RESTRUCTURING OF THE BREWING INDUSTRY

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The brewing industry represents an interesting case study in the development of Australian manufacturing industry. It has always been dominated by domestic capital and until the 1960s was characterised by steady growth and increasing ownership concentration. Currently one or two companies are dominant in each state, in large part because of long-term horizontal integration. Carlton and United Breweries, for example, has absorbed fifteen breweries in Victoria and Northern Australia, since its formation in 1907, to become the sole brewer operating in Victoria.

The period since about 1960 has been one of restructuring for the brewing industry. Sales stagnation in combination with an oligopoly structure necessitated new expansionary strategies for the corporations involved. Previously, restrictive trade practices had regulated industry growth, but these practices broke down in the 1970s through the operation of the 1974 Trade Practices Act and aggressive strategies by one or two companies.

The nature of recent strategies will be examined below and the impact they have had on labour, corporate structures and industrial structure. Fundamentally, the brewing industry also provides a vehicle for obtaining more detailed insights into the preconditions and facets of private economic power.

MARKET STRUCTURE & CONTROL IN THE 1950s & 1960s

Traditionally the strategies of production for both Tooth & Co. and Tooheys Ltd. (Castlemaine Tooheys since

1980) have been linked to the extent of their respective ownership of hotels. In the immediate post World War II period the system of "tied house" trading continued to sharply delineate the market for beer in New South Wales, since at this stage bulk beer still represented the major percentage of total beer production.

The tied house system was a legally enforceable agreement between a brewery and a hotel owner or lessee, that ensured exclusive distribution rights for a particular brewer of its product. In return a hotel owner or lessee could usually count on the brewer as a source of finance. Consequently the prevalence of bulk beer, and the hotel as the predominant institution for distribution during this period, ensured that hotel ownership and the tied house system of trade remained the determinants of market size for the brewers in N.S.W.

In 1951, brewery companies owned 884 hotels in N.S.W. out of a total of 2,028 hotels. Of these, Tooth and Tooheys owned 849, while maintaining a trading tie with over 500 more.[1] Clearly, at this stage the two major brewers in N.S.W. were guaranteed a 65% slice of the N.S.W. market, which was tantamount to monopoly control.

With bulk beer production representing a main source of brewery profits in the immediate post war period, the tied house system tended to promote tacit understanding between the brewers as to accepted areas of distribution. Prior to 1941, a written trade agreement existed between Tooth, Tooheys and Carlton and United Breweries (C.U.B.) of Victoria, concerning areas of operation acceptable to each company. It has often been alleged that following the expiry of the written restrictive trade agreement, a "gentleman's agreement" between the companies continued to exist. Allegations to this effect were periodically made by publicans in South West N.S.W., who operated without a trading tie with a brewery and whose geographical position represented the outer limit of distribution for these three companies.[2]

By the 1960s the process of accumulation and expansion of production was suffering limitations due to the concentration of investible funds in the production of bulk beer. The propensity for growth in this area was limited to effective advertising, since the market had assumed a static structure. Moreover, the cost effectiveness of extensive ownership of small hotels had proved inadequate, in comparison to the economies of scale afforded by the huge, new hotels which followed the urban sprawl of the 1960s and '70s.

In response, the breweries began programmes of diversification and rationalisation of production. Diversification was concentrated in such areas as wine production, property sales and development, conventional and fast food outlets, the operation of hotel/motel chains and penetration of the tea and coffee industry. Of these areas, wine production and property sales and development have been the most strategic forms of diversification. Through the 1960s and '70s, the wine industry has been a strong growth area, to the extent that it has, ironically, cut into the market for beer (see table 1). During the same period, due to sustained increases in property prices (which in turn was due to growing inflation and the preponderance of foreign and domestic speculative capital) both Tooth and Tooheys began developing and cashing in on their vast property assets.

In addition to diversification, a process of rationalisation took place through the 1960s and '70s in Australian breweries. To achieve this, most of the major breweries in Australia undertook programmes to centralise production operations. Concurrently, large amounts of capital were invested into commissioning and upgrading packaged beer facilities in particular production locations. The catalyst for both of these facets of rationalisation was the introduction of the latest technology.

TECHNOLOGICAL CHANGE & LABOUR

The essential features of the introduction of new technology in the brewing industry has been a steady decline in the number of jobs available in the industry, increased productivity of the workforce, reduced labour costs and a general deskilling in much of the work carried out.

In the early 1960s, Tooheys began a long term strategy of centralising their entire brewing operations at Auburn in Sydney, where production facilities for packaged beer were incorporated to cater for the expected growth in the market in the 1970s and '80s. The final phase of Toohey's plan was the closure of the Standard brewery at Surry Hills and the Millers brewery at Petersham, in 1976/77, resulting in 300 employees of the two breweries being retrenched.[3]

In the late 1960s C.U.B. began a period of technological change in its production process. In its Carlton plant (over approximately a 10 year period), the labour required in the brewing stage had been reduced by 64.7%. In the fermentation stage more than 33% of jobs became obsolete.

In the filtration stage, labour requirements had dropped 58.8%, while production capacity had increased from 11,200 to 16,800 gallons/hour. Technology utilised in C.U.B.'s Abbotsford plant revealed a similar story. A new brewing complex built in the early 1970s reduced the labour requirement for this stage from 33 workers on day shift to two plus a supervisor, on each shift.

Tooth and Co. emerged in the 1970s as the stragglers with respect to technological change. Tooth's vast chain of hotel ownership had guaranteed the company a relatively stable share of the bulk beer market, but packaged beer and, in particular canned beer, had become the glamour commodity in the beer market (see Table 2). In 1976, the Trade Practices Commission abolished the tied house system of trade, which spurred some major, if not panicky investment decisions at Tooth. Realising the implications, Tooth bought out Courage breweries of Victoria in 1977 and prepared for a modernisation programme at the Kent brewery in Sydney. The urgency with which Tooth needed to implement new technology can be seen by a simple comparison.

