Scotland: Diageo presses on with 900 job cuts

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Drinks company Diageo has announced it intends to press ahead with restructuring plans, under which 700 jobs will be lost in Kilmarnock, Scotland with the closure of the Johnnie Walker whisky bottling plant. Further jobs will be lost in Glasgow, with 140 to be cut in the closure of the Port Dundas distillery and cooperage, and 30 at the Shieldhall packaging plant.

A trade union backed proposal, put to Diageo as a supposed means of saving some of the 900 jobs, was dismissed by the company. The proposal was the product of an official campaign led by a cross-party taskforce involving the Labour Party, the Scottish National Party (SNP), the trade unions and local authorities.

The company claims that 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. But according to a Kilmarnock worker who contacted the *World Socialist Web Site*, the jobs to be created are likely to be on part-time contracts of three, six or nine months duration.

The immediate impact of the Kilmarnock closure will leave East Ayrshire with the highest rate of unemployment in Scotland. Closure at Port Dundas is likely to cost Glasgow between £9 million and £18 million in public funds. In 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, the official campaign against the decision has endeavoured to subordinate opposition to a commercial appeal to Diageo. The cross-party taskforce insisted that the closures could only be prevented by presenting the vastly profitable company, recent profits figures of £2.02 billion, with a financially acceptable and public-funded alternative.

The bankruptcy of this approach was underscored when details of a business consultants' report, commissioned to determine a commercially viable alternative, announced that in the main they agreed with Diageo. Consultants BDO Stoy Hayward concurred with the "reasons/logic" behind Diageo's plans and dismissed the commercial importance of "workforce loyalty" and the Johnnie Walker brand's heritage in Kilmarnock—both of which were central to the alternative.

The report recommended that the Port Dundas facility be sold off and presented two possible alternatives to closure for Kilmarnock: maintaining the existing plant with less capacity or building a new plant with reduced capacity on a green-field site. Both options, it calculated, would save a meager 60 jobs across Scotland, whilst falling short of Diageo's cost savings by around £10 million per year. Rejecting the findings of the report it commissioned, the cross-party taskforce, spearheaded by John Swinney (SNP), the Scottish finance secretary, maintained the threadbare claim that Diageo could still be plied with a commercially viable alternative that would secure more jobs.

This was rejected out of hand by Diageo. David Gosnell, managing director of global supply, indicated that the campaign proposal did not "deliver a business model that would be good for either Diageo or Scotland," and would "embed inefficiencies."

According to Gosnell, the proposal detailed no alternative for Port Dundas other than advising a delay of the closure "pending a change in market conditions." A new build of reduced capacity on a green-field site was the suggested alternative for Kilmarnock, offering a public-funded incentive in the region of £6 million to 8 million per year for retraining and regeneration. No funding was offered for the build itself, whilst it was proposed that the planned investment at Fife would be sacrificed and diverted to Kilmarnock.

At no point could this weak and ill-conceived offering have been seriously considered by Diageo. Brian Donaghey, managing director of Diageo Scotland, indicated that its implementation would have undermined the efficiency of operations, forcing them to “move bottling overseas.”

The question then arises: why has such an obviously bankrupt campaign line been dragged out over such an extended period by the cross-party taskforce?

The answer is that from the very beginning, the cross-party taskforce intended to lead the opposition of Diageo workers, and their wider communities, down a blind alley. They have orchestrated a wholesale deception of workers, feigning campaign progress, and overplaying its chances of success. Politically exposed, Labour and the SNP have sought to prevent the emergence of determined and independent opposition within the working class.

The trade unions are equally opposed to mounting any sort of defence of the workforce. In response to the rejection of the latest proposal, the Unite trade union claimed, “This campaign is not over yet … we still have other issues to present to Diageo which would keep these jobs in Scotland.”

The true allegiances of the major parties and the trade unions was manifest in their response to the recently announced closure of a contact lens factory in Livingston, near Edinburgh, by the US-based Bausch & Lomb, which employs 10,000 people worldwide.

The details of this closure are similar to those announced by Diageo. A total of 500 jobs are to be axed in a global restructuring, in which Bausch & Lomb expects to make savings of approximately £100 million by consolidating production at their existing plants at Waterford, Ireland and Rochester, New York. Due to the highly automated nature of the production line, only 30 jobs will be created via this restructuring, at the Rochester facility.

The main reason for maintaining the Waterford plant over the Livingston plant is the reduction in operating costs, with corporation tax at 12 percent in Ireland compared with 28 percent in the UK. However, although Bausch & Lomb, in contrast to Diageo, intends to remove investment completely from the Scottish economy, the Scottish government has offered no public funded incentives. Nor has any cross-party campaign been mounted in opposition to the corporation’s plans. The SNP was rebuked by the Confederation of British Industry and the Scotch Whisky Association for potentially undermining Scotland’s allure to future investors in the campaign against Diageo. At Bausch & Lomb, and in the case of Scotch whisky producer Whyte & Mackay, they have collaborated with the corporations without reservation from the outset.

The Scottish government went so far as to welcome the 100 job cuts announced by Whyte & Mackay in July, describing the actions of the company as “socially responsible,” supporting its efforts to secure long-term sales growth. The discussions with Bausch & Lomb have resulted only in the suggestion of a management buyout.

In seeking to divert responsibility to the UK parliament at Westminster, and promote its nationalist agenda, an SNP spokesperson said, “Unlike other countries, the Scottish government does not control the key financial levers, such as corporation tax, that we need to boost long-term competitiveness.”

The SNP is committed to slashing corporation tax by more than half, to 12.5 percent. Its orientation to big business is unmistakable. In a reaction to rising unemployment, th e Scottish government has indicated that it will hold a “jobs summit” by the end of the year, involving representatives of business organisations and trade unions. Its stated aim is to ensure that big business is aware of all the concessions available to it from the Scottish and Westminster governments.

It goes without saying that none of those involved in the official Diageo campaign, least of all the trade unions, have made the slightest effort to draw together workers from all three companies facing lengthening dole queues.