

# Scotland: Report exposes bankruptcy of official campaign over Diageo jobs

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29 August 2009

Details of a report set up to propose alternatives to 900 job losses planned by drinks transnational Diageo in Scotland have become available. The report was commissioned by a cross-party task force.

Under Diageo's current restructuring plans, the majority of the cuts will hit Kilmarnock, where 700 jobs will go in the closure of the Johnny Walker whisky bottling plant. A further 140 jobs will be lost in the closure of the Port Dundas distillery and cooperage in Glasgow, and 30 jobs at the Shieldhall packaging plant in Glasgow.

A net loss of approximately 500 jobs is expected, as the cuts will be offset by the creation of 400 jobs via an £86 million expansion of the packaging facility at Diageo's Cameronbridge distillery in Leven, Fife. By consolidating production at Cameronbridge, which is closer to shipping ports and also processes other Diageo products (gin, vodka and rum), the firm expects to make a cost saving of £20 million a year.

In late July, an unprecedented 20,000 people took to the streets of Kilmarnock in protest, whilst dozens of workers recently protested outside of Glasgow City chambers.

From the outset, however, the official campaign against the job losses—involving the Labour Party, the Scottish National Party (SNP), the trade unions and local authorities—has sought to subordinate the demands of the workers and their communities to the financial interests of Diageo.

BDO Stoy Hayward, a private business consultancy firm, was hired by the Scottish government at a cost of £78,000 to the taxpayer to review Diageo's restructuring plans. It was to determine a number of alternative options, financially acceptable to Diageo, which could be offered to safeguard some of the 900 jobs.

The cross-party task force insists that that it is only by finding an accommodation with the company that jobs can be maintained in Kilmarnock and Glasgow. They claim the current plans underestimate the commercial value of the heritage of Johnny Walker whisky, which has been bottled

in Kilmarnock since 1820, and the workforce's loyalty.

Details recently leaked from the consultant's report, which will not be released for public consumption due to its "commercial sensitivity," has thoroughly exposed this perspective.

The report agrees with the "reasons/logic" behind Diageo's plans to reduce bottling capacity in Scotland from three to two plants, describing the restructuring option as "sensible." It states baldly, "Most consumers are unaware of the Kilmarnock connection (the important link is with Scotland) and would not stop buying the product based on the decision to close the site."

The report also outlined two potential alternatives to the closure of the bottling plant in Kilmarnock—maintaining the existing plant with less capacity, or, building a new one with reduced capacity on a green-field site in Kilmarnock—both of which have been previously considered and rejected by Diageo.

Each option, if implemented, would still see 350 jobs out of the 700-strong workforce cut, and would cost Diageo £60 million more than if the plant closure went ahead. What's more, the maintenance of operations in Kilmarnock on a reduced scale would curtail or terminate the planned expansion of their Cameronbridge plant, in Fife. The report indicates that a meager 60 jobs would be saved across Scotland, at a cost of approximately £1 million per job saved.

On Port Dundas, the report warned that keeping open the small and inefficient distillery, first opened in the 18<sup>th</sup> century, will cost Diageo an additional £100 million. The report proposed it be sold off, but in current conditions a buyer would be difficult to find. The report also stresses that there exists a "strong and clear logic" behind the planned closure of the Port Dundas cooperage.

Diageo has welcomed the report as an "endorsement of the great rigor shown" in its original business plan. Brian Donaghey, managing director of Diageo Scotland, said the report showed that "big value gap remains" between the alternatives and the original restructuring plans. He claimed

that choosing to keep bottling in Scotland had already compromised the corporation's financial position, indicating that the government alternative would compromise competitiveness further, and would force them to "move bottling overseas."

The cross-party leadership tried to mask the redundancy of their line, feigning progress in opposing the closures and denying the findings of the report that they commissioned.

John Swinney (SNP), the Scottish Finance Secretary, presented the report as "a crucial step forward," and a demonstration of "the substantial case against Diageo's proposed job cuts." He then criticized the report, saying he disagreed with the indicated levels of employment loss and the extent of the financial impact that would be incurred by implementing the alternative proposals.

Des Browne, Kilmarnock MP, said in relation to possible alternatives, "it is clear that bottling whisky can continue in Kilmarnock. It will have a cost but that cost is much less than the cost of closure." Browne no doubt has in mind the electoral cost to the Labour Party of complete closure.

Similarly, SNP, Labour and Conservative East Ayrshire councillors have released a joint statement that advises workers and supporters of the campaign to "remain assured" that Diageo can still be plied with a different financially attractive and publicly funded alternative.

Another proposal is currently being compiled by Scottish Enterprise in concert with the trade unions and local authorities. Based on the evidence within the BDO Stoy Hayward report, the focus will be to squeeze a few more jobs out of Diageo. However, unless the company can be convinced of the commercial importance of the Kilmarnock heritage of Johnny Walker, as opposed to simply the Scottish heritage of the brand, this is unlikely. The report notes that 80 percent of production is bottled in Glasgow anyway.

For thousands of working people in Kilmarnock and Glasgow, it is clear that both the original restructuring plans and the alternatives being formulated will come at great cost, both in term of job cuts and incentives diverted from social spending to the pockets of the Diageo board and shareholders.

Whilst the political elite have provided token opposition to Diageo's restructuring, their true orientation in the Scottish whisky industry is one of cooperation with the interests of big business.

Shortly after Diageo announced their restructuring plans in July, Whyte and Mackay announced the cut of 100 jobs, which the Scottish government welcomed, describing the actions of the company as "socially responsible," supporting its efforts to secure long-term sales growth.

Labour, the SNP and the trade unions have called for the

convening of a whisky summit for the purpose of steering the future of the Scottish whisky industry in concert with corporate leaders and the Scotch Whisky Association, which itself is chaired by Diageo CEO, Paul Walsh.

Again, the campaign's orientation here is unmistakable. A spokesperson for the Scottish government remarked that any such talks "should not simply focus on areas of pressure or concern but also consider how best to maximise the significant opportunities for the Scotch whisky industry, particularly in key emerging markets such as India and China."

In other words, the Scottish government will comply with future attacks on the working class, whilst aiding the corporate leaders of the industry in resisting pressure from worker opposition and public outrage, as they seek to drive costs down and secure future growth.

For their part, the Unite trade union, on top of uncritically supporting the campaign line, has squandered workers' dues on hiring Blue State Digital—the online fundraising and advocacy group who worked on Barack Obama's presidential campaign. Unite has also enlisted the backing of Jimmy Hoffa, the leader of the US-based Teamsters Union, which itself is currently facing the prospect of strike action from its own workforce.

The various ex-radical and nationalist groups, which were out in force at last month's demonstrations in Kilmarnock, all insist that Diageo workers must support the official campaign. Praising Unite assistant general secretary Len McLuskey, for his role, the Scottish Socialist Party advised workers that the only way to resist the closures is to first and foremost, "unite in their unions..."

The struggle against such a globally organised corporation requires the mobilisation of the working class independently of those, such as the SNP, Labour and the trade unions, which seek to subordinate them to the interests of the financial elite. In this case, workers must sever ties with the cross-party leadership which aims to lead them down a blind alley, and seek the broadest possible mobilisation of Diageo workers in the UK, the Irish Republic and internationally who face comparable threats to their livelihoods.



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