> *"Only six workers are required on each shift at Tooheys' modernised Auburn plant during the racking stage (the filling and washing of kegs). At Tooth's non-automated Waverley plant, on the other hand, 50 workers are required to do the same job. Both breweries have the capacity to produce around 10,000 kegs a day."*[5]

Part of the modernisation involves the closure of the Waverley (Resch's) brewery at Redfern, and by company estimates will result in the loss of 800 jobs, 150 of which have already gone.

The trend towards reduced employment in the brewing industry is most dramatically highlighted by the programme being carried out by Tooth, which will affect not only employees engaged on the production line. For instance, clerical workers in the industry have been hard hit by the job-displacing computer technology introduced in the processing of orders, deliveries, wages and so forth. Transport workers employed by the breweries have tended to be replaced by contractors. As part of the move towards centralising operations, most of the brewers have also centralised their initial distribution centres by building massive storage facilities. This particular aspect of rationalisation at Tooth resulted in the retrenchment of 98 drivers.[6]

Largely as a result of the widespread effect of new technology, trade unions engaged in the brewing industry have been cohesive in a campaign to develop an alternative or compromise strategy designed to preserve jobs and share in productivity increases. Based on Australian Bureau of Statistics (A.B.S.) tables for value added in beer production between 1974 and 1979 and adjusting for inflation, it has been estimated by the A.C.T.U. that during this period, productivity per employee engaged in the production of bulk beer and packaged beer increased 21.3% (see Table 3). The figure is most likely to be a conservative estimate since the A.B.S. figures are obtained from the brewery companies.

Even though technological change has caused reduced employment in all sectors of the industry, the higher productivity of one sector as opposed to another is attributable to factors such as, increased demand in one sector at the expense of another, unquantifiable factors such as improvements in the efficiency of work practices, and the increased labour intensity associated with aspects of technological innovation. As such, unions in N.S.W. have used this average figure for the productivity increases as the basis of a campaign for shorter hours and better redundancy conditions. In 1981, all workers engaged in the N.S.W. brewing industry achieved the goal of a 35 hour week. While the principal argument for the 35 hour week centred around increases in worker productivity and was supplemented by the claim that in the face of declining employment, the 35 hour week would save jobs in the industry, the validity of the latter claim is contested in more general debate over the relationship between technological innovation and the 35 hour week. The A.C.T.U. view is that by restricting overtime for the period of reduced hours, the subsequent drop in output would necessitate more employment. It seems feasible though, in view of labour representing the primary cost of production, that the management solution would be either to adopt more efficient and/or intensive work practices or further streamline the capacity of the physical capital.[8]

Despite the success of the 35 hour campaign by the union movement in the N.S.W. section of the brewing industry and later in Victoria, technological change has and will continue to fundamentally change job classifications, job conditions and modes of workplace organisation in the brewing industry. Presently the industry is composed primarily of production, maintenance, clerical and service workers. However, the traditional lines of union coverage are now much less distinct, and are the source of periodic disputes. Such disputes tend to be exacerbated by the attitudes to workplace organisation

amongst different unions. For instance, the union which covers production workers, (F.L.A.I.E.U. or more commonly, the Liquor Trades Union) has, in N.S.W., traditionally discouraged rank and file militancy and negotiation, while unions covering maintenance and service workers, such as the A.M.W.S.U. and the F.E.D.F.A. have tended to favour such action. Consequently, brewery management have been more disposed towards the production workers' union. In fact in 1982, Tooth and Co. acknowledged this in providing the production workers' union with a "check off" agreement. The effect of this has been to limit the ability of the more militant unions to gain coverage in areas subject to new or overlapping job classifications. Moreover, negotiation in disputes is increasingly being taken out of the hands of the rank and file, not least because of recent changes to the arbitration act. In N.S.W. a 1981 amendment to the Industrial Arbitration Act of 1940 gave the Trades and Labour Council of N.S.W. (T.L.C.) the right of appearance before all dispute tribunal hearings. In essence, the T.L.C. is being recognised by management and arbitration officials as the official negotiator for the rank and file, irrespective of the wishes of the rank and file. Such trends towards bureaucratisation in negotiation have subjected shop floor decision-making to the vagaries of T.L.C. political strategy. In 1981, a meeting of 35 delegates, representing Maintenance and Service unions engaged at Tooheys (Auburn and Newcastle) and Tooth (Waverley and Kent) issued an ultimatum to the T.L.C. of N.S.W. for consistently ignoring the decisions of the rank and file and the combined brewery delegates.[9]

The predicament for labour in the breweries has been largely, though not exclusively, determined by the bargaining leverage (for management) of technological innovation. While shorter hours have been an achievement for brewery workers, and favourable redundancy agreements have been hard fought, the trade off has been a deterioration in the long term gains made with respect to work conditions and practices and a labour market structure which no longer reflects traditional lines of union coverage. The latter must be seen as critical for labour in that it threatens to undermine the hitherto relatively stable inter-union workplace relations, and is providing brewery management with a tool for substituting permanent labour with casual and contract labour.

PACKAGED BEER

As noted earlier, most brewers invested capital in the 1960s and '70s into commissioning and upgrading packaged beer facilities in particular production locations, and creating a chain of distribution outlets in many company owned or leased hotels. The technology and centralisation of production associated with the former process has quite clearly had a devastating impact on the workforce engaged in the industry. There are, however, some other considerations associated with the ascendancy of packaging which need to be introduced.

The growth of packaged beer had, as a background, the static and now declining bulk beer market. In the absence of restrictive trade arrangements such as was used in the bulk beer trade before 1976, the overall beer market became more volatile and competitive, though competition has in the oligopolistic tradition been largely confined to extensive advertising. While a study of the social norms and cultural values which brewery companies have attempted to associate with consumption of packaged beer through advertising would be valuable, for the purpose at hand it is important to note that the growth of packaged beer pre-empted quite significantly the changes in corporate control of markets in the last decade or so.

The takeover of the Courage brewery of Victoria in 1977 by Tooth was prompted largely as a contingency measure, designed to reverse the decline in market share, resulting from the popularity of canned beer. Although Courage was not a profitable company, it did have modern facilities for the production of canned beer, and allowed Tooth the possibility of redeveloping the Kent brewery in Sydney without drastically undermining its share of the total beer market.

Nevertheless, C.U.B. and Castlemaine Tooheys have progressively absorbed part of Tooth's packaged beer market in N.S.W. mainly because of the earlier process of technological change utilised by the former companies in the 1960s and '70s. However, while Tooth's and Castlemaine Tooheys have looked towards diversification for maintaining profitability, C.U.B. has most aggressively exploited the possibilities of packaged beer, By 1981, C.U.B. was exporting packaged beer to 65 countries, while in 1982 a license to brew C.U.B. brand beer had been issued to Watney, Mann and Truman Brewers Ltd. of the U.K. In eight months, Watneys had taken 6% of the London draught lager market with the Fosters brand.[10] In contrast, inadequate adaptation by Tooth to the packaged beer market in the 1970s became a major factor in the company's situation.

The structure of the packaged beer market is in many ways similar to the bulk beer market. In both cases, brewing companies have consolidated vertical control. The fundamental difference between the two markets is that packaged beer represents only one commodity in the retailing of packaged alcohol. This has made it fairly difficult for brewing companies to annex control, since control over retailing of packaged alcohol necessitates either a monopoly in ownership of retail outlets, or a monopoly in the wholesaling and distribution of wines and spirits. The former has proved to be impossible because of changes to the N.S.W. liquor laws in 1967, which allowed for the sale of single items of liquor from outlets other than hotels. This decision had paradoxical repercussions for brewing companies, because on the one hand it was seen as a mechanism for extending the beer market, but on the other hand it acted as a forerunner for brewing companies' relinquishment of retail control. After 1967, a string of independent liquor stores emerged, while at the same time, food retailers found the liquor laws more amenable for liquor retailing in supermarkets.

In 1981, the food retailer G.J. Coles and Co. bought out the 54 liquor stores which Sydney businessman Claude Fay had accumulated after the change to the liquor laws in 1967.[11] This takeover was the first and biggest attempt by Coles to take control of chain liquor stores in N.S.W., a strategy which in the space of two years has, with minor exceptions, seen Coles emerge as the major competitor with the breweries in the area of packaged liquor retailing in N.S.W. Coles involvement with packaged liquor retailing (see below) has been far more lucrative in the retailing of other packaged alcohol

commodities and has had a direct bearing on the extent to which brewing companies' investments in the wine industry have had to be vertically and horizontally integrated.

DIVERSIFICATION INTO THE WINE INDUSTRY

The diversification by brewing companies into the wine industry in the 1960s and '70s complemented the strategies of rationalisation mentioned above. The effect on the Australian wine industry was that almost overnight the principal vignerons were absorbed by either brewing or tobacco companies.

Between 1970 and 1972 Tooheys had acquired the Seaview, Glenloth and Wynn wine companies. In 1976, Tooth acquired the Penfolds Wine Co., which as far back as 1951 was one of three companies which owned, tied, or otherwise controlled 54% of Australian wine licences.[12] Of the two N.S.W. brewing companies, Tooheys have been the most active in the penetration of the wine industry, having developed a degree of vertical integration within the industry to ensure the maintenance and expansion of its market share. For example, in the 1975/76 company report, directors stated that :

> *"The wine division, in addition to introducing direct representation in most States, acquired its own distributing company, Bensons Distributors Pty. Ltd. in Western Australia."*[13]

The concentration of ownership which took place (particularly in the 1970s) created the conditions for rapid technological change in the wine industry. As in the brewing industry, technological innovation in the production process became an important factor in improving efficiency and reducing costs. When production was focussed around small family companies, the consequent limitations on capital expenditure ensured that the traditional crafts associated with the industry remained integral to the production process. With the ascendancy of tobacco and brewery companies in the wine industry, the technological innovation which accompanied the economies of scale available to these companies, quickly rendered crafts such as that of coopers, obsolete.[14]

In recent years, significant changes in the ownership of retail liquor outlets has tended to accelerate increases in the share of the market enjoyed by the larger wine companies. The dominance of Coles and the Myer group in packaged liquor retailing has enabled these companies to demand volume supplies for discounting in liquor

stores and supermarket outlets. Subsequently, small and medium size wine companies, unable to apply the necessary economies of scale in production, have been pushed to the periphery of the market and in some cases effectively excluded.[15]

While brewing companies have, in conjunction with tobacco companies, affected a major transformation in the ownership structure and in the production process of the Australian wine industry, the significant sales volume thus generated within the industry in the last ten years[16] has enticed foreign capital into the industry, such as the Seagram Corporation of Canada and the Remy Corporation of France. Both these Corporations have attempted to integrate vertically into the industry, by taking over wine companies and distribution companies.[17] The effect which this is tending to have is to force smaller companies into defensive mergers, whereby production costs become paramount, over and above traditional concerns of quality, and to add further dimensions to the concentration of ownership. Another aspect of the above process is the move by some large companies to remove the risk factor from the initial stage of production by having grapes grown under contract. This facet of production has shifted the problem of climate and disease etc. onto contractors, many of whom are recently displaced, small winery owners. Not surprisingly, we can see a picture of the wine industry emerging whereby the structure is becoming similar to the mainstream of Australian agriculture. The risky component of primary production is increasingly undertaken by small producers, while processing, wholesaling and distribution are undertaken by fewer and bigger companies.

Having mentioned some of the dimensions of the concentration of ownership in the wine industry, what emerges fairly clearly is that brewing, and transnational liquor corporations have become major participants up to the point of retailing. The participation of foreign liquor corporations has in the last few years also placed pressure on the relative contribution of domestic wine production (see Table 4). However, while this has added to the pressure for concentration of ownership in the wine industry, it has merely caused a change of tactics for large wine companies such as those owned by the N.S.W. brewing companies. This change of tactics took the form of greater vertical and horizontal integration and became all the more important because of the strong retailing position of companies such as Coles and Myers. The large retailers have been able, through discounting, to place pressure on producers and to add to this pressure (particularly in Victoria), through direct involvement

in wholesaling. In 1982, Tooth and Castlemaine Tooheys announced a proposal for a joint venture company to handle their wines and spirits wholesaling and distribution, to be known as Liquor Distributors.[18] The effect of this move is anticipated to leave the wholesaling and distribution of wines and spirits in N.S.W. in the hands of two major operators, Liquor Distributors and the existing major distributor, A.G. Campbell. (A.G. Campbell were well entrenched in liquor distribution before the involvement of brewing companies with distribution other than beer.) Of the smaller companies, the only one likely to compete in this restructured scenario is the French owned Remy and Associates, which can draw on its existing integration with Australian wine production and consolidate on the expanding market for overseas wine and spirits, through the parent company.

The impetus for concentration of ownership, provided by diversification by brewing companies into the wine industry is fairly clear. However, there are some factors which remain less clear. The question arises, as to the maintenance of quality within the wine industry. For instance, brewery company directors happily disclose the number of medals which their wine divisions have ammassed, but the proliferation of medium to poor quality cask and flagon wine is a primary source of profit for these companies. Due to factors such as the duration and complexity of production and more recently, the emergence of a retail distribution monopoly (demanding volume supplies), the production of high quality wines is tending to become a less profitable area, but nevertheless a source of great prestige for growing companies. In the case of the brewing companies, the production of high quality wines would seem to be as much a public relations exercise, designed to perpetuate the good name under which their cask and flagon wines are sold.

Another more speculative factor concerns the current proposals for the privatisation of plant material. The proposed Plant Variety Rights Bill (P.V.R.) would give effective control to the holders of patent rights for new grape varieties. In an industry where ownership is becoming more concentrated each year, the battle of survival for the small or family company will be hastened if P.V.R. legislation takes effect. While cosmetic changes to currently popular varieties of grapes may be all that is needed to obtain P.V.R., only large companies have the resources to develop plant banks for existing varieties and to develop and multiply new varieties for patenting and distribution. Consequently, the small wine maker will be subject to the pricing and

market strategies of patent holders. It is possible that Tooheys recognised the potential in this area as early as 1972. In reference to the purchase of 1,000 acres between the Barossa and Eden valleys, the chairman of Tooheys reported :

> *"...it is believed that this is the ideal area for growing some of the rare classic grape varieties now becoming popular in Australia. For the purpose of developing this new area and for improving quality and yield in our existing areas, a vine propagation unit has been created to multiply planting stock of the rare varieties."* [19]

It should be added that a vine propagation unit for rare varieties of grapes would give Tooheys the equipment with which to develop and multiply new varieties of grapes. Assuming that as a result of P.V.R. legislation, plant material becomes part of the network of private property in Australia, Tooheys will be in an excellent position to strengthen its market control, by having a stake in the development, marketing, and distribution of the original production input.

DIVERSIFICATION INTO PROPERTY SALES & DEVELOPMENT

The other major area of diversification, particularly for N.S.W. brewing companies, has been into property sales and development. Historically, the tied house system of trade in the N.S.W. brewing industry necessitated ownership of many hotel properties. However, in the late 1960s, when a property boom began accelerating, and in lieu of the static market for bulk beer, both Tooth and Tooheys were placed in an excellent position to begin programmes of rationalisation and diversification of their property assets.

The property boom began as a boom in commercial properties around the Sydney city centre, but soon developed into a sustained period of rising prices for residential property. The effect was to force families away from the inner city suburbs, where speculative capital tended to locate, to outer metropolitan suburbs where residential property and tenancy rates were cheaper.

The nature of the property boom worked in all ways to the advantage of the N.S.W. brewing companies. Rationalisation programmes began in the late 1960s with the breweries dispensing with some inner city hotels. During the 1970s, both companies complemented this strategy

by entering into joint ventures with property development companies. Tooheys teamed up with the Lend Lease Corporation,and Tooth, by far the largest owner of hotel properties in N.S.W., teamed up with the Hooker Corporation. One aspect of these joint ventures was the construction of huge hotel complexes in the new outer suburban centres.

With a surplus of hotel licences accruing to the brewing companies as a result of their rationalisation of inner city and inner suburban hotel ownership, and the imbalance between the abundance of applications and the limited availability of licences, the brewing companies were placed in an excellent position to gain a monopoly over hotel ownership in the new population growth areas. Furthermore, the policies of the Licences Reduction Board of N.S.W. (L.R.B.) enabled the breweries to apply economies of scale in the planning, development and operation of hotels in these regions, with virtually no fear of future competition. For example, in the 1980 Annual Report of the L.R.B., in reference to the "pool" system, which is the technique used for redistributing cancelled or unrenewed licences, it was stated that ...

> *"... to avoid the proliferation of licences it has been recommended that a new ground of objection be inserted into the Liquor Act to provide that objections to new licences can be made on the ground that 'the reasonable requirements of the neighbourhood are being met by existing liquor outlets (whether in or outside the neighbourhood)'"* [20]

As such, brewery owned hotels in the new outer suburbs have been able to operate with a virtual guarantee from the L.R.B. that due to licensing regulations and policy, areas of operation can be predetermined.

With the abolition of the tied house system of trade in N.S.W. by the Trade Practices Commission in 1976, the development and operation of huge hotel complexes in the outer suburbs became a very important factor for the breweries. The net effect was to substitute one form of monopoly control in retail distribution of bulk beer for another. The limiting factor for the consumer had formerly been choice of beer. Increasingly, in the 1970s the limiting factor became choice of hotels.

A similar situation emerged in Victoria, where a 1978 Board of Inquiry into the Liquor Control Act, in reporting the history of hotel development in Victoria,

described the character of the new outer suburban hotels thus ...

> *"...the last 15 years has seen a new type of large outer suburban hotel covering an area of 6-10 acres ... with a number of bar rooms, at least one large lounge room holding 300-500 persons, a prominent drive in bottle shop and 10 or more motel type units. Disco or band music is usually provided 2 or 3 nights per week. The hotel will provide bistro type meals and may have a restaurant. These hotels are normally found a mile to two miles apart."* [21]

The new brewery owned outer suburban hotel bears no resemblance to the now vanishing, traditional corner pub. The latter has always had a strong connection with city and inner suburban community life, being amongst other things, a meeting place for the neighbourhood and a venue for organising community activity. The former is designed as a total comsumption package. Community involvement is largely irrelevant, because fun is institutionalised, albeit, at the retail price, and is geared for the individual. What we have then is a transformation in the nature of the hotel, from the local meeting place to the complete "supermarket for the senses", servicing sometimes tens of thousands of residents. Another sobering aspect of these hotel complexes is the potential for increased alcohol related traffic accidents. The realities of regionalised hotels are that consumers often have to drive several miles to get home.

Notwithstanding the motive of profit expansion associated with the growth of outer suburban "beer barns", this phenomenon tends to be subsumed by the more dynamic feature of the 1970s and 1980s in the brewing industry, namely the rapid changes in corporate structures.

Technological change, centralisation and rationalisation of production and diversification may all be seen as typical corporate responses to an industry which has largely exhausted its domestic market potential. However, these responses have necessitated changes not only in the organisational structure of participating corporations, but in their ownership structure.

CHANGES IN CORPORATE STRUCTURE

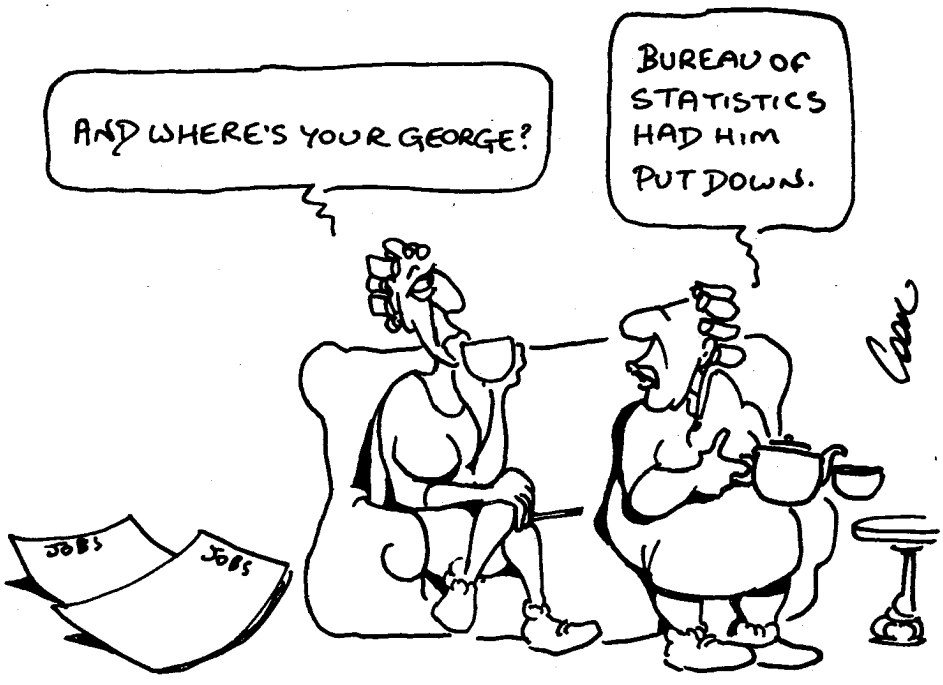
By the 1980s, the state boundaries which historically limited the scope for market size in the Australian brewing industry were irrelevant. Part of the explanation for this can be put down to the abolition of tied house trade in 1976, which allowed brewing companies exclusive distribution rights through a network of hotels. The rest of the explanation can be attributed to the changing conditions for profit growth in the 1960s and 1970s, which preempted the strategies of rationalisation and diversification previously discussed. Consequently, it is necessary to broaden the primary focus from N.S.W. to the Australian brewing industry, and to the corporations which in the last decade or so have become enmeshed in the ownership structure. The fortunes of Tooth (in the last ten years in particular) have played a key role in predetermining those structures.

It would be easy to dismiss the declining fortunes of Tooth in the Australian beer market, and the subsequent changes in its corporate structure, as being due to bad management planning of diversification and bad timing of production rationalisation. Moreover, the incompetence of Tooth management seems complete if we note that prior to 1976, maintenance of markets relied almost exclusively on the restrictive trade practice of tied house trade. In contrast, the other two big east coast brewers, (C.U.B. and Tooheys) had for the previous decade, supplemented the market advantages of tied house trade with technological innovation in the production process. However, while the incompetence of Tooth management provides a plausible <u>cause</u> for changes in the company's corporate structure, the <u>process</u> of change is more illuminating if we are looking for a rationale for the current corporate structure of the industry.

The middle and late 1970s proved difficult in terms of profit for Tooth and Co. There was pressure on the company to maintain high dividend payments in spite of low profits because at least one third of the shares in the company were held by trustee and insurance companies, whose primary concerns were to extract large divident payments. Tooth's static beer sales of the middle 1970s slumped even further after 1976 when the Trade Practices Commission abolished tied house trading. To finance production rationalisation and continued high dividend payments, Tooth increasingly relied on asset stripping in the form of hotel sales to maintain profits. In spite of this rearguard action, the institutional shareholders sensed the decline and began to abandon

Tooth, leaving the company increasingly vulnerable to a takeover. At the time, Tooth was viewed as a valuable takeover prize since the company was asset rich, though not particularly viable, on a production basis. A hotel property revaluation for Tooth in 1979/80, spanning eight years, netted a $65 million increase in the value of Tooth's hotel holdings. After depreciation, the value of the above was thus revised from $127 million in 1979 to $197 million in 1980.[22]

In 1980 Tooth management announced a proposed merger between Tooth and Co. and the Hooker Corporation. In the same year, the imminent closure of the Waverley brewery and the redevelopment of the Kent brewery was announced. In the disputes centred around the 800 planned redundancies, the actions of management gave rise amongst workers to one of the more lively conspiracy theories to emerge in the last few years. The proposal to merge with Hooker appeared disastrous from the point of view of workers and of minor shareholders in Tooth and Co. For workers the merger implied an increased reliance on property development and speculation, and a decreased reliance on brewing. Minor shareholders in Tooth correctly viewed Hooker as a company high on debt and low on assets, and consequently as a liability in a merger. 1980 was a year in which Tooth's brewing interests were under siege from all sides. C.U.B. had a stranglehold on the Victorian market. Tooheys were able to engage in extensive advertising in the N.S.W. market because of relatively cheaper production costs (brought about by technological innovation in the 1960s and 1970s) and a broader capital base which resulted from the merger with the Queensland brewer Castlemaine Perkins. As such, the merger by Tooth with Hooker appeared as a convoluted means of saving the company from a takeover and as a means for Tooth to divest itself of its brewing interests. The immediate concern of workers was to enter into negotiation over the nature of Tooth's brewery redevelopment plans and, in particular, negotiation over the means by which jobs could be saved. The initiative from workers was a suggested six month moratorium on brewery redevelopment, during which consultation could proceed. The response of Tooth's management was to reject the proposals of brewery workers, arguing that delays in technical innovation would result in irrevocable loss of market share. The ensuing two month strike by Tooth's brewery workers and protracted disruption from construction and service workers on phase 1 of Tooth's redevelopment, guaranteed Tooth both loss of production and loss of markets to competitors. As it turned out these costs far exceeded the eventual costs of redundancy and associated agreements negotiated with unions.



The incongruous nature of this sequence of events led workers to investigate the extent of interlocking directorates between Tooth, Hooker and T.N.T. and to the corporate background of certain key directors. Suspicions of workers were aroused by the favourable circumstances under which Tooth's transport contract and fleet of trucks were disposed of to a hitherto smalltime businessman, Les Edwards. In terms of economies of scale, it seemed reasonable that T.N.T. would be keen to complement their All Trans subsidiary's contract with Tooheys, with the Tooth's contract, unless T.N.T. were keeping a low profile for something bigger. Certainly, the string of interlocking directorates between Tooth and Hooker, and Hooker and T.N.T., and the intractable and costly attitude of Tooth management to redundancy and job level negotiation, conjured up in workers minds the apparent irrelevance of 800 jobs if the real corporate stakes were hundreds of millions of dollars ...

> " ... *the whole deal (Tooth/Hooker merger) smells like a behind the scenes conspiracy to depress Tooth's market shares, to facilitate a bargain basement takeover by a larger shark with the workers a mere pawn in the game."* [23]

Suspicions of conspiracy by Tooth's workers were magnified by the parallels to the takeover of Ansett by

T.N.T. This takeover was facilitated by the weak position of Ansett after the $300 million crash of Associated Securities Ltd., a company in which Ansett was a substantial shareholder. At the time of the crash, W. Fesq was head of Associated Securities, and Tooth and Co., as well as being a director of Hooker. Fesq and two co-directors of A.S.L., including G. Thorpe (also a director of Tooth and Co.) were overseas at the time of the crash. Moreover, W. Fesq was on the Board of Hooker when Hooker was asked (and declined) to take over A.S.L. F.W. Millar the Chairman of T.N.T., at the time headed 14 companies and was a Director of 27 companies including Ansett and Hooker.[24] The workers' inference is that the Ansett takeover and the Tooth/Hooker merger proposal had some common links.

The net result of the failed Tooth/Hooker merger was the takeover of Tooth in 1981 by Adelaide Steamship Co., through subsidiary companies such as David Jones. With the disappearance of institutional companies from Tooth's shareholdings, investment companies such as Industrial Equity Ltd. stepped in, sensing a fast dollar to be made. In the battle for control of Tooth, Castlemaine Tooheys 20% shareholding proved decisive. With hindsight, it was in the interest of the latter company to sell its Tooth's shareholding to the company which was least interested in beer production. Strategically it made good sense for that company to sell Tooth's shares to the Adelaide Steamship Co. since the latter's greatest fame has been connected with the practise of asset stripping of subsidiaries.

In the period of time in which Adelaide Steamship has been in control of Tooth, asset stripping has been the prominent technique used for raising revenue. While this has not directly affected Tooth's brewing division, the sale of several hundred hotels during 1981 and 1982 caused organised if sporadic boycotts of Tooth's products,[25] facilitating the companies declining share of the beer market. Most importantly Tooth's hotel sales have caused widespread unemployment in the hotel industry. In fact, in the drive for liquidity to buy Tooth, the assets of many Adelaide Steamship subsidiaries were stripped, leaving a wake of redundant workers. Prior to the Tooth takeover, David Jones, a retailing subsidiary of Adelaide Steamship, sold a parcel of retail stores in Queensland, including stores in Mackay and Bundaberg, where 77 workers immediately became redundant.[26]

While Tooth's brewing interests are being restructured amidst a declining beer market, it is interesting to ponder how surplus stocks can be disposed of. For instance, two Tooth Directors are represented on the Sydney Cricket Ground Trust, including former Managing Director, H. Alce. Recently, the Trust decided to ban 'bring your own' alcohol at the S.C.G., and to substitute a Tooth's monopoly of high priced, canned beer at the Ground.

The shift in priorities for Tooth in the last few years, away from brewing into asset stripping and investment, has accelerated the share of the N.S.W. market enjoyed by C.U.B. and Castlemaine Tooheys. Increasingly, the stage is being set for Tooth to divest itself of its brewing interests. In 1982 Tooth stepped around the trade practice legislation by liquidating the Courage brewing company in Victoria and selling the property and brewing facilities to C.U.B. for $12.5 million.[27] Using the same laws, except in a more conventional way, Tooth is now in a position to sell its N.S.W. brewing operation to C.U.B. at a future date.

Of all the Australian brewing companies, C.U.B. has most relentlessly attempted to secure an impregnable position in the industry by consolidating horizontal and vertical control. In the last few years, C.U.B. has acquired the remaining small breweries in Australia, such as the Cascade brewing company in Tasmania and the South Australian Brewery Holdings. Over the last decade C.U.B. has incorporated the hop producing and malting operations of newly acquired companies such as Henry Jones/I.X.L. and Elders into its Australian brewing operation and consequently guaranteed itself steady input supply. Moreover, while companies such as Elders have enabled C.U.B. to consolidate vertical control, the diverse nature of Elders, (i.e. merchant banking, communications technology etc.) has created the prospect for C.U.B. to diversify without running down its brewing operation.

The position of the Swan Brewing company in this scenario is somewhat detached. The geographical isolation of Western Australia ensured the perpetuation of a Swan monopoly in that State for many years. In 1982, the Bond Corporation, which operates on investment and speculation similar to the emphasis of Adelaide Steamship, took over Swan. Not surprisingly, the Swan Brewing company is also asset rich, and is currently being depleted of assets to finance investment by the Bond Corporation. The sophisticated technology of the Swan brewing plant and the joint ownership of the Northern Territory brewery with C.U.B., makes it possible that this company will also come under the umbrella of C.U.B., leaving a two corporation Australian brewing industry.

CONCLUDING COMMENTS

While a high concentration of ownership has always been a feature of the Australian brewing industry, the early 1960s proved to be the turning point in terms of the corporate structure of the industry. Prior to this, the growth in the Australian beer market had been distributed amongst the participating corporations through tight mechanisms of vertical control, such as monopolies in distribution and retailing and the aforementioned restrictions on trade. The static market of the 1960s however, destroyed the exclusivity of corporations involved in the industry. As the former head of Tooheys, Lloyd Hartigan, recently noted, the mechanisms for ensuring efficient flows of information within Tooheys during the early 1960s lay somewhere between non-existent and archaic.[28] Years of inter-corporate understanding and effortless return on investment had become less tenable. While diversification provided one avenue for growth, Tooheys under Hartigan were the first brewing company to recognise the need for assuming a more competitive structure through technological innovation, concentration of the market, and a "scientific" approach to management.

As the market position of some corporations became more uncertain, the conditions became more favourable for an influx of speculative capital into the industry. Associated with the diversification plans of some brewing companies, this broke the isolation which characterised the industry for decades before. The new alliances of capital in the brewing industry in the 1970s created the pressure which resulted in the state outlawing the restrictive trade practice which had for so long regulated the industry.

Corporations such as C.U.B. and Castlemaine Tooheys, while having created the conditions for capturing Tooth's market had, through attempting to widen the avenues for retail distribution, also created the conditions for unrelated corporate giants such as Coles, to become involved with the industry.

The process of change in the brewing industry has highlighted amongst other things, the fluidity of capital, and the capacity to collude at one moment and forge new alliances at another. This fluidity of capital has manifest itself in different ways, varying from the advantages (or disadvantages) of interlocking directorates amongst companies, to restrictive trade practices within an industry, and to the dynamics of market concentration.

While the options for capital seem interminable, the options for labour are very limited. The legal

constraints on union structure retard industry-wide organisation and promote division. Moreover, in an oligopolistic industry the effect of technological innovation on labour creates strong pressures to back the fortunes of the employer. Under these circumstances, the brewing industry is merely characteristic of some of the contemporary problems facing labour in the Australian manufacturing sector. The mechanisms for concentration of private economic power are proceeding unabated, with concomitant disruption to unity in the labour movement.

The solutions to these macro problems for the labour movement are rooted in systemic change. However, in the face of the disabling organisational structure of unions within industries, the approach to inter-union workplace organisation in the brewing industry provides both a challenge to inadquate union structures and more importantly to the tactics of divide and rule inherent in strategies of corporate control.

TABLE 1

Comparison of wine, spirits and beer purchases in relation to total purchase figures supplies by Licensees for the years 1968, 1972, 1977, 1979 in NSW.

	1968 %	1972 %	1977 %	1979 %
Total Purchases	$258.753M	$341.67M	$675.694M	$931.787M
Beer	$194.747M 75.26%	$243.68M 71.44%	$448.938M 66.44%	$597.892M 64.17%
Wine	$ 20.168M 7.797%	$ 36.617M 10.74%	$ 90.158M 13.34%	$151.28M 16.24%
Spirits	$ 43.838M 16.95%	$ 60.77M 17.82%	$136.598M 20.22%	$182.615M 19.60%

Source : Based on figures appearing in Licences Reduction Board Annual Report 1980.

TABLE 2

Beer production in the Australian Brewing Industry 1974/79.

	1974/75	1975/76	1976/77	1977/78	1978/79
Total beer production (litres)000s	1,954,960	1,915,845	1,955,355	2,004,549	1,986,184
Bulk beer production (litres)000s	874,003	848,313	834,520	826,717	806,850
Bottled beer production (litres)000s	772,865	744,994	758,702	760,592	722,017
Canned beer production (litres)000s	307,592	322,538	362,133	417,240	457,317

Source : A.C.T.U. Negotiating Exhibit Shorter Hours in the Brewing Industry, p.44

TABLE 3

Australian Brewing Industry. Value added in beer production.

	Employment (Persons)	Value Added $ 000	Value Added/ Employee $	Price Index	Value Added Constant (68-69) $	Productivity Index
1974/75	9,062	162,717	17,956	151.7	11,836	100
1975/76	9,097	193,942	21,319	168.5	12,652	106.9
1976/77	9,031	214,522	23,754	184.8	12,854	108.6
1977/78	8,975	233,247	25,989	203.5	12,770	107.9
1978/79	8,339	260,742	31,268	217.8	14,356	121.3

Source : A.C.T.U. Negotiating Exhibit Shorter Working Hours in the Brewing Industry, p.46

TABLE 4

Source : A.B.S. Catalogue numbers 8366.0 & 5406.0

* Comparison of domestic and import wine production value is almost impossible due to changes in data collection techniques in the A.B.S. during survey period and also due to different categorisation of wines in domestic and import statistics. However, a comparison of domestic production statistics with the value of imported wines and spirituous liquors (less the first two unrelated items in catalogue number 5406.0) loosely demonstrates the increasing competition of imported wine and spirits for domestic wine production.

AUSTRALIAN WINE PRODUCTION

Total beverage wine, 000s litres

1977/78	1978/79	1979/80	1980/81	1981/82
226,276	274,522	321,499	283,444	303,040

Wine Imports - Value $000s

1977/78	1978/79	1979/80	1980/81	1981/82
59,573	71,357	73,238	89,495	101,664

FOOTNOTES

1. N.S.W. Royal Commission on Liquor Laws - Report 1954 p.2, 17

2. One of the most notable examples which illustrates this occurence concerns a complaint laid under the Monopolies Act, in 1966, by the publican of the Jinderra Hotel (see Daily Telegraph 1/6/66 p.13) who claimed that his hotel was without bulk beer because :
a) he would not sign a trading guarantee with C.U.B.
b) the hotel was in a non-trading area for both Tooth and Tooheys. In a letter sent to the Jinderra publican in 1962, the sales manager of Tooheys stated, "As you are out of our agreed distribution area, we are unable to meet your request." (for beer supplies) Commenting on these allegations of collusion, the then Managing Director of Tooths claimed "We are in competition but we don't maul one another." (see S.M.H. 25/6/66 p.6)

3. A.C.T.U. Negotiating Exhibit : "Shorter Hours in the Brewing Industry" p.53

4. Ibid. pp.50,51

5. Ibid. p.49

6. Ibid. p.49

7. For examples see Ibid pp.53-55

8. The capacity for breweries to further streamline their physical capital is borne out by the fact that most breweries currently operate at around 80% of their productive capacity : see Ibid p.42

9. See Your Shout, Brewery Workers Bulletin, vol.2, no.4,p.3

10. C.U.B. Annual Report 1981/82 p.3

11. S.M.H. 18/7/81 p.39

12. N.S.W. Royal Commission on Liquor Laws ... op.cit.p.25

13. Tooheys Ltd. Annual Report 1975

14. As in the brewing industry, coopers became redundant with the trend away from wooden casks to stainless steel casks.

25. Sun Herald 6/9/81 p.3

26. A.F.R. 29/6/81 p.51

27. The monopolies provisions of the Trade Practices Act, stipulate that a monopoly may not be formed in a state by takeover or merger.

28. Australian Business 10/3/83 p.44

29. The legal constraints on union organisation over an entire industry relate primarily to the barriers to amalgamation for unions, under the 1972 amendment to section 158N of the Commonwealth Conciliation and Arbitration Act. The intention of this amendment was to restrict the ability of left wing unions to gain industry-wide coverage.

15. Many small wine companies having been excluded from the liquor store trade have had to fight for survival by drumming up business in the restaurant trade. See. A.F.R. 30/9/81 p.32

16. From 1974/75 to 1976/77, the wine division of Tooheys increased sales annually at a rate of 20-30%. See company reports for those years, cf. Table 1.

17. A.F.R. 29/9/81 - "Plea to Barossa Co-ops Not to Sell the Farm"

18. A.F.R. 3/12/82 p.16

19. Tooheys Annual Report 1972 "Chairman's Address" (sic) p.4

20. Licences Reduction Board Annual Report 1980 p.4

21. Report of the Board of Inquiry into the operation of the Liquor Control Act, 1968, in Victoria, vol 1, 1978, p.55

22. Tooth and Co., Annual Report 1979/80, p.10

23. "Your Shout" vol.1, no.3, op.cit. p.2

24. Ibid