cancel a planned new plant, costing the state 250 jobs.

In Michigan, Nestlé is facing environmental challenges. Michigan Citizens for Water Conservation has filed a civil lawsuit to stop Nestlé from withdrawing 210 million gallons of water a year near the small town of Stanwood, arguing that groundwater levels are dropping dangerously;

Nestlé says they are healthy. The state legislature is considering 16 bills to set limits on withdrawals of groundwater. In a similar battle over Florida's springs, Nestlé has so far prevailed.

Bottled-water producers say they are being unfairly singled out. The Maine and Michigan proposals "penalize an industry that is producing a clean, safe, healthy product," says Stephen Kay, spokesman for the International Bottled Water Association. He notes that bottled water accounts for less than 1% of the groundwater used every year. Irrigation is by far the biggest user. "That's true but irrelevant," says Peter Gleick, president of the Pacific Institute, a water research group in Oakland, Calif. Any large groundwater withdrawal from one site risks drying up wells and wetlands in that area, he says.

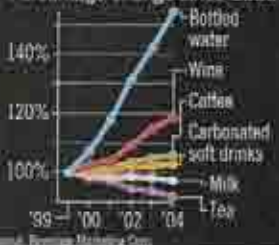
If such concerns make large springwater sources too costly, Jeffery says, Nestlé could follow the lead of Coca-Cola and Pepsi and shift its focus to selling processed municipal tap water. ("Purified water" brands Dasani and Aquafina made \$1.9 billion last year for the two companies.) But communities willing to sell their springs will still find a market in luxury brands: rural Vanleer, Tenn., is the proud source of BlingH2O, which sells for an estimated \$240 a case wholesale. And water-rich states like Maine could look elsewhere for their windfall; demand for bottled water in Asia is strong. Says Patrick McGowan, Maine's commissioner of conservation: "We look at that as an absolute great business opportunity."

—With reporting by Paige Bowers/Atlanta, Stefanie Friedhoff/Ann Arbor and Sean Scully/Philadelphia

A THIRSTY NATION

Since single-serve plastic packages debuted in 1989, bottled water has taken off

U.S. beverage market
Percentage change since 1999



LUXE LIFE: The water costs just pennies, so premium brands sell style: a sleek bottle by Geneagles; Madonna's blessing for Voss; Ducale, its sacred spring; BlingH2O, its Swarovski crystal container

U.S. beverage market, 2004

