

Scottish Nationalist, Labour hypocrisy over Diageo job losses

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Leading figures in the Scottish National Party (SNP) and the Labour Party have placed themselves at the head of the campaign to convince drinks giant Diageo to retain some form of whiskey bottling in Kilmarnock, Scotland. Closure of a long standing bottling plant for Johnnie Walker threatens to push at least 700 workers onto the dole queues and devastate the local economy. Diageo are also preparing to close a centuries old cooperage and distillery in Port Dundas, Glasgow, at the cost of 200 jobs.

On July 26, Scottish First Minister Alex Salmond of the SNP and Labour MP and former minister Des Browne spoke from the platform of a large demonstration in the centre of Kilmarnock, which saw an unprecedented 20,000 people march against the plant closure.

Salmond told a rally following the demonstration that Diageo's decision was "socially unacceptable" and insisted, vaguely, "We are going to achieve something for the workforces of Scotland."

Browne urged Diageo, "You must agree to an alternative to what you are proposing that respects your workers and allows them to keep their job."

Electoral considerations play a part in the SNP's and Labour's interventions. Kilmarnock and Loudoun is a key marginal constituency between Labour and the SNP, with Labour holding both the Westminster and Holyrood (Scottish parliament) seats, while the local East Ayrshire authority is controlled by the SNP. Port Dundas borders on the Glasgow Springburn constituency in which a by-election is due to be held later this year, following the humiliation and resignation of the former Labour MP and Westminster Speaker Michael Martin. Both parties wished to be seen as at least expressing concern over the fate of the Johnnie Walker workers.

But this oppositional veneer is fraudulent. Both parties, along with the trade unions and the local authority, have insisted that the closures can only be opposed on the basis of offering Diageo an alternative business plan that makes "economic sense." Salmond insisted any alternative should

respect the "financial objectives" of the company.

Even this token criticism of Diageo policy annoyed a number of industrial leaders. Iain McMillan, leader of the Confederation for British Industry (CBI) Scotland, warned that resistance to the corporate restructuring could discourage future investment in Scotland.

David Watt, head of the Institute of Directors Scotland, argued that such behaviour does not create "an atmosphere that would encourage people to invest...an atmosphere where senior political figures are marching against international companies is a bit of a concern."

Campbell Evans of the Scotch Whisky Association said, "Whisky firms have expressed concern at the climate for doing business when such statements are made about investment decisions."

These comments, a slap on the wrist in particular for Salmond, had the desired chastening effect.

A further announcement of job losses in the whiskey industry was made in early August. Whyte & Mackay announced 100 job losses. Workers in the company's Glasgow headquarters, at a bottling plant in Grangemouth, and in distilleries in Invergordon and a number of smaller distilleries will lose their jobs, some by compulsory redundancy.

This time Salmond kept quiet. Instead, the Scottish government's Enterprise Minister Jim Mather lavished praise on the whiskey company's efforts. In doing so, he made clear what Salmond meant by actions that were "socially acceptable"—merely more broadly distributed job losses.

According to Mather, "The company is handling a difficult situation in a socially responsible manner, and is clear that it is not closing any of its operations around Scotland. I welcome the fact that it remains deeply committed to its Glasgow head office, and that it has strong prospects for the future, especially as regards long-term sales growth in new markets such as India."

Whiskey is one of Scotland's key manufacturing products, generating considerable profits out of some £2.8 billion in

export revenue. The industry employs 10,000 workers directly and another 30,000 through farms, suppliers and distributors. “Scotch” whiskey has to be produced in Scotland, and 105 distilleries export 90 percent of their annual production. One hundred million bottles of whiskey were consumed in the United States alone last year.

However, the majority of the distilleries are owned by transnational food and drinks combines such as UK-based Diageo and the Edrington Group, French owned Pernod-Ricard, LVMH, Gruppo Campari and La Martiniquaise, Japan’s Suntory, InterBev from Thailand, and United Spirits from India, who own Whyte & Mackay. There are a number of smaller Scottish owned distillers. The major markets are the US, Europe and South East Asia.

The large outfits also own bottling and packaging plants. “Scotch” has to be distilled in Scotland, but it can be bottled anywhere.

Diageo’s efforts are typical of a broader economic “restructuring” underway. The company’s planned closure of the bottling plant in Kilmarnock and the distillery and cooperage at Port Dundas, Glasgow, are part of a wider restructuring programme that is projected by Diageo to result in approximately £40 million cost savings per annum by 2012. Diageo, which made £2 billion in profits last year, launched the programme in response to a 7 percent drop in sales in the first quarter of this year.

As part of the same re-organisation, Diageo are set to increase their investment in the East of Scotland, with an £86 million expansion of their packaging plant in Leven, Fife, and a £9 million expansion of their cooperage in Cambus, Clackmannanshire.

Diageo’s case for closing the Kilmarnock plant is that it is an aging, inefficient facility, with little room for expansion on the site. Most fundamentally, by moving from Kilmarnock to Fife, to great acclaim from Fife politicians of all parties, the company can move bottling nearer to both its major distilleries and the ports from which most of its product accesses the world market. Between 10 percent and 20 percent of blended whiskey is already exported in bulk and bottled in cheap labour locations worldwide.

Andrew Morgan, Diageo’s European president, explained the company’s position regarding bottling in Scotland and Europe: “We have three packaging plants in Scotland. We only need two. We have 38 packaging lines and we, frankly, need only around 28.”

What this means is that Diageo intends to eventually close 10 plants in Europe. Morgan has already acknowledged the potential benefits in outsourcing bottling nearer to big international markets such as Eastern Europe and the Far East.

Faced with this, and providing a further indicator of what

the “alternative” plan to be put to Johnnie Walker workers will be, Labour, the SNP and the trade unions have backed plans for a “whiskey summit” to consolidate their alliance with the major industry players.

According to Harry Donaldson, secretary of the GMB union in Scotland, “We need to involve the Scotch Whisky Association, the employers themselves and the politicians—along with the trade unions.”

Diageo is one of the major voices in the Scotch Whisky Association, and Paul Walsh, Diageo’s extremely wealthy CEO, is the association’s chair.

The purpose of a whiskey summit, alongside the official campaign to save Johnnie Walker in Kilmarnock, is to subordinate workers in the whiskey industry to the needs of both the transnationals and the smaller Scottish-based outfits, by stressing the industry’s heritage and workers’ loyalty. In return, local Labour parties, the SNP and the trade unions only ask that production be retained in Scotland, and that decisions to radically re-organise the industry involve both the Scottish government and the trade unions from the outset. Indeed, already a leading member of the Labour Party, Lord Hollick, sits on the Diageo company board.

Since its formation in 1997, as the result of a merger between Guinness PLC and Grand Metropolitan PLC, the company has pursued a ruthless process of consolidation and strategic acquisition at the expense of its global workforce. In the period 1998 to 2000, Diageo cut around 1,000 jobs in the UK alone, and then eliminated a further 1,000 jobs worldwide in the period 2003 to 2004 while seeking “working partnerships,” with the trade unions. Large scale casualisation was enforced during the 1990s in Nigeria, where 500 workers were sacked in 2005.

Over this period, Diageo, which also owns operations in Kenya, Uganda and Tanzania, was a member of the Business Contact Group, which was convened in order to allow big business to provide recommendations to Tony Blair’s Commission for Africa. The Commission, on addressing the G8 in Scotland in 2005, called for Africa to embrace “liberalisation” so as to make it more attractive to investment.



